FNB Namibia Holdings

2015 Integrated Annual Report

2015

An enterprise that started in 1907 with only 12 employees in a small building in remote Lüderitzbucht, in the south-western corner of Namibia, has grown into a giant.

The FNB Namibia Holdings Group today employs more than 2 000 people, has a presence throughout the country and provides multifaceted financial services to the nation.

In 1997 – 90 years after its birth – it became the first locally registered bank to be listed on the Namibian Stock Exchange. Market capitalisation has soared from N$167.2 million to N$8.8 billion in 18 years. It is proud to record that it has delivered consistent earnings growth and created value for all its stakeholders.

Today its portfolio includes an array of the best-known brands in the financial sector: FNB, RMB, WesBank and OUTsurance.

Each year we look to improve our reporting to stakeholders. In 2014 the country published its own code on corporate governance, NamCode. This is our first attempt to apply integrated reporting, as recommended.

It is not an exercise in ticking boxes. We have carefully considered the principles and objectives outlined in the code and tried to apply best practice.

Our primary objective is to establish and maintain a sustainable business. What we seek to achieve in our reporting is to give stakeholders enough relevant information to enable them to judge whether we are succeeding.

Is our strategic thinking sound? Is the leadership implementing it effectively? Are we using our operating platforms, our financial resources, our risk capacity to best advantage?

We believe that finding answers to those questions is what NamCode is all about.

Our fundamental approach, therefore, is to present substance over form. We trust our stakeholders will find this new approach useful, informative and readily accessible.

Contents

2015 ANNUAL INTEGRATED REPORT

SCOPE AND BOUNDARY

This report covers the period 1 July 2014 to 30 June 2015, with available information up to 7 August 2015.

Features of group results

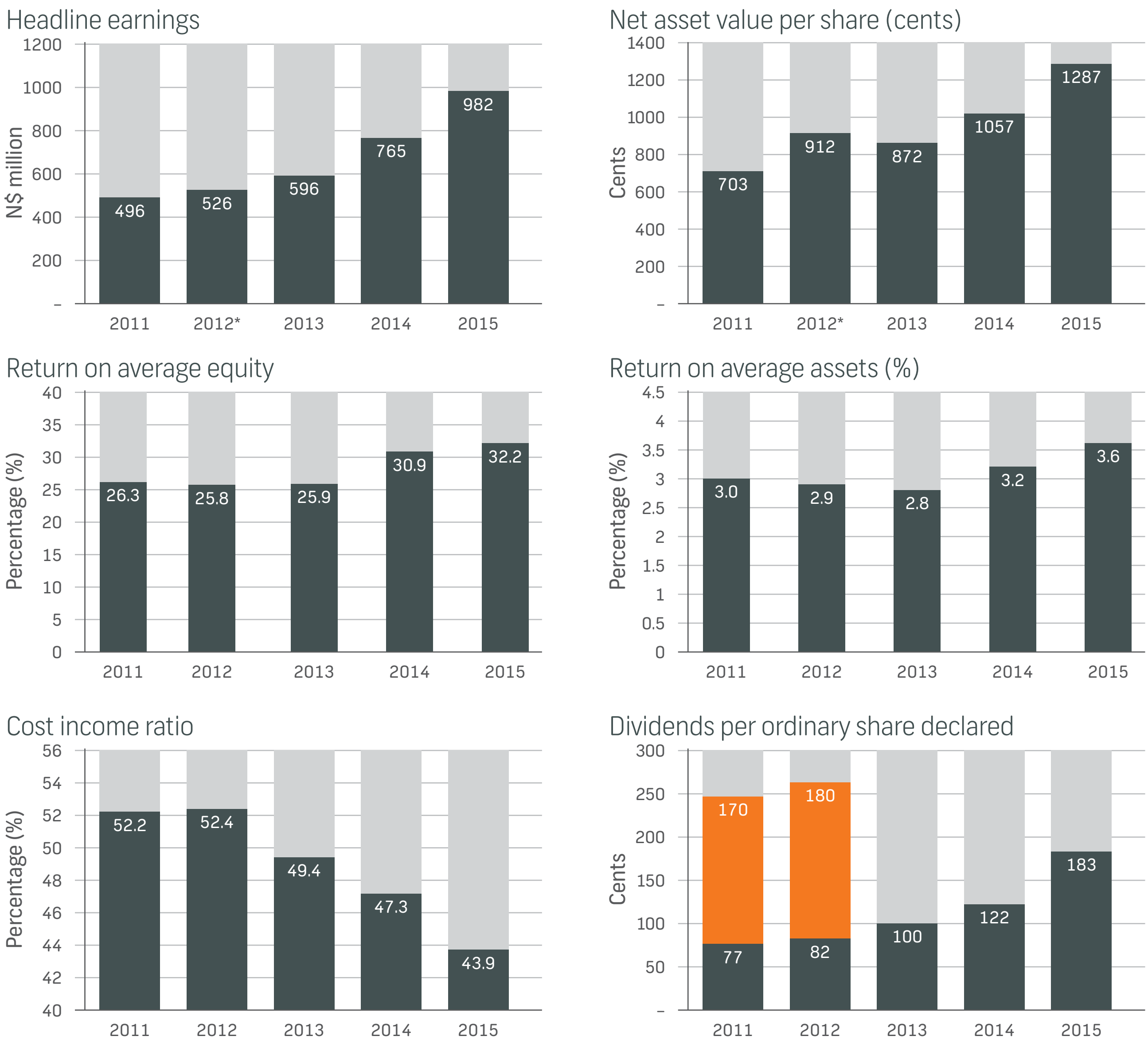
Return on equity
32.2%

Return on assets
3.6%

Cost to income ratio
43.9%

Profit for the year
N$998.7 million

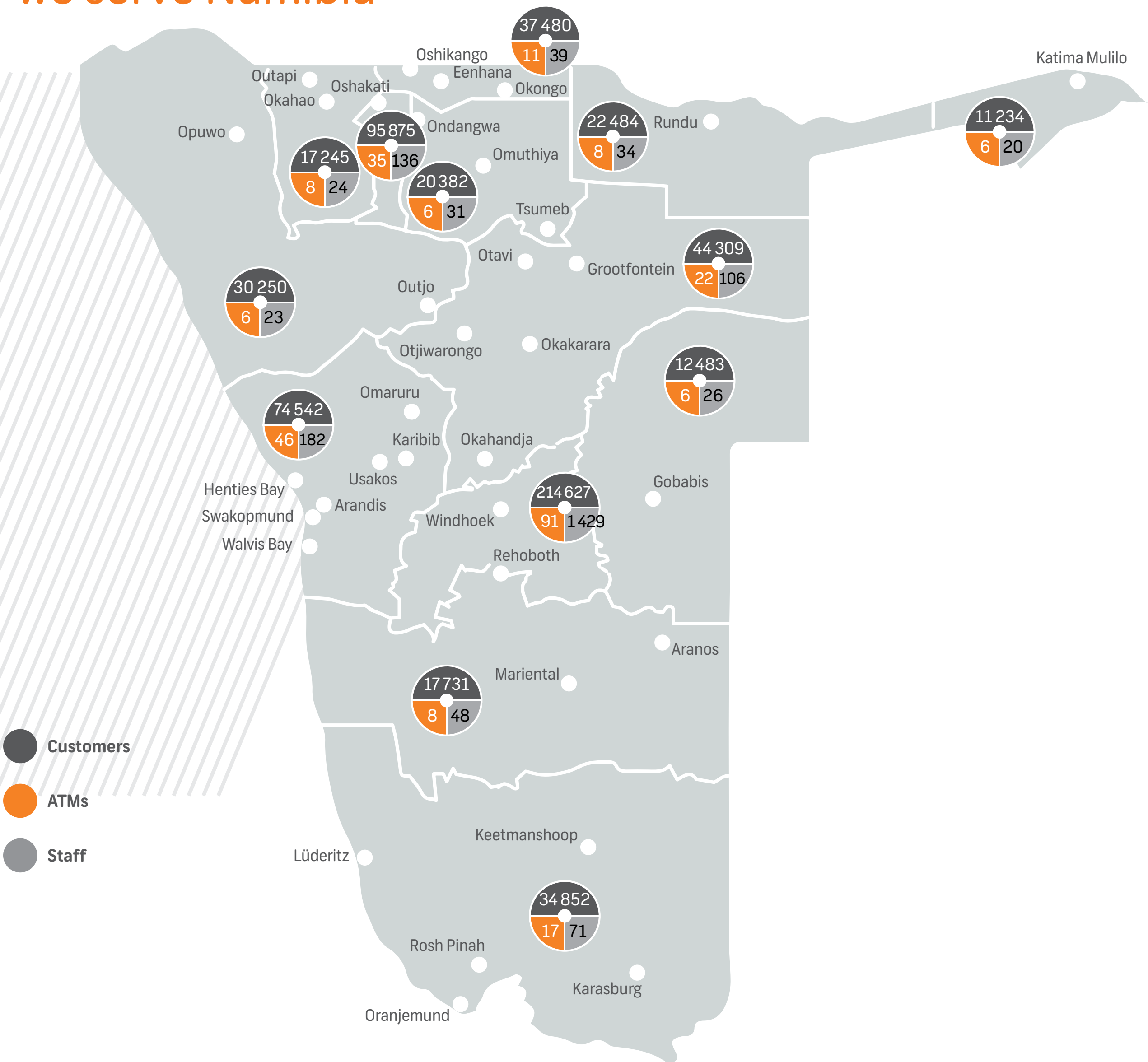
	Year ended 30 June 2015	Year ended 30 June 2014
Share performance		
Earnings per ordinary share (cents)	377.5	297.7
Headline and diluted headline earnings per share (cents)	377.6	294.7
Net asset value per share (cents)	1 287	1 057
Market capitalisation	8 772	6 197
Price to Book	2.5	2.2
Dividends per share - ordinary dividend declared for the period (cents)	183	122
Dividend yield - ordinary dividend (%)	5.6	5.3
Dividend cover (times)	2.0	2.4
Earnings yield (%)	11.5	12.9
Closing share price - ordinary (cents)	3 278	2 316
Price / Earnings ratio	8.7	7.8
Capital adequacy		
Capital adequacy of FNB (%)	16.9%	17.1%
Solvency margin of OUTsurance	39.1%	37.0%


Headline earnings
N$ million
1200
1000
800
600
400
200
–
496
526
596
765
982
2011
2012*
2013
2014
2015
Net asset value per share (cents)
Cents
1400
1200
1000
800
600
400
200
–
703
912
872
1057
1287
2011
2012*
2013
2014
2015
Return on average equity
Percentage (%)
40
35
30
25
20
15
10
5
0
26.3
25.8
25.9
30.9
32.2
2011
2012
2013
2014
2015
Return on average assets (%)
Percentage (%)
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
3.0
2.9
2.8
3.2
3.6
2011
2012
2013
2014
2015
Cost income ratio
Percentage (%)
56
54
52
50
48
46
44
42
40
52.2
52.4
49.4
47.3
43.9
2011
2012
2013
2014
2015
Dividends per ordinary share declared
Cents
300
250
200
150
100
50
–
170
180
77
82
100
122
183
2011
2012
2013
2014
2015
Special
Ordinary

*Normalised

FNB's business model

How we serve Namibia

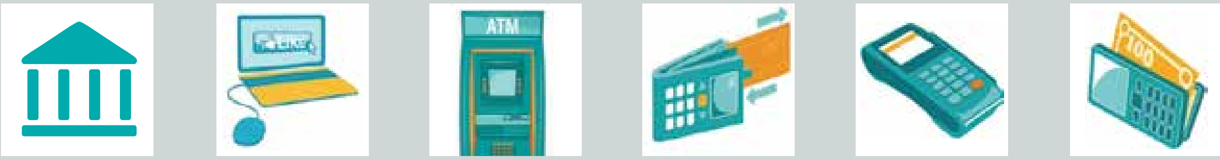


How we generate value

Sources of income or expense	N$m	Net value generated	N$m
Lending activities	22 833	interest received on advances impairment charges	2 266 (50)
Investment in liquid assets and other securities	3 366	interest received on investments	147
Transactional banking		fees and commissions fair value income revenue from other business activities	1 073 156 31
Short-term direct insurance operations		OUTsurance premium income	154
Deposits taking	23 952	interest and funding costs	(684)
Tier 2 capital	393	interest on tier 2 capital	(276)
Investment in buildings and equipment	849	depreciation	(46)
Investment in people		staff costs	(644)
Infrastructure provided and maintained		operating costs	(532)
Short-term direct insurance operations		OUTsurance claims/benefits paid	(82)
		Net income from operations	**1 513**

How our clients transact

	BRANCHES	ONLINE BANKING	ATM's	CELLPHONE	SPEEDPOINTS	EWALLETS
income generated	N$ 656 million	N$ 96 million	N$ 152 million	N$ 28 million	N$ 137 million	N$ 31 million
customer transactions	8 million	25 million	9 million	12 million	16 million	5 million
	UP 0%	UP 9%	UP 11%	UP 19%	UP 21%	UP 125%



BRANCHES | ONLINE BANKING | ATM's | CELLPHONE | SPEEDPOINTS | EWALLETS

N$ 249 billion in ONLINE BANKING PAYMENTS

N$ 4.5 billion in CARD SWIPES

N$ 15 billion in CASH WITHDRAWN AT ATMs

N$ 2 billion EWALLETS sent

Based on FNB customers only

Corporate Governance report

Corporate governance remains an integral factor for FNB Namibia Holdings, with an emphasis on frameworks such as the Companies Act, No 28 of 2004, NamCode on Corporate Governance, NSX Listings Requirements and the Banking Institutions Act, No 2 of 1998. FNB's Board of Directors is the highest decision making body and oversees implementation of corporate governance within the group.

Application of the NamCode on corporate governance

FNB is committed to the principles of corporate governance as set out in the NamCode, following the issuance that all listed companies are required to comply with the NamCode.

Governance Structure within the group

Each board committee of FNB has a clearly defined set of responsibilities. The tools used to apply good governance in FNB remain in use and can be summarised as follows:

- Governance framework
- Formalised charters and mandates of accountability;
- Director performance reviews against set objectives and mandates at individual, board or committee level; and
- Group wide ethics programme for leadership, management and people management policies and processes.

The adopted governance framework sets out the governance principles. The application of group policies to its subsidiaries is agreed as part of this framework and set out in each policy. The group further appoints executive and non-executive directors to subsidiary boards while recognising that directors have a fiduciary responsibility to each company. The appropriate representation of the group is considered with clear regard for regulatory requirements and the best interest of each subsidiary company. The assessment process on nomination to committees is delegated to the directors' affairs and governance committee.

The board has reporting mechanisms from its subsidiaries and approved delegated levels of authority, which are reviewed on a regular basis.

Composition of the board and appointment of directors

As at 30 June 2015 the FNB board of directors consists of 11 directors, 7 of whom are independent non-executive, 3 of whom are non-executive and 1 of whom is executive. This composition reduces the possibility of conflicts of interest and promotes objectivity. There is an appropriate balance of power and authority on the board.

The roles of the chairman and chief executive officer are separate. FNB's board chairman is non-executive and independent, and the number and stature of independent non-executive directors serving on the board ensures that enough independence is applied when making significant decisions.

The board considers the following directors to be independent:

Mr. CJ Hinrichsen (Chairman)
Ms. II Zaamwani-Kamwi
Mr. CLR Haikali
Mr. PT Nevonga
Mr. SH Moir
Mr. MN Ndilula
Ms. JJ Comalie

Mr. JR Khethe, Mr. JR Formby and Mr. LJ Haynes are deemed to not be independent non-executive directors due to their various roles within FirstRand Bank Holdings Ltd, the majority shareholder of the company. Mr. SJ Van Zyl is the Chief Executive Officer of the company.

Retirement, resignation and appointment of directors during the financial period

Mr. Leyenaar retired from the board on 30 November 2014. Mr. Van Zyl was appointed effective 1 December 2014. Mr. Giddy

FNB is committed to the principles of corporate governance as set out in the NamCode, following the issuance of the NamCode on corporate governance with effect from the 2015 financial year.

resigned from the board effective 25 August 2014. Mr Formby was appointed effective 27 January 2015.

Leadership skills, experience and expertise of directors

FNB ensures that the leadership skills, experience and expertise in business and corporate governance are some of the factors considered at the appointment of directors. The directors' affairs and governance committee, which serves as the nominations committee, also takes into account the regulatory requirements and diversity of the board during the appointment process.

Rotation and re-election of directors in terms of the articles of association

All non-executive directors are subject to retirement by rotation and re-election by shareholders periodically, with a third of the directors rotating annually in accordance with the articles of association. The reappointment of non-executive directors is not automatic and is subject to performance and eligibility. This ensures that a balance is maintained in continuity in board membership, subject to performance and eligibility for re-election.

The articles ensure a staggered rotation of non-executive directors, so as to retain valuable skills, maintain continuity of knowledge and experience.

The re-appointment of the following directors, who retire in terms of the articles of the company, will be discussed at the annual general meeting of the company:

Ms. Jennifer Juanita Comalie, independent non-executive director
Mr. Jabulani Richard Khethe, non-executive director
Mr. Leonard Jack Haynes, non-executive director

Attendance Register of the Board and committees

The board accepted the apology of directors as noted below and assures stakeholders that it has assessed the workload and commitment of all directors to serve on the board.

The board assessed the suitability and commitments outside the board duties of directors who did not attend more than 75% of the meetings of the board and accepted their apology while impressing on them the need to ensure that they are able to discharge their duties on the board at all times.

Name of Director	Board	Meetings scheduled and attended	Audit Committee	Meetings scheduled and attended	Risk, Capital and Compliance Committee	Meetings scheduled and attended	Directors Affairs and Governance Committee	Meetings scheduled and attended	Remunera-tion Committee	Meetings scheduled and attended
CJ Hinrichsen (chairman) I NED	Chairman	4/4					Chairman	3/3	Member	3/3
CLR Haikali I NED	Director	4/4					Member	3/3	Member	2/3
JR Khethe NED	Director	2/4					Member	2/3		
SH Moir I NED	Director	4/4	Chairman	4/4	Chairman	4/4			Member	3/3
MN Ndilula I NED	Director	3/4								
PT Nevonga I NED	Director	4/4								
II Zaamwani-Kamwi (Ms) I NED	Director	1/4	Member	2/4	Member	2/4			Chairman	2/3
SJ van Zyl [1] CEO (ED)	Director	4/4								
JR Formby [2] NED	Director	2/4								
JJ Comalie I NED	Director	4/4	Member	4/4	Member	4/4				
LJ Haynes NED	Director	4/4	Member	4/4	Member	4/4	Member	3/3	Member	3/3
IJM Leyenaar [3] CEO (ED)	Director	2/4								
CJ Giddy [4] NED	Director	1/4								

[1] Mr. Van Zyl appointed effective 1 December 2014
[2] Mr. Formby appointed effective 27 January 2015
[3] Mr. Leyenaar retired from the board on 30 November 2014
[4] Mr. Giddy resigned from the board effective 25 August 2014

I NED – Independent non-executive director *NED – Non-executive director* *ED – Executive director*

Access to management and company resources

Directors have full and unrestricted access to management and all group information and resources. They are also entitled to seek independent professional advice and or training at the group's expense in support of their duties. Directors meet separately with management without the attendance of executive directors as well as with professional advisors without management's presence. Professional advisors, officers or members of staff whose input may be required, are invited to attend meetings at the discretion of the chairperson. These invitees have no votes at these meetings.

The chairman of the board

FNB has an independent non-executive director as chairman of the board who has provided the necessary direction for an effective board. Mr. Hinrichsen is set to retire as chairman in December 2015 and the directors' and governance committee is responsible for the succession planning in relation to the chairmanship of the board.

The chairman of the board has succeeded in:

- setting the ethical tone for the board
- providing overall leadership to the board without limiting the principle of collective responsibility for board decisions
- presiding over board meetings and ensuring productivity at the meetings
- acting as a link between the board and management
- ensuring that directors play a full and constructive role in the affairs of the company
- ensuring that complete timely, relevant, accurate, honest and accessible information is placed before the board
- upholding rigorous standards of preparation for meetings
- ensuring that decisions by the board are executed.

Group company secretary

The board is assisted by a competent, suitably qualified and experienced company secretary. The group company secretary provides support and guidance to the board in matters relating to governance across the group. The group company secretary is also responsible for the induction programs of new directors and ongoing director training to ensure that they execute their responsibilities. All directors have unrestricted access to the group company secretary.

Auditor's independence

The group's annual financial statements have been audited by the independent auditors, Deloitte & Touche. The group believes that the auditors continue to observe the highest level of business and professional ethics. It has no reason to believe that they have not at all times acted with unimpaired independence. The audit committee has confirmed the independence of the external auditors for the reporting period.

Details of fees paid to the external auditors are disclosed in the notes of the financial statements, together with details of non-audit services and the fees paid in respect thereof.

Group's compliance with regulatory requirements

As the group's main business is diversified into banking and non-banking financial service provision, the bank business is regulated by the Bank of Namibia in terms of the Banking Institutions Act, No 2 of 1998, as amended and determinations passed in terms thereof, while the short-term insurance, insurance brokerage and unit trusts businesses are regulated by the Namibia Financial Institutions Supervisory Authority ("NAMFISA") in terms of different legislation.

FNB Namibia Holdings Limited is also listed on the Namibia Stock Exchange ("NSX"), and therefore obliged to comply with the Stock Exchanges Control Act, No 1 of 1985, NamCode on Corporate Governance and the listing requirements of the exchange.

The board is satisfied that the group complied with all these laws and regulations for the past year and none of the regulatory authorities, through their ongoing supervision mechanisms, expressed any material dissatisfaction with the manner in which the group conducts its business.

Financial statements

The directors are responsible for monitoring and approving the financial statements to ensure that they fairly present the group's affairs and the profit or loss at the end of the financial year. The independent auditors are responsible for expressing an opinion on the fairness with which these financial statements represents the financial position of the group.

The financial statements in this report have been prepared by management in accordance with the International Financial Reporting Standards ("IFRS") and in the manner required by the Namibian Companies' Act and the Namibian Stock Exchange. They are based on appropriate accounting policies that have been consistently applied, except as indicated, and which are supported by reasonable and prudent judgments and estimates.

Communication with shareholders

The group recognises that effective communication with stakeholders is essential to good governance and to this end the group distributes information to shareholders through the Stock Exchange News Service (SENS), the print media and its website to ensure transparent and effective communication with shareholders in order to build and maintain relationships. Following the publication of its financial results, it engages with investors and analysts both locally and internationally to present the results and answer questions in respect thereof.

Shareholders are encouraged to attend the annual general meeting and participate in the affairs of their company.

Share dealings

Directors, senior executives, participants in the share option schemes, or persons who may have knowledge of price sensitive information may not trade in the company's shares during the closed period as defined in terms of the NSX rules (said period extends from the end of the financial year until after the publication of the financial results). This prohibition also covers periods where the company is trading under cautionary announcements. Additional closed periods may be invoked by the board.

All dealings in shares by the directors require prior approval by the chairman, are disclosed on SENS, and the group company secretary keeps record of all such share dealings and approvals.

Details of trades in shares by staff members who may have access to price sensitive information is also disclosed to the group remuneration committee.

Board committees

The board has delegated certain functions to structured and effective committees to assist the directors in the discharge of their duties and responsibilities.

At company level the following board committees exist:

- Audit committee
- Risk, capital and compliance committee
- Remuneration committee
- Directors' affairs and governance committee; and
- The credit risk committee which is a subcommittee of the audit committee.

All committees have formal terms of references and report to the board, they are chaired by independent non-executive directors and have a majority of independent non-executive directors.

Report of the audit committee chairman

Role

The audit committee plays a pivotal role in assisting the Board to comply with its duties in terms of section 42 of the Banking Institutions Act 2 of 1998, read together with chapter 3 on the NamCode on corporate governance.

The Audit Committee serves as a committee of the board, overseeing integrated reporting, however the board retains the ultimate decision making ability on such matters.

Composition of the audit committee

The independence of the audit committee is paramount. The audit committee consists of three independent non-executive directors and a non-executive director. The committee's collective skills are appropriate to oversee integrated reporting.

Members

Mr. SH Moir (chairperson), Ms. II Zaamwani-Kamwi, Ms. JJ Comalie, and Mr. LJ Haynes. Mr. Haynes is a non-executive director due to his role at FNB International, a division within the governance structure of the majority shareholder. The chairman of the audit committee is an independent non-executive director.

The biographical information of the members of the audit committee is contained on page 24 - 26 of this report. The period for which the audit committee members have served is as follows:

Mr. SH Moir	2006 – 2014
Ms. II Zaamwani-Kamwi	2002 - 2014
Ms. JJ Comalie	2012 - 2014
Mr. LJ Haynes	2012 - 2014

The Group Chief Executive Officer, Group Chief Financial Officer, Head of Internal Audit, Head of Risk, Head of Compliance and external auditors attend all meetings in an ex-officio capacity. The board chairman attends the audit committee by invitation. The external auditors and head of internal audit meet independently on an annual basis and as and when required.

Discharge of audit committee duties

The audit committee discharged its duties in respect of the group by:

- Ensuring the expertise, resources and experience of the financial management function;
- Ensuring integrity, reliability and accuracy of the financial statements, the accounting practices and the internal financial management function
- Evaluating the adequacy and effectiveness of internal audit assurance functions
- Maintaining transparent and appropriate relationships with the external auditors;
- Reviewing the scope, quality and cost of the statutory audit and the independence and objectivity of the auditors
- Ensuring that there is adequate reliance placed on effective internal, external and management assurance providers
- Ensuring that the integrated sustainability reporting obligations are met
- Satisfying itself that the external auditor was independent of the company; and
- Understanding how the board and the external auditor evaluate materiality for integrated reporting purposes.

Audit committee charter

The committee has a board approved audit committee charter, and is satisfied that its responsibilities have been executed in terms of the charter.

Financial statements

The audit committee reviews and comments on the financial statements, the accounting practices and the internal financial control of the company and reports to the board thereon. It provides assurance on the integrity and completeness of the company's financial report. Changes in accounting policies are presented in detail to facilitate understanding of accounting practices for complex areas.

Stakeholders are herewith assured that the accounting policies and practices within the group are in compliance with IFRS and regulatory requirements.

Combined assurance

The committee ensured the application of a combined assurance model which provides a coordinated approach to all assurance activities within the group. The committee confirms that it is satisfied that the relationship between internal and external assurance providers is conducive to the attainment of assurance objectives of assurance providers.

Integrated reporting

The committee has reviewed the integrated report within the annual report. The committee anticipated that with continual evolvement of integrated reports generated at management level and with the independent review the role of the committee would change significantly during the ensuing year.

The committee approved the integrated report to the board for approval.

Internal audit function

The internal audit function forms a critical pillar in the provision of independent assurance. The committee assures stakeholders of the independence and effective functioning of the internal audit function in adequately discharging its function during the year under review.

Annual general meeting

The chairman of the audit committee will be in attendance at the AGM to confirm the audit committee report and encourages stakeholders to forward questions for consideration by the committee and the external auditors.

The committee assures stakeholders that:

- The committee has reviewed a documented assessment including key assumptions, prepared by management of the going concern status of the company and has accordingly confirmed to the board that the company will be a going concern for the foreseeable future
- The financial statements of the group accurately reflect the financial position and records of the group
- Effective accounting practices and policies have been maintained
- The skills and resources of the internal audit and finance functions are adequate and all requirements have been met
- Internal controls of the group have been effective in all material respects during the year under review
- The skills, experience and overall performance of the external auditor was acceptable and it recommends to shareholders that Deloitte & Touche be re-appointed as external auditors of the group for 2015/16 financial year. The committee assures the stakeholders that it met its obligations in all material respects
- The committee met its statutory obligations
- No other responsibility other than those set out in the charter were assigned to it by the board.

Key 2016 focus areas

- Continued implementation of the combined assurance philosophy aimed at aligning and leveraging of the risk and assurance functions as performed by risk, external and internal auditors
- Continued review and evaluation of the adequacy, effectiveness and efficiency of the internal control environment, accounting practices, information systems and risk management processes
- Continued incorporation of NamCode in its charter, work plan and reporting framework to ensure the highest corporate governance standards are applied consistently through the group.

S H Moir | Chairperson | Audit committee

Report of the Risk, Capital and Compliance Committee Chairperson

FNB's Risk, Capital and Compliance (RCC) committee is a subcommittee of the board and assists the board in discharging its responsibility in the comprehensive governance of risk. The committee's responsibility is clearly articulated in the committee charter.

The group's RCC committee has complied with its terms of reference and objectives set for the period. Stakeholders are referred to the Risk report for a detailed discussion.

Composition of the RCC committee

The committee consists of three independent non-executive directors and a non-executive director. The Committee's membership has a thorough understanding of risks and risk management. Amongst the attendees are the Group Chief Executive

Officer, the Group Chief Financial Officer, Group Chief Risk Officer, Head of Compliance and the Head of Internal Audit who attend meetings in an ex-officio capacity.

Members

Mr. SH Moir (chairperson), Ms. II Zaamwani-Kamwi, Ms. JJ Comalie, Mr. LJ Haynes. The biographical information of the members of the RCC committee is set out on page 24 to 26 of the annual report.

RCC committee activities

The following were undertaken during the year:

- Receiving and reviewing the reports of the chief risk officer, which highlights key risks of the company including IT and compliance risks
- Reviewing the risk assessments, risk monitoring reports, management responses and challenging the effectiveness thereof
- Determining risk appetite of the group and its subsidiaries and monitoring compliance thereto
- Ensuring that sufficient resources and systems are in place to identify, monitor and mitigate risk
- Ensuring the effective management of credit and concentration risk
- Ensuring and maintaining an Internal Capital Adequacy Assessment Process ("ICAAP")
- Setting risk tolerance levels while considering risk factors and the ongoing changes in the risk environment.

The committee assures stakeholders that:

- The committee has maintained a reporting system that enables the committee to monitor changes in the group's risk profile
- It met its obligations in terms of the charter in all material respects.

S H Moir | Chairperson | RCC committee

Directors' affairs and governance committee

This is a committee of the board of FNB Namibia Holdings Limited and those companies within the group and is appointed in terms of its articles of association.

Attendance of members for the year under review is detailed on page 9.

Members

Mr. CJ Hinrichsen (chairperson), Mr. JR Khethe, Mr. CLR Haikali, Mr. LJ Haynes (alternate)

Focus areas of the committee

Its prime objectives are to assist the board in discharging its responsibilities relative to:

- Determine and evaluate the adequacy, efficiency and appropriateness of the corporate governance structures of the group
- Board and board committee structures
- The maintenance of a board directorship continuity programme including:
  - the continuity of non-executive directors
  - the regular review of the competence of the board of directors, including the skills, experience and other qualities required to enhance the effectiveness of the board; and
  - the selection and appointment of new directors

- The committee reviews the structure and composition of the boards of significant operating companies within the group
- Is the focal point of the ethical governance of the group and monitors the implementation of the Code of Ethics.

Board nomination and succession

The board has an approved, formalised board appointment and succession for independent non-executive directors and executive management that takes cognisance of the skills and experience of the current and prospective directors. The appointment process is formal and a matter for the board as a whole, assisted by the directors' affairs committee.

The committee met three times during the year. The committee's priority for the upcoming financial year is to plan for the succession of the board chairman.

CJ Hinrichsen | Chairperson | Directors' affairs and governance committee

Report of the remuneration committee

Role

The primary objective of the committee is development and implementation of the group's Human Resources Policy inclusive of the group's remuneration philosophy and policy framework. The committee provides oversight over all forms of remuneration and reward for non-executive directors, executive directors, senior management and all employees.

Composition

The remuneration committee is chaired by an independent non-executive director and is constituted by non-executive directors, the majority of whom are independent.

The Chief Executive Officer, the Chief Financial Officer and the Chief Human Resources Officer attend all committee meetings in an ex officio capacity and are recused when matters that affect them are discussed.

The chairman of the risk, capital and compliance committee is a remuneration committee member enabling him to ensure that the risk element of the group's remuneration policy has been duly considered, while ensuring appropriate compensation for risk managers and discouraging inappropriately risky behaviour.

The committee met three times during the year.

Committee's terms of reference

The committee exercises stewardship over FNB Namibia Holding's remuneration practices and ensures that compensation works in harmony with the implemented risk postures. The committee's specific responsibilities, includes, amongst others the following:

- **Remuneration policies and practices**
  The committee ensures alignment of the remuneration strategy and policy with the FNB Namibia Holdings group's business strategy and desired culture and approves the general principles applied to remuneration, bonus and share incentive scheme policies and practices ensuring a balance between guaranteed and performance-based remuneration, taking into consideration at all times the risk associated with the behaviour being incentivised.

- **Performance management**
  The committee ensures that appropriate performance measurement processes are implemented for the award of salary increases, bonuses and share incentives whilst ensuring that remuneration is pitched at levels relative to other comparable companies taking relative performance into account.

- **Salary increases**
  The committee approves the general principles applied to the award of salary increases and approves remuneration packages needed to attract, retain and motivate high performing executive directors and executive management, but avoid paying more than is necessary for this purpose.

- **Incentive bonuses**
  The committee approves the quantum of the annual bonus pool, the methodology utilised for the allocation of the pool to the business units and the quantum of the allocations to the business units. Incentive bonuses are based on performance of the individual, business unit and group. Specific performance metrics are used to determine reward – these are measured on a risk-adjusted basis and include increase in profit, ROE and cost income ratio.

- **Share incentives**
  The committee approves the general principles applied for the award of share incentives to employees. The awards are approved on an individual basis in respect of executive directors and senior management.

- **Employees over which it exercises discretion**
  The committee determines remuneration policy generally (i.e. positioning relative to the market etcetera.), bonus and share incentive award policy for the employees over which it exercises discretion. The committee receives proposals on the criteria used to measure the performance for reward purposes of the employees over which it exercises discretion. The committee approves salary increases, bonus and share incentive awards on a name-by-name basis annually, or as deemed necessary by the boards, for the employees over which it exercises discretion. The committee approves remuneration packages and service agreements for the employees over which it exercises discretion. The committee must ensure that the employees involved in financial and risk control positions must be compensated in a manner that is independent of the business areas that they oversee to ensure their independence.

- **Service agreements**
  The committee reviews, as it deems necessary, or as it is requested to do so by the board or CEO, the service agreements of those employees over which it exercises discretion in order to ensure the adequacy of benefit schemes for executive directors and executive management whilst taking account of consequences and associated costs to the company of such benefits.

- **Succession planning**
  The group has an approved succession policy setting out principles of talent management and development of its key resource, its human capital and the CEO provides periodic reports to the remuneration committee. A formal succession plan is in place for key positions within the group and is updated on a regular basis. The board is confident that it should be possible to identify suitable short-term and long-term replacements from within the group should the need arise.

- **Employment equity**
  The group is committed to creating an-all-inclusive working environment where the unique talents of all employees are recognised equally. As such, the group has an employment equity policy in place and is committed to the achievement of equity within its workforce in compliance with internal and regulatory obligations. The policy is aimed at achieving employment equity in the workplace and to enhance business competitiveness.

  Developing all employees is critical to the success of the programme and emphasis is placed on training, monitoring and promotion of existing staff. The group has received its Affirmative Action Compliance Certificate from the Employment Equity Commission annually since inception and has met its set targets.

Remuneration policy and structure

General remuneration principles

As a leading financial services group in Namibia, it is the people that enabled the group to attain this status. The group's reward philosophy is therefore designed to:

- Attract and retain people with the ability, experience and skills required to successfully implement business strategy
- Recognise and reward innovation and performance
- Inspire and motivate people to out-perform against the business strategy, targets and objectives
- Incentivise employees to deliver consistent performance in line with strategic goals and risk tolerances
- Deliver compensation that is affordable and reasonable in terms of the value created for shareholders
- Encourage behaviour consistent with the group's code of ethics, business philosophy and corporate culture.

The group believes that people often work for more than money and that a total reward focus is needed where all the reward elements are integrated. The group's reward philosophy is therefore encapsulated in the diagram alongside:

Directors' remuneration

Executive directors

Executive directors are employed on fairly standard employment contracts as all other employees. Remuneration paid is based on the group's remuneration policy as set out above. The actual remuneration paid to the executive directors is disclosed in the notes of the annual financial statements.

The committee took note of the recommendations of NamCode that companies disclose the remuneration of its three highest paid employees who are not directors. After due consideration of this provision the committee with concurrence of the Board resolved that the disclosure of the remuneration of the executives sufficiently illustrates the alignment between reward and shareholder return.

The committee ensures an optimal balance between operational stability, superior value creation and sustaining appropriate alignment of employee performance with the medium-to long-term interests of the group's stakeholders. The following principles are at the core of the group's remuneration practices:

- ensuring guaranteed pay is commensurate with the volume of work, level of responsibility and individual performance in the role;
- protecting stakeholder value through compensation based on performance measured after adjusting for the level of risk assumed and the cost of capital incurred in the course of business; and
- Overseeing the implementation of long-term incentive awards subject to performance criteria that appropriately reflect sustainable value creation over the medium to long term.

Non-executive directors

Non-executive directors receive fees for services as directors and for services provided as members of board committees. These fees are paid on a retainer as well as attendance basis. The fees vary depending on the role of the committee, are based on market comparisons, and are reviewed on an annual basis in order to meet the remuneration philosophy of the group that advocates for fair and responsible remuneration. The fees are reviewed by the remuneration committee and are approved in advance by shareholders at the annual general meeting.

Non-executive directors do not receive share options or other incentive awards. Further information on exposure of directors to the shares of the company is provided in the notes of the annual financial statements.

Actual remuneration paid to executive directors is detailed in the notes of the annual financial statements.

Inge Zaamwani-Kamwi |
Chairperson | Remuneration committee

Sustainability report

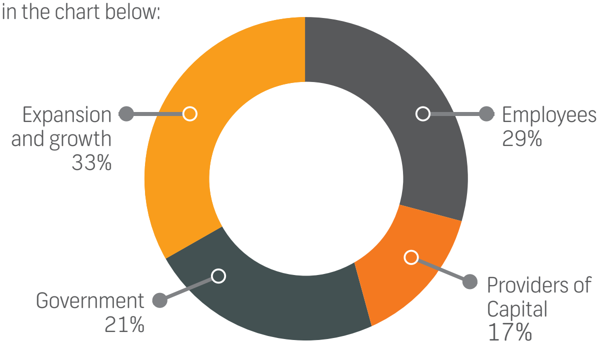
FNB remains resolute about building and maintaining a sustainable organisation in line with its holistic approach to business. Final responsibility for ensuring this goal is solidly reinforced in our corporate culture rests with the board

Sustainability means many things to us. It means playing a leading role in growing the Namibian economy through enabling financial transactions. It means having reliable systems and business processes to ensure proper financial and risk management. It means rewarding our employees fairly and helping them to develop. It means paying our taxes and ensuring shareholder dividends.

Finally, it means being sensitive to the impact our business operations may have on the social and natural environment.

FNB creates value

The contribution we continue to make to stakeholders is substantial. Because FNB is profitable it creates wealth for stakeholders. Our value added statement demonstrates this. Of revenue generated, N$644 million was spent on salaries and other benefits to employees; government received N$488 million in tax; shareholders received N$359 million in dividends. The proportional distribution is illustrated in the chart below:



Contributing to the environment

FNB recognises immediate and potential threats posed by global climate change and other environmental issues. Best practice is being incorporated in all projects and innovative solutions are sought to progress on our goal of reducing our environmental impact.

Although our direct impact is relatively low, we continue to identify opportunities – no matter how small – that will have a positive impact on the environment. Initiatives include:

- Receipt-less option at our ATMs. Customers can choose whether or not to print a receipt after a withdrawal, and to review balances onscreen instead of in print. During the past 12 months "no receipts" were selected on 14.6 million transactions.
- Electronic statements. Clients are realising the convenience and reliability of electronic statements. Currently 27 400 clients make use of this option – an increase of 30% on the previous year.
- Video conferencing. This facility has been in operation for more than a year and has succeeded in cutting travel costs, carbon emissions and time wasted.
- Paper recycling. We're moving to electronics from paper in back office report filling. In preparation for the move to our new green Windhoek building, 11 000 kg of paper waste was collected from business units in one month.
- Solar power plants. These are operating successfully at selected business areas and have cut reliance on the national grid by over 50%. FNB intends to continue supporting alternative energy sources, by installing solar plants in its new head office building and at branches across the country.
- Money for solar. FNB has facilitated a United Nations development programme under which 300 low-interest loans have been granted to fund installation of solar power.

Our new Windhoek building project demonstrates our commitment to the environment. We determined that it would be a certified four-star Green Star building – the first in Namibia. Still being built, it has already invigorated two industries: construction waste recycling and building waste recycling.

Both industries were struggling before the FNB development. FNB will continue contributing to waste recycling throughout its operational life.

The building is in an arid area and saving water and controlling consumption are priorities. Water-efficient fittings will be used throughout the building and a water recycling system has been developed. Grey waste water from the building will be stored in basement tanks for filtration and re-use. It will be supplemented by rainwater harvested from the building.

Because the basements lie below the level of the high water table, the development necessitated a sump pump for periods when the water table rises. Normally this water would be directed to the municipal storm-water system but FNB has decided to store it for garden watering.

All electrical and mechanical systems have been designed to be energy efficient while ensuring comfort for occupants. The systems are designed to run constantly at maximum efficiency without comprising other operations.

The architectural design ensures that office areas have maximum exposure to natural light, minimising the need for artificial lighting during the day. The design also incorporates zoning so that not all portions of the floor plate need to be lit simultaneously, saving energy when the building is partially occupied. The mechanical systems have been designed to incorporate a full economy cycle and night flushing to cool the building down before morning occupation. Glazing will minimise heat transfer from outside.

Our people sustain our group

FNB has a transformation plan designed to ensure that it has the best people working for the best employer. The plan provides for an engaged workforce motivated by high internal morale to optimise business opportunities. It recognises that customers have diverse needs and it seeks to encourage and manage diversity within the organisation by introducing appropriate governance structures

Our annual People Pillar survey is conducted each March. It keeps us in touch with how employees perceive management and the organisation. We are pleased to report that the staff engagement score has risen from 80% to 81%. We will use the survey to focus on areas requiring improvement.

The team of 2 164 FNB staffers is key to ensuring the long-term sustainability of FNB as market leader in a highly competitive financial services industry. Special peformances are recognised and appropriately rewarded. Rewards range from cash to interest-free study loans to in-house training courses.

Our direct impact on the environment is relatively low, we continue to identify opportunities – no matter how small – that will have a positive impact on the environment.

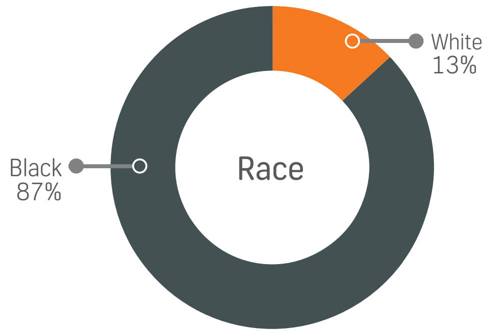
We continue to improve individual skills. Employees are exposed to learning and development through an on-line learning management system. The curriculum is linked to career paths within the group, which ensures appropriate career management and skills development.

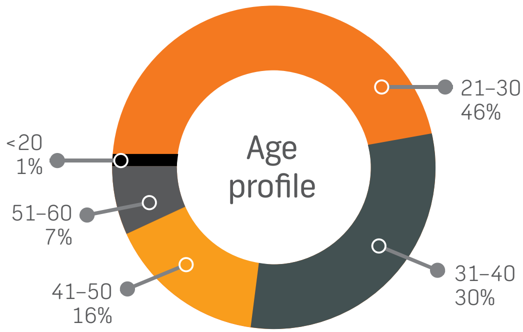
The group also has a trainee development programme. Graduates combine on-the-job experience with classroom training for three months. Sixty graduate trainees were taken on in the past year. During the year 92 employees attended leadership development programmes, including MBA courses. We have worked with accredited institutions to create FNB-specific programmes that bring leadership development at all levels. FNB contributed N$6.2 million to the skills development fund of the National Training Authority this year.

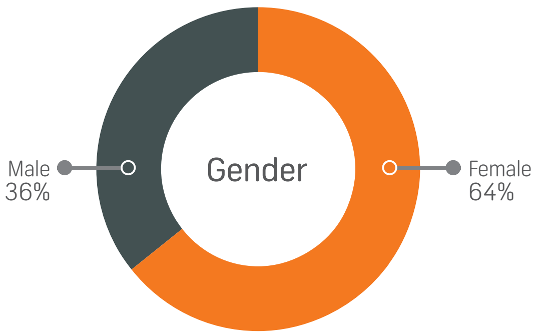
Managers and staff are also exposed to a coaching programme, designed to promote a performance culture, enhance the quality of work and increase ability to transfer skills. By reducing errors and minimising work that has to be redone, we increase productivity.

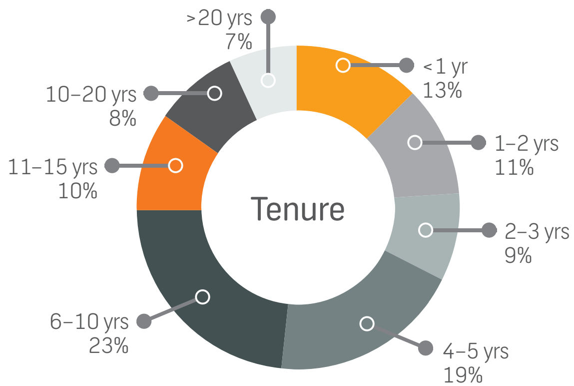
The wellbeing of our employees has priority. A dedicated wellness team uses initiatives such as wellness days and medical information sharing. A dedicated emergency number is available to staff and their dependants for free and confidential professional counselling if needed.

The diversity embedded in our organisation is best illustrated by the 2015 employee statistics:









Our ethics

Good ethics are core to our business. As a player in the financial services industry, we simply cannot afford lapses that may compromise our integrity. That's why the group established a formal ethics committee to oversee the governance and functioning of our group-wide ethics programme, founded on a specific code.

This committee has brought increased maturity and impact to its work during the year under review. A series of risk assessments – of culture and people - were conducted. Some resulted in strategic and operational changes in certain areas and the proactive identification and management of several risk types. Our focus on promoting responsible business conduct led to intensified training on such issues as whistle-blowing, conflict of interest, anti-bribery and corruption. Another focus is to promote responsible market conduct and ensure that the group remains compliant with regulations and industry best practice.

Our customers

A sustainable business needs to focus on its customers. Fundamental to this, is understanding our customers' perception of FNB. Extensive research has shown that an organisation's Net Promoter Score (NPS), acts as a leading indicator of growth. Organisations with market leading NPS are more likely to outperform the market, which should translate to improved bottom line.

Net Promoter Scores are calculated using the answer to a single question: "How likely would you recommend FNB to a friend or colleague?'. When FNB adopted NPS approach in 2008, our NPS stood at 15%. Through responsive action geared toward improving the customer experience in the short and long term, this score has increased to 35% through understanding the drivers of loyalty and satisfaction at key points along the customer journey and implementing improvements that really matter to customers.

The Net Promoter Score is not always the best measure of transactional banking, and we have therefore complimented this annual survey with customer satisfaction surveys, unstructured feedback, operational data and other insights, which all tie into a more comprehensive measurement framework that guides customer experience management at FNB.

Increasingly, our customers are using personal computers, tablets or mobile telephones to do their banking. The benefit is that banking services are becoming more affordable. Customers want to be able to bank anytime and anywhere and that's why we will continue to invest in rapid innovation that will improve business processes. While improving services is the starting point, we will increase attention on complying with legislation and regulations.

Cellphone Banking, the FNBna.mobi and the FNB Banking App remain the most cost-effective banking channels. We will also continue to offer customers access to electronic channels like Online, Cellphone, the FNB App and FNBna.mobi at a zero monthly fee.

Because FNB supports the Bank of Namibia's drive towards wider financial inclusion, it has created the CardWise Zero Account with no monthly fees, available to all earning no more than N$24 000 a year. In the past year CardWise Zero transactions totalled 2.3 million and were used by more than 55 000 clients.

eWallet is another FNB product designed to enhance financial inclusion. It allows customers to pay money to any person's cellphone number, without them having a bank account. The recipient will then be able to withdraw funds at any FNB ATM without a card. The recipient of the eWallet can then withdraw once from any ATM at no charge and purchase pre-paid electricity or mobile airtime free.

Today's start-up entrepreneurs are tomorrow's successful businessmen and women. They will help to develop a bigger Namibian economy with positive spin-offs for all. Thus we welcome the opportunity to help young people to realise their dreams through our SME division. Entrepreneurial innovation benefits all.

We serve as partner for various platforms that promote entrepreneurship and support Innovative start-ups. We look primarily at what they need and help them to get started by providing access to our services and affordable products.

Transformation

Diversifying our ownership base

FNB is listed on the Namibian Stock Exchange. It further diversified its ownership base by implementing a BEE scheme aimed at distributing wealth and empowering the previously disadvantaged.

It catered for staff members and BEE partners. The initiative started in 2005 when about 5% of equity in FNB Namibia Holdings was earmarked for transformation. Vesting was exercised over five years. This investment was valued at N$78 million in December 2004. One per cent was dedicated to black non-executive directors and a staff share trust. The value of the investment still held by our BEE partners now stands at N$287million.

A total of 500 000 shares have been allocated to the Staff Assistance Trust, which uses annual dividends to help needy staffers pay medical bills, cover educational needs or for any other deserving reason.

The company has 2 556 registered shareholders of which 2 439 are Namibian. They own almost 104 million shares, valued at more than N$3.4 billion at 30 June 2015. Indirectly, through the various investments by Namibian pension funds in FNB Namibia Holdings shares, a broad spectrum of the Namibian population has an interest in the company.

Diversifying leadership

The FNB Namibia Holdings board believes it needs to reflect Namibian society in respect of race and gender. Currently it has eleven members of which six are black and two female. Sixty four per cent of board members are Namibian. Namibians make up 93% of the leadership team; 21% are black and 21% are female.

Our suppliers

Although there is no formal accreditation process in place, making it a challenge to monitor the allocation of contracts to BEE and SME-accredited suppliers, we have developed a scoring matrix in which BEE compliance is a factor influencing the allocation of tenders and contracts. More than 80% of contractors for new building and maintenance projects are BEE compliant.

We still actively seek new suppliers to broaden our supplier database. For our new Head Office, we have continued to procure locally as far as possible.

Supporting our communities

The FNB group is committed to help maintain the quality of the environment in which it operates by investing in the community. It regards Corporate Social Responsibility (CSR) as an integral part of its corporate business practice.

That is why it established the FNB Foundation, which supports worthy community development initiatives on a yearly basis. It is funded by 1% of the annual post-tax profits of the group. A board of trustees oversees its work to ensure that the funds are properly managed.

These contributions form part of the group's efforts to support the Government's Vision 2030, which is aimed at creating jobs, wealth and prosperity for all Namibians. FNB is committed to the social and economic transformation objectives as set out in the Financial Institutions Charter and actively engages in activities aimed at their achievement. Hence the investment in the areas below:

Category	N$
Community and Health Development & Environmental Guardianship	1 971 876
Skills Development	2 832 437
Educational Development	2 480 526
Consumer Education, Protection & Financial Inclusion	84 240
Sports Development	2 479 446
Arts and Culture	1 004 500

Focus on selected FNB foundation projects

As indicated in the summary of funds allocated by the FNB Foundation, a number of initiatives receive direct financial support. We highlight two focus areas below, namely education and sport development.

Educational development is a primary focus area of the FNB Foundation and it supports the development of leaders in education by working with the Africa Leadership Institute to expose all Inspectors of education and selected Heads of Departments from schools across the country to value based leadership. This brought about the FNB Inspectors' and Heads of Departments Academies.

More recently, the FNB Foundation became a material sponsor of the Amos Meerkat pre-primary project that assists preparing children from farms and informal settlements for schools. This also holds true for San children and the FNB Foundation has been partnering with the Office of the Prime Minister to improve school attendance through the San Development Programme Back to School Awareness Campaign.

Play-and-Stay is the International Tennis Federation's youth development programme, offered by the Namibia Tennis Association in Namibia. FNB, through its Foundation, has a long standing relationship of more than 10 years with the NTA and is currently contributing annually towards this program. The program has been acknowledged as the best development program at the Namibia Sports Awards and is taking tennis to many rural parts of Namibia. Many of Namibia's current top players came through this program.

Get into Rugby, the International Rugby Board's development program was introduced by the Namibia Rugby Union in 2013 and is supported by the FNB Foundation over a three year period. The very first tournaments in Katima and Rundu was a huge success. In most areas the facilitators were overwhelmed by the turnout, which exceeded the expectations by far. For example 70 pupils from Zambezi Private School and 1 150 pupils from Ngweze Primary participated. The other areas are also growing fast and the final numbers exceeded 5 200 boys and girls. It is a long term investment in both the youth and in rugby and it is believed that by taking the sport to more areas in the country Namibia will improve its world ranking for years to come.

Kwata Cricket, the International Cricket Councils' youth development was accepted as a partner by the FNB Foundation in 2014 and will be supported the next three years. As with the above codes, the intention is to introduce more Namibian youth to the code through an international program that introduces the sport and skill sets required in a friendly and stimulating environment.

RMB Namibia management are fully engaged in "creating a better world" and have invited all staff to be actively involved. It has also sought to partner with key clients on selected initiatives.

One project is called PAY – Physically Active Youth. It is a Katutura-based organisation founded more than ten years ago by Marie-Jeanne Ndimbira. About 100 children at a time spend their afternoons and some weekends receiving extra tuition and nutrition, life-skills mentoring and sports training.

The FNB Foundation has funded the mountain biking component since 2013 with up to 30 children competing regularly in local and regional races. RMB staffers help PAY in many of the races. Bikes have become a catalyst for other PAY activities and a number of life-style and business-enhancement projects have been launched. An RMB volunteer has been elected to the PAY Board to coordinate governance.

In April we approved substantial support through the Foundation for children from around Namibia to visit the B2Gold Education Centre at Otjikoto Gold Mine as well as funding for the Physics Shop in this complex.

RMB also arranged for the FNB Foundation to provide N$500 000 to support the very successful Communal Carnivore Conservation Programme ("CCCP") in the Kunene Province for the next 12 months. Funding for the project was terminated abruptly when the Okorusu Mine closed in 2014, threatening Africat North's large carnivore and community programme. This programme is aimed at survival of large carnivores in their natural habitat through Education, Research, Human-Wildlife Conflict Mitigation and Community Support. Corporate clients are invited to join forces on such projects.

Board of Directors as at 30 June 2015

Claus Jürgen Hinrichsen

German (72)

Independent non-executive chairman

Appointed March 2009

Qualifications: BA, LLB, BA Honours, Admitted Legal Practitioner

FNB group directorships: FNB Namibia Holdings Ltd and First National Bank of Namibia Ltd

FNB group committee membership: Directors' Affairs and Governance Committee, Remuneration Committee

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

Trusteeships: Namibia Legal Practitioners Trust, Goreangab Trust, FNB Foundation Trust, Haris Family Trust

Jabulani Richard Khethe

South African (52)

Non-executive director

Appointed August 2006

Qualifications: BCom (Banking), MBA

FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd

FNB group committee membership: Directors' Affairs and Governance Committee

FirstRand group directorships: First National Bank of Botswana Ltd, FNB Moçambique S.A., RMB Nigeria Limited

Petrus Tukondjeni Nevonga

Namibian (46)

Independent non-executive director

Appointed May 2003

Qualifications: PG Diploma in Bus Admin, BTech, Dip: HR Management

FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd

External directorships: Namibia Grape Company (Pty) Ltd, Effort Investment Holdings (Pty) Ltd, Endombo Enterprises (Pty) Ltd, Esindano Pharmaceutical (Pty) Ltd, Tulongeni Fishing (Pty) Ltd, Punctual Investments (Pty) Ltd, Sovereign Capital (Pty) Ltd

Trusteeships: NAPWU Investment Trust, Namibia Grape Company Social Trust

Sarel Jacobus Van Zyl

Namibian (53)

Chief Executive Officer

Appointed December 2014

Qualifications: BBA, MBA

FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, FNB Insurance Brokers (Namibia) (Pty) Ltd, RMB Investments (Pty) Ltd, FNB Trust Services Namibia (Pty) Ltd, FNB Nominees (Namibia) (Pty) Ltd, Swabou Investments (Pty) Ltd, Talas Properties (Windhoek) (Pty) Ltd

Leonard Jack Haynes

South African (52)

Non-executive director

Appointed April 2013

Qualifications: B Com (Hons), MBA

FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd

FNB group committee membership: Remuneration Committee; Audit Committee; Risk, Compliance & Capital Committee; Directors' Affairs and Governance Committee (alternate)

FirstRand group directorships: First National Bank of Botswana Ltd (alternate), First National Bank of Lesotho Ltd (Chairman), FNB Zambia Ltd

Inge Ingenesia Zaamwani-Kamwi

Namibian (56)

Independent non-executive director

Appointed January 2000

Qualifications: LLB (Hons) - London; LLM - Dundee

FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd

FNB group committee membership: Remuneration Committee (Chairperson), Audit Committee, Risk Capital and Compliance

External directorships: Namdeb Diamond Corporation (Pty) Ltd (CEO), Zantang Investments (Pty) Ltd, UNAM Council, National Planning Commission, Tungeni Africa Investments (Pty) Ltd, Swakop Uranium (Pty) Ltd, Public Office Bearers Committee (POBC)

Trusteeships: XNET Trust Fund, FNB Share Incentive Trust

Stuart Hilton Moir

South African (67)

Independent non-executive director

Appointed November 2005

Qualifications: PMD (Harvard), CAIB (SA), B.Com, CIS

FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, FNB Insurance Brokers (Namibia) Pty Ltd, FNB Namibia Unit Trusts Ltd

FNB group committee membership: Audit Committee (Chairperson); Risk, Capital & Compliance Committee (Chairperson); Remuneration Committee

External directorships: Stimulus Investments Ltd, Regenstein (Pty) Ltd/ Aredareigas HOA

Trusteeships: FNB Share Incentive Trust, FNB BEE Trust, Nampro Trust

Mwahafar Ndakolute Ndilula

Namibian (65)

Independent non-executive director

Appointed November 2005

Qualifications: MPA/DDA

FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, OUTsurance Insurance Company of Namibia Ltd (Chairperson)

External directorships: Sovereign Asset Management (Pty) Ltd,
Sovereign Investments (Pty) Ltd,
Sovereign Capital (Pty) Ltd,
Sovereign Properties (Pty) Ltd,
Namcot Diamonds (Pty) Ltd

Board of Directors (cont.)

Jennifer Juanita Comalie

Namibian (41)

Independent non-executive director

Appointed April 2013

Qualifications: B Com (Hons) CA (Nam)

FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd

FNB group committee membership: Audit Committee; Risk, Capital & Compliance Committee

External directorships: Oryx Properties, Namport, NIPAM

James Roger Formby

South African (45)

Non-Executive Director

Appointed January 2015

Qualifications: BCom (Hons), M Phil in Management Studies, CA (SA)

FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd

FNB group committee membership: Remuneration Committee

External directorships: Business Venture Investments417 (Pty) Ltd, Formby Investment (Pty) Ltd

Christiaan Lilongeni Ranga Haikali

Namibian (46)

Independent non-executive director

Appointed November 2005

Qualifications: BBA (Entrepreneurship)

FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, FNB Insurance Brokers Namibia (Pty) Ltd

FNB group committee membership: Remuneration Committee; Directors' Affairs and Governance Committee

External directorships: Prosperity Health, Africa Personnel Services, Namibia Stevedoring Services, HANU Investments cc, Aruba Fruit Exporters Namibia (Pty) Ltd, NSWE (Pty) Ltd, Chappa AI Investments (Pty) Ltd, Petronam Investments (Pty) Ltd, Namibia Liquid Fuel, Oryx Investment (Pty) Ltd, Mertens Mining and Trading (Pty) Ltd, Duiker Investments 175 (Pty) Ltd, Tumba Holdings (Pty) Ltd, Surecast Mining and Construction (Pty) Ltd, Vision Africa (Pty) Ltd, Tulongeni Strategic Investments (Pty) Ltd, Namibia Jetlink (Pty) Ltd, Ekango Retail Solutions (Pty) Ltd and Safland Property Services (Pty) Ltd, Safland Property Group (Pty) Ltd, APS International (Pty) Ltd, Tumba Holdings, Etango Investments (Pty) Ltd, Ekango Retail Solutions (Pty) Ltd

Trusteeships: Tulongeni Family Trust, Frontier Property Trust, FNB Share Incentive Trust, Kapenda Development Trust

Chairman's report

Claus Hinrichsen | Chairman

It gives me great satisfaction to record, yet again, a year of progress and successes in this, my last annual report as chairman of your company.

We remain the leading financial service provider of choice in Namibia. We have placed an ever-greater focus on ensuring a sustainable business. We have made changes to improve our efficiencies still more. Our shareholders will receive an improved total dividend for the 2015 financial year of N$1.83 per share.

We are determined that our country will benefit too. We are looking for more innovative ways to help the Namibian government fight poverty, especially in the areas of agriculture, electricity and water. In our view, the key components of a sustainable business are people, environment, processes and profit. These remain our lodestars. As I emphasised in last year's report, our values constitute our strong foundation. We remain focused on inspiring others by practicing our values. In short, after more than 100 years of existence, we are better placed than ever to grow with Namibia.

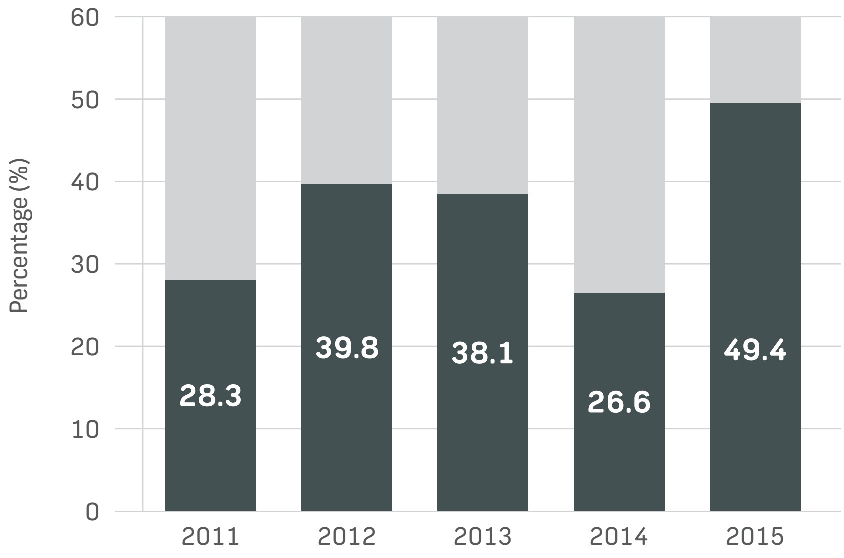
Shareholder returns

The final dividend for the year ending 30 June 2015 is 112 cents per ordinary share. With the interim dividend of 71 cents paid in March 2015, shareholders will receive a total dividend of N$1.83 per ordinary share. The increase in dividend follows the board's annual review of the internal capital adequacy processes under various stress conditions where a decision was made to align closer to the dividend cover to that of the ultimate shareholder's dividend cover range. The cover for 2015 is two times and the board will continue to review the dividend cover annually, taking into account performance, demand for capital, macro-economic conditions and regulatory changes.

Value to shareholders can be measured by considering share price appreciation and dividend payments. Based on the closing share price of N$32.78 on 30 June 2015, a shareholder who purchased a single FNB Namibia Holdings share on 1 July 2014 at N$23.16 would have gained N$9.62 in capital appreciation, an increase of 42%. With the ordinary dividend of N$1.83, this equates to a return on investment of 49% over the year.

FNB shares remain one of the most sought-after investments, providing financial satisfaction and security to those who are privileged to own them.

We remain the leading financial service provider of choice in Namibia. We have placed an ever-greater focus on ensuring a sustainable business. We have made changes to improve our efficiencies still more.



Return on average investment

A changing world

The recent change in the national leadership has prompted us to find even more innovative ways to support government in its campaign to fight poverty. FNB wants to put its money where its mouth is. I am confident that President Hage Geingob will encourage the much-needed co-operation between government and the private sector – a morale boost for all.

FNB has also undergone leadership and operational changes to achieve our priorities. These are aimed at advancing business efficiencies which, in turn, will help us to remain ahead of the competition and to optimise our strategic initiatives.

Labour relations, leadership and investor relations have proven to be the key elements in enabling us to become the "flagship" of the FirstRand group. The smooth change in leadership from Ian Leyenaar to Sarel van Zyl has seen the new Group CEO building on solid foundations. Namibian born Van Zyl, served in Zambia for four years, and has the special skills vital for doing business in Africa.

The strong presence of the FNB brand has been boosted by the completion of the first star-rated green building in Namibia. The building provides evidence of our confidence in the governance environment of Namibia. It also reaffirms our belief that our employees are crucial to our business and are entitled to a comfortable and welcoming working environment.

Towards the digital age

While we are aggressively investing in paperless banking, we are aware that some clients take longer to become accustomed to digital banking. We need to accommodate their needs. Ultimately, of course, we will become fully digital.

One concern is the increasing incidence of fraudulent activities in the banking industry such as card cloning and money laundering. FNB does not turn a blind eye to such negative aspects of every-day banking. We combat such illegal activities, while recognising that criminals keep abreast of highly technical advances in modern banking practice.

Economic outlook

The Namibian economy strengthened despite the weak global backdrop, as the country continued with significant infrastructure upgrades. Improved production, and efficient transport networks and electricity generation facilitated increased trade ties with faster-growing economies in southern Africa and Asia (including Angola, Botswana, China, the DRC and Zambia). The aim is to reduce dependence on the struggling South African economy. Mining (especially of gold, zinc and uranium), energy and transport pushed growth forward.

Looking ahead

The outlook remains positive as the Namibian economy returns to high growth rates driven by investments and exports. We expect the government to implement successfully its infrastructure programme which includes port expansion, Kudu gas, the Neckertal dam, new road construction, rail rehabilitation, and mass housing projects. Moreover, activity looks set to benefit from a significant increase in commodity exports as production commences at Swakop Uranium. In addition, Skorpion Zinc has expanded and volumes at B2Gold are being ramped up.

By contrast, after a strong performance this year, household spending growth should moderate as interest rates and inflation increase over time.

Unemployment remains a concern and there is a need to create sufficient, permanent employment opportunities. New jobs should be created from trade, construction, health and mining sectors, while the agricultural, manufacturing and hospitality sectors shed positions. Rising house prices remained an impediment to growth. Price pressures will likely remain elevated as the country battles to alleviate its 110 000 housing backlog.

Saying goodbye

This is my final report as Chairman of the FNB Namibia Group. Permit me to take this opportunity to thank my co-directors, FNB leaders managing this great organisation and all FNB employees for their co-operation and for the pleasant work environment which they created during my tenure. The task of a chairman is like that of the conductor of an orchestra. Over the last 5 years, I have had the privilege of conducting a fine orchestra. I thank all concerned for having afforded me this opportunity.

My thanks, too, to the Namibian government, regulators, our shareholders and clients. We have enjoyed great partnerships. We remain committed to transparent reporting.

Claus Hinrichsen | Chairman

Group executive committee

Sarel Van Zyl
Namibian (53)
BBA, MBA
Chief Executive Officer
Appointed December 2014

Oscar Capelao
Namibian (36)
B Com Hons (Accounting), CA (Namibia)
Chief Financial Officer
Appointed September 2012

Andrew Kanime
Namibian (40)
B.Admin, B.Tech, B.Acc, MBA
Chief Human Resources Officer
Appointed January 2015

Louis Potgieter
Namibian (52)
CA (SA)
Chief Operating Officer
Appointed November 2013

Michelle Van Wyk
Namibian (39)
B.Acc Hons; CA (Namibia)
Treasurer
Appointed October 2010

Steve Galloway
Namibian (58)
BSc Hons(Geology), B Com Hons(Econ)
Co-Head RMB
Appointed June 2013

Johan du Plessis
Namibian (41)
B.Compt (Hons), CTA, CRA
Group Chief Risk Officer and Ethics officer
Appointed July 2012

Martha Murorua
(42) Namibian
Nat. Dip (Commerce), B. Acc., MBA
Executive Officer Consumer
Appointed July 2015

Dixon Norval
Namibian (56)
BA Hons, MA, MBA
Executive Officer Premium
Appointed June 2015

Elmarie Cilliers
Namibian (50)
Certificate in Banking, MBiA (SA), SMDP
Executive Officer WesBank
Appointed April 2003

Johan van der Westhuizen
Namibian (51)
B.Com, HDE, CAIB (SA), Post Graduate Diploma in Financial Planning
Executive Officer Business
Appointed March 2015

Steve Coetzee
Namibian (54)
MD, SMDP, various certificates in Retail Banking
Executive Officer Points of Presence
Appointed August 2015

Francois Booysen
South African (49)
B.Com, CIA, GIA (SA), CFSA, CCSA, CAIB(SA), SMDP
Head of Credit
Appointed December 2009

Date of appointment refers to current position on EXCO

Chief executive officer's report

Sarel van Zyl | Group Chief Executive Officer

Returning in January this year to take over as CEO of FNB Namibia after four years in Zambia, I was struck by the atmosphere of expectant optimism I found. It was the 25th anniversary of independence. The national flag was flying and crowds of smiling people were thronging the streets. It reaffirmed my belief that FNB has an important role to play in maintaining this mood of optimistic anticipation by providing great services that benefit the nation.

By ensuring peace and stability, the Namibian Government has created an environment in which business has been able to flourish. Our challenge, now, is to make sure that this mood continues. With the help and support of our loyal staff, we expect to be equal to the task.

FNB is not the company it was when I left early in 2011 to head FirstRand's operations in neighbouring Zambia. The business has grown from strength to strength. Testimony to the consistent performance comes from the magazine The Banker, which has declared FNB to be the best bank in Namibia for six consecutive years. The advances book has doubled to N$22.8 billion over the last five years and profit has followed the same trend to end 2015 at N$998.6 million.

At the core of this success is the group's commitment to a strategy that supports sustainable growth. It has been delivering innovative banking solutions which allow us to reach large segments of the previously unbanked population.

The group continues to grow organically despite challenges on the regulatory front. All business units contributed positively. Here are some of our success stories of the year.

We have been able to put a roof over the heads of thousands of Namibians. Our home loan book exceeded the N$10 billion mark this year, growing from only N$2 billion after the merger with Swabou in 2003. In a highly competitive market, this could not have been achieved without the committed people from the home loans division who offer clients exceptional service. FNB continues to lead the way with a total market share of 38.5%.

The WesBank team has also gone the extra mile this year to exceed its challenging asset target by N$77 million. It ended the year with an asset base of more than N$3.5 billion. During the year more than 6 000 new deals were concluded. Although WesBank is basically a retail credit business, its increased focus on the corporate scene has helped it to keep its position as market leader. Consistent relationships with motor dealers and discipline resulted in better than expected results.

At the core of this success is the group's commitment to a strategy that supports sustainable growth. It has been delivering innovative banking solutions which allow us to reach large segments of the previously unbanked population.

After establishing the RMB franchise in Namibia in 2011, the teams of Investment Banking, Global Markets and Corporate Banking were restructured into a new unit launched in June 2014. RMB Namibia's corporate and investment banking team of 70 talented men and women got fully up to speed during our maiden year, offering diverse and innovative banking, trading and financing solutions primarily to large corporate clients and public enterprises.

RMB Namibia is proud to have established itself firmly in the structuring and lending market. We are lead banker to some of Namibia's largest corporates and state-owned enterprises. Our banking teams have ensured rapid growth and seamless delivery of trade and working capital. Through the Global Markets team, RMB also grew income from structuring services, where it foresees future growth. We have also secured key advisory and capital-raising mandates from the Namibian Government via the Bank of Namibia, Nampower and Telecom Namibia. It has also made inroads into the South African market.

FNB's business segment undertook a successful exercise this year to align service to client needs. This enabled us to offer innovative solutions on both traditional and electronic channels. Quick turnaround times and competent staff continued to differentiate our service. The growth of our business advances book to almost N$2 billion testifies to the success of our strategy. There was good progress on increasing our exposure on commercial property loans. Growing the funding book is also an important aspect. Here too, we exceeded our target.

The consumer segment is served by 1 074 employees in 55 branches and 5 area offices countrywide. We have made banking easier with our network of 270 ATMs and our easy to use electronic and cell phone banking channels. New players have made this area of activity more competitive. Despite this, we are pleased with our success in growing our customer base which has increased from 574 496 to 633 494 over the past year.

We placed a special emphasis on encouraging customers to use digital facilities. This included piloting ATMs that accept cash deposits. We enhanced our Bricks to clicks strategy by ensuring that customers were kept fully aware of digital possibilities; by investing heavily in customer education; and by alerting them to potential risks. We have also launched a seven-day notice account which has proved extremely popular and contributed positively to the retail deposits growth of more than 22% to almost N$9 billion.

We are constantly assessing our footprint and we have opened branches in Kuisebmund and Grove Mall in the year under review. Okahandja and Maerua branches were also relocated to new premises to improve customer experience.

Having firmly established FNB as the people's bank, we have recently begun developing the higher end of the market by establishing Private Banking. This offers a full suite of financial solutions to high net worth clients.

Given their special needs, a new "young professionals" area was introduced in Windhoek to look after these talented, highly skilled and fast emerging professional customers. These special services will be deployed to other areas of the country as required.

Looking at the other companies in the group, the performance of OUTsurance is prominent. OUTsurance entered the Namibian market in July 2007 providing homeowners' insurance cover on the Swabou and the FNB home loan books. The personal lines product was launched in January 2008 and in 2013 the business product was launched. Currently personal lines make up 57% of underwriting profits, while the Swabou/FNB home loan books and commercial lines are at 38% and 5% respectively.

The direct insurance model has become renowned for superior service and quick turn-around times. The OUTsurance bonus rewards clients who have been claim free for three consecutive years. More than N$18 million has been paid out since inception. During the current year OUTbonuses of N$5 million were paid.

The success of OUTsurance is reflected in the increase in the profit after tax. It grew from N$10.6 million in 2011 to N$30.7 million this year. The number of policy holders have risen from 21 186 to 26 714 over the same period.

FNB Unit trusts have also had a successful year. Assets under management have increased by 12% to N$2.1 billion. We are looking at ways to offer clients more diverse investment opportunities. Two new investment funds were developed at the end of the year – an Inflation-linked Fund and a Balanced Fund. Investors now have a choice of six funds.

FNB Insurance Brokers have experienced a challenging year with NAMFISA regulations eliminating certain commissions and fees. The secret of our success is operational efficiency. We strive continuously for innovative solutions to old banking challenges. A number of initiatives are being driven simultaneously to make our own internal processes more cost effective and efficient. We are also implementing new processes brought about by changes in the regulatory environment. All these changes mean we have to keep revisiting our plans to ensure the utmost efficiency.

Strategically we categorise all operational initiatives into three segments: growing the business (new products and services); maintaining the business (tweaking the existing); and compliance to regulatory requirements. Any new initiative impacts at least one of these three categories, requiring constant tweaking.

One initiative involves overhauling our back office operational procedures to become leaner while incorporating regulatory requirements. We are trying to centralise processes where possible and introduce new technology. The overarching question we continuously ask ourselves is "how can we use technology to become more efficient?"

It is only right that we acknowledge the role of our external service providers. They are helping us to provide superior service to our clients. .

As we enter the new financial year, it is important for us to adopt our new Vision 2020. I shared the vision with more than 90% of our businesses over the last few months. By now, all employees should know our promise to shareholders, our dream for FNB Namibia Holdings and the four strategic pillars we focus on: People, growth through Partnerships, Profitability through improved efficiency and Planet strategy. We will be using our new 'culture' as a compass. Its elements include High Performance, Values Driven and Owner-manager Culture, all supported by trust.

It is a privilege for me to be associated with the FNB group. Once again, I thank the entire FNB Namibia team for their ongoing support and commitment.

Sarel van Zyl | CEO

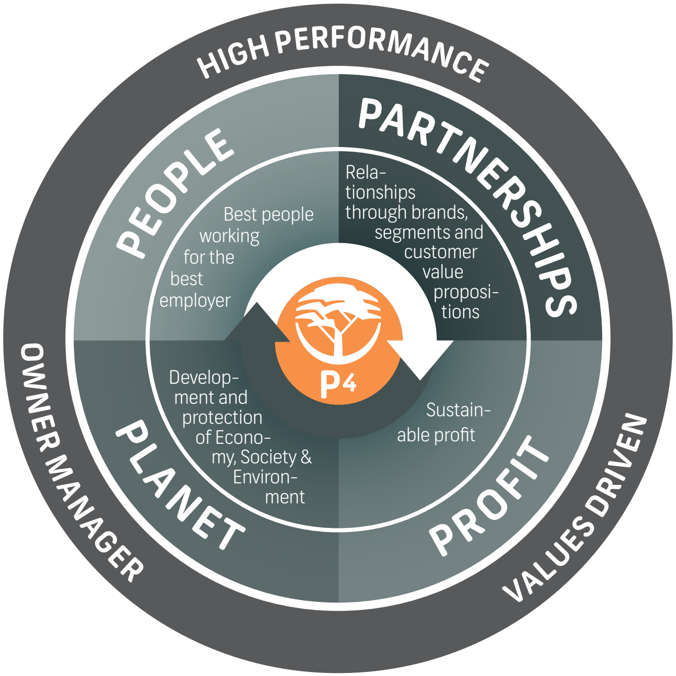
Strategic overview

The group's strategy has evolved over the years to ensure the continuation of a sustainable business model. Our past success is attributable to our strategic focus. However, we acknowledge we are part of an ever changing environment and we constantly need to re-asses our value proposition to ensure we meet and deliver on our full spectrum of stakeholder expectations.

Our current short and medium strategic planning cycle encompasses the next five years – leading us to achieve our Vision 2020 which is:

A great Namibian business, creating a better world!

Our Mission Statement will direct us in achieving our Vision 2020. It is to **Be the best employer in Namibia to the best people, who are passionate about stakeholder relations, innovating value propositions delivered through e-fficient channels and processes in a sorted out and sustainable manner.**



Our strategy "P to the Power of 4" is based on four key components: People, Partnerships, Sustainable Profit and Planet.

Our **People** strategy is based on creating a culture where every employee feels a deep sense of responsibility for the success of the business and has a clear channel of contribution. Our organisational culture is guided by our values as illustrated alongside.

The group does not exist in isolation and we embrace the relationships we establish with our **Partners, including customers.** We will continue to create excellent value propositions through innovative solutions and superior customer service delivery. Stakeholder trust will be maintained by the cultural compass that guides us.

Over the next five years, we envisage **Sustainable Profit** will not only be generated by organic growth but also through an improvement in efficiencies from both a technological and process perspective. Our focus includes e-solutions, support process optimization, encouraging a reduction in cash processing, improve staff productivity through training and new technology and improving in-house collaboration.

Our **Planet** strategy focuses on the development and protection of the economy, society and environment in which we operate. We have various channels we achieve this through are our own internal practices and policies, the FNB Foundation and the staff volunteer programme. Further details are included in the Sustainability report.

One of the most important roles our business will play is aligning with government developmental plans in achieving Vision 2030, either through partnerships or support of specific developmental projects.

CULTURE		
High Performance	**Owner Manager**	**Values Driven**
Disciplined People Disciplined Thinking Disciplined Action	Create an Environment where people think and act like owners	Employees are trusted to do the right thing
TRUST		


OUR VALUES
1
I AM HELPFUL
Freely share our expertise and help each other succeed.
We remain humble.
We deliver on our promise to customers.
We are respectful.
2
I AM ETHICAL
We report unethical conduct without fear.
We conduct ourselves in an ethical manner at all times. We apply fair people practices.
Our personal circumstances cannot justify unethical behaviour.
Zero tolerance for Misconduct, Bribery, Conflict of Interest, Fraud, Defalcations.
Desire Ethical customers.
3
I AM INNOVATIVE
We innovate to improve the Customer Experience. Look for better ways to do things.
Quick & flexible to adapt to changing circumstances.
Seek diverse opinions.
Respect and build on each others ideas.
We don't duplicate effort.
4
I AM ACCOUNTABLE
We challenge the status quo – no holy cows.
Display courage in having difficult discussions.
Take ownership for mistakes and resolve them.
Don't hide bad news – escalate quickly and openly.
We empower and act responsibly.
5
I AM EFFECTIVE
Bias for Action.
No tolerance for negligence or mediocrity.
Execute systematically and flawlessly.
We do not fly solo.
We seek ways to reduce work-complexity.

Chief financial officer's report

Oscar Capelao | Chief Financial Officer

The Namibian economy continued to grow, with significant infrastructure upgrades, increased commodity production and higher export volumes. FNB's performance mirrored this improvement, having positioned all its operating entities to make the most of growth opportunities. The result: another set of excellent results.

Profit for the year increased by 27.3% to N$998.7 million (2014: N$784.6 million). Earnings per share increased to 377 cents (2014: 298 cents).

Key ratios all improved. Return on average equity rose to 32.2% (2014: 30.9%), return on average assets was 3.6% (2014: 3.2%) and cost to income ratio improved to 43.9% (2014: 47.3%).

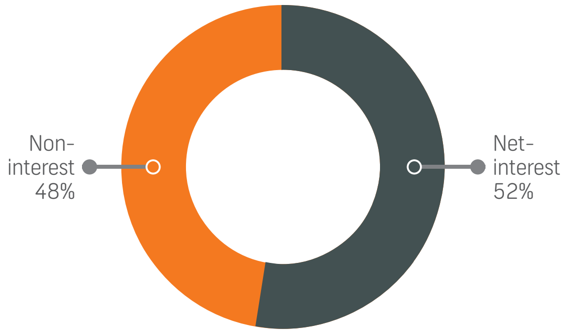
The banking group and OUTsurance are the two key operations in the group. Banking's dominant role is well illustrated by its 94.4% contribution to group profits (2014: 93.1%).

Performance commentary

Statement of comprehensive income

The contribution of net interest income to total revenue increased marginally but the split between interest income and non-interest revenue remains well balanced, as illustrated in the chart below.

Sources of gross revenue



Interest income

Net interest income increased by 27.6% to N$1 452 million (2014: N$1 138 million). The prime rate increases of 25 basis points (bps) in June 2014, with a further increase in August 2014 and yet another in February 2015 benefitted margins. The average prime rate increased from 9.26% to 9.81% - an increase of 55bps. The margin on advances increased by 69bps, contributing additional margin of 14bps. Investments also show an increased return of 74bps. This contributed a further 19bps to the bottom line, over and above the prime increases. Margin improvement was, however, offset by, especially, an increase in cash balances and the resultant increase in holding costs.

The large capital base and the retail deposit book contributed positively to margins as interest rates rose. Total interest cost on deposits and other interest earning liabilities increased by 23bps, adding additional value of 32bps to Interest earned on assets re-priced ahead of funding costs.

Impairment losses

The total impairment charge stands at N$49.9 million (2014: N$18.4 million). It is made up of the following components:

Specific impairment	N$15.8 million (2014: N$5.2 million)
Present value	N$15.2 million (2014: N$5.7 million)
Portfolio impairment	N$18.9 million (2014: N$7.5 million)

The specific impairment charge stands at 0.13% of gross advances. Although this is higher than the 0.05% reported a year ago, it is in line with expectations given recoveries in the prior year and the increasing interest rate cycle.

The biggest increase was recorded by the instalment sale book of WesBank. Impairments increased from a release of N$3.0 million in the prior year to a charge of N$6.4 million during the current year. Overdrafts also increased from a charge of N$3.7 million to a charge of N$6.3 million, mainly as a result of growth in the book.

The portfolio charge is in line with the group's strategy of maintaining an appropriate level of provisioning of the performing book.

All non-performing loans have been fully provided for after taking into consideration the value of security held.

FNB's performance has mirrored the strengthening Namibian economy, having strategically positioned all operating entities in the group to make the most of growth opportunities in this market, delivering a set of excellent results.

Non-interest income

The 16.8% increase in fee and commission income came from the RMB corporate advisory services on large transactions as well business and consumer segments. Our strategy of persuading customers to use electronic delivery channels continues to be successful. FNB achieved a 17% increase in electronic transactions. Traditional activities now contribute only 10% of total volumes. Growth was driven by a 15% increase in the number of transactions, a 10% increase in number of customers and an 8% increase in active accounts. Ewallet volumes continue to show excellent progress with volumes growing by 125% and revenue growing from N$18 million to N$31 million.

In the last quarter, revenue was negatively impacted after a Bank of Namibia directive exempted fees being charged on cash deposits made by individuals and sme's.

Fair value income increased by 18.8%, contributing N$155 million (2014: N$131 million). Forex income was boosted in the last two weeks of the year after a currency conversion agreement between Bank of Namibia and Banco National de Angola facilitated reciprocal conversion of national currencies of Namibia and Angola at the border towns of Oshikango and Santa Clara.

Net insurance premium income and net claims and benefits paid

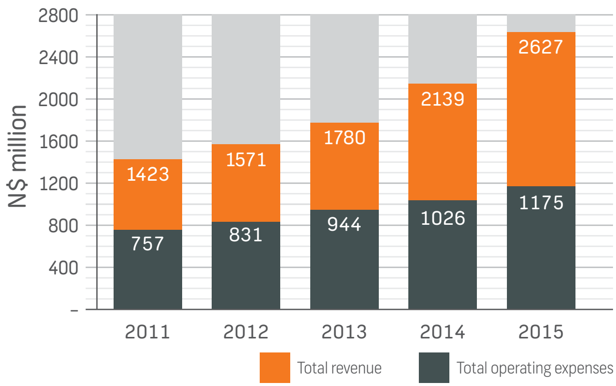
OUTsurance's premium growth of 23% for the financial year was driven mostly by sales of personal-line products. Profit after tax showed robust growth on the back of improved claims and expense experience. Commercial-line products are growing steadily at profitable margins.

Since inception OUTsurance has paid more than N$18 million in OUTbonus rewards to those who were claim-free for at least three years.

Operating expenses

Group operating costs were contained to an increase of 14.3% while generating an operating income growth of 22%. This positive trend is also reflected in the continued improvement of our cost income ratio of 43.9% (2014: 47.3%). The chart below illustrates our success in maintaining year-on-year revenue growth ahead of the increase in operating costs.

Total revenue vs. operating expenses – banking group



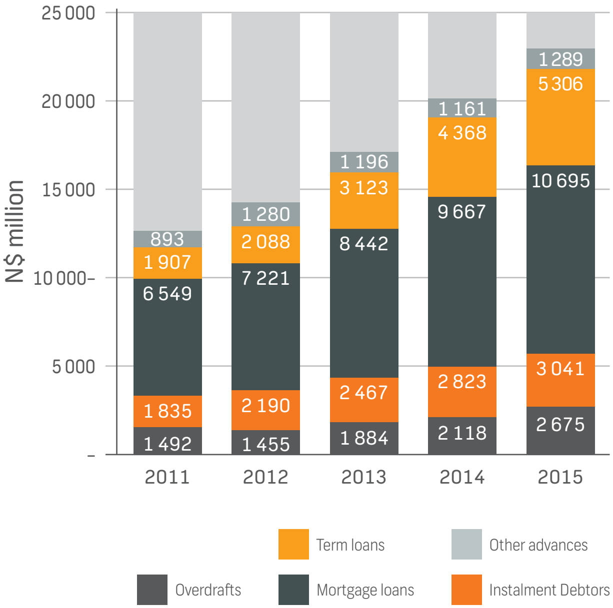
Staff costs – more than half operating costs – increased by 16.7%. This includes an average salary adjustment of 8% as well as a 10% growth in complement to strengthen our risk and compliance team. In addition, the government introduced a training levy effective in April 2014. Variable pay to staff as approved by REMCO was aligned to the growth in year on year performance.

Operating costs also reflect continued investment in infrastructure to ensure customer service exceeds expectations. Grove Mall and Kuisebmund branches were opened, Okahandja and Maerua Mall branches were relocated and 46 additional ATMs were installed.

Statement of financial position

The group's total assets grew by 13.4% to N$29.8 billion. Year end advances, making up 76% of the balance sheet, reflected a year on year increase of 14.2% to N$22.8 billion. Average advances grew 16%. Growth throughout the year tracked private credit extension closely. This grew by 14.8% according to Bank of Namibia. Our consistent growth in advances over the years is illustrated alongside:

Gross advances



FNB remains the market leader for home loans and vehicle and asset finance. Mortgage loans increased year on year by 10.6% to N$10.7 billion and constitute 46% (2014: 48%) of FNB's advances book. This portfolio concentration is not viewed as an adverse risk because the Namibian property market is stable and active.. On average the loan to value ratio is close to 70%, which is considered good. Vehicle and asset finance increased by 10.6% to N$3.4 billion.

The ratio of non-performing loans to gross advances continued to improve, reducing to 0.74% (2014: 0.80%). Non-performing loans increased by 4.8% to N$170 million (2014: N$162 million), at a much lower rate than the advances growth despite interest rate hikes.

Deposits increased by 11% to N$23.9 billion. Funding from interbank activities increased by 25% to N$1 billion. The diversification of both sources and term of funding is closely monitored, and has improved. Our strategy to grow retail deposits has met with success. This valuable source of funding has increased annually by 22% to almost N$9 billion.

Conclusion

Expectations for the Namibian economy are positive. The group remains poised to capitalise on profitable business opportunities in both the consumer and corporate markets. We are determined to become the best employer of the best people in Namibia.

A number of operational initiatives are being driven simultaneously to improve our internal processes to make banking more cost-effective and efficient. We are also implementing new processes necessitated by changes in the regulatory environment. These changes mean we have to revisit our implementation plans continuously.

Oscar Capelao | CFO

Ten year review

Statement of comprehensive income

N$ million	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Continuing operations										
Interest and similar income	2 413	1 910	1 635	1 525	1 415	1 388	1 582	1 504	1 212	926
Interest expense and similar charges	(960)	(772)	(650)	(635)	(575)	(630)	(839)	(775)	(601)	(443)
Net interest income before impairment of advances	1 453	1 138	985	890	840	758	743	729	611	483
(Impairment losses) / reversal of impairments of advances	(50)	(18)	(23)	42	12	(13)	(38)	(72)	(68)	(29)
Net interest income after impairment of advances	1 403	1 120	962	932	852	745	705	657	543	454
Non-interest revenue	1 260	1 087	869	740	605	574	433	403	380	344
Net insurance premium income	154	126	99	84	72	56	185	160	120	108
Net claims and benefits paid	(82)	(71)	(51)	(41)	(41)	(38)	(125)	(117)	(44)	(42)
Decrease / (increase) in value of policyholder liabilities: insurance contracts							73	84	(38)	(37)
Fair value adjustment of policyholder liabilities: investment contracts							11	(4)		2
Fair value adjustments to financial liabilities				4		(2)	(26)	16	8	
Income from operations	2 735	2 262	1 879	1 719	1 487	1 335	1 256	1 199	969	829
Operating expenses	(1 222)	(1 070)	(944)	(884)	(769)	(719)	(694)	(618)	(521)	(454)
Net income from operations	1 513	1 192	935	835	718	616	562	581	448	375
Share of profit from associates	1	1	2	3	5	5	2	6		(3)
Income before tax	1 514	1 193	937	838	723	621	564	587	447	372
Indirect tax	(27)	(22)	(20)	(17)	(17)	(16)	(12)	(18)	(13)	(13)
Profit before tax	1 487	1 171	917	821	706	605	552	569	434	359
Direct tax	(488)	(386)	(309)	(282)	(242)	(202)	(185)	(160)	(130)	(102)
Profit for the year from continuing operations	999	785	608	539	464	403	367	409	304	257
Discontinued operations										
Profit attributable to discontinued operations				1	75	56				
Profit after tax on sale of discontinued operations				232						
Profit for the year	999	785	609	772	539	459	367	409	304	257
Other comprehensive income for the year	(16)	(1)	(4)							
Total comprehensive income for the year	983	784	605	772	539	459	367	409	304	257
Profit attributable to:										
Owners of the parent	982	774	598	762	496	429	354	384	303	256
Non-controlling interests	17	11	11	10	43	30	12	24		
Non-cumulative non-redeemable preference shareholders							1	1	1	1
Total comprehensive income for the year attributable to:										
Owners of the parent	966	773	594	762	496	429	354	384	303	256
Non-controlling interests	17	11	11	10	43	30	12	24		
Non-cumulative non-redeemable preference shareholders							1	1	1	1
Reconciliation of earnings attributable to ordinary shareholders and headline earnings										
Earnings attributable to ordinary shareholders	982	774	598	762	496	429	354	384	303	256
Headline earnings adjustments										
(Profit) / Loss on sale of fixed assets			(2)					1		
Profit on deemed disposal of associate		(9)								
(Profit) / Loss on revaluation of investment property								1		
Reversal of impairment of associate companies								(4)	1	3
Realised gain on available for sale financial assets				(9)			(1)	(2)	(4)	(3)
(Profit) / Loss on disposal of subsidiary				(232)				(34)		
Impairment of intangible asset				5						
Gains on initial recognition of VISA shares								(16)		
Headline earnings	982	765	596	526	496	428	353	330	300	254

Statement of financial position

N$ million	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Assets										
Cash and cash equivalents	795	868	690	1 002	428	455	357	345	226	208
Due from banks and other financial institutions	1 585	1 766	1 889	1 926	763	851	479	1 004	116	170
Derivatives financial instruments	159	92	94	27	24	57	130	38	22	39
Advances	22 833	19 991	16 965	14 077	12 464	11 227	10 486	9 142	8 726	7 862
Investment securities	3 366	2 833	2 273	2 144	1 644	2 800	1 899	2 068	1 152	967
Accounts receivable	186	140	188	216	135	117	116	95	155	102
Tax asset							1	17		
Investment in associates	4	3	4	4	25	23	21	5		
Property and equipment	849	552	377	287	279	267	236	188	164	158
Intangible assets	3	7	16	11	17	56	59	67	62	71
Deferred income tax asset	4	3	3	3	2	6	1	20	34	39
Policy loans on investment contracts						27	23	19	3	1
Reinsurance assets		1		1	1	50	287	390	8	8
Investment properties								4	6	6
Non-current assets and disposal group held for sale					1 382	1	5			
Total assets	29 784	26 256	22 499	19 698	17 164	15 937	14 100	13 402	10 674	9 631
Equity and liabilities										
Liabilities										
Deposits	23 952	21 522	18 836	16 239	13 306	12 046	10 601	9 676	7 817	7 812
Due to banks and other financial institutions	1 020	813	319	48	44	54	23	354	831	124
Derivative financial instruments	172	109	129	60	22	58	116	62	33	40
Short trading position	26				52					
Creditors and accruals	432	294	160	230	229	185	297	247	152	114
Tax liability	50	58	143	152	24	32	5	1	104	1
Employee liabilities	168	150	122	128	112	98	22	38	34	30
Deferred income tax liability	111	71	48	19	3		18			35
Policyholder liabilities under insurance contracts	70	63	50	45	42	999	927	1 104	188	147
Policyholder liabilities under investment contracts						44	36	38		
Finance lease obligation	2	6	10							
Tier two liabilities	392	393	393	393	270	270	261	236	251	
Policy holders liabilities relating to discontinued operations							32	19	24	26
Liabilities directly associated with non-current assets classified as held for sale					1 074					
Total liabilities	26 395	23 479	20 210	17 314	15 178	13 786	12 338	11 775	9 434	8 329
Equity										
Equity attributable to equity holders of the parent										
Ordinary shares	1	1	1	1	1	1	1	1	1	1
Share premium	149	162	174	182	188	192	195	258	264	266
Reserves	3 199	2 583	2 086	2 179	1 631	1 759	1 444	1 224	975	1 035
	3 349	2 746	2 261	2 362	1 820	1 952	1 640	1 483	1 240	1 302
Non-controlling interests	40	31	28	22	166	199	122	144		
Total equity	3 389	2 777	2 289	2 384	1 986	2 151	1 762	1 627	1 240	1 302
Total equity and liabilities	29 784	26 256	22 499	19 698	17 164	15 937	14 100	13 402	10 674	9 631

Ratios and selected financial information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Number of ordinary shares issued ('000)	267 593	267 593	267 593	267 593	267 593	267 593	267 593	267 593	267 593	267 593
Ordinary shares issued after share trust eliminated ('000)	259 400	259 786	259 390	259 016	258 789	258 502	258 395	264 384	264 323	264 347
Weighted number of ordinary shares in issue ('000)	260 059	259 676	259 221	258 992	258 699	258 471	260 226	264 384	264 331	264 347
Number of preference shares in issue	2	2	2	2	2	2	2	2	2	2
Number of preference shares expected to convert										
Earnings per ordinary share (cents)	377.5	297.7	230.7	294.3	191.8	166.1	136.1	145.2	114.7	96.7
Headline and diluted headline earnings per share (cents)	377.6	294.7	229.9	203.1	191.6	165.7	135.6	124.6	113.5	95.0
Diluted earnings per share (cents)	377.6	294.7	229.9	294.3	191.8	166.1	136.1	145.2	114.7	96.7
Return on assets (earnings on average assets) (%)	3.6	3.2	2.8	4.1	3.0	2.9	2.6	3.2	3.0	2.9
Return on assets (earnings on average assets) (%) - normalised				2.9	2.8					
Return on equity (earnings on average equity) (%)	32.2	30.9	25.9	36.4	26.3	23.9	22.7	28.2	23.9	20.6
Return on equity (earnings on average equity) (%) - normalised				25.8	24.6					
Cost to income ratio (%)	43.9	47.3	49.6	52.4	52.2	48.9	50.5	48.1	48.0	49.0
Critical mass (%)	4.3	4.1	4.2	4.5	4.5	4.5	4.9	4.6	4.9	4.7
Net asset value per share (cents)	1 291.1	1 057.0	871.6	912.0	703.2	755.1	634.9	561.0	469.3	492.7
Market capitalisation	8 772	6 197	5 151	3 923	3 307	3 093	3 158	2 665	2 119	1 873
Price to Book	2.8	2.2	2.2	1.6	1.8	1.6	1.9	1.8	1.7	1.4
Dividend information:										
Dividends per share - ordinary dividend declared (cents) *	183	122	100	82	77	67.0	56.0	53.0	47.0	40.0
* based on current year profits										
Dividends per share - ordinary dividend paid (cents) **	138	109	87	82	72	59.0	55.0	48.0	44.0	34.0
** based on dividends paid within financial year										
Dividend per share - special dividend (cents)				180	170				93.0	
Dividend yield - ordinary dividend (%)	5.6	4.7	5.2	5.6	6.2	5.8	4.7	5.3	5.9	5.7
Dividend yield - special dividend (%)				12.3	13.8				11.7	
Dividend cover (times) based on total dividends	2.0	2.4	2.3	2.4	2.4	2.4	2.4	2.4	0.8	2.4
Earnings yield (%)	11.5	12.9	12.0	20.1	15.5	14.4	11.5	14.6	14.5	13.8
Closing share price - ordinary (cents)	3 278	2 316	1 925	1 466	1 236	1 156	1 180	996	792	700
Price / Earnings ratio	8.7	7.8	8.3	5.0	6.4	7.0	8.7	6.9	6.9	7.2
Impairment charge/(reversal) vs. net advances (%)	0.4	0.1	0.2	-0.3	-0.1	0.1	0.4	0.8	0.8	0.4
Non-interest revenue as a % of total revenue	0.5	0.5	0.5	0.5	0.4	0.5	0.5	0.4	0.5	0.5
Capital adequacy										
Banking group (%)	16.9	17.1	16.2	17.2	20.4	20.3	20.7	20.0	20.3	18.4
OUTsurance - solvency margin (%)	39.1	37.0	42.9	35.1	35.1	32.4	53.1	85.2	77.7	83.9
Number of staff	2 164	1 940	1 883	1 808	1 791	1 664	1 601	1 463	1 433	1 406

*Restated

Capital Management report

Oscar Capelao | Chief Financial Officer

The group is committed to maintaining a sound capital base to support the risks associated with its diversified business. Strong capital levels contribute to safeguarding operations and interests of the group's stakeholders, foster investor confidence and support strong credit ratings. It also allows the group to take advantage of growth opportunities as they arise and embed sustainable shareholders' returns.

Governance and oversight

Capital is managed in accordance with the board-approved capital management framework that sets the optimal level and composition of capital, as well as the internal capital adequacy assessment process (ICAAP). These have common objectives, aimed at ensuring that the group's capital is adequate to meet current and future risks as well as positioning the group to achieve the board approved strategic objectives.

Well defined roles and responsibilities are set out for successful capital planning and management. The board reviews and challenges the recommendation of the risk, capital and compliance committee (RCCC) – a board risk committee. The RCCC – as a board designated committee – takes responsibility for the group's ICAAP.

Planning, managing and monitoring capital

FNB's capital is managed and monitored based on the group's strategy, identified changes in the operating and regulatory environment or in risk profile. As part of FNB's comprehensive ICAAP, sources and uses of capital are periodically measured and monitored through performance measurement tools.

The group's assessment of capital adequacy is in the context of its current position, expected future risk profile and the group's position relative to its internal targets while considering the potential impact of various stress scenarios. Specific scenarios are selected based on the current economic conditions and business events facing the group. In addition, the group's forward looking capital adequacy assessment includes a consideration of the results of more severe scenarios within its stress testing. This testing is used to determine the extent to which severe, but plausible events, impact the group's capital.

The group sets internal regulatory targets to ensure the available capital is sufficient within the context of its risk appetite. In addition, the internal target includes an adequate buffer over the

In terms of the business plan and forecast, the group is confident of remaining well capitalised going forward. Capital will be prudently managed to support organic growth initiatives to enhance shareholder returns, while maintaining full compliance with evolving regulatory changes.

regulatory minimum ensuring sufficient flexibility in consideration of the ICAAP stress testing scenarios. The latest ICAAP indicates an internal capital target of 14.2%, marginally higher than the previous year's 14.0% and against the regulatory minimum of 10%. This internal target of 14.2% was approved by the board.

The year under review

Capital was primarily generated through earnings, net of dividend payments. No tier 2 notes were issued during the year given the strong level of capitalisation and internal targets being met.

All major initiatives to deploy capital are subject to rigorous analysis, validation for business case and evaluation of expected benefits. Higher growth in assets continues to increase the credit risk weighted assets in accordance with the strategic direction and risk appetite of the group.

Dividend

The group seeks to hold limited excess capital above the approved target range, unless required to support business growth plans and future regulatory changes. Following the review of the annual ICAAP, the dividend cover was revised by board and aligned more closely to the ultimate shareholder dividend cover range. The new dividend cover range for FNB Namibia is 1.8x to 3.0x. The cover for 2015 has been reduced to 2.0x (2014: 2.4x). The board considers this to be both appropriate and prudent as all of the group's buffers will remain intact.The appropriateness of the level of payout will be re-evaluated on annual basis, considering actual performance, demand for capital, macroeconomic conditions and regulatory changes.

The annual dividend payout is 183 cents per ordinary share, compared to 122 cents in 2014. The interim dividend payout was 71 cents per ordinary share, compared to 55 cents in 2014.

Regulatory capital and ratios

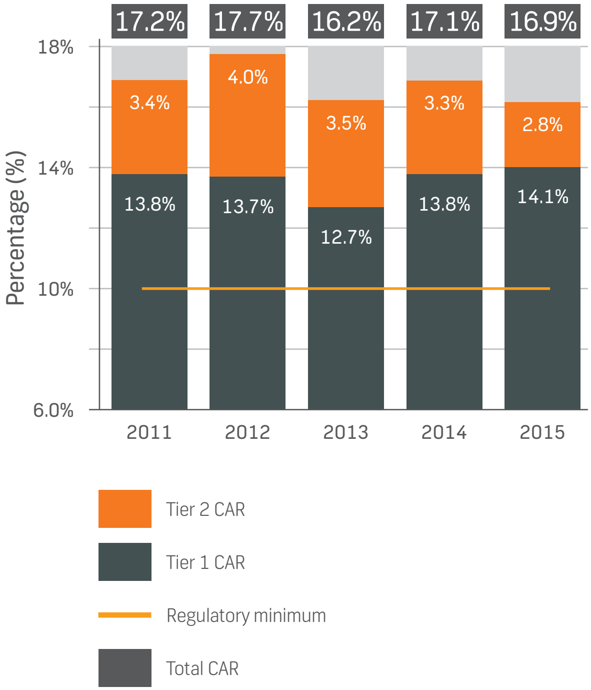
Capital adequacy standards for banks in Namibia are regulated by the Bank of Namibia. These standards are largely consistent with international standards set by the Basel Committee on Banking Supervision (BCBS).

The three primary regulatory risk based capital ratios in Namibia are tier 1 capital ratio, total capital ratio and leverage ratio. The capital ratios are determined by dividing capital components by risk weighted assets and the leverage is determined by dividing with gross assets. The current leverage calculation does not include off balance sheet items as required under Basel III.

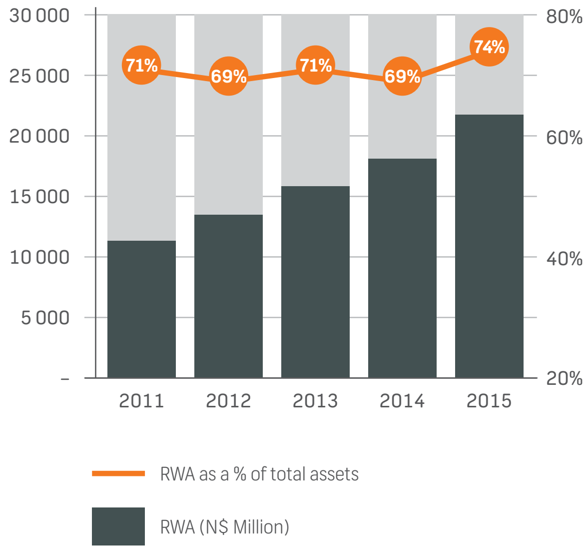
On a regulatory consolidated group level, the group maintained solid capital ratios throughout the year, comfortably exceeded the minimum required on a consolidated basis of 7% and 10% respectively. Refer to the table on page 47 for the year end capital position of both the banking operations as well as the regulatory consolidated group.

Our leverage ratio stood at 10.8%, reflecting a slight increase of from June 2014, mainly highlighting the quality of assets on balance sheet and the growth thereof.

Capital adequacy compliance



Risk weighted asset history



Regulatory developments

Following a consultative meeting between BoN and the industry in April 2015, BON announced its decision to adopt Basel III standards in Namibia for banking institutions that are considered Domestic Systemic Important Banks (DSIBs). BoN will be drafting the required Determination during the first half of 2016.

FNB supports the imminent adoption of Basel III by BoN. As a subsidiary of a South African banking group, we adopted Basel III on 1 January 2013 and we have been reporting on this basis to the South African Reserve Bank (SARB). FNB is expected to meet these new requirements in line with the stated timeline.

OUTsurance

OUTsurance's capital adequacy is measured by the solvency margin that is the free reserve ratio of shareholders' funds expressed as a percentage of net premium income. The company targeted solvency margin range is between 25% and 50%. The solvency margin at 30 June 2015 was 39.1% (2014: 37.0%), a sound and healthy position. OUTsurance declared a dividend of N$18 million for the year ended 30 June 2015 (2014: N$16 million).

FNB Unit Trusts

Regulatory capital requirements of unit trust schemes is that the management company needs to maintain a minimum share capital, paid-up share capital and non-distributable reserves which together amount to an amount not less than N$2.4 million. FNB Unit trust management company held N$15.6 million at year end.

In addition, a management company needs to maintain an investment in each unit portfolio of 10 percent of the market value of the unit portfolio; or invest in N$1 million in each portfolio. N$ 8,6 million was held at 30 June 2015, exceeding the requirement of N$6 million.

Outlook

In terms of the business plan and forecast, the group is confident of remaining well capitalised going forward. Capital will be prudently managed to support organic growth initiatives to enhance shareholder returns, while maintaining full compliance with evolving regulatory changes.

Oscar Capelao | CFO

Capital adequacy of FNB

	Banking operations		Regulated consolidated group	
	Year ended 30 June	Year ended 30 June	Year ended 30 June	Year ended 30 June
N$ million	2015	2014	2015	2014
Risk weighted assets				
Credit risk	18 468	15 666	18 558	15 778
Market risk	605	35	605	35
Operational risk	2 823	2 335	2 859	2 475
Total risk weighted assets	**21 896**	**18 036**	**22 022**	**18 288**
Regulatory capital				
Share capital and share premium	1 143	1 143	248	248
Retained profits	2 090	1 498	2 962	2 342
50% investment in deconsolidated entities			(3)	(3)
Capital impairment: intangible assets	(141)	(157)	(2)	(6)
Total tier 1	3 092	2 484	3 205	2 581
Eligible subordinated debt	390	390	390	390
50% investment in deconsolidated entities			(3)	(3)
General risk reserve, including portfolio impairment	232	201	232	201
Total tier 2	622	591	619	588
Total tier 1 and tier 2 capital	**3 714**	**3 075**	**3 824**	**3 169**
Capital adequacy ratios				
Tier 1	14.1%	13.8%	14.6%	14.1%
Tier 2	2.8%	3.3%	2.8%	3.2%
Total	**16.9%**	**17.1%**	**17.4%**	**17.3%**
Tier 1 leverage ratio	10.4%	9.5%	10.8%	9.9%

Risk report

Johan du Plessis | Chief Risk Officer

Risk taking is an essential part of the group's business. It is a key component of the delivery of sustainable returns to its shareholders and is therefore embedded in the group's tactical and strategic decision making.

As an integrated financial services provider, the group wants to be appropriately represented in all significant earnings' pools across all chosen market and risk taking activities. This entails building revenue streams that are diverse and creating long term value via sustainable earnings' pools with acceptable earnings volatility.

Overview of top and emerging risks for 2015

- Consumers' disposable income continues to be under pressure due to rising unemployment, tighter credit conditions and inflation. Private investment spending will also slow as confidence wanes and profitability falls. This may also result in continued pressure on the retail credit book performance and growth as well as increased levels of non-performing loans (NPLs) including unsecured lending portfolios.

- Namibian economic growth is affected by unrest in the labour market in the surrounding regions and manifests in delayed delivery of goods and services in Namibia. Factors that may impact the economy include potential power blackouts, an economic slump in China and/or a European economic fallout.

- With global cybercrime increasing, renewed focus is being placed on protecting the group against external and internal breaches. Good progress was made by the group to adopt guidelines from the 2015 Information Security Forum and to incorporate the principles into the risk frameworks.

- The group took note of the rate of regulatory change which remains challenging both globally and locally, requiring agility from the group with concomitant high compliance costs. This is further exacerbated by international requirements such as the Foreign Account Tax Compliance Act and Office of Foreign Asset Control Sanctions, which do not form part of Namibian law, but which banks have to apply in order to maintain correspondent banking relationships and secure inward funding.

- Recognising the challenges with Know Your Client requirements, the group embarked on an electronic solution to store all customer information. The group expects this initiative to improve the accuracy of customer data and improve customer service when client documentation is available at the application stage for all products.

- Bank of Namibia indicated to all banks the desire to move to BOP3 (Balance of Payment version 3). The group has allocated a project team to this initiative.

- The group's operational risks remained within the expected range. Expected losses accounted for the bulk of losses, while unexpected losses contributed to budget variances. The total value of losses for the year was also down, while recoveries improved. Aggressive growth plans will lead to increases in expected losses, but improvements in, and focus on, the control environment are expected to offset this, resulting in slower growth in fraud and other losses.

Risk governance structure

The group believes that effective risk management is supported by effective governance structures, robust policy frameworks and a risk-focused culture. Strong governance structures and policy frameworks foster the embedding of risk considerations in business processes and ensure that consistent standards exist across the group.

In line with the group's corporate governance framework, the board retains ultimate responsibility for providing strategic direction.

The risk management structure is set out in the group's business performance and risk management framework (BPRMF). As a policy of both the board and EXCO, it delineates the roles and responsibilities of key stakeholders in business, support and control functions across the various business units and the group.

Risk profile management

The group believes a strong balance sheet and resilient earnings are key to growth, particularly when entering periods of uncertainty. The group's focus areas to manage its risk profile and optimise its portfolio are:

- Strong earnings resilience through diversification, growth in client franchise, appropriate risk appetite and positive operating margins
- Quality of returns with a focus on ROA (not gearing) and discipline in deployment of capital
- Maintain balance sheet strength through:

Risk taking is an essential part of the group's business. It is a key component of the delivery of sustainable returns to its shareholders and is therefore embedded in the group's tactical and strategic decision making.

> managing non-performing loans and coverage ratios
> growing the deposit franchise and improving liquidity profile; and
> maintaining a strong capital position.

Risk Universe

The group recognised the following major risk categories and built risk frameworks to monitor and report on the impact of these risks within the group *(see graphic below)*.

The group is exposed to a number of risks that are inherent in its operations. Managing these risks appropriately is the core competency of the individual business areas.

Risk culture

The group recognises that effective risk management requires the maintenance of a proper risk culture, in addition to appropriate risk governance structures, policy frameworks and effective risk and capital methodologies.

Culture, the net result of how the organisation lives its values, is a strong driver of behaviour. Understanding and managing cultural attitudes towards risk and cultural attitudes that create risk, receive significant attention in the group.

The group's risk culture is influenced by the interaction of the following:

- competent and ethical leadership in setting strategy, risk appetite and a positive attitude towards appropriate risk practices
- robust risk governance structures to ensure risk policy frameworks are visible and implemented, and that appropriate committee memberships and structures exist
- best practice risk and capital methodologies for the appropriate identification, measurement, monitoring, management and reporting of risk and allocation of capital
- accurate assessment of the broader organisational culture which determines business ethics practices, and supports or detracts from risk goals; and
- a people risk profile that provides a balance between skills and ethical values and the appropriate allocation of resources and accountability for performance.

Risk Universe

Ethics Committee

The group established a formal ethics committee to exercise oversight over the governance and functioning of the group-wide ethics programme. The group code of ethics is the cornerstone of ethics management framework.

The ethics committee strategically directs the ethics framework which has attained increased maturity and impact during the year under review. Several culture- and people- risk assessments were conducted, some of which resulted in strategic and operational changes in certain areas and the proactive identification and management of several risk types. The focus on promotion of responsible business conduct was maintained and included intensified training on whistle blowing, conflict of interest, anti-bribery and corruption. Another focus area is the promotion of responsible market conduct and ensuring that the group remains compliant with market conduct regulations and related industry best practice.

Combined assurance

Formal enterprise-wide governance structures for enhancing the practice of combined assurance at group are overseen by the audit committee. The primary objective of the group and assurance forums is for the assurance providers to work together with management to deliver appropriate assurance cost effectively. The assurance providers in this model include GIA, senior management, ERM, RRM and external auditors. The combined outcome of independent oversight, validation and audit tasks performed by the assurance providers ensure a high standard across methodological, operational and process components of the group's risk and capital management.

Combined assurance results in a more efficient assurance process through the elimination of duplication, more focused risk-based assurance against key control areas and heightened awareness of emerging issues resulting in the implementation of appropriate preventative and corrective action plans.

Regular risk reporting and challenge of current practices

As part of the reporting, challenge, debate and control process, ERM drives the implementation of more sophisticated risk assessment methodologies through the design of appropriate policies and processes, including the deployment of skilled risk management personnel in each of the franchises.

ERM, together with GIA, ensures that all pertinent risk information is accurately captured, evaluated and escalated appropriately and timeously. This enables the board and its designated committees to retain effective control over the group's risk position at all times.

Risk appetite

The aim is to ensure that the group maintains an appropriate balance between risk and reward. Risk appetite limits and targets are set to ensure the group achieves its overall strategic objectives, namely to:

- deliver long-term franchise value
- deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility; and
- maintain balance sheet strength.

The group's strategic objectives and financial targets frame its risk appetite in the context of risk and reward. They contextualise the level of reward the group expects to deliver to its stakeholders.

The risk/reward framework, which includes the risk appetite statement below, aims to ensure that the group maintains an appropriate balance between risk and reward. Business and strategic decisions and the setting of risk appetite are aligned to risk appetite targets to ensure they are met during a normal cyclical downturn.

Risk capacity represents the absolute maximum level of risk the group can technically assume given its current available financial resources, i.e. earnings, capital, debt and deposits.

Risk appetite articulates what proportion of group's financial resources should be utilised in the execution of its strategy.

Credit risk

Credit risk is the group's most material risk and as such, receives sufficient attention from all levels of management. This is evident in the credit risk information provided to the credit committees and the health of the provisions created.

The senior credit risk committee is responsible for managing credit risk. This committee operates under the group board's approved discretionary limits, policies and procedures, and at least two group board members in addition to the CEO participate in these meetings.

Credit risk classification and impairment policy

It is policy to make provision for specific impairments and to ensure that calculations for portfolio impairment are promptly made on a consistent basis. The external auditors review these impairments during the annual audit. Two types of impairments are in place: specific and portfolio.

Specific impairments

The specific impairment represents the quantification of actual and inherent losses from individually identified exposures.In determining specific impairments, the following factors are considered:

- our exposure to the customer
- capability of the client to generate sufficient cash flow to service debt obligations
- viability of the client's business
- amount and timing of expected cash flows
- realisable value of security held taking the time value of money into account; and
- deduction of any recovery related costs.

Portfolio impairments

The portfolio impairment supplements the specific impairment as outlined above and provides additional cover, based on prevailing market conditions and current default statistics.

Market risk

The group operates within a risk management framework where principles of managing risks associated with trading positions are set.

Trading and dealing limits are approved by the board, with the day-to-day operations and utilisation thereof resting with the group treasurer. In terms of the market risk framework, responsibility for determining market risk appetite vests with the board, which also retains independent oversight of market risk related activities through the Risk Capital and Compliance committee (RCC).

Stress testing provides an indication of potential losses that could occur under extreme market conditions. Stress and scenario analyses are regularly reported to and considered by the relevant governance bodies.

Interest rate risk

The interest rate risk stemming from the endowment effect is managed in collaboration with the FirstRand Portfolio Management Team and the associated risk can be hedged depending on the interest rate view held by the balance sheet management committee of the group.

Interest rate risk is an inevitable risk associated with grouping and can be an important source of profitability and shareholder value. Interest rate risk continues to be managed from an earnings approach, with the aim to protect and enhance earnings and economic value within approved risk limit and appetite levels. Ultimate responsibility for determining risk limits and risk appetite for the group vests with the board. Independent oversight for monitoring is done through the RCC committee, who, in turn, has delegated the responsibility to ALCCO.

ALCCO remains responsible on behalf of the board for the allocation of sub-limits and remedial action to be taken in the event of any limit breaches.

Liquidity

Our approach to liquidity risk management (LRM) distinguishes between structural, daily and contingency liquidity risk and various approaches are employed in the assessment and management of these on a daily, weekly and monthly basis as illustrated in the chart below. The group acknowledges liquidity risk as a consequential risk that may be caused by other risks as demonstrated by the reduction in liquidity in many international markets as a consequence of the recent credit crisis.

The group is, therefore, focused on continuously monitoring and analysing the potential impact of other risks and events on the funding and liquidity position of the organisation to ensure business activities preserve and improve funding stability. This ensures the group is able to operate through a period of stress when access to funding is constrained.

Structural LRM	Daily LRM	Contingency LRM
The risk that structural, long-term on- and off-balance sheet exposures cannot be funded timeously or at a reasonable cost	Ensuring that intraday and day-to-day anticipated and unforeseen payment obligations can be met by maintaining a sustainable balance between liquidity inflows and outflows	Maintaining a number of contingency funding sources to draw upon in times of economic stress
• Liquidity risk tolerance • Liquidity strategy • Ensuring substantial diversification across different funding sources • Assessing the impact of future funding and liquidity needs taking into account expected liquidity shortfalls or excesses • Setting the approach to managing liquidity in different currencies and from one country to another • Ensuring adequate liquidity ratios • Ensuring adequate structural liquidity gap; and • Maintaining a funds transfer pricing methodology and processes	• Managing intraday liquidity positions • Managing daily payment queue • Monitoring net funding requirements • Forecasting cash flows • Perform short-term cash flow analysis for all currencies individually and in aggregate • Management of intragroup liquidity • Managing central bank clearing • Managing net daily cash positions • Managing and maintaining market access; and • Managing and maintaining collateral	• Managing early warning and key risk indicators • Performing stress testing including sensitivity analysis and scenario testing • Maintaining product behavior and optionality assumptions • Ensuring that an adequate and diversified portfolio of liquid assets and buffers are in place; and • Maintaining the contingency funding plan

Regulatory risk

The group's regulatory risk management (RRM) function plays an integral part in managing risks inherent in the group. The group fosters a compliance culture in its operations that contributes to the overall objective of prudent regulatory compliance and risk management by observing both the spirit and the letter of the law as an integral part of its business activities. The compliance culture also embraces broader standards of integrity and ethical conduct which concerns all employees.

The objective of the RRM function is to ensure that business practices, policies, frameworks and approaches across the organisation are consistent with applicable laws and that regulatory risks are identified and managed proactively throughout the group. This culminates in the maintenance of an effective and efficient regulatory risk management framework with sufficient operational capacity throughout the group to promote and oversee compliance with legislative and best practice requirements. In order to achieve the group's regulatory risk management objectives, staff members are trained and made aware of compliance requirements in order to ensure a high level of understanding and awareness of the applicable regulatory framework.

The group seeks to achieve full compliance with statutes and regulations. Every effort is made to ensure that governance policies and practices are appropriately aligned with regulatory and industry best practice requirements.

Operational risk

Effective management of operational risk is key to the achievement of group business strategy.

Business areas within the group continued to rollout using a phased in approach, the process-based risk and control identification and assessment methodology (PRCIA) aimed at comprehensive identification and assessment of risks and controls within end-to-end business processes per product/service.

The group's IT risk and governance functions have been integrated within ERM, with relevant governance forums in place to ensure continued monitoring and mitigation of IT risk across the group. The group's IT and related frameworks are being reviewed to ensure alignment with changing business models and technology landscapes.

The board has delegated its approval and review authority for operational risk to the Enterprise Risk Management committee (ERMC), a subcommittee of the RCC committee. ERMC is responsible for monitoring the implementation of the ORMF and oversight over the management of operational risk across the group. The ORMF prescribes the authorities, governance and monitoring structures, duties and responsibilities, processes, methodologies and standards which have to be implemented and adhered to when managing operational risk.

Within operational risk, a number of key risks exist for which specialists, frameworks, policies and processes have been established. These are fraud specialists, physical security, business continuity management, legal risk and information technology risk, who provides oversight which is integrated into the broader operational risk management and governance processes.

The group obtains assurance that the principles and standards in the ORMF are being adhered to by the three lines of control model integrated in operational risk management. In this model, business units own the operational risk profile as the first line of control.

In the second line of control, ERM is responsible for consolidated operational risk reporting, policy ownership and facilitation and coordination of operational risk management and governance processes.

GIA as the third line of control, provides independent assurance of the adequacy and effectiveness of operational risk management processes and practices.

Responsibilities in the lines of risk control

FIRST LINE

Heads of Business

- act in accordance with mandates approved by the board or its delegated authority
- identify, quantify and monitor key risks to business under normal and stress conditions
- implement strategy within approved risk appetite
- design business and risk management processes that will ensure that risks area appropriately managed
- specify and implement early warning measures, associated reporting, management and escalation processes through governance structures
- implement risk mitigation strategies
- implement timeous corrective actions and loss control measures as required; and
- ensure staff understand responsibilities in relation to risk management

Financial Resource Management

- provides an integrated approach to financial resource management
- optimises the group's portfolio to deliver sustainable returns within an acceptable level of risk; and
- performs scenario analysis and stress testing

Group Treasury

- manages the group's capital, liquidity, funding, interest rate risk in the banking book and foreign exchange mismatch

SECOND LINE

Risk Management

- ensures that risk policies and tools are implemented and adhered to
- approves the design of business and risk management processes that will ensure that risks are appropriately managed
- identifies process flaws and risk management issues and initiates and monitors implementation of corrective action; and
- compiles, analyses and escalates risk reports on performance, risk exposures and corrective actions, through governance structures inappropriate format and frequency

Enterprise Risk Management

- maintains risk frameworks and governance structures
- develops and communicates risk management strategy and challenges risk profiles
- reports risk exposures and performance to management and governance structures
- ensures appropriate risk skills and risk management culture for risk taking
- performs risk measurement validation; and
- manages regulatory relationships with respect to risk matters

Regulatory Risk Management

- monitors that business practices, policies, frameworks and approaches are consistent with applicable laws

THIRD LINE

Group Internal Audit

GIA determines whether the Group's processes and controls are adequate to ensure:

- risks are appropriately identified, quantified and controlled by approved business and risk procedures; if not, initiate corrective action
- management and financial information systems incorporate sound controls
- financial reports, accounting records and operating information is accurate,valid, complete, reliable and timeous
- employees execute duties in compliance with policies, standards, applicable laws and regulations
- resources are acquired economically, used efficiently and effectively; and
- adequate processes are implemented to ensure protection of assets

Reputational risk

As a financial services provider, the group's business is one inherently built on trusting relationships with its clients. Reputational risk can arise from environmental, social and governance issues or as a consequence of financial or operational risk events. The group seeks to avoid large risk concentrations by establishing a risk profile that is balanced within and across risk types. In this respect, potential reputational risks are also taken into account as part of stress-testing exercises. The group aims to establish a risk and earnings profile within the constraints of its risk appetite and seeks to limit potential stress losses from credit, market, liquidity or operational risks that may otherwise introduce an undesirable degree of volatility in its financial results and adversely affect its reputation.

Environmental, social and governance (ESG) risk management

The group has formal governance processes for managing ESG risks affecting the group's ability to successfully implement business strategy. These processes involve the generation of ESG management reports at group level, which detail ESG performance on a quarterly basis.

OUTsurance Namibia Risk Management

OUTsurance Namibia has adopted the Enterprise Risk Management Strategy and Framework which provide reasonable assurance that risks are being managed in line with the best practices, our values and the risk principles of FNB Namibia Holdings Ltd. This framework is designed according to the corporate governance principles for sound risk management. The framework also outlines the key risk categories, the risk appetite, as well as risk management and combined assurance processes that form the basis of the reports to the board.

The risk management philosophy is to proactively undertake and direct actions to attain and preserve the group's objectives and values in a sustainable and profitable environment.

Insurance risks

The primary activity of OUTsurance relates to the assumption of possible loss arising from risks to which OUTsurance is exposed through the sale of short-term insurance products. Through the continuous sale of insurance products and subsequent growth in the pool of insured risks, OUTsurance can diversify its portfolio of risks and therefore minimise the impact of variability of insurance losses affecting that portfolio.

OUTsurance manages its insurance risk through its reinsurance programme which is structured to protect the company against material losses to either a single insured risk, or a group of insured risks in the case of a catastrophe where there would tend to be a concentration of insured risks.

Underwriting strategy

OUTsurance aims to diversify the pool of insured perils through writing a balanced portfolio of insurance risks over a large geographical area.

Reinsurance strategy

OUTsurance reinsures a portion of the risk it assumes through its reinsurance programme in order to control the exposure of the group to losses arising from insurance contracts and in order to protect the profitability of the business and its capital.

Exposure to catastrophes and policies mitigating this risk

Catastrophe modelling is performed to determine the impact of different types of catastrophe events (including natural disasters) in different geographical areas, at different levels of severity and at different times of the day.

Johan du Plessis | CRO

FNB NAMIBIA HOLDINGS LIMITED

ANNUAL FINANCIAL STATEMENTS

Contents

Directors' responsibility statement

To the shareholders of FNB Namibia Holdings Limited

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

The directors have reviewed the appropriateness of the accounting policies, and concluded that estimates and judgements are prudent.

The group has complied in all material respects with the requirements set out in BID2 with regards to asset classification, suspension of interest and provisioning. The group's policies with this regard are stated in the notes on accounting policies, disclosed on pages 66 to 93.

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

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

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

The directors have reviewed the group's budget for the year to 30 June 2016. On the basis of this review and in the light of the current financial position, the directors have no reason to believe that FNB Namibia Holdings Limited and its subsidiaries will not be a going concern for the foreseeable future. The going concern basis has therefore been adopted in preparing the financial statements.

The group's external auditors, Deloitte & Touche, have audited the financial statements and their report appears on page 61. The consolidated annual financial statements of the group and company, which appear on pages 59 to 215 have been approved by the board of directors and are signed on its behalf by:

C J Hinrichsen
Chairman

S J Van Zyl
Chief Executive Officer

Windhoek
7 August 2015

Report of the audit committee to shareholders

The audit committee comprises of a majority of independent non-executive directors and it meets no less than four times a year. The chairperson of the audit committee is an independent non-executive director and not the chairperson of the board.

The primary function of the audit committee is to assist the board in fulfilling its responsibilities by monitoring decisions and processes designed to ensure that the group's financial and computer system provide reliable, accurate and up-to-date information to support the current financial position and that the published consolidated annual financial statements represent a fair reflection of its financial position. It also ensures that appropriate accounting policies, control and compliance procedures are in place. The head of internal audit and the external auditors attend its meetings and have unrestricted access to the chairman of the committee.

In carrying out its responsibilities the committee has full authority to investigate all matters that fall within its terms of reference. Accordingly, the committee may:

- Obtain independent professional advice in the satisfaction of its duties at the cost of the group; and
- Have such direct access to the resources of the group as it may reasonably require including the external and internal auditors.

The primary objectives of the committee are:

1. To assist the board of directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied in a day-to-day management of the business;
2. To review accounting principles, policies and practices adopted in preparation of public financial information;
3. To review with external auditors the scope and results of their audit, as well as the review and approval of audit fee's and nomination of auditors for appointment by shareholders;
4. To provide a forum for communication between the board of directors, management and the internal and external auditors; and
5. To introduce such measures as in the committee's opinion may serve to enhance the credibility and objectivity of the consolidated annual financial statements and affairs of the group.

The committee has met its objectives, has found no material weaknesses in controls, and is satisfied with the level of disclosure to it and to the stakeholders.

S H Moir
Chairman

Windhoek
6 August 2015

Independent Auditor's Report

To the shareholders of FNB Namibia Holdings Limited

We have audited the consolidated annual financial statements and the annual financial statements of FNB Namibia Holdings Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2015 and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 62 to 215 and capital management report on page 43 to 47.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, these annual financial statements present fairly, in all material respects, the consolidated and separate financial position of FNB Namibia Holdings Limited as at 30 June 2015 and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia.

Deloitte & Touche

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

Per RH Mc Donald: Partner

PO Box 47, Windhoek, Namibia
3 September 2015

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

Resident partners: E Tjipuka (Managing Partner), RH Mc Donald, H de Bruin, J Cronje, A Akayombokwa, AT Matenda
Director: G Brand

Directors' report

Nature of business

FNB Namibia Holdings Limited is the holding company of the FNB Namibia group of companies. Its main investments remain unchanged from the prior year. The shareholdings are:

First National Bank of Namibia Limited: a registered bank offering a full range of banking services	100%
FNB Insurance Brokers (Namibia) (Pty) Ltd: an insurance broking company	100%
OUTsurance Insurance Company of Namibia Limited: a short-term insurance company	51%
Talas Properties (Windhoek) (Pty) Ltd: a property-owning company	100%
FNB Trust Services Namibia (Pty) Ltd: a registered trust company involved in the administration of deceased estates	100%
FNB Namibia Unit Trusts Limited: a unit trusts management company	100%
RMB Investments (Pty) Ltd: a structured finance advisory company	100%

Share capital

The company's authorised share capital remained unchanged at N$5 million.

The company's authorised share capital at year-end consists of 990 000 000 (2014: 990 000 000) ordinary shares of 0,5 cents each and 10 000 000 (2014: 10 000 000) cumulative convertible redeemable preference shares of 0,5 cents each.

The issued ordinary share capital remained unchanged at 267 593 250 ordinary shares and 2 cumulative convertible redeemable preference shares.

At the annual general meeting to be held on 29 October 2015 members will be asked to consider an ordinary resolution placing the number of un-issued ordinary and preference shares, exclusive of the number of shares reserved for purposes of the share incentive scheme as at that date, under the control of the directors as is currently the case, until the next annual general meeting.

Share analysis – ordinary shares

Based on information disclosed by the Namibian Stock Exchange and investigations conducted on behalf of the company, the following shareholders have a beneficial interest of 5% or more in the issued ordinary shares of the company:

FirstRand EMA Holdings Limited	58.4% (2014: 58.4%)
Government Institutions Pension Fund	14.8% (2014: 14.8%)

A detailed analysis of shareholders is set out on page 219.

Share analysis – preference shares

RMB-SI Investments (Pty) Limited	100% (2014: 100%)

FNB Share Incentive Scheme (the trust)

No new shares were allocated during the year by the company to the trust (2014: nil). Staff exercised options on 1 305 000 (2014: 2 152 397) shares during the year. The total number of shares held by the trust at 30 June 2015 amounts to 6 834 373 (2014: 7 307 724). Also refer to notes 8 and 33 of the annual financial statements.

Dividends

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

N$'000	2015	2014
Ordinary dividends		
Final dividend of 112 cents (2014: 67 cents)	299 704	179 287
Interim dividend of 71 cents (2014: 55 cents)	189 991	147 176
Total distribution for the 12 months of 183 cents per ordinary share (2014: 122 cents per ordinary share)	489 695	326 463

Directors interest in FNB Namibia Holdings Limited

Details of the directors' holdings in the issued ordinary shares of FNB Namibia Holdings Limited are reflected in note 8 to the annual financial statements.

Interest of directors

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

Group results

The financial statements on pages 59 to 215 set out fully the financial position, results of operations and cash flows of the company and the group. Your attention is also drawn to the chairman's report, the chief executive officer's report and the chief financial officer's report on the financial results on pages 27 to 39.

Directorate

At the group's annual general meeting held on 30 October 2014, directors CLR Haikali and PT Nevonga who retired by rotation in accordance with the provisions of the company's articles of association, made themselves available for re-election and were duly re-elected.

The composition of the board of FNB Namibia Holdings Limited is as follows:

C J Hinrichsen # (Chairman)
J R Formby* (Appointed January 2015)
L J Haynes*
I I Zaamwani-Kamwi
M N Ndilula
S J Van Zyl (Chief Executive Officer)
(Appointed December 2014)

J J Comalie
C L R Haikali
J R Khethe*
S H Moir*
P T Nevonga

German   * South African

Directors' report continued

Board changes

Mr ILM Leyenaar, the previous Chief Executive Officer, retired from the board in November 2014. Mr CJL Giddy, a director resigned from the board on 25 August 2014.

Directors' emoluments

Directors' emoluments are disclosed in note 8 to the annual financial statements.

Management by third parties

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

Insurance

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

Property and equipment

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

Holding company

The holding company of FNB Namibia Holdings Limited is FirstRand EMA Holdings Limited and its ultimate holding company is FirstRand Limited, both of which are incorporated in the Republic of South Africa.

Subsidiaries

Interest in and aggregate profits of subsidiaries are set out in note 38 to the annual financial statements.

Company secretary and registered offices

Company secretary
N Ashipala (Appointed May 2015)

Registered office
209 Independence Avenue
Windhoek

Postal address
P O Box 195
Windhoek
Namibia

Events subsequent to the reporting date

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

FNB NAMIBIA HOLDINGS LIMITED

ACCOUNTING POLICIES

Accounting Policies

1. Introduction

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

The group adopts the following accounting policies in preparing its consolidated financial statements. These policies have been consistently applied to all years presented, unless otherwise stated.

1.1 Basis of presentation

The group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Namibian Companies Act, No 28 of 2004. The principal accounting policies are consistent in all material aspects with those adopted in the previous year, except for the adoption of the following new and revised IFRS:

- The amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in other Entities and IAS 27 Separate Financial Statements provide an exemption to the consolidation requirement for entities that meet the definition of an investment entity in terms of IFRS 10. If the exemption is applied, the amendments allow investment entities to account for investments in subsidiaries at fair value through profit or loss. These amendments have no impact to the group, since neither the group itself nor any of the entities in the group meets the definition of an investment entity in terms of IFRS 10.

- IAS 19 Employee Benefits was amended to clarify the requirements relating to how contributions from employees or third parties that are linked to service should be attributed to periods of service. The amendment permits contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. Other contributions by employees or third parties that are not linked to service should be attributed to periods of service using the plan's contribution formula or on a straight-line basis. The amendments did not have an impact on the group.

- The amendments to IAS 32 Financial Instruments: Presentation clarify the existing requirements relating to the offsetting of financial assets and financial liabilities. It specifically clarifies that the right of set-off must not be contingent on a future event and must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The group's interpretation of the offsetting requirements has always been in line with this and the clarification and adoption of the amended standard did not have an impact on the group financial statements.

- Amendments to IAS 36 Impairment of Assets remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36. The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units (CGU) is required to be disclosed. The amendments clarify the disclosures required and introduce an explicit requirement to disclose the discount rate used in determining impairment or impairment reversals when the recoverable amount is determined using a present value technique. The amendments do not impact the amounts reported in the group's consolidated financial statements, but additional disclosures will be provided when applicable in terms of the new disclosure requirements.

- Under IAS 39 Financial instruments: Recognition and Measurement the novation of derivatives to central counterparties would result in the discontinuance of hedge accounting. The amendments to this standard provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the group as the group has not novated any derivatives used as hedging instruments during the current or prior periods.

- IFRIC 21 Levies is a new interpretation that provides guidance on when to recognise a liability for a levy imposed by a government. The interpretation clarifies that an entity should recognise a liability for a levy when the activity that triggers the payment, as identified by the relevant legislation occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognised until the specified minimum threshold is recognised. This interpretation has no impact on the group's consolidated financial statements as it has applied the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets which are consistent with the requirements of IFRIC 21 in prior years.

- As part of its Annual Improvements Project, the IASB made amendments to a number of accounting standards. The annual improvements for the 2010-2012 and 2011-2013 cycles issued in December 2013 were adopted in the current financial year. These amendments did not have a significant impact on the group's results nor have they resulted in the restatement of prior year numbers.

The group prepares its audited consolidated financial statements in accordance with the going concern principle using the historical cost basis, except for the following assets and liabilities.

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

The preparation of audited consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are outlined in note 43.

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

1.2 Consolidation

Subsidiaries

The consolidated annual financial statements include the assets, liabilities and results of the operations of the holding company and its subsidiaries.

Subsidiaries are all companies and structured entities over which the group has control. The group has control over an investee when the group is exposed, or has the rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When assessing whether control exists the group considers all existing substantive rights that result in the current ability to direct relevant activities. Subsidiaries are consolidated from the date on which the group acquires effective control. Consolidation is discontinued from the date that control over the subsidiary is lost.

The group will consolidate a structured entity when the substance of the relationship between the group and the structured entity indicates that the group controls the structured entity.

Accounting Policies

Subsidiaries continued

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

Business combinations

The group uses the acquisition method of accounting to account for business combinations. A business is defined as an integrated set of activities and assets that are capable of being conducted and managed for the purposes of providing a return. It is presumed that a business exists if goodwill is present in the acquired set of assets and activities. Evidence to the contrary would be needed to overcome this presumption.

The consideration transferred for the acquisition is measured at the fair value of the assets transferred, equity instruments issued and the liabilities incurred or assumed at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the acquisition date fair value of any existing equity interest held in the subsidiary. The contingent consideration is initially measured at fair value on the acquisition date. An obligation to pay contingent consideration is classified as either a financial liability or equity based on the respective definitions set out in IAS 32. The group classifies any rights to the return of consideration previously transferred as a financial asset. Any asset or liability arising from a contingent consideration arrangement is subsequently measured at fair value through profit and loss.

Any changes resulting from additional and new information about events and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date, are considered to be measurement period adjustments. The group retrospectively adjusts the amounts recognised for measurement period adjustments. The measurement period ends when the acquirer receives all the information it was seeking about facts and circumstances that existed at the acquisition date or learns that information is not obtainable. The measurement period shall, however, not exceed one year from the acquisition date. To the extent that changes in the fair value relate to post-acquisition events, these changes are recognised in accordance with the IFRS applicable to the specific asset or liability. Contingent consideration that is classified as equity is not remeasured after the acquisition date.

Transaction costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date.

Any difference between the sum of consideration transferred, the amount of any non-controlling interest in the subsidiary (also refer to the accounting policy on Non-controling interest) and the acquisition date fair value of any previous equity interest in the subsidiary and the fair value of the group’s share of the identifiable net assets acquired, is recorded as goodwill. If this amount is negative as in the case of a bargain purchase, the difference is recognised immediately in profit or loss.

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

Non controlling interest

Non-controlling interests in the net assets of subsidiaries are separately identified and presented from the group’s equity. Non-controlling interests may initially be measured either at fair value or at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets at the acquisition date. This is not an accounting policy election and the group will apply the choice of measurement basis on an acquisition by acquisition basis.

Subsequently the non-controlling interests are measured at the amount attributed to such interest at initial recognition and the non-controlling interests' share of changes in equity of the subsidiary since the acquisition date.

Non-controlling interests are treated as equity participants of the subsidiary company. The group treats all acquisitions and disposals of its non-controlling interests in subsidiary companies, which do not result in a loss of control, as transactions with equity holders. The carrying amounts of the controlling and noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the group.

Associates and joint ventures

Associates are entities over which the group has significant influence but does not control or jointly control. The group is presumed to have significant influence when it has power over between 20% and 50% of the voting rights. The group includes the results of associates in its consolidated financial statements using the equity accounting method from the date of acquisition. Refer to accounting policy on equity accounting for details on the application of the equity accounting method.

Equity accounting is discontinued from the date that the group ceases to have significant influence over the associate or from the date that the investment is classified as a non-current asset held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Investments in associates acquired and held exclusively with the view to dispose of in the near future (within 12 months) are not accounted for using the equity accounting method, but are measured at fair value less cost to sell in terms of IFRS 5.

Equity accounting

When equity accounting is applied to an investment in an associate or joint venture the investment is initially recognised at cost. The carrying amount is subsequently increased or decreased to recognise the group's share of the profit or loss from the investee after the date of acquisition. Goodwill on the acquisition of associates and joint ventures is included in the equity-accounted carrying amount.

Earnings attributable to ordinary shareholders include the group's share of earnings of associates and joint ventures. Other comprehensive income includes the group's share of other comprehensive income of associates and joint ventures. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the associate or joint venture. Changes in the group's share of the net asset value that are not recorded in the in the investee's other comprehensive income are recorded directly in equity. These amounts are recycled to profit or loss when the investment ceases to be equity accounted.

The most recent audited annual financial statements of associates and joint ventures are used by the group in applying the equity method of accounting. These are not always drawn up to the same date as the financial statements of the group. Where the reporting date of the investee is different from that of the group, the group uses the most recently available financial statements of the investee as well as reviews the investees management accounts for material transactions during the in-between period. In instances where significant events occurred between the last reporting date of an investees and the reporting date of the group, the effect of such events are adjusted for.

Accounting Policies

Equity accounting continued

Certain loans and other long-term interests in associates and joint ventures are considered to be in substance part of the net investment in the entity when settlement is neither planned nor likely to occur in the foreseeable future. Such items may include preference shares and long-term receivables or loans but do not include trade receivables or any long-term loans for which adequate collateral exists. These loans and other long-term interests in associates and joint ventures are included in advances on the face of the statement of financial position. The value of such loans are however included in the carrying amount of the investee for purposes of determining the share of losses of the investee attributable to the group and for impairment testing purposes. At each reporting period the group assesses whether there is any objective evidence of impairment as described in IAS 39 in relation to an investment in an associate or joint venture. If such evidence exists, the entire carrying amount of the investment, including the goodwill and other long-term interests, is tested for impairment in terms of IAS 36. Any resulting impairment losses are recognised as part of the share of profits or losses from associates or joint ventures.

When equity accounting is discontinued the group measures any investment it has retained in the entity at fair value and recognises the resulting gain or loss in gains less losses from investing activities within non-interest revenue. The gain or loss is measured as the difference between the fair value of the retained investment and the carrying amount of the original investment at the date on which equity accounting is discontinued. After discontinuing equity accounting, the group accounts for any retained investment in the entity in accordance with the relevant IFRS as appropriate.

The group does not account for any further losses of the associate or joint venture when the carrying amount of the investment reaches zero, unless it has incurred obligations or guaranteed obligations in favour of the investee.

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

1.3 Interest income and expense

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

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

Interest income or expenses on instruments designated at fair value through profit or loss is included in fair value income within non-interest revenue except to the extent that the interest relates to:

- the group's insurance operations;
- the groups funding operations; and
- items to which hedge accounting is applied.

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

Instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances or long-term liabilities as appropriate. Where these instruments are measured at amortised cost, dividends received or paid on these instruments are included in the cash flows used to determine the effective interest rate of the instrument.

1.4 Fair value income

The group includes profits or losses, fair value adjustments, interest on trading financial instruments (including derivative instruments that do not qualify for hedge accounting in terms of IAS 39), as well as trading related financial instruments designated at fair value through profit or loss, as fair value gains or losses in non-interest revenue. Trading related financial instruments designated at fair value through profit or loss exclude instruments relating to the group's insurance operations and the group's funding requirements.

Net fee and commission income

1.5 Fee and commission income

The group generally recognises fee and commission income within non-interest revenue on an accrual basis when the service is rendered.

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

Fees and transaction costs that do not form an integral part of the effective interest rate are recognised as income when the outcome of the transaction involving the rendering of services can be reliably estimated as follows:

- fees for services rendered are recognised as fee and commission income on an accrual basis when the service is rendered, for example, banking fee and commission income, and asset management and related fees;
- fees earned on the execution of a significant act, for example knowledge-based fee and commission income and non-banking fee and commission income, when the significant act has been completed; and
- commission income on bills and promissory notes endorsed is credited to profit or loss over the lives of the relevant instruments on a time apportionment basis,

1.6 Fee and commission expenses

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

Accounting Policies

1.7 Dividend income

The group recognises dividend income when the group's right to receive payment is established. This is on the last day to trade for listed shares and on the date of declaration for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares, except to the extent that the scrip dividend is viewed as a bonus issue with no cash alternative and the transaction lacks economic significance.

1.8 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges. Translation differences on both monetary and non-monetary items that are recognised at fair value through profit or loss are reported as part of the fair value gains or losses in non-interest revenue.

Changes in the fair value of monetary debt securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost and other changes in the fair value of the security. Translation differences relating to changes in the amortised cost are recognised in profit or loss and other changes in the fair value are recognised in other comprehensive income.

Foreign exchange gains or losses on monetary items measured at amortised cost are recognised in profit or loss as part of foreign exchange differences, within non-interest revenue.

1.9 Borrowing costs

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

1.10 Direct and indirect taxes

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

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

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

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

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

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

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

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

1.11 Recognition of assets

Assets

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

Contingent assets

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

Managed funds and trust activities

Certain companies within the group engage in trust or other fiduciary activities that result in the managing of assets on behalf of clients. The group excludes these assets and liabilities from the statement of financial position as these are not assets and liabilities of the group but of the client.

The fee income earned and fee expenses incurred by the group relating to these activities are recognised in fee and commission income and expenses within non-interest revenue in the period to which the service relates.

Accounting Policies

1.12 Liabilities, provisions and contingent liabilities

Liabilities and provisions

The group recognises liabilities, including provisions, when:

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Contingent liabilities

The group discloses a contingent liability when:

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

1.13 Cash and cash equivalents

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

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

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

1.14 Financial instruments

General

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

The group classifies its financial assets in the following categories:

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

Financial liabilities are classified in the following categories:

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

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

Financial instruments are initially recognised at fair value plus transaction costs for all financial instruments not carried at fair value through profit or loss.

Available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently measured at fair value. Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

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

Financial instruments at fair value through profit or loss

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

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

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

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

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

Accounting Policies

Financial instruments at fair value through profit or loss continued

Financial instruments designated under criteria (ii), include certain private equity and other investment securities and financial assets held to meet liabilities under insurance contracts.

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

Loans and receivables

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

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

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group sells more than an insignificant amount of held-to-maturity investments, the entire category is considered to be tainted in terms of IAS 39 and would have to be reclassified as available-for-sale.

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

Available-for-sale financial assets

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

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

When the available-for-sale financial assets are disposed of or impaired, the related accumulated fair value adjustments are reclassified from other comprehensive income and included in profit or loss as gains less losses from investing activities within non-interest revenue.

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

Classification of financial liabilities, equity instruments and compound financial instruments

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

Compound instruments are those financial instruments that have components of both financial liabilities and equity. At initial recognition the compound financial instruments are split into its separate components and accounted for as financial liabilities or equity as appropriate. The group separately measures and recognises the fair value of the debt component of an issued convertible bond as a financial liability, with the residual value allocated to equity.

The initial fair value of the liability component is recognised at the fair value of a similar non-convertible instrument. The equity component is initially recognised as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their carrying values.

Measurement of financial liabilities

Financial liabilities are measured at amortised cost, except for certain liabilities that are designated as at fair value through profit or loss. Interest expense is recognised in profit or loss over the period of the borrowing using the effective interest method. Refer to accounting policies 1.3 and 1.4 for the accounting treatment applied to interest expense and fair value gains or losses respectively.

The group calculates interest on the liability component of compound financial instruments based on the market rate for a similar nonconvertible instrument at the inception thereof.

Offsetting of financial instruments

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

- there is a current enforceable legal right to offset the amounts; and
- there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The right of set-off is considered to be currently enforceable if the following conditions are met the right is not contingent on a future event; and it is legally enforceable in all of the following circumstances:

- the normal course of business;
- the event of default; and
- in the event of insolvency or bankruptcy of the entity and all of the counterparties

Embedded derivatives

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

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

Accounting Policies

Embedded derivatives continued

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

Derecognition

The group derecognises a financial asset when:

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

Where the group retains substantially all the risks and rewards of ownership of the financial asset, the group continues to recognise the financial asset in its entirety and recognises a financial liability for the consideration received. These financial assets and the related financial liabilities may not be offset.

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

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

The group derecognises a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. A substantial modification of the terms and conditions of an existing financial liability or part of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new one. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

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

Sale and repurchase agreements

The consolidated financial statements reflect securities sold subject to a linked repurchase agreement (repos) as trading or investment securities. The counterparty liability is included in deposits held under repurchase agreements. These financial liabilities are either measured at fair value or amortised cost in line with IAS 39.

Securities purchased under agreements to resell (reverse repos) are not recorded but the related advances relating to the repurchase transactions are recognised as advances under agreements to resell. These financial assets are either measured at fair value or amortised cost in line with IAS 39. The difference between the purchase and resale price is in substance interest and recognised in accordance with the group’s policy for net interest income.

Securities lent to counterparties under securities lending arrangements are retained as trading and investment securities. Any deposits arising from collateral provided by the counterparties are recognised as deposits under securities lending arrangements and are measured at either fair value or amortised cost in accordance with IAS 39.

The group does not recognise securities borrowed in the consolidated financial statements, unless unsold to third parties, in which case the obligation to return these securities is recognised as a financial liability at fair value with any gains or losses included in fair value income within non-interest revenue.

1.15 Impairment of financial assets

General

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

Assets carried at amortised cost

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

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

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

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original

Accounting Policies

Assets carried at amortised cost continued

effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

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

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

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

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

Past due advances

Advances are considered past due in the following circumstances:

- loans with a specific expiry date (e.g. term loans etc.) and consumer loans repayable by regular instalments (e.g. mortgage loans and personal loans) are treated as overdue where one full instalment is in arrears for one day or more and remains unpaid as at the reporting date; or.
- loans payable on demand (e.g. overdrafts) are treated as overdue where a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction. In these instances, the full outstanding amount is considered overdue even if part of it is not yet due.

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

Renegotiated advances

Financial assets that would otherwise be past due that have been renegotiated are separately classified as neither past due nor impaired assets. Renegotiated advances are advances where, due to deterioration in the counterparty's financial condition, the group granted a concession where the original terms and conditions of the facility were amended and the counterparty is within the new terms of the advance. Advances are only classified as renegotiated if the terms of the renegotiated contract have not yet expired and remain classified as such until the terms of the renegotiated contract expire. Where the advances are reclassified as neither past due nor impaired the adherence to the new terms and conditions is closely monitored.

Renegotiated advances exclude advances extended or renewed as part of the ordinary course of business for similar terms and conditions as the original. Non-performing advances cannot be reclassified as renegotiated unless the arrears balance has been repaid. Renegotiated but current financial assets are considered as part of the collective evaluation of impairment where financial assets are grouped on the basis of similar credit risk characteristics.

Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of cost or net realisable value. The group recognises repossessed assets as part of accounts receivable in the statement of financial position.

Available-for-sale financial assets

The group assesses at each reporting date whether there is objective evidence that an available-for-sale financial asset or a group of available-for-sale financial assets is impaired.

In the case of equity investments classified as available-for-sale, objective evidence of impairment includes information about significant changes with an adverse effect on the environment in which the issuer operates and indicates that the cost of the investment in the equity instrument may not be recovered and a significant or prolonged decline in the fair value of the security below its cost. If any such objective evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any previously recognised impairment loss on that financial asset, is reclassified from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not subsequently reversed.

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

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

Accounting Policies

1.16 Derivative financial instruments and hedging

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

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

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

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

Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as hedging instruments in fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The interest accrued or paid relating to interest rate swaps and hedged items are reflected in interest income or interest expense. Effective changes in fair value of currency futures are reflected in non-interest revenue. Other gains or losses, including the ineffective portion of all fair value hedges, are recorded as fair value gains or losses in non-interest revenue.

If the hedge of an instrument carried at amortised cost no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of the hedged item is amortised to profit or loss based on a recalculated effective interest rate over the residual period to maturity, unless the hedge item has been derecognised, in which case it is released to profit or loss immediately. However, if the hedge of an equity instrument carried at fair value no longer meets the criteria for hedge accounting, the cumulative adjustment of the carrying amount of a hedged equity instrument remains in retained earnings until disposal.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated as hedging instruments in effective cash flow hedges is recognised in the cash flow hedge reserve in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately as part of fair value gains or lossess in non-interest revenue in profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in the cash flow hedge reserve at that time remains in other comprehensive income and is recognised when the forecast transaction is recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately reclassified to profit or loss.

Amounts accumulated in other comprehensive income are reclassified to profit or loss in the periods in which the hedged item affects profit or loss. Where the forecast transaction or a foreign currency firm commitment results in the recognition of a non-financial asset or liability, the gains or losses previously deferred in other comprehensive income are reclassified from other comprehensive income and included in the initial measurement of the cost of the non-financial asset or liability.

For financial assets and liabilities, if the risk being hedged is interest rate risk the amounts are included in interest income or interest expense when reclassified to profit or loss. The amount recognised in profit or loss for other risks relating to financial assets and liabilities is recognised in non-interest revenue as fair value gains and losses.

1.17 Property and equipment

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

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

Leasehold improvements are all improvements made to property which the group leases under an operating lease in order to prepare the property for its intended use and from which the group is expected to benefit for more than one year. Leasehold improvements are capitalised as property and equipment. Property and equipment is depreciated on a straight-line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives. Freehold properties and properties held under finance leases are broken down into significant components and depreciation calculated based on the expected useful lives of these components . The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

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

1.18 Investment property

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

Investment properties comprise freehold land and buildings and are measured at fair value. Investment properties that are being redeveloped for continuing use as investment property, or for which that market has become less active, continue to be measured at fair value.

Accounting Policies

1.18 Investment property continued

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

When investment properties become owner occupied, the group reclassifies them to property and equipment, using the fair value at the date of reclassification as the cost.

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

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

1.19 Leases

A group company is the lessee

Finance leases

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

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

Operating leases

The group classifies leases as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset. The group recognises operating lease payments as an operating expense in profit or loss on a straight line basis over the period of the lease. Contingent rentals are expensed in the period incurred. Minimum rentals due after year end are disclosed as commitments.

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

A group company is the lessor

Finance leases

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

Operating leases

The group includes assets held under operating leases as a separate category of property and equipment. The group depreciates these assets over their expected useful lives on a basis consistent with similar owned property and equipment. Rental income is recognised as other non-interest revenue on a straight line basis over the lease term.

Instalment credit agreement

The group regards instalment credit agreements as financing transactions and includes the total rentals and instalments receivable , less unearned finance charges, in advances.
The group calculates finance charges using the effective interest rates as detailed in the contracts and credits finance charges to interest income in proportion to capital balances outstanding.

1.20 Intangible assets

Goodwill

Goodwill represents the excess of the consideration transferred, the fair value of the previous equity interests held and the non-controlling interest of an acquisition over the group's share of the fair value of the identifiable net assets of the acquired business, subsidiary, associate or joint venture at the date of acquisition. Goodwill on the acquisition of businesses and subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in the carrying amount of the investment. The group carries goodwill at cost less accumulated impairment losses.

Computer software development costs

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

The group carries capitalised software assets at cost less accumulated amortisation and any impairment losses. It amortises these assets on a straight line basis at a rate applicable to the expected useful life of the asset, but not exceeding three years.

Internally generated software and development costs are only capitalised and recognised as intangible assets if the requirements of IAS 38 Intangible Assets relating to the recognition of internally generated assets have been met. Refer below for the policy on other internally generated assets.

Other intangible assets

The group expenses the costs incurred on internally generated intangible assets such as trademarks, patents and similar rights and assets, in profit or loss in the period in which the costs are incurred. The costs incurred on the development of separately identifiable internally generated intangible assets, are capitalised by the group if:

- the group is able to demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- it is the group's intention to complete the intangible asset and use or sell it;

Accounting Policies

Other intangible assets continued

- the group will be able to use or sell the intangible asset;
  it is probable that the intangible asset will generate future economic benefits;
- adequate technical, financial and other resources are available to complete the development and to use; and
- the expenditure attributable to the intangible asset can be reliably measured.

The group capitalises material acquired trademarks, patents and similar rights where it will receive a benefit from these intangible assets for more than one financial period.
The group carries capitalised trademarks, patents and similar assets at cost less accumulated amortisation and any impairment losses. It amortises these assets at a rate applicable to the expected useful life of the asset.

Value of in-force business

As a result of certain acquisitions of insurance contracts and the application of purchase accounting, the group carries a customer contract intangible asset representing the present value of in-force ("PVIF") business acquired. PVIF is determined by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. The group amortises PVIF on the expected life of the contract as a constant percentage of expected gross margins over the estimated life of the acquired contracts. The estimated life is evaluated regularly. The PVIF is carried in the statement of financial position at fair value less any accumulated amortisation and impairment losses.

Impairment of intangible assets

Management reviews the carrying value of intangible assets wherever objective evidence of impairment exists. An impairment loss is recognised immediately in profit or loss as part of operating expenses when the carrying value is greater than the recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use.

Goodwill is tested annually for impairment or more frequently if an impairment indicator exists at the reporting date. Impairment losses on goodwill are not subsequently reversed.

For impairment testing purposes goodwill is allocated to the smallest component of the business that is expected to benefit from synergies of the combination and at which management monitors goodwill (cash generating unit). Each cash generating unit represents a grouping of assets no higher than an operating segment. The recoverable amount of a cash generating unit is the higher of fair value less costs to sell and value in use.

1.21 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

1.22 Employee benefits

Post-employment benefits

The group operates defined benefit and defined contribution schemes, the assets of which are held in separate trustee administered funds. These funds are registered in terms of the Pension Funds Act, 1956, and membership of the pension fund is compulsory for all group employees.

A defined contribution plan is one under which the group pays a fixed contribution and has no legal or constructive obligation to pay further contributions. All post-employment plans that do not meet the definition of a defined contribution plan are defined benefit plans.

For defined contribution plans the group recognises the contributions as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The defined benefit plans are funded by contributions from employees and the relevant group companies, taking into account the recommendations of independent qualified actuaries.
The amount recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Where the value is a net asset, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments required to settle the obligation resulting from employee service in current and prior periods. The discount rate used is the rate of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating to the terms of the related pension liability. In the absence of a deep and liquid bond market the rates on government bonds are used.

The following items are included in profit or loss for the period as part of staff costs:

- current service costs calculated on the projected unit credit method;
- past service costs relating to plan amendments made in the current period;
- gains or losses on curtailments that took place in the current period; and
- net interest income calculated by applying the discount rate at the beginning of the period to the net asset or liability.

All other remeasurements in respect of the obligation and plan assets, including actuarial gains or losses, are recognised in other comprehensive income. The remeasurements recognised in other comprehensive income will not be reclassified to profit or loss.

Termination benefits

The group recognises termination benefits as a liability in the statement of financial position and as an expense in profit or loss when it has a present obligation relating to termination. The group has a present obligation at the earlier of when the group can no longer withdraw the offer of the termination benefit and when the group recognises any related restructuring costs.

Severance pay

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

- the employee is dismissed under certain circumstances; or
- dies while employed.

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

Accounting Policies

Leave pay accruals

The group recognises a liability for the employees' rights to annual leave in respect of past service.

Bonuses

The group recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid and the amount can be reliably measured. The expense is included in staff costs.

1.23 Borrowings

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

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

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

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

1.24 Share capital

Share issue costs

Instruments issued by the group are classified as equity when there is no obligation to transfer cash or assets. Incremental costs directly related to the issue of new shares or options are shown as a deduction from equity, net of any related tax benefit.

Dividends paid

Dividends on ordinary shares and non-cumulative non-redeemable (NCNR) preference shares are recognised against equity and a corresponding liability recognised when they have been appropriately approved by the company's shareholders and are no longer at the discretion of the entity. Dividends declared after the reporting date are not recognised but disclosed as a post reporting date event.

Share trust

Certain of the group's remuneration schemes are operated through various share trusts. These share trusts are considered to be structured entities. In instances where the group has control over the share trust in terms of IFRS 10 they are consolidated. Where the employee share trusts which form part of the consolidated group purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity until they are sold. Where such shares are subsequently sold, any consideration received, net of any directly attributable incremental costs, and is included in shareholders' equity.

1.25 Segment reporting

An operating segment is a component of the group that engages in business activities from which the group may earn revenue and incur expenses. An operating segment is also a component of the group whose operating results are regularly reviewed by the chief operating decision maker in allocating resources, assessing its performance and for which discrete financial information is available. The CEO of the group has been identified as the group's chief operating decision maker. The group's identification and measurement of operating segments is consistent with the internal reporting provided to the chief executive officer. The operating segments have been identified and classified in a manner that reflects the risks and rewards related to the segments' specific products and services offered in their specific markets.

Operating segments whose total revenue, absolute profit or loss for the period or total assets are 10% or more of total revenue, profit or loss or total assets, are reported separately.

Assets, liabilities, revenue or expenses that are not directly attributable to a particular segment are allocated between segments where there is a reasonable basis for doing so. The group accounts for the intersegment revenues and transfers as if the transactions were with third parties at current market prices.

Funding is provided to business units and segments based on internally derived transfer pricing rates taking into account the funding structures of the group.

1.26 Shared based payment transactions

The group operates equity settled and cash settled share based compensation plans for employees and historically disadvantaged individuals and organisations.

Equity settled share based compensation plans

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

The fair value of the options is determined excluding non market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each reporting date, the group revises its estimate of the number of options expected to vest. The group recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to the share based payment reserve.

If options granted do not vest, because of failure to satisfy a vesting condition, amounts recognised for services received are reversed through profit or loss. If options are forfeited after the vesting date, an amount equal to the value of the options forfeited is debited against the share-based payment reserve and credited against retained earnings in the statement of changes in equity.

The proceeds received, net of any attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised. The share based payment reserve is reclassified to retained earnings upon vesting.

Cash-settled share based payment compensation plans

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

Accounting Policies

1.27 Non-current assets disposal groups held for sale

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

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

Immediately before classification as held for sale, the carrying amount of the non-current assets or the assets and liabilities included in the disposal group are measured in accordance with the appropriate IFRS. On initial recognition as held for sale, the non-current assets and liabilities that are in the measurement scope of IFRS 5 are recognised at the lower of carrying amount and fair value less costs to sell.

The following assets are excluded from the measurement scope of IFRS 5:

- Deferred tax assets;
- Assets arising from employee benefits;
- Financial assets;
- Investment properties measured at fair value;
- Biological assets measured at fair value less costs to sell; and
- Contractual rights under insurance contracts.

When these assets are classified as non-current assets held for sale or form part of a disposal group held for sale they continue to be measured in accordance with the appropriate IFRS. The IFRS 5 presentation and disclosure requirements are applied to these assets.

Any impairment losses on initial classification as held for sale are recognised in profit or loss. If a disposal group contains assets that are outside of the measurement scope of IFRS 5 any impairment loss is allocated to those non-current assets within the disposal group that are within the measurement scope of IFRS 5.
After initial recognition as held for sale the non-current assets are measured at fair value less costs to sell. Where the fair value less costs to sell is less than the carrying value, any additional impairment losses are recognised in profit or loss. Any increases in fair value less costs to sell are only recognised when they are realised.

The non-current assets and disposal groups held for sale will be reclassified immediately when there is a change in intention to sell. Subsequent measurement of the asset or disposal group at that date, will be the lower of:

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

1.28 Discontinued operations

The group classifies a component of the business as a discontinued operation when that component has been disposed of, or is classified as held for sale, and:

- it represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

A component of a group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes from the rest of the group.

1.29 Insurance

Classification of contracts

An insurance contact is a contract that transfers significant insurance risk to the group. Significant insurance risk exists when it is expected that the present value of the benefits payable in terms of the policy on the occurrence of an insured event will materially differ from the amount payable had the insured event not occurred. Financial penalties levied on early termination of policy contracts are not taken into account when classifying the contracts.

Contracts that transfer only financial risk and not insurance risk are classified as financial instruments. Financial risk refers to the risk of a possible change in the value of a financial instrument due to a change in interest rates, commodity prices, an index of prices, foreign exchange or other measureable variable.

The classification of contracts is performed at the initial recognition of each contract. The classification of the contract at initial recognition remains the classification of the contract for the remainder of its lifetime unless the terms of the contract change to such an extent that it necessitates a change in classification.

Short term insurance contracts

Recognition and measurement of short-term insurance contracts

Short-term insurance provides benefits under short-term policies, typically one year or less, under which the group accepts significant insurance risks from the policyholder if the policyholder incurs losses relating to uncertain future events such as mechanical breakdown of equipment, theft, fire, weather-related events, fraud, third party claims etc.

Premiums

Gross premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude Value Added Tax. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance business assumed. The earned portion of premiums received is recognised as revenue. Premiums relating to a future accounting period are included in unearned premium provision. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of indemnity received.

Gross premium includes insurance related fee income which relates to policy fees, collection fees and take-on fees charged in the ordinary course of the underwriting of short-term insurance policies.

Accounting Policies

1.29 Insurance continued

Unearned premium provision

The provision for unearned premiums represents the proportion of the current year's premiums written that relate to risk periods extending into the following year, computed separately for each insurance contract using the 365th method.

Insurance contract claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. Claims outstanding comprise provisions for the group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not. Estimates are calculated based on the most recent cost experience of similar claims and includes an appropriate risk margin for unexpected variances between the actual cost and the estimate.

Where applicable, deductions are made for salvage and other recoveries. Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately.

Reinsurance

The group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the group from its direct obligations to its policyholders. Premiums ceded and claims reimbursed are presented in the statement of comprehensive income and statement of financial positions separately from the gross amounts. Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such reinsurance contracts are recognised in the same year as the related claim. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after initial recognition, that the group may not recover all amounts due and that the impact of the event on the amounts that the group will receive from the reinsurer can be measured.

Reinsurance assets are held on the statement of financial position in connection with outstanding claims provisions in the amount of the expected recovery that will be made once the outstanding claim is finalised.

Deferred acquisition costs

Acquisition costs comprise all costs paid to third parties or intermediaries relating to the conclusion of insurance contracts and these are expensed as and when incurred. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds with the unearned premium provision. Deferred acquisition costs are therefore recognised using the same methodologies applied to unearned premiums so as to achieve matching of deferred acquisition costs and unearned premiums to which these acquisition costs relate. Deferred acquisition costs comprise commission paid for the acquisition of broker sourced business.

Outstanding insurance contract claims

Provision is made on a prudent basis for the estimated final costs of:

- claims notified but not settled at year end, using the best information available at that time. The estimate includes an amount of the direct claims expenses and assessment charges arising from the settlement of claims; and
- claims incurred at year end but not reported until after that date (IBNR), using historical experience and the best information available at the time. Estimates provide for inflation as well as claim handling and assessing costs. Estimates are adjusted for management's expectations oftrends relating to the development of such claims.

Cash bonuses on insurance contracts

The group provides for its contractual obligation per the contract of insurance to pay a non-claims bonus to a client in the event that the client remains claim free for a specified period of time. To derive the best estimate of the expected future cash flows, the non-claims bonus percentage per the contract of insurance is adjusted for the following factors:

- the bonus percentage is reduced to allow for the probability that the client may claim (and hence forfeit eligibility for the OUTbonus) over the OUTbonus cycle;
- the bonus percentage is reduced to allow for the probability that the client will cancel during the OUTbonus cycle;
- risk margin is added to allow for the uncertainty relating to the above claims and lapse assumptions; and
- where the impact of discounting is considered to be material, the expected future obligation is discounted to the present value using an appropriate discount rate reflecting the time value of money.

Consolidated statement of comprehensive income
for the year ended 30 June

N$'000	Note(s)	2015	2014
Interest and similar income	3	2 413 043	1 909 521
Interest expense and similar charges	3	(960 176)	(771 519)
Net interest income before impairment of advances		**1 452 867**	**1 138 002**
Impairment of advances	15	(49 882)	(18 433)
Net interest income after impairment of advances		**1 402 985**	**1 119 569**
Non-interest revenue	4	1 260 061	1 087 351
Net insurance premium income	5	153 944	125 795
Net claims and benefits paid	6	(82 310)	(71 079)
Income from operations		**2 734 680**	**2 261 636**
Operating expenses	7	(1 221 986)	(1 069 398)
Net income from operations	7	**1 512 694**	**1 192 238**
Share of profit from associate after tax	18	558	557
Income before tax		**1 513 252**	**1 192 795**
Indirect tax	9	(26 611)	(21 971)
Profit before tax		**1 486 641**	**1 170 824**
Direct tax	9	(487 979)	(386 216)
Profit for the year		**998 662**	**784 608**
Other comprehensive income:			
Items that may not be reclassified to profit or loss:			
Remeasurements on net defined benefit liability/asset		(2 871)	(1 885)
Income tax relating to items that will not be reclassified		947	622
Total items that may not be reclassified to profit or loss		**(1 924)**	**(1 263)**

N$'000	Note(s)	2015	2014
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets adjustments		(20 075)	449
Income tax relating to items that may be reclassified		6 693	413
Total items that may be reclassified to profit or loss		(13 382)	862
Other comprehensive income for the year net of taxation		(15 306)	(401)
Total comprehensive income for the year		983 356	784 207
Total comprehensive income attributable to:			
Owners of the parent		966 599	772 769
Non-controlling interest		16 757	11 438
		983 356	784 207
Profit attributable to :			
Owners of the parent		981 905	773 170
Non-controlling interest		16 757	11 438
		998 662	784 608
Earnings per share			
Per share information			
Basic and diluted earnings per share (c)	10	377.5	297.7

Consolidated statement of financial position
as at 30 June

N$'000	Note(s)	2015	2014
Assets			
Cash and cash equivalents	12	795 225	867 579
Due from banks and other financial institutions	12	1 585 029	1 766 327
Derivative financial instruments	13	158 644	92 031
Advances	14	22 833 693	19 990 782
Investment securities	16	3 365 927	2 833 146
Accounts receivable	17	185 614	140 446
Investments in associate	18	3 726	3 168
Property and equipment	19	849 171	551 620
Intangible assets	20	2 534	6 700
Deferred income tax asset	21	3 897	3 115
Reinsurance assets	22	191	572
Tax asset		664	341
Total assets		29 784 315	26 255 827
Equity and Liabilities			
Liabilities			
Deposits	24	23 951 813	21 522 377
Due to banks and other financial institutions	24	1 020 016	812 964
Derivative financial instruments	13	172 188	109 281
Short trading positions	23	26 693	
Creditors and accruals	25	431 781	294 364
Tax liability		49 774	57 494
Employee liabilities	26	167 830	150 098
Deferred income tax liability	21	110 904	70 432
Policyholder liabilities under insurance contracts	27	69 770	62 993
Finance lease obligation	28	2 060	6 030
Tier two liabilities	29	392 635	392 622
Total liabilities		26 395 464	23 478 655

N$'000	Note(s)	2015	2014
Equity			
Equity Attributable to Equity Holders of Parent			
Ordinary shares	30	1 301	1 299
Share premium	30	148 518	161 998
Reserves		3 198 854	2 582 614
		3 348 673	2 745 911
Non-controlling interests		40 178	31 261
Total Equity		3 388 851	2 777 172
Total Equity and Liabilities		29 784 315	26 255 827

Consolidated statement of changes in equity
for the year end 30 June

N$'000	Share capital	Share premium	Total share capital and share premium	Defined benefit post-employment reserve	Available-for-sale reserve
Balance at 01 July 2013	1 297	174 167	175 464	3 926	7 796
Total comprehensive income for the year				(1 263)	862
Staff share option transactions					
Transfer between reserves					
Transfer of vested equity options					
Dividends					
Consolidation of shares held by the share trusts	2	(12 169)	(12 167)		
Balance at 01 July 2014	1 299	161 998	163 297	2 663	8 658
Total comprehensive income for the year				(1 924)	(13 382)
Staff share option transactions					
Transfer between reserves					
Dividends					
Consolidation of shares held by share trusts	2	(13 480)	(13 478)		
Balance at 30 June 2015	1 301	148 518	149 819	739	(4 724)

General risk reserve	Share based payment reserve	Other reserves	Total reserves	Retained earnings	Total attributable to equity holders of the group	Non-controlling interests	Total equity
75 367	17 440	8 395	112 924	1 973 657	2 262 045	27 663	2 289 708
			(401)	773 170	772 769	11 438	784 207
	6 262		6 262		6 262		6 262
22 416		3 042	20 981	(25 458)			
	(4 477)			4 477			
				(282 998)	(282 998)	(7 840)	(290 838)
					(12 167)		(12 167)
97 783	19 225	11 437	139 766	2 442 848	2 745 911	31 261	2 777 172
			(15 306)	981 905	966 599	16 757	983 356
	8 246		8 246		8 246		8 246
11 808	(10 198)	(11 437)	(9 827)	10 164	337		337
				(358 942)	(358 942)	(7 840)	(366 782)
					(13 478)		(13 478)
109 591	17 273		122 879	3 075 975	3 348 673	40 178	3 388 851

Consolidated statement of cash flow
for the year end 30 June

N$'000	Note(s)	2015	2014
Cash flows from operating activities			
Cash receipts from customers	34	3 787 347	3 088 159
Cash paid to customers, suppliers and employees	34	(2 184 170)	(1 836 901)
Cash generated from operating activities	34	1 603 177	1 251 258
Increase in income earning assets	34	(3 225 285)	(3 413 588)
Increase in deposits and other liabilities	34	2 756 959	3 329 373
		1 134 851	1 167 043
Tax paid	34	(472 593)	(461 039)
Net cash from operating activities		662 258	706 004
Cash flows from investing activities			
Acquisition of property and equipment	34	(351 060)	(222 072)
Proceeds from the disposal of property and equipment		906	510
Net cash flows from investing activities		(350 154)	(221 562)
Cash flows from financing activities			
Acquisition of share for share trusts		(13 478)	(12 167)
Dividends paid	34	(358 942)	(282 998)
Payment of finance lease liabilities		(4 198)	(4 198)
Dividends paid to non-controlling interests		(7 840)	(7 840)
Net cash flows from financing activities		(384 458)	(307 203)
Total cash movement for the year		(72 354)	177 239
Cash and cash equivalents at the beginning of the year		867 579	690 340
Total cash and cash equivalents at end of the year	12	795 225	867 579

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

2. Accounting policies

The accounting policies of the group are set out from pages 66 to 93.

3. Analysis of interest income and interest expense

N$'000	2015			
	Fair value	Amortised cost	Non-financial assets and liabilities	Total
Interest and similar income				
Advances		2 071 584		2 071 584
Cash and cash equivalents		103 234		103 234
Investment securities	198 945	555		199 501
Unwinding of discounted present value on non performing loans		13 314		13 314
Unwinding of discounted present value on off-market advances		5 978		5 978
On impaired advances		(3 699)		(3 699)
Net release of deferred fee and expenses		21 279		21 279
Other		1 852		1 852
	198 945	2 214 097		2 413 043
Interest expense and similar charges				
Deposits from banks and financial institutions		34 664		34 664
Current accounts		112 562		112 562
Savings deposits		10 205		10 205
Call deposits		237 827		237 827
Term deposits		194 231		194 231
Negotiable certificates of deposit		338 142		338 142
Tier two liabilities		31 325		31 325
Other			1 220	1 220
		958 956	1 220	960 176

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

3. Analysis of interest income and interest expense continued

	2014			
N$'000	Fair value	Amortised cost	Non-financial assets and liabilities	Total
Interest and similar income				
Advances		1 663 215		1 663 215
Cash and cash equivalents		76 232		76 232
Investment securities	143 700	3 599		147 299
Unwinding of discounted present value on non performing loans		6 560		6 560
Unwinding of discounted present value on off-market advances		1 649		1 649
On impaired advances		(880)		(880)
Net release of deferred fee and expenses		15 170		15 170
Other		276		276
	143 700	1 765 821		1 909 521
Interest expense and similar charges				
Deposits from banks and financial institutions		23 806		23 806
Current accounts		87 304		87 304
Savings deposits		7 723		7 723
Call deposits		218 196		218 196
Term deposits		111 906		111 906
Negotiable certificates of deposit		292 587		292 587
Tier two liabilities		29 259		29 259
Other			738	738
		770 781	738	771 519

4. Non-interest revenue

N$'000	2015	2014
Fee and commission income:		
Card commissions	105 327	85 838
Cash deposit fees	153 439	148 950
Commissions: bills, drafts and cheques	36 866	30 840
Service fees	469 754	373 240
Fiduciary service fees	9 340	8 676
Other commissions	326 152	283 038
Banking fee and commission income	1 100 878	930 582
Brokerage income	52 379	55 988
Unit trust and related fees	17 327	15 321
Reinsurance commission received by insurance companies	5 056	4 611
Non banking fee and commission income	74 762	75 920
Fee and commission income	1 175 640	1 006 502
Fee and commission expenses:		
Transaction processing fees	(68 155)	(54 452)
Cash sorting handling and transportation charges	(18 750)	(6 899)
Card and cheque book related	(4 909)	(4 569)
Insurance operations	(5 616)	(4 995)
ATM commissions paid	(2 650)	(2 511)
Other	(2 875)	(4 518)
Fee and commission expenses	(102 955)	(77 944)

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.

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

4. Non-interest revenue continued

N$'000	2015	2014
Fee and commission income, by category		
Instruments at amortised cost	1 091 538	921 906
Non financial assets and liabilities	84 102	84 596
Fee and commission income	1 175 640	1 006 502
Fee and commission expenses	(102 955)	(77 944)
Net fee and commission income	1 072 685	928 558
Fair value income:		
Foreign exchange trading	91 173	76 852
Treasury trading operations	4 873	6 241
Debt instruments trading	5 208	2 463
Derivatives revaluation	(5 149)	1 525
Other	4 814	2 253
Designated at fair value through profit or loss	59 709	48 007
Fair value income	155 755	131 100
Portfolio analysis for fair value income		
Held for trading	96 046	83 093
Designated at fair value through profit or loss	59 709	48 007
Fair value income	155 755	131 100

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.

4. Non-interest revenue continued

N$'000	2015	2014
Gains less losses from investing activities		
Gains on investment securities designated at fair value through profit or loss	6 696	6 442
Gains on deemed disposal of interest in associate		8 193
Gains on realisation of available-for-sale financial assets	(198)	
Dividends received	14 596	7 004
Unlisted shares	3 080	1 980
Unit trusts	11 516	5 024
Share of profit from associate after tax	558	557
Gross gains less losses from investing activities	21 652	22 196
Less: Share of profit from associate after tax (disclosed separately on face of the statement of comprehensive income)	(558)	(557)
Gains less losses from investing activities	21 094	21 639
Other non-interest revenue		
Gains and losses on sale of property and equipment	(62)	(229)
Rental income	1 414	1 240
Other income	9 175	5 043
Other non-interest revenue	10 527	6 054
Other non-interest revenue, by category		
Non-financial assets and liabilities	10 527	6 054
Total non-interest revenue	1 260 061	1 087 351

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

5. Net insurance premium income

N$'000	2015	2014
Short term insurance contracts		
Gross written premiums	184 947	153 716
Insurance premiums ceded to reinsurers	(26 489)	(22 904)
Change in unearned premium provision	(4 514)	(5 017)
Net insurance premium income	153 944	125 795

6. Net claims and benefits paid

Short term insurance contracts		
Gross insurance contracts claims	84 835	71 816
Transfer to provision for unintimated claims	1 952	1 848
Gross claims and benefits paid on insurance contracts	86 787	73 664
Insurance benefits recovered from reinsurers	(4 477)	(2 585)
	82 310	71 079

7. Operating expenses

Auditors' remuneration		
Audit fees	5 961	5 163
Fees for other services	598	135
Auditors' remuneration	6 559	5 298
Operating lease charges		
- Property	28 569	24 778
- Equipment	10 391	7 784
Operating lease charges	38 960	32 562

7. Operating expenses continued

N$'000	2015	2014
Staff costs		
Salaries, wages and allowances	494 923	426 792
Off-market staff loans amortisation	5 978	1 649
Defined contribution schemes: pension	48 083	43 937
Defined contribution schemes: medical	60 564	54 696
Post retirement medical expense	2 713	2 368
Severance pay: death in service	758	279
Social security levies	8 018	2 886
Share-based payments	16 550	11 236
Other staff related costs	6 840	8 520
Total staff costs	644 427	552 363
Other operating costs		
Amortisation of intangible assets	4 167	9 125
Depreciation	46 415	42 173
Insurance	8 233	8 829
Advertising and marketing	57 960	57 682
Property and maintenance related expenses	60 379	53 609
Legal and other related expenses	8 102	6 277
Postage	4 648	4 434
Stationery and printing	15 354	14 257
Telecommunications	19 213	16 546
Travel and accommodation	13 407	12 629
Computer and processing related costs	168 576	152 180
Other operating expense	95 093	86 831
Total directors' remuneration	13 008	5 594
Professional fees	17 485	9 009
Total other operating costs	532 040	479 175
Total operating expenses	1 221 986	1 069 398

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

8. Directors' emoluments

Executive

2015

N$'000	Salary	Bonus	Pension and medical contributions	Other allowances	Total
SJ van Zyl	1 226		245	92	1 563
LJM Leyenaar	945	2 018	90	6 334	9 387
	2 171	2 018	335	6 426	10 950

2014

N$'000	Salary	Bonus	Pension and medical contributions	Other allowances	Total
LJM Leyenaar	1 501	1 766	253	121	3 641

Share options

		Closing balance	2015 Benefits derived N$'000	2014 Benefits derived N$'000
LJM Leyenaar	FirstRand Ltd shares		3 156	3 193
SJ van Zyl	FNB Namibia Holdings Ltd	176	488	

8. Directors' emoluments continued

Service contracts

All directors do not have a fixed term service contracts.

Non-executive – director's fees

N$'000	2015	2014
CJ Hinrichsen	362	331
JJ Comalie	309	299
CLR Haikali	337	283
SH Moir	565	521
MN Ndilula	161	149
PT Nevonga	146	144
II Zaamwani-Kamwi	178	226
	2 058	1 953

Executive directors and non-executive directors appointed by FirstRand do not receive directors' fees for services.

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

8. Directors' emoluments continued

Directors' holdings in shares

The following shares are held by the non-executive directors' or individuals related to them in the year under review:

	FNB Namibia Holdings Ltd shares			
	2015		2014	
Directly	Number of ordinary shares	Percentage holding	Number of ordinary shares	Percentage holding
SH Moir	6 000	0.002%	6 000	0.002%
PT Nevonga			61 665	0.023%
SJ van Zyl	213 333	0.080%		
II Zaamwani-Kamwi	54 463	0.020%	54 463	0.020%
	273 796	0.102%	122 128	0.045%

	FNB Namibia Holdings Ltd shares			
	2015		2014	
Indirectly	Number of ordinary shares	Percentage holding	Number of ordinary shares	Percentage holding
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%
	8 765 688	3.276%	8 765 688	3.276%

9. Taxation

N$'000	2015	2014
Indirect tax		
Value-added tax (net)	19 305	16 686
Stamp duties	7 306	5 285
Total indirect tax	26 611	21 971
Direct tax		
Current		
Income tax - current period	440 649	363 273
Deferred		
Originating and reversing temporary differences	47 330	22 943
Total direct tax	487 979	386 216
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Standard rate of tax	33.00%	33.00%
Non taxable income	(0.18)%	(0.01)%
Effective rate of tax	32.82%	32.99%

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

10. Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing profit or loss attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2015	2014
Basic earnings per share		
Earning attributable to ordinary shareholders (N$'000)	981 905	773 170
Weighted average number of ordinary shares in issue	260 059 161	259 676 325
Basic earnings per share (cents)	377.5	297.7

Diluted earnings per share are equal to earnings per share because there are no dilutive potential ordinary shares in issue.

Headline earnings and diluted headline earnings per share

Headline earnings per share and diluted headline earnings per share are determined by dividing headline earnings and diluted headline earnings by the weighted average number of ordinary share outstanding during a period.

Headline earnings and diluted headline earnings are determined by adjusting basic earnings and diluted earnings by excluding separately identifiable re-measurement items. Headline earnings and diluted headline earnings are presented after tax and non- controlling interest.

10. Earnings per share continued

	2015	2014
Headline earnings per share (cents)	377.6	294.7
Reconciliation between earnings and headline earnings		
Basic earnings	981 905	773 170
Adjusted for:		
Gains and losses on sale of property and equipment	62	229
Profit on deemed disposal of associate		(8 193)
Gains on realisation of available-for-sale financial assets	133	
	982 100	765 206
Dividends per share		
Interim (29 January 2015: 71 cents), (13 February 2014: 55 cents)	189 991	142 723
Final (16 August 2014: 67 cents), (16 August 2013: 54 cents)	168 951	140 275
	358 942	282 998

The final dividend of 112 cents (2014: 67 cents) was declared and authorised after the end of the reporting period. The dividend has therefore not been recognised as a liability in the reporting period. It has been disclosed for information purposes only. (Refer to the directors' report)

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

11. Analysis of assets and liabilities

N$'000	Note(s)	Financial assets at fair value through profit or loss	Loans and receivables	Held for trading
2015				
Assets				
Cash and cash equivalents	12		795 225	
Due from banks and other financial institutions	12		1 585 029	
Derivative financial instruments	13			158 644
Advances	14	519 585	22 314 108	
Investment securities	16	317 563		34 501
Accounts receivable	17		58 381	
Investments in associate	18			
Property and equipment	19			
Intangible assets	20			
Deferred tax	21			
Reinsurance assets				
Tax asset				
Total Assets		837 148	24 752 743	193 145
Equity and Liabilities				
Equity				
Equity Attributable to Equity Holders of Parent:				
Share capital and share premium	30			
Reserves	30			
Retained earnings	30			
Non-controlling interest				
Total Equity				

Available-for-sale financial assets	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
				795 225
				1 585 029
				158 644
				22 833 693
3 013 863				3 365 927
			127 233	185 614
			3 726	3 726
			849 171	849 171
			2 534	2 534
			3 897	3 897
			191	191
			664	664
3 013 863			**987 416**	**29 784 315**
			149 819	149 819
			122 879	122 879
			3 075 975	3 075 975
			40 178	40 178
			3 388 851	**3 388 851**

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

11. Analysis of assets and liabilities continued

N$'000	Note(s)	Financial assets at fair value through profit or loss	Loans and receivables	Held for trading
2015				
Liabilities				
Deposits	24			
Due to banks and other financial institutions	24			
Derivative financial instruments	13			172 188
Short trading positions	23			26 693
Creditors and accruals	25			
Tax liability				
Employee liabilities	26			
Deferred tax	21			
Policyholder liabilities under insurance contracts	27			
Finance lease obligation	28			
Tier two liabilities	29			
Total Liabilities				198 881
Total Equity and Liabilities				198 881

Available-for-sale financial assets	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
	23 951 813			23 951 813
	1 020 016			1 020 016
				172 188
				26 693
	120 327		311 454	431 781
			49 774	49 774
			167 830	167 830
			110 904	110 904
			69 770	69 770
		2 060		2 060
	392 635			392 635
	25 484 791	2 060	709 732	26 395 464
	25 484 791	2 060	4 098 583	29 784 315

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

11. Analysis of assets and liabilities continued

N$'000	Note(s)	Financial assets at fair value through profit or loss	Loans and receivables	Held for trading
2014				
Assets				
Cash and cash equivalents	12		867 579	
Due from banks and other financial institutions	12		1 766 327	
Derivative financial instruments	13			92 031
Advances	14	538 583	19 452 199	
Investment securities	16	153 070	75 567	31 781
Accounts receivable	17		63 697	
Investments in associate	18			
Property and equipment	19			
Intangible assets	20			
Deferred tax	21			
Reinsurance assets	22			
Tax asset				
Total Assets		691 653	22 225 369	123 812
Equity and Liabilities				
Equity				
Equity Attributable to Equity Holders of Parent:				
Share capital	30			
Reserves	30			
Retained earnings	30			
Non-controlling interests				
Total Equity				

Available-for-sale financial assets	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
				867 579
				1 766 32
				92 031
				19 990 782
2 572 728				2 833 146
			76 749	140 446
			3 168	3 168
			551 620	551 620
			6 700	6 700
			3 115	3 115
			572	572
			341	341
2 572 728			**642 265**	**26 255 827**
			163 297	163 297
			139 766	139 766
			2 442 848	2 442 848
			31 261	31 261
			2 777 172	**2 777 172**

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

11. Analysis of assets and liabilities continued

N$'000	Note(s)	Financial assets at fair value through profit or loss	Loans and receivables	Held for trading
2014				
Liabilities				
Deposits	24			
Due to banks and other financial institutions	24			
Derivative financial instruments	13			109 281
Creditors and accruals	25			
Tax liability				
Employee liabilities	26			
Deferred tax	21			
Policyholder liabilities under insurance contracts	27			
Finance lease obligation	28			
Tier two liabilities	29			
Total Liabilities				109 281
Total Equity and Liabilities				109 281

Available-for-sale financial assets	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
	21 522 377			21 522 377
	812 964			812 964
				109 281
	60 921		233 443	294 364
			57 494	57 494
			150 098	150 098
			70 432	70 432
			62 993	62 993
		6 030		6 030
	392 622			392 622
	22 788 884	6 030	574 460	23 478 655
	22 788 884	6 030	574 460	26 255 827

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

12. Cash and cash equivalents

Cash and cash equivalents

N$'000	2015	2014
Coins and bank notes	481 327	389 959
Balances with other banks	25 386	43 184
Balances with central bank	288 512	434 437
	795 225	867 579
Mandatory reserve balances included above:	288 504	246 500

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.

Due from banks and other financial institutions

	2015	2014
Due from banks and other financial institutions	1 585 029	1 766 327

The carrying value approximates the fair value.

13. 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 or hedging. 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.

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, foreign currency, market share prices and credit rating. 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 of the Annual Report.

Refer to note 39 for information on how the fair value of derivatives is determined.

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

13. Derivative financial instruments continued

	2015			
N$'000	Assets Notional	Fair value	Liabilities Notional	Fair value
Held for trading				
Currency derivatives	2 088 761	142 274	2 019 969	142 345
- Forward rate agreements	256 608	3 782	187 816	3 853
- Options	1 832 153	138 492	1 832 153	138 492
Interest rate derivatives				
- Swaps	4 390 500	16 370	1 894 305	29 843
Total held for trading	6 479 261	158 644	3 914 274	172 188

	2014			
N$'000	Assets Notional	Fair value	Liabilities Notional	Fair value
Held for trading				
Currency derivatives	1 051 767	89 234	1 260 565	88 445
- Forward rate agreements	497 172	13 258	705 970	12 469
- Options	554 595	75 976	554 595	75 976
Interest rate derivatives				
- Swaps	138 740	2 797	1 254 864	20 836
Total held for trading	1 190 507	92 031	2 515 429	109 281

All derivatives are over-the-counter instruments.

14. Advances

N$'000	2015	2014
Notional value of advances	23 029 394	20 160 092
Contractual interest suspended	(23 323)	(22 452)
Gross value of advances	**23 006 071**	**20 137 640**
Sector analysis		
Agriculture	1 043 593	915 316
Financial institutions	292 583	182 726
Building and property development	2 820 987	2 354 333
Government and public authorities	1 227 664	1 229 070
Individuals	11 745 984	10 540 132
Manufacturing and commerce	3 831 190	3 234 403
Mining	506 737	341 911
Transport and communication	463 263	415 697
Other services	1 074 070	924 052
Gross value of advances	23 006 071	20 137 640
Impairment of advances	(172 378)	(146 858)
Net advances	**22 833 693**	**19 990 782**
Geographic analysis (based on credit risk)		
Namibia	22 833 693	19 990 782

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

14. Advances continued

N$'000	2015	2014
Category analysis		
Overdraft and cash management accounts	2 675 092	2 118 260
Card loans	186 602	155 306
Instalment sales and hire purchase agreements	3 040 962	2 822 953
Lease payments receivables	316 573	214 022
Home loans	10 694 799	9 667 352
Term loans	5 306 448	4 367 724
Investment bank term loans	552 035	576 659
Preference share advance	25 500	28 818
Assets under agreement to resell	27 087	
Other	180 973	186 546
Gross value of advances	23 006 071	20 137 640
Impairment of advances	(172 378)	(146 858)
Net advances	22 833 693	19 990 782
Portfolio analysis		
Designated at fair value through profit and loss	519 585	538 583
Loans and receivables	22 314 108	19 452 199
	22 833 693	19 990 782

Fair value of advances is disclosed in note 39

14. Advances continued

N$ 000	Within 1 year	Between 1 and 5 years	Total
2015			
Analysis of instalment sales and lease payments receivable			
Lease payments receivable	214 255	144 915	359 172
Suspensive sale instalments receivable	1 639 620	1 969 025	3 608 645
Less: Unearned finance charges	(325 211)	(257 570)	(582 781)
Total	1 528 664	1 856 370	3 385 036

N$ 000	Within 1 year	Between 1 and 5 years	Total
2014			
Analysis of instalment sales and lease payments receivable			
Lease payments receivable	150 368	94 366	244 734
Suspensive sale instalments receivable	1 654 555	1 627 117	3 281 672
Less: Unearned finance charges	(294 005)	(192 718)	(486 723)
Total	1 510 918	1 528 765	3 039 683

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.

Notes to the consolidated annual financial statements
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14. Advances continued

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.

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

	2015		2014	
N$'000	Performing	Non performing	Performing	Non performing
Instalment sales and lease payments receivables	813	8 747	2 504	6 461
Home loans	14 693	68 820	19 371	51 480
Total	15 506	77 567	21 875	57 941

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 represents 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.

15. Impairment of advances

2015

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	45 363	1 241	39 690	19 628	40 936	146 858	43 208	103 650
Amounts written off	(9 729)	(823)	(3 662)	(846)	(2 570)	(17 630)	(17 630)	
Unwinding of discounted present valueon non-performing loans	(624)			(11 996)	(694)	(13 314)	(13 314)	
Net new impairments created / (released)	22 643	1 316	9 898	17 565	5 044	56 466	37 503	18 963
Closing balance	57 653	1 734	45 926	24 351	42 716	172 380	49 767	122 613
Increase / decrease in impairment	22 643	1 316	9 898	17 565	5 044	56 466	37 503	18 963
Recoveries of bad debts previously written off	(3 213)	(236)	(1 810)	(618)	(707)	(6 584)	(6 584)	
Impairment loss / (release) recognised in profit / loss	19 430	1 080	8 088	16 947	4 337	49 882	30 919	18 963

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15. Impairment of advances continued

2014

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	46 510	1 278	44 509	17 938	37 314	147 549	51 374	96 175
Amounts written off	(8 056)	(1 633)	(5 626)	(653)	(4 240)	(20 208)	(20 208)	
Unwinding of discounted present value on non-performing loans	(1 123)			(4 949)	(488)	(6 560)	(6 560)	
Net new impairments created / (released)	8 032	1 596	807	7 292	8 350	26 077	18 602	7 475
Closing balance	**45 363**	**1 241**	**39 690**	**19 628**	**40 936**	**146 858**	**43 208**	**103 650**
Increase / decrease in provision	8 032	1 596	807	7 292	8 350	26 077	18 602	7 475
Recoveries of bad debts previously written off	(3 070)	(1 010)	(2 203)	(496)	(865)	(7 644)	(7 644)	
Impairment loss / (release) recognised in profit / loss	**4 962**	**586**	**(1 396)**	**6 796**	**7 485**	**18 433**	**10 958**	**7 475**

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.

15. Impairment of advances continued

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).

2015

N$'000	Total value net of interest in suspense	Security held and other recoveries	Specific impairments
Non-performing loans by sector			
Agriculture	1 193		1 193
Financial institutions	647	647	
Building and property development	17 497	12 735	4 762
Individuals	107 232	76 052	31 180
Manufacturing and commerce	15 247	7 765	7 482
Transport and communication	2 590	137	2 453
Other	2 824	126	2 697
Total non-performing loans	147 230	97 462	49 767
Non-performing loans by category			
Card loans	1 257	4	1 253
Overdrafts and cash management accounts	12 433	4 790	7 643
Instalment sales and hire purchase agreements	21 098	2 603	18 495
Lease payments receivable	533		533
Home loans	101 645	83 485	18 160
Term loans	10 264	6 580	3 683
Total non-performing loans	147 230	97 462	49 767
Non-performing loans by geographical area			
Namibia	147 230	97 462	49 767

Notes to the consolidated annual financial statements
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15. Impairment of advances continued

2014

N$'000	Total value net of interest in suspense	Security held and other recoveries	Specific impairments
Non-performing loans by sector			
Agriculture	993	672	321
Financial institutions	75		75
Building and property development	15 217	13 324	1 893
Individuals	100 283	68 413	31 870
Manufacturing and commerce	20 341	14 104	6 237
Transport and communication	1 694	529	1 165
Other	2 448	801	1 647
	141 051	97 843	43 208
Non-performing loans by category			
Card loans	1 043		1 043
Overdrafts and cash management accounts	9 593	2 216	7 377
Instalment sales and hire purchase agreements	14 346	904	13 442
Lease payments receivable	1 394	359	1 035
Home loans	97 089	82 051	15 038
Term loans	17 586	12 313	5 273
Total non-performing loans	141 051	97 843	43 208
Non-performing loans by geographical area			
Namibia	141 051	97 843	43 208

16. Investment securities

N$'000	2015	2014
At fair value through profit or loss – designated		
Unit trusts investments	317 563	153 070
At fair value through profit or loss – held for trading		
Other government and government guaranteed stock	30 065	24 469
Treasury bills	4 436	7 312
	34 501	31 781
Available-for-sale		
Other government and government guaranteed stock	752 214	399 477
Unlisted equity	11 530	11 530
Treasury bills	2 157 660	2 084 262
Unit trust investments	92 459	77 459
	3 013 863	2 572 728
Loans and receivables		
Negotiable certificate of deposit		75 567
Designated as at fair value through profit or loss	317 563	153 070
Held for trading	34 501	31 781
Available-for-sale	3 013 863	2 572 728
Loans and receivables		75 567
	3 365 927	2 833 146
Valuation of investments		
Market value of listed investments	752 214	423 947
Directors valuation of unlisted investments	2 613 713	2 409 199
	3 365 927	2 833 146

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

Refer to note 39 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 included above is N$ 2 910 million (2014: N$2 187 million).

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17. Accounts receivable

N$'000	2015	2014
Items in transit	83 613	31 751
Deferred staff cost	40 856	43 684
Premium debtors	1 929	2 478
Other accounts receivable	59 216	62 533
	185 614	140 446

Information about the credit quality of the above balances is set out in the risk management note 45.

The carrying value of accounts receivable approximates the fair value.

18. Investment in associate

The following table lists all of the associates in the group:

Name of company	Place of business	% ownership interest	% voting rights	Carrying amount 2015	Carrying amount 2014
Namclear (Pty) Ltd	Windhoek	25.00%	25.00%	3 726	3 168

The country of incorporation is the same as the principle place of business for all associates. The percentage voting rights is equal to the percentage ownership for all associates. Namclear is providing interbank clearing services to the group.

Summarised financial information of associate

Summarised Statement of Comprehensive Income

	Namclear (Pty) Ltd	
N$'000	2015	2014
Revenue	17 123	13 976
Other income and expenses	(12 425)	(11 747)
Profit (loss) for the period	4 698	2 229
Total comprehensive income	4 698	2 229

18. Investment in associate continued

Summarised financial information of associate

Summarised Consolidated statement of financial position	Namclear (Pty) Ltd	
N$'000	2015	2014
Assets		
Non current	36 580	41 072
Current	9 421	3 441
Total assets	**46 001**	**44 513**
Liabilities		
Non current	27 618	30 703
Current	3 891	3 391
Total liabilities	**31 509**	**34 094**
Total net assets	**14 492**	**10 419**
Investment at beginning of period	3 168	3 994
Disposals of previously held associate		(1 383)
Share of profit	558	557
Investment at end of period	**3 726**	**3 168**

Refer note 38 for details on loans to / (from) related parties.

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.

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

19. Property and equipment

N$'000	2015 Cost / Valuation	2015 Accumulated depreciation	2015 Carrying value	2014 Cost / Valuation	2014 Accumulated depreciation	2014 Carrying value
Property						
Freehold land and buildings	658 255	(33 140)	625 115	420 831	(31 948)	388 883
Leasehold property	52 209	(38 109)	14 100	44 528	(33 354)	11 174
Equipment						
Furniture and fixtures	198 794	(72 434)	126 360	130 046	(62 088)	67 958
Motor vehicles	7 862	(3 759)	4 103	7 402	(3 526)	3 876
Office equipment	100 698	(58 520)	42 178	78 873	(47 903)	30 970
IT equipment	110 828	(76 244)	34 584	105 714	(63 782)	41 932
Capitalised leased assets	12 289	(9 558)	2 731	12 289	(5 462)	6 827
Total	1 140 935	(291 764)	849 171	799 683	(248 063)	551 620

19. Property and equipment continued

Reconciliation of property and equipment – **2015**

N$'000	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Buildings	388 883	264 633	(322)	(21 952)	(6 127)		625 115
Leasehold property	11 174	538		7 144		(4 756)	14 100
Furniture and fixtures	67 958	61 113	(299)	9 744		(12 156)	126 360
Motor vehicles	3 877	745	(134)			(385)	4 103
Office equipment	33 861	16 803	(6)	3 450		(11 930)	42 178
IT equipment	39 040	7 228	(206)	1 614		(13 092)	34 584
Capitalised leased assets	6 827					(4 096)	2 731
	551 620	351 060	(967)		(6 127)	(46 415)	849 171

Reconciliation of property and equipment – **2014**

N$'000	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Buildings	228 633	190 000	(11)	(25 462)	(4 277)		388 883
Leasehold property	9 784	242	(4)	5 969		(4 817)	11 174
Furniture and fixtures	55 520	9 545	(328)	14 252		(11 031)	67 958
Motor vehicles	3 778	724	(66)			(560)	3 876
Office equipment	27 869	9 192	(16)	4 227		(10 302)	30 970
IT equipment	40 230	12 369	(315)	1 014		(11 366)	41 932
Capitalised leased assets	10 924					(4 097)	6 827
	376 738	222 072	(740)		(4 277)	(42 173)	551 620

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

19. 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:

Category	Average useful life
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
IT equipment	3 - 5 years
Furniture and fittings	3 - 10 years
Motor vehicles	5 years
Office equipment	3 - 6 years

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.

Equipment leased serves as security for the finance lease liabilities. Refer to note 28 for liabilities that are related to the finance lease assets. No assets were encumbered at 30 June 2015.

An agreement has been reached for the sale of the current head office building; the sale is expected to be concluded by end of September 2015

20. Intangible assets

N$'000	2015 Cost / Valuation	2015 Accumulated amortisation	2015 Carrying value	2014 Cost / Valuation	2014 Accumulated amortisation	2014 Carrying value
Trademarks	83 375	(83 375)		83 375	(83 375)	
Software	46 516	(44 082)	2 434	46 515	(39 915)	6 600
Goodwill	100		100	100		100
Total	129 991	(127 457)	2 534	129 990	(123 290)	6 700

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 2015 and 30 June 2014 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		Growth rate	
	2015	2014	2015	2014
FNB Namibia Unit Trust Limited	14%	15%	6%	6%

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

21. Deferred income tax

Deferred income tax liability

N$'000	2015	2014
Deferred income tax liability		
Opening balance	(70 432)	(48 582)
- Charge to profit or loss	(48 112)	(22 885)
- Deferred tax on amounts charged directly to other comprehensive income	7 640	1 035
Net balance for the year for entities with deferred income tax liabilities	(110 904)	(70 432)

Deferred income tax asset

N$'000	2015	2014
Deferred income tax asset		
Opening balance	3 115	3 173
- Charge to profit or loss	782	(58)
Net balance for the year for entities with deferred income tax assets	3 897	3 115
Total net deferred tax liability	(107 007)	(67 317)

Deferred income 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.

21. Deferred income tax continued

Reconciliation of deferred income tax asset / (liability)

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

	2015			2014		
N$'000	Opening balance	Tax (charge) / release	Closing balance	Opening balance	Tax (charge) / release	Closing balance
Deferred income tax (liabilities) / assets						
Accruals	(45 817)	(16 356)	(62 173)	(34 856)	(10 961)	(45 817)
Deferred staff costs	(14 416)	933	(13 483)	(13 147)	(1 269)	(14 416)
Fair value adjustments of financial instruments	(3 427)	6 693	3 266	(3 840)	413	(3 427)
Instalment credit agreements	(68 970)	(24 908)	(93 878)	(65 029)	(3 941)	(68 970)
Post-employment benefit liabilities	11 112	947	12 059	10 165	947	11 112
Property and equipment	(36 868)	(3 627)	(40 495)	(32 429)	(4 439)	(36 868)
Provision for loan impairment	40 070	3 760	43 830	23 803	16 267	40 070
Other	47 884	(7 914)	39 970	66 751	(18 867)	47 884
Net deferred income tax (liabilities) / assets	(70 432)	(40 472)	(110 904)	(48 582)	(21 850)	(70 432)
Deferred income tax assets						
Property and equipment	(20)		(20)	(167)	147	(20)
Other	3 135	782	3 917	3 340	(205)	3 135
Total net deferred income tax assets	3 115	782	3 897	3 173	(58)	3 115
Charge through profit and loss		47 330			22 943	
Deferred income tax on other comprehensive income		(7 640)			(1 035)	
		39 690			21 908	

Notes to the consolidated annual financial statements
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22. Reinsurance assets

N$'000	2015	2014
Short-term reinsurance contracts	191	572

Information about the credit quality of the above balances is provided in the risk management note 45.

23. Short trading positions

Government and government guaranteed stock	26 693	

24. Deposits

Deposits and current accounts

Category analysis		
Current accounts	9 450 923	8 305 762
Call deposits	4 560 154	4 889 396
Savings accounts	611 934	558 840
Fixed and notice deposits	3 557 225	2 790 205
Negotiable certificate of deposit	5 771 577	4 978 174
Total deposits and current accounts	23 951 813	21 522 377

The fair values of deposits and current accounts are disclosed in note 39.

Due to banks and other financial institutions

To banks and other financial institutions		
- In the normal course of business	1 020 016	812 964
Geographical split: Namibia	1 020 016	812 964

25. Creditors and accruals

N$'000	2015	2014
Items in transit	190 953	135 647
Accounts payable and accrued liabilities	240 828	158 717
Total creditors and accruals	**431 781**	**294 364**

The carrying value of creditors and accruals approximates fair value.

26. Employee liabilities

Staff related accruals	123 608	110 445
Cash settled share-based payment liability	5 969	5 956
Post-employment benefit liabilities	38 253	33 697
Closing balance	**167 830**	**150 098**

* Refer to note 33 (remuneration schemes) for more detail on the cash settled share-based payment schemes.

Staff related accruals

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

Opening balance	110 445	86 566
Charge to profit or loss	34 558	47 900
Utilised	(21 395)	(24 021)
Closing balance	**123 608**	**110 445**

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 projected 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.

Notes to the consolidated annual financial statements
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26. Employee liabilities continued

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 employees die while employed.

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

The independent actuarial valuations are done on an annual basis.

	2015			2014		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Present value of unfunded liabilities	33 660	4 593	38 253	29 655	4 042	33 697

	2015			2014		
The amounts recognised in the statement of comprehensive income are as follows:	Medical	Severance	Total	Medical	Severance	Total
Current service cost	183	326	509	206	15	221
Interest expense	2 530	346	2 876	2 162	264	2 426
Total included in staff costs	2 713	672	3 385	2 368	279	2 647
Recognised in other comprehensive income						
Actuarial gains and losses recognised	2 993	(122)	2 871	1 290	595	1 884
	2 993	(122)	2 871	1 290	595	1 884

	2015			2014		
Movement in post-employment liabilities	Medical	Severance	Total	Medical	Severance	Total
Present value at the beginning of the year	29 655	4 042	33 697	27 542	3 367	30 909
Current service cost	183	326	509	206	15	221
Interest expense	2 530	347	2 877	2 162	264	2 426
Benefits paid	(1 701)		(1 701)	(1 545)	(199)	(1 744)
Actuarial (gains) losses from changes in financial assumptions	2 993	(122)	2 871	1 290	595	1 885
Present value at the end of the year	33 660	4 593	38 253	29 655	4 042	33 697

26. Employee liabilities

The principal actuarial assumptions used for accounting purposes were:

	2015		2014	
	Medical	Severance Pay	Medical	Severance Pay
Discount rate (%)	8.58%	8.01%	8.73%	8.12%
Medical aid inflation (%)	8.00%		7.81%	
Salary inflation (%)		7.52%		7.45%
Male	42		43	
Female	67		68	
Employees covered	109	1 910	111	1 763

Defined contribution pension fund

N$'000	2015	2014
Employer contribution to pension fund	48 083	43 937
Employer contribution to pension fund - executive director	335	253
Total employer contributions to pension fund	48 418	44 190
Employees contribution to pension fund	21 192	19 341
Total contributions	69 610	63 531
Number of employees covered	1 907	1 974

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 2014 and indicated that the fund was in a sound financial position.

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27. Policyholder liabilities under insurance contracts

N$'000	2015	2014
Short-term insurance contracts		
Claims outstanding		
Claims reported and loss adjustment expenses	11 226	12 757
Claims incurred but not repoted	10 630	8 675
Insurance contract cash bonuses	14 117	11 564
Unearned premiums	55 578	28 503
Gross	91 551	61 499
Claims reported and loss adjustment expenses	21 781	1 494
Recoverable from reinsurance	21 781	1 494
Claims outstanding		
Claims reported and loss adjustment expenses	11 158	12 793
Claims incurred but not reported	10 630	8 675
Insurance contract cash bonuses	14 117	11 564
Unearned premiums	33 865	29 961
	69 770	62 993

28. Finance lease obligation

N$'000	2015	2014
Finance lease obligation	2 060	6 030
Minimum lease payments due		
- not later than one year	2 099	4 198
- later than one year but not later than five years		2 099
	2 099	6 297
Less: future finance charges	(39)	(267)
Present value of minimum lease payments	2 060	6 030
Present value of minimum lease payments due		
- not later than one year	2 060	4 122
- later than one year but not later than five years		1 908
	2 060	6 030

Leasing arrangements.

The group leased various information technology equipment under a finance lease. The lease term is 3 years with no escalation clauses. The group has the option to pay a reduced secondary term charge or purchase the equipment at its market value. The lease terms do not contain restrictions on the group's activities concerning dividends or additional funding.

The group's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 19.

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29. Tier two liabilities

N$ 000 Subordinated debt instruments	Interest rate	Final maturity date	Note	2015	2014
FNB X22 fixed rate notes	8.88%	29 March 2022	i.	110 000	110 000
FNB J22 floating rate notes	Three-month JIBAR + 1.65%	29 March 2022	ii.	280 000	280 000
Accrued interest				2 635	2 622
Total				392 635	392 622

(i) 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.

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

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

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

Refer to note 39, fair value of financial instruments for the methodologies used to determine the fair value of tier two liabilities.

30. Share capital and share premium

N$'000	2015	2014
Authorised		
990 000 000 (2014: 990 000 000) ordinary shares of par value of N$0.005 per share	4 950	4 950
10 000 000 (2014: 10 000 000) cumulative convertible preference shares with a par value of N$0.005 per share	50	50
	5 000	5 000
Issued		
267 593 250 (2014: 267 593 250) ordinary shares with a par value of N$0.005 per share	1 338	1 338
Share premium	148 518	161 998
Elimination		
Shares held by FNB Namibia share trusts	(37)	(39)
	149 819	163 297

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.

31. General risk reserves

	2015	2014
First National Bank of Namibia Limited - Credit risk reserve	109 591	97 783

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

32. Other reserves

	2015	2014
OUTsurance Insurance Company of Namibia Ltd - Contingency reserve		11 437
		11 437

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

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33. Remuneration schemes

N$'000	2015	2014
The statement of comprehensive income charge for share-based payments is as follows:		
FNB Namibia Share Incentive Trust	8 246	6 262
Total of share trusts	8 246	6 262
Employees with FirstRand share options and share appreciation rights	8 304	4 974
Amount included in profit or loss	16 550	11 236

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:

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 in 2005, 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 500 000 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 vested 1/5th every year over a minimum period of 5 years.

33. Remuneration schemes continued

Valuation methodology

Share incentive scheme

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

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

Market data consists of the following:

- Volatility is the expected volatility over the period of the option. In the absence of other available date, historical volatility can be used 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.

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33. 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:

	FNB Share Incentive Trust	
	2015	2014
Weighted average share price (N$)	721-2 452	721-1 932
Expected volatility (%)	402-16	4-17
Expected option life (years)	5	5
Expected risk free rate (%)	5.81-7.69	5.81-7.69

	FNB Share Incentive Trust	
	2015	2014
Share option schemes		
Number of options in force at the beginning of the year ('000)	8 832	9 045
Granted at prices ranging between (cents)	721-1 932	721-1 932
Number of options granted during the year ('000)	2 359	2 697
Granted at prices ranging between (cents)	2 452	1 932
Number of options exercised/released during the year ('000)	(1 305)	(2 152)
Market value range at the date of exercise/release (cents)	2 351-3 231	1 912-2 274
Number of options cancelled/lapse during the year ('000)	(590)	(758)
Granted at prices ranging between (cents)	1 236-2 452	517-1 932
Number of options in force at the end of the year ('000)	9 296	8 832
Granted at prices ranging between (cents)	721-2 452	721-1 932
(first date able to release)		
Financial year 2015		2 542
Financial year 2016	1 465	1 521
Financial year 2017	1 280	2 356
Financial year 2018	2 061	1 577
Financial year 2019	2 215	836
Financial year 2020	2 275	
Total	9 296	8 832

34. Cash flow information

N$'000	2015	2014
Reconciliation of operating profit before tax to cash flow from operating activities		
Profit before tax	1 486 641	1 170 824
Adjusted for:		
Share of profit from associate after tax	(558)	(557)
Amortisation and impairment of intangible assets	4 167	9 125
Depreciation of property and equipment	46 415	42 174
Transfer of work in progress to repairs and maintenance	6 127	4 277
Share-based payment expenses	16 550	11 236
Impairment losses of advances	49 883	18 433
Provision for post-employment benefit obligations	1 636	1 232
Other employment accruals	109	6 178
Creation and revaluation of derivative financial instruments	(3 704)	(16 376)
Policyholders fund and insurance fund transfers	4 514	5 017
Transfer to provision for unintimated claims	1 952	1 848
Non cash flow movements in interest accrual on financial liabilities	(2 635)	(2 622)
Unwinding of discounted present value on non-performing loans	(13 314)	(6 560)
Unwinding of discounted present value on off-market loans	(5 978)	(1 649)
Net release of deferred fee and expenses	(21 279)	(15 170)
Off-market staff loans amortisation	5 978	1 649
Profit on sale of property and quipment	62	229
Indirect tax	26 611	21 971
Cash flows from operating activities	**1 603 177**	**1 252 258**

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34. Cash flow information continued

N$'000	2015	2014
Cash receipts from customers		
Interest and similar income	2 372 472	1 886 143
Other non-interest revenue	1 256 420	1 071 204
Net insurance premium received	158 455	130 812
	3 787 347	3 088 159
Cash paid to customers, suppliers and employees		
Interest expense and similar charges	(962 809)	(774 141)
Net claims and benefits paid	(80 362)	(69 231)
Total other operating expenses	(1 140 999)	(993 529)
	(2 184 170)	(1 836 901)
Increase in income earning assets		
Due from banks and other financial institutions	181 298	122 641
Advances	(2 825 134)	(3 021 157)
Investment securities	(532 582)	(560 394)
Accounts receivable and similar accounts	(49 248)	45 673
Reinsurance assets	381	(351)
	(3 225 285)	(3 413 588)
Increase in deposits and other liabilities		
Deposits	2 429 435	2 686 702
Due to banks and other financial institutions	207 052	493 880
Accounts payable and similar accounts	120 472	148 791
	2 756 959	3 329 373

34. Cash flow information continued

N$'000	2015	2014
Income tax paid		
Amounts payable at beginning of the year	(71 619)	(147 414)
Indirect tax	(26 611)	(21 971)
Current tax charge	(441 452)	(363 273)
Amounts payable at end of the year	67 089	71 619
	(472 593)	(461 039)
Capital expenses		
Purchase of property and equipment, settled in cash	(351 060)	(222 072)
Dividends paid		
Dividends approved and recognised in the group statement of changes in equity.	(358 942)	(282 998)

35. Contingencies and commitments

Contingencies

	2015	2014
Guarantees *	999 308	815 655
Letters of credit	66 713	179 041
Total contingencies	1 066 021	994 696
Irrevocable unutilised facilities	4 926 719	3 715 345
Total contingencies and commitments	5 992 740	4 710 041

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

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35. Contingencies and commitments continued

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:

N$'000	2015	2014
Contracted for	92 456	260 000
Not contracted for	918	918
Comprising of:		
Capital commitments contracted for at the reporting date but not yet incurred are as follows:		
Property and equipment	92 456	260 000
Capital commitments not yet contracted for at the reporting date but have been approved by the directors:		
Property and equipment	918	918

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

Group leasing arrangements:

	2015			2014		
N$'000	Within 1 year	Between 2 and 5 years	More than 5 years	Within 1 year	Between 2 and 5 years	More than 5 years
Office premises	24 223	38 000	3 525	21 236	35 860	4 669

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% (2014: 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.

36. Collateral

N$'000	2015	2014
Collateral taken possession of and recognised on the statement of financial position in accounts receivable note:		
Property	7 136	5 568

Collateral pledged

The group has pledged assets as security for the following liabilities:

Derivatives		
Currency derivative	13 262	79 277
Interest rate derivative	88 454	19 290
	101 716	98 567

The group pledges assets under the following terms and conditions:

Collateral in the form of cash and cash equivalents are pledged when the banking group utilises the RMB credit facility over the limit. These transactions are conducted under the terms and conditions that are usual and customary to standard credit facilities.

Assets pledged to secure the above liabilities are carried at and included under the following:		
Due by banks and other financial institutions (note 12)	83 620	44 597

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37. 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 trough profit or loss.

	Carrying value	
N$'000	2015	2014
Included in advances	519 585	538 583

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.

38. Related parties

The group defines related parties as:

Ultimate holding company	FirstRand Limited
Holding company	FirstRand EMA Holdings Limited
Subsidiaries	Details of interest in subsidiaries are disclosed below
Associate	Refer to note 18
Close family member of key management	
Joint venture of key management	
Associate of close family member of key management	
Post employment benefit plan for employees of entity and/or other related parties	
Members of key management	

FNB Namibia Holdings Limited is listed on the Namibian Stock Exchange and is 58.4% (2014: 58.4%) owned by FirstRand Emerging Markets, with its ultimate holding company FirstRand Limited, which is incorporated in South Africa, listed on the JSE Limited and on the NSX.

38. Related parties continued

N$'000	2015	2014
Related party balances		
Deposits		
FirstRand group companies	757 998	804 956
Associate	4 312	307
Advances		
FirstRand group companies	563 569	906 567
Associate	23 505	26 170
Derivative assets		
FirstRand group companies	34 520	7 916
Derivative liabilities		
FirstRand group companies	(3 557)	(99 637)
Related party transactions		
Interest paid to (received from) related parties		
FirstRand group companies	(73 707)	(53 554)
Associate	(2 157)	(1 384)
FirstRand group companies	34 348	23 596
Non-interest revenue		
FirstRand group companies	12 802	130
Non-interest expenditure		
FirstRand group companies	154 026	142 166
Associate	8 149	6 090
OUTsurance	28 661	24 168
Dividends paid		
FirstRand group companies	215 659	165 271

Notes to the consolidated annual financial statements
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38. Related parties continued

Transactions with key management personnel:

N$'000	2015	2014
Advances		
Balance 1 July	27 651	27 048
Advanced during year	48 104	7 820
Repayments during year	(47 169)	(9 598)
Interest earned	2 147	2 381
Balance 30 June	30 733	27 651

No impairment has been recognised for loans granted to key management (2014: nil)
Mortgage loans are repayable monthly over 20 years.

N$'000	2015	2014
Current and credit card accounts		
Credit balance 1 July	(4 161)	(11 844)
Net deposits and withdrawals	909	7 489
Net service fees and bank charges	394	200
Interest income	24	63
Interest expense	(26)	(69)
	(2 860)	(4 161)
Instalment finance		
Balance 1 July	6 929	6 902
Issued during year	524	4 643
Repayments during year	(4 323)	(4 059)
Interest earned	339	557
	3 469	8 043

38. Related parties continued

Transactions with key management personnel:

N$'000	2015	2014
Investment products		
Opening balance	4 331	8 461
Deposits and withdrawals	469	(4 275)
Net investment return	529	162
Commission and other transaction fees	(248)	(17)
Fund closing balance	5 082	4 331
Shares and share options held		
Directors holding in shares is disclosed in note 8.		
Aggregate details		
Share options held	1 583	2 034
Key management compensation		
Short-term employee benefits	29 584	30 867
Post-employment benefits - Pension - Defined contribution plan	2 689	3 050
Share-based payment	2 874	5 333
	35 147	39 250

A listing of the board of directors of the group is detailed on page xx of the annual report.

Post-employment benefit plans

Refer to note 26 on detailed disclosure of the movement on the post-employment benefit liability.

Notes to the consolidated annual financial statements
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38. Related parties continued

Details of subsidiaries

Significant subsidiaries	Nature of business	Date of acquisition	Country of incorporation	Number of shares	Effective % holding 2015	2014
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 Jun 2003	Namibia	1,200 of N$1 each	100	100
Swabou Investments (Pty) Ltd	Home loan investment company	1 Jul 2003	Namibia	2 of N$0.05 each	100	100
Insurance operations:						
OUTsurance Insurance Company of Namibia Ltd	Short-term insurance	1 Jul 2003	Namibia	4,000,000 of N$1 each	51	51
Other:						
FNB Trust Services Namibia (Pty) Ltd	Estate and trust services	1 Oct 1996	Namibia	200 of N$1 each	100	100
FNB Insurance Brokers (Namibia) (Pty) Ltd	Short-term insurance broker	1 Jul2011	Namibia	100 of N$1 each	100	100
FNB Namibia Unit Trusts Ltd	Unit trusts management company	1 Jan 2006	Namibia	4,000,000 of N$1 each	100	100
Talas Properties (Windhoek) (Pty) Ltd	Property company	31 Mar1998	Namibia	100 of N$1 each	100	100
RMB Investments (Pty) Ltd	Financial advisory services	14 Nov 2013	Namibia	100 of N$1 each	100	100

38. Related parties continued

Details of subsidiaries

N$'000	Aggregate income of subsidiaries (before tax) 2015	2014	Total investment 2015	2014
First National Bank of Namibia Ltd	1 344 132	1 039 975	1 142 792	1 142 792
Swabou Investments (Pty) Ltd	86 385	44 449		
OUTsurance Insurance Company of Namibia Ltd	49 161	33 587	6 511	6 511
FNB Trust Services Namibia (Pty) Ltd	2 155	1 796		
FNB Insurance Brokers (Namibia) (Pty) Ltd	3 600	4 834	27 904	27 904
FNB Namibia Unit Trusts Ltd	3 874	3 669	5 475	5 475
Talas Properties (Windhoek) (Pty) Ltd	18 329	(19 070)	2 967	2 967
RMB Investments (Pty) Ltd	379	162		
	1 508 015	1 109 402	1 185 649	1 185 649

Notes to the consolidated annual financial statements
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38. Related parties continued

Non-controlling interests

OUTsurance Insurance Company of Namibia Ltd is the subsidiary which has non-controlling interests in the group. The voting rights of the non-controling interest is limited to their ownership percentage.

It is the group's investment strategy to limit the non-controlling interests in its subsidiary holdings. The group generally holds 100% interests in its key subsidiaries.

	Non-controlling interest	
	2015	2014
Interest owned by non-controlling interests	49%	49%
Voting rights owned by non-controlling interests	49%	49%
Profit or loss attributable to non-controlling interests	16 757	11 438
Accumulated balance of non-controlling interests	40 178	31 261
Dividends paid to non-controlling interests	7 840	7 840
The following balances have been included in the consolidated statement of financial position and statement of comprehensive income in respect of OUTsurance Insurance Company of Namibia Ltd :		
Total Assets	150 689	127 456
Total Liabilities	83 064	74 739
Net interest income	2 588	1 940
Non interest revenue	79 291	61 423
Profit before tax	49 170	33 588
Total comprehensive income	34 433	23 624

39. Fair value measurements

Valuation methodology

In terms of IFRS, the group is required to or elects to measure certain assets and liabilities at fair value. The group has established control frameworks and processes to independently validate its valuation techniques and inputs used to determine its fair value measurements. Technical teams are responsible for the selection, implementation and any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established at an overall group level and are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval by the required technical teams, valuation committees, relevant risk committees and external auditors annually or more frequently if considered appropriate.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date i.e. an exit price. Fair value is therefore a market based measurement and when measuring fair value the group uses the assumptions that market participants would use when pricing an asset or liability under current market conditions, including assumptions about risk. When determining fair value it is presumed that the entity is a going concern and the fair value is therefore not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

Fair value measurements are determined by the group on both a recurring and non-recurring basis.

Recurring fair value measurements

Recurring fair value measurements are those for assets and liabilities that IFRS requires or permits to be recognised at fair value and are recognised in the statement of financial position at reporting date. This includes financial assets, financial liabilities and nonfinancial assets that the group measures at fair value at the end of each reporting period.

Financial instruments

When determining the fair value of a financial instrument, where the financial instrument has a bid or ask price (for example in a dealer market), the group uses the price within the bid-ask spread that is most representative of fair value in the circumstances. Although not a requirement, the group uses the bid price for financial assets or the ask/offer price for financial liabilities where this best represents fair value.

When determining the fair value of a financial liability or the group's own equity instruments the quoted price for the transfer of an identical or similar liability or own equity instrument is used. Where this is not available, and an identical item is held by another party as an asset, the fair value of the liability or own equity instrument is measured using the quoted price in an active market of the identical item, if that price is available, or using observable inputs (such as the quoted price in an inactive market for the identical item) or using another valuation technique.

Where the group has any financial liability with a demand feature, such as demand deposits, the fair value is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid where the time value of money is significant.

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39. Fair value measurements continued

Non-recurring fair value measurements

Non-recurring fair value measurements are those triggered by particular circumstances and include the classification of assets and liabilities as non-current assets or disposal groups held for sale under IFRS 5 where fair value less costs to sell is the recoverable amount, IFRS 3 business combinations where assets and liabilities are measured at fair value at acquisition date, and IAS 36 impairments of assets where fair value less costs to sell is the recoverable amount. These fair value measurements are determined on a case by case basis as they occur within each reporting period.

Other fair value measurements

Other fair value measurements include assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS e.g. financial instruments at amortised cost. The fair value for these items is determined by using observable quoted market prices where these are available, such as market prices quoted on BESA, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included under point 36.4 below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

The group classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. If this information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The valuation techniques employed by the group include, inter alia, 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, optionpricing models, and discounted cash flow techniques.

Where a valuation model is applied and the group cannot mark-to-market, it applies a mark-to-model approach, subject to prudent valuation adjustments. Mark-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. When applying mark-to-model, an extra degree of conservatism is applied. The group will consider the following in assessing whether a mark-to-model valuation is appropriate:

- As far as possible, market inputs are sourced in line with market prices;
- Generally accepted valuation methodologies are consistently used for particular products unless deemed inappropriate by the relevant governance forums;
- Where a model has been developed in-house, it is based on appropriate assumptions, which have been assessed and challenged by suitably qualified parties independent of the development process;
- Formal change control procedures are in place;
- Awareness of the weaknesses of the models used and appropriate reflection in the valuation output;
- The model is subject to periodic review to determine the accuracy of its performance; and
- Valuation adjustments are only made when appropriate, for example, to cover the uncertainty of the model valuation.

Level 1

Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities where this is readily available and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. This category may include listed bonds and equity.

39. Fair value measurements continued

Level 2

Fair value is determined using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly such as quoted prices for similar items in an active market or for an identical item in an inactive market, or valuation models using observable inputs or inputs derived from observable market data. This category may include loans and advances to customers, equities listed in an inactive market, certain debt instruments, private equity investments, non-recourse investments and deposits, over the counter derivatives, deposits, other liabilities, Tier 2 liabilities, commodities which are not exchange-traded and investment properties.

Level 3

Fair value is determined using a valuation technique and significant inputs that are not based on observable market data (i.e. unobservable inputs) such as an entity's own assumptions about what market participants would assume in pricing assets and liabilities. The assumptions applied by the group are set out in the table below. This category includes certain loans and advances to customers, private equity investments.

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant un-observable inputs of level 3 items
			Loans and advances to customers		
Investment banking book	Level 3	Discounted cash flows	The group has elected to designate the investment banking book of advances at fair value through profit or loss. Credit risk is not observable and has a significant impact on the fair value measurement of these advances and as such, these advances are classified as level 3 on the fair value hierarchy. The future cash flows are discounted using a market related interest rate. 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. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance. Similarly an increase in credit rating would result in a decrease in the spread below the base rate and an increase of the fair value of the advance.	Market interest rates and curves	Credit inputs
Other loans and advances	Level 2 and level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs

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39. Fair value measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant un-observable inputs of level 3 items
Derivative financial instruments					
Option contracts	Level 2 and level 3	Option pricing model	The Black Scholes model is used.	Strike price of the option; market related discount rate; forward rate and cap and floor volatility	Volatilities
Swaps	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date of each swaplet is determined in terms of legal documents pertaining to the swap.	Market interest rates and curves	Not applicable
Forward rate agreements	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates and curves	Not applicable
Forward contracts	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Market interest rates and curves	Not applicable
Commodity derivatives	Level 2	Discounted cash flows	Commodity linked instruments are measured by taking into account the price, the location differential, grade differential, silo differential and the discount factor of the most liquidly traded futures linked to the commodity.	Futures prices	Not applicable

39. Fair value measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant un-observable inputs of level 3 items
Investment securities and other investments					
Equities/ bonds listed in an inactive market	Level 2	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e. level 1). However if the market is not active and the listed price is not representative of fair value, these are classified as level 2 and a valuation technique is used, for example the discounted cash flow is used for listed bonds. This will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable
Unlisted bonds	Level 2 and level 3	Discounted cash flows	Unlisted bonds are valued similarly to advances measured at fair value. The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs
Unlisted equities	Level 2 and level 3	Price earnings (P/E) model	For unlisted equities, 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. 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 that have taken place.	Market transactions	Growth rates and P/E ratios
Negotiable certificates of deposit	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and curves	Not applicable
Treasury bills	Level 2	BESA bond pricing model	The BESA bond pricing model uses the BESA mark to market bond yield.	Market interest rates and curves	Not applicable

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39. Fair value measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant un-observable inputs of level 3 items
Deposits					
Call and non-term deposits	Level 2	None - the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand i.e. the undiscounted amount of the deposit.	None - the undiscounted amount approximates fair value and no valuation is performed	Not applicable
Non-recourse deposits	Level 2	Discounted cash flows	Fair value for interest rate and foreign exchange risk with no valuation adjustment for own credit risk. Valuation adjustments are affected for changes in the applicable credit ratings of the assets.	Market interest rates and foreign exchange rates; credit inputs	Not applicable
Other deposits	Level 2 and level 3	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs
Other liabilities and Tier 2 liabilities	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Level 2 and level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate and curves adjusted for credit inputs.	Market interest rates and curves	Credit inputs

39. Fair value measurements continued

The group has elected to designate certain investment banking book advances at fair value through profit or loss. The designation is on a deal basis. Credit risk is not observable and has a significant impact on the fair value measurement of these advances and as such, these advances are classified as Level 3 on the fair value hierarchy.

For non-recurring fair value measurements, the fair value measurements are determined on a case by case basis as they occur within each reporting period. The fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table. Where the underlying assets or liabilities are not items for which recurring fair value measurements are required, for example property and equipment or intangible assets, the carrying value is considered to be equal to or a reasonable approximation of the fair value. This will be assessed per transaction and details will be provided in the relevant notes. There were no such transactions for the current year.

During the current reporting period there were no changes in the valuation techniques used by the group.

The following table presents the fair value measurements and fair value hierarchy of assets and liabilities of the group which are recognised at fair value:

2015

N$'000	Level 1	Level 2	Level 3	Total fair value
Assets				
Available-for-sale financial assets				
Investment securities		3 002 332	11 530	3 013 862
Financial assets designated at fair value through profit or loss				
Advances			519 585	519 585
Investment securities		317 563		317 563
Financial assets held for trading				
Derivative financial instruments		158 644		158 644
Investment securities		34 501		34 501
Total financial assets measured at fair value		3 513 040	531 115	4 044 155

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39. Fair value measurements continued

2015

N$'000	Level 1	Level 2	Level 3	Total fair value
Liabilities				
Financial liabilities held for trading				
Derivative financial instruments		172 188		172 188
Short trading position	26 693			26 693
Total financial liabilities measured at fair value	26 693	172 188		198 881

2014

N$'000	Level 1	Level 2	Level 3	Total fair value
Assets				
Available-for-sale financial assets				
Investment securities		2 561 198	11 530	2 572 728
Financial assets designated at fair value through profit or loss				
Advances			538 583	538 583
Investment securities		153 070		153 070
Financial assets held for trading				
Derivative financial instruments		92 031		92 031
Investment securities		31 781		31 781
Total financial assets measured at fair value		2 838 080	550 113	3 388 193
Liabilities				
Financial liabilities held for trading				
Derivative financial instruments		109 281		109 281

During the reporting period ending 30 June 2015 (30 June 2014) 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.

39. Fair value measurements continued

Sensitivity of fair values to changing significant assumptions to reasonably possible alternatives

Fair values of financial instruments recognised in the financial statements may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data. In these instances, the net fair value recorded in the financial statements is the sum of three components.

(i) the value given by application of a valuation model, based upon the group's best estimate of the most appropriate model inputs;
(ii) any fair value adjustments to account for market features not included within valuation model (for example, bid mid spreads, counterparty credit spreads and / or market data uncertainty); and
(iii) day one profit or loss, or an unamortised element thereof, not recognised immediately in the income statement in accordance with the group's accounting policy, and separately detailed within the derivative note above.

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 2014	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales)/issues/ (settlements)	Fair value on June 2015
Advances	538 583	59 709		(78 707)	519 585
Investment securities	11 530				11 530
Total financial assets at fair value in level 3	**550 113**	**59 709**		**(78 707)**	**531 115**

N$'000	Fair value on June 2013	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales)/issues/ (settlements)	Fair value on June 2014
Advances	564 111	51 699		(77 227)	538 583
Investment securities			1 954	9 576	11 530
Total financial assets at fair value in level 3	**564 111**	**51 699**	**1 954**	**(67 651)**	**550 113**

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

39. Fair value measurements continued

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$571 544 (2014:N$605 124) and using more negative reasonable possible assumptions to N$467 627 (2014:N$495 102). 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 revenue.

	2015			2014		
N$'000	Gains orlosses recognised in profit or loss	Gains or losses recognised in other comprehensive income	Total gains or loss	Gains orlosses recognised in profit or loss	Gains or losses recognised in other comprehensive income	Total gains or loss
Advances	59 709		59 709	51 699		51 699
Investment securities					1 954	1 954
Total	59 709		59 709	51 699	1 954	53 653

39. Fair value measurements continued

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.

	2015			2014	
N$'000	Carrying value	Fair value	Fair value hierarchy	Carrying value	Fair value
Assets					
Total advances at amortised cost	22 314 108	22 050 802	Level 2	19 452 199	21 578 324
Total investments securities at amortised cost			Level 2	75 567	74 870
	22 314 108	22 050 802		19 527 766	21 653 194

	2015			2014	
N$'000	Carrying value	Fair value	Fair value hierarchy	Carrying value	Fair value
Liabilities					
Total deposits at amortised cost	23 911 551	23 909 983	Level 2	21 522 377	21 487 673
Tier two liabilities	392 635	392 905	Level 2	392 622	393 874
	24 304 186	24 302 888		21 914 999	21 881 547

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

39. Fair value measurements continued

Day one profit or loss

Day 1 profit or loss arises on the initial recognition of a financial instrument when the fair value of an instrument is determined using a valuation technique that makes use of inputs that are not observable in an active market. In terms of IAS 39 if the fair value determined in accordance with such a valuation technique differs from the transaction price the initial recognition should take place at the transaction price as the transaction price is considered the best evidence of fair value at initial recognition. The day 1 profits or losses arising as a result of the difference between the two values should only be recognised over the life of the instrument as a result of changes that would also be considered by market participants. The balance is related to Advances designated at fair value through 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	2015	2014
Unrecognised profit at the beginning of the year	8 587	12 280
Recognised in profit or loss during the year	(3 714)	(3 693)
Unrecognised profit at the end of the year	4 873	8 587

40. Financial instruments subject to offsetting, master netting arrangements (MNA) and similar agreements

In accordance with IAS 32 the group offsets financial assets and financial liabilities and presents the net amount in the statement of financial position only if there is both a legally enforceable right to offset and there is an intention to settle the amounts on a net basis or to realise the asset and settle the liability simultaneously.

The group is subject to a MNA in the form of an ISDA agreement with a derivative counterparty. Due to the fact that ISDA agreements under which derivatives are traded are not legally enforceable within Namibia, in the normal course of business or on bankruptcy, the IAS 32 set-off requirements of legal enforceability is not met thus no financial assets and financial liabilities have been presented on the net amount in the statement of financial position.

41. Structured entities

The group uses structured entities in the ordinary course of business to support its own customers, financing and investing needs.

Consolidated structured entities

The group assess whether it has control over structured entities in terms of IFRS 10. Where the group has control over a structured entity it is consolidated in terms of IFRS 10.

Interest in unconsolidated structured entities

The group has financial interests in other structured entities that expose the group to the variable income of those entities without resulting in control. Below are set out the nature of those relationships and the impact that those relationships have had on the financial position and performance of the group.

Fund management

The group manages a number of unit trust funds, ranging from income funds to equity funds, which are managed by a third party assets managers. Unit trusts are regulated by the Namibia Financial Institution Supervisory Board and the Unit Trust Control Act of 1981. The group's interest is generally restricted to fund service and admistration fees. The group may hold direct interests in a number of the funds; however the magnitude of such interest varies with sufficient regularity. The group earns service and admistration fees from its admistration of the funds, as well as unrealised gains and losses as a result of revaluations of the units held directly in the funds.

N$'000	2015	2014
Investments and other securities		
Unit trust investments	217 653	134 122
Maximum exposure to loss	217 653	134 122
Total size of unit trust funds	2 162 870	1 932 237

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

42. Segmental information

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	Consumer and commercial banking	Comprehensive banking packages for individuals and business
	WesBank	Motor vehicle and instalment finance	
	RMB	Corporate banking	
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.

Statement of Comprehensive Income
for the year ended 30 June

42. Segmental information continued

Reportable segments

	Group		Banking operation		Short-term insurance		Other	
N$'000	2015	2014	2015	2014	2015	2014	2015	2014
Net interest income - external	1 452 867	1 138 002	1 449 285	1 134 727	2 280	1 709	1 302	1 566
Net interest income - internal			634	2 184	308	231	(942)	(2 415)
Impairment losses of advances	(49 882)	(18 433)	(49 882)	(18 433)				
Net interest income after impairment of advances	**1 402 985**	**1 119 569**	**1 400 038**	**1 118 478**	**2 588**	**1 940**	**360**	**(849)**
Non-interest revenue	1 260 061	1 087 351	1 177 925	1 002 815	7 657	6 707	74 479	77 829
Net insurance premium income	153 944	125 795			153 944	125 795		
Net claims and benefits paid	(82 310)	(71 079)			(82 310)	(71 079)		
Income from operations	**2 734 680**	**2 261 636**	**2 577 963**	**2 121 293**	**81 879**	**63 363**	**74 839**	**76 980**
Operating expenses	(1 221 986)	(1 069 398)	(1 148 870)	(1 005 279)	(32 709)	(29 775)	(40 407)	(34 344)
Net income from operations	**1 512 694**	**1 192 238**	**1 429 093**	**1 116 014**	**49 170**	**33 588**	**34 432**	**42 636**
Share of comprehensive income of associate	558	557	558	557				
Income before tax	**1 513 252**	**1 192 795**	**1 429 651**	**1 116 571**	**49 170**	**33 588**	**34 432**	**42 636**
Indirect tax	(26 611)	(21 971)	(26 450)	(21 394)			(161)	(577)
Profit before tax	**1 486 641**	**1 170 824**	**1 403 201**	**1 095 177**	**49 170**	**33 588**	**34 270**	**42 059**
Direct tax	(487 979)	(386 216)	(460 672)	(364 588)	(14 737)	(9 964)	(12 570)	(11 664)
Profit for the year	**998 662**	**784 608**	**942 529**	**730 589**	**34 433**	**23 624**	**21 700**	**30 395**

Consolidated statement of financial position
as at 30 June

42. Segmental information continued

	Group		Banking operations		Short-term insurance		Other	
N$ 000	2015	2014	2015	2014	2015	2014	2015	2014
Assets								
Cash and cash equivalents	795 225	867 579	769 832	830 189	51 541	43 184	(26 148)	(5 794)
Due from banks and other financial institutions	1 585 029	1 766 327	1 585 029	1 766 327				
Derivative financial instruments	158 644	92 031	158 644	92 031				
Advances	22 833 693	19 990 782	22 918 838	20 067 544			(85 145)	(76 762)
Investment securities	3 365 927	2 833 146	3 201 648	2 687 376	92 459	77 577	71 820	68 193
Investment in associate	3 726	3 168	3 726	3 168				
Other assets	1 042 071	702 794	1 111 815	782 293	6 689	6 695	(76 433)	(86 194)
Total assets	29 784 315	26 255 827	29 749 532	26 228 928	150 689	127 456	(115 906)	(100 557)
Equity and liabilities								
Liabilities								
Deposits	23 951 813	21 522 377	24 059 502	21 603 390			(107 689)	(81 013)
Due to banks and other financial institutions	1 020 016	812 964	1 020 016	813 409				(445)
Derivative financial instruments	172 188	109 281	172 188	109 281				
Other liabilities	858 812	641 411	594 445	542 974	83 064	74 739	181 303	23 698
Tier two liabilities	392 635	392 622	392 635	392 622				
Total liabilities	26 395 464	23 478 655	26 238 786	23 461 676	83 064	74 739	73 614	(57 760)

Consolidated statement of financial position
as at 30 June continued

42. Segmental information continued

	Group		Banking operations		Short-term insurance		Other	
N$ 000	2015	2014	2015	2014	2015	2014	2015	2014
Equity								
Capital and reserves attributable to ordinary equity holders								
Share capital - Ordinary	1 301	1 299	1	1	4 000	4 000	(2 700)	(2 702)
Share premium	148 518	161 998	1 142 791	1 142 791	213	213	(994 486)	(981 006)
Reserves	3 198 854	2 582 614	2 211 027	1 624 460	63 412	48 504	923 415	909 650
Capital and reserves attributable to ordinary equity holders	3 348 673	2 745 911	3 353 819	2 767 252	67 625	52 717	(72 771)	(74 058)
Non-controlling interests	40 178	31 261					40 178	31 261
Total equity	3 388 851	2 777 172	3 353 819	2 767 252	67 625	52 717	(32 593)	(42 797)

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

43. 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. Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year.

Credit impairment losses on loans and advances

The group continuously assesses its credit portfolios for impairment. In determining whether an impairment loss should be recognised 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 impairment provision on the performing portfolio is split into two parts:

- The first 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. An 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.

- The second part consists of the portfolio specific impairment (PSI) to reflect the decrease in estimated future cash flows for the sub segment of the performing portfolio where there is objective evidence of impairment. 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.

(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 his obligations in full. 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 FNB 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 15 for a detailed analysis of the impairment of advances and the carrying amounts of the specific and portfolio provisions.

43. Critical accounting estimates and judgements in applying accounting policies continued

Impairment of available-for-sale equity instruments

The group determines that available-for-sale equity instruments are impaired and the impairment recognised 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.

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, the difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Refer to note 9 and 21 for more information regarding the income tax expense and deferred income tax charges, assets and liabilities.

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 or fair value less cost to sell. The value in use is calculated as 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 20.

Employee benefit liabilities

The cost of the benefits and the present value of the defined benefit pension funds and post-retirement medical obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge to 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.

The assumptions related to the expected return on plan assets are determined on a uniform basis, considering long term historical returns, asset allocation and future estimations of long term investment returns. The group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of the expected cash outflows required to settle the pension and post-retirement medical obligations. In determining the appropriate discount rate, the group considers the interest rate on high quality corporate bonds and government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. The expected salary and pension increase rates are based on inflation rates, adjusted for salary scales and country specific conditions. The inflation rate used is a rate within the government's monetary policy target for inflation and is calculated as the difference between the yields on portfolios of fixed interest government bonds and a portfolio of index linked bonds of a similar term.

Additional information is provided in the note 26

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

43. Critical accounting estimates and judgements in applying accounting policies continued

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.

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

Valuation of policyholders liabilities under insurance contracts

The actuarial value of policyholder liabilities arising from long term insurance contracts is determined using the Financial SoundnessValuation 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.

Subsidiaries and controlled structured entities

When assessing whether or not control exists the group considers all of the existing rights that it has as well as the existing rights that other investors have that result in the ability to direct the relevant activities of the investee. Only one party can have control over an investee, therefore if another investor has substantive rights that give them the current ability to direct the relevant activities of the investee then the group cannot have control over the investee. When the group assesses its rights specific consideration is given to the group's holding of voting rights relative to the dispersion of holdings of other investors that hold voting rights. In instances where it is not immediately clear who has power over the investee the group considers whether there is any evidence that it has the practical ability to direct the relevant activities of the investee unilaterally.

43. Critical accounting estimates and judgements in applying accounting policies continued

It is common business practice in many funding arrangements for the lender to have rights that allow it to restrict the borrower from undertaking activities that could significantly change it's credit risk to the detriment of the lender. These rights are known as protective rights and are designed to protect the lender's interests and not to give the lender power over the relevant activities of the borrower. Where the group has lending arrangements that contain protective rights these protective rights are not considered to give the group the current ability to direct the relevant activities of the borrower.

The Memorandum and Articles of association or shareholders agreements for many companies include provisions that are designed to protect the rights of the non-controlling shareholders. These rights may require a certain percentage of votes to be received before certain decision can be taken or they may require the non-controlling interests to approve certain decisions. The purpose of these rights is to protect the interests of the non-controlling shareholders and to ensure that the controlling shareholders don't act in a manner that prejudices the non-controlling shareholders. These rights are protective in nature and do not give the non-controlling shareholders power over the relevant activities of the entity. Where the group is a non-controlling shareholder and has such rights these rights alone are not considered sufficient to give the group power over the relevant activities of the investee.

When voting rights do not have a significant effect on the investee's returns the investee is considered to be a structured entity. When assessing whether the group has control over a structured entity specific consideration is given to the purpose and design of the structured entity and whether the group has power over decisions that relate to activities that the entity was designed to conduct.

When assessing whether the group has exposure or rights to variable returns and how variable those returns are the group considers the substance of the agreement regardless of the legal form of the returns. For example depending on the terms of the agreement preference shares that the group holds may give the group rights to fixed dividends similar to an interest return or they may give the group the right to participate in the residual profits of the investee.

The group only considers substantive rights that it or other investors have in relation to an investee when assessing control. Substantive rights are those rights that the group or other investor have the practical ability to exercise. Rights that are held by the group in an agency capacity are not considered to be substantive rights. The group considers the relationship between itself and the other investors when assessing whether it is acting as an agent, including the rights that another investor may have to remove the group from the relationship, i.e. the ability that the other investors may have to replace the group as an agent.

Associates

The group is presumed to have significant influence over an investee if it owns more than 20% of the voting rights and does not have control or joint control.

Significant influence may also arise from rights other than voting rights. These rights include, but are not limited to, the ability to appoint key management personnel and the ability to participate in the decision making processes of the investee.

The group considers both the rights that it has as well as currently exercisable rights that other investors have when assessing whether it has the practical ability to significantly influence the relevant activities of the investee.

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

44. New Standards and Interpretations

44.1 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 July 2015 or later periods:

IFRS 9 Financial Instruments

This new standard is the result of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and derecognition of financial assets and liabilities as well as new hedging requirements. The following are main changes from IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All investment securities are to be subsequently measured at fair value.
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the company changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost.
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.
- The new hedging provisions align hedge accounting more closely with the actual risk management approach.
- Certain non-derivative financial instruments are now allowed as hedging instruments.
- Additional exposures are allowed as hedged items. These exposures include risk components of non-financial items, net positions and layer components of items, aggregated exposures combining derivative and non-derivative exposures and equity instruments at fair value through other comprehensive income.
- The hedge effectiveness criteria have been amended, including the removal of the 80%-125% "bright line test" to qualify for hedge accounting.
- The concept of rebalancing has been introduced when the hedging relationship is ineffective because the hedge ratio is no longer appropriate. When rebalancing is required, and provided the risk management objective remains the same, the hedge ratio is adjusted rather than discontinuing the hedging relationship.
- Additional disclosure requirements have been introduced for hedging.

44. New Standards and Interpretations continued

44.1 Standards and interpretations not yet effective continued

The effective date has not yet been established as the project is currently incomplete. The IASB has communicated that the effective date will not be before years beginning on or after 01 January 2018. IFRS 9 may be early adopted. If IFRS 9 is early adopted, the new hedging requirements may be excluded until the effective date.

The company expects to adopt the standard for the first time in the first annual financial period after the effective date.

The impact of this standard is currently being assessed.

IFRS 14 Regulatory Deferral Accounts

The new standard is an interim standard applicable to entities subject to rate regulation. The standard is only applicable to entities adopting IFRS for the first time. It permits entities to recognise regulatory deferral account balances in the statement of financial position. When the account has a debit balance, it is recognised after total assets. Similarly, when it has a credit balance, it is recognised after total liabilities. Movements in these accounts, either in profit or loss or other comprehensive income are allowed only as single line items.

The effective date of the standard is for years beginning on or after 01 January 2016.

The company expects to adopt the standard for the first time in the 2017 consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the company's consolidated annual financial statements.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The amendments apply to the acquisitions of interest in joint operations. When an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, it shall apply, to the extent of its share, all of the principles on business combinations accounting in IFRS 3, and other IFRSs, that do not conflict with the guidance in this IFRS and disclose the information that is required in those IFRSs in relation to business combinations. This applies to the acquisition of both the initial interest and additional interests in a joint operation in which the activity of the joint operation constitutes a business.

The effective date of the amendments is for years beginning on or after 01 January 2016.

The company expects to adopt the amendments for the first time in the 2017 consolidated annual financial statements.

It is unlikely that the amendments will have a material impact on the company's consolidated annual financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendment clarifies that a depreciation or amortisation method that is based on revenue that is generated by an activity that includes the use of the asset is not an appropriate method. This requirement can be rebutted for intangible assets in very specific circumstances as set out in the amendments to IAS 38.

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

44. New Standards and Interpretations continued

44.1 Standards and interpretations not yet effective continued

The effective date of the amendment is for years beginning on or after 01 January 2016.

The company expects to adopt the amendment for the first time in the 2017 consolidated annual financial statements.

The impact of this amendment is currently being assessed.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 01 January 2018.

The company expects to adopt the standard for the first time in the 2018 consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the company's consolidated annual financial statements.

45. Risk management

The risk report of the group appears on page 48 to 56 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.

45. Risk management continued

Maximum exposure to credit risk	2015	2014
Total exposure (items where credit risk exposure exist)		
Cash and cash equivalents		
Balances with other banks	25 386	43 184
Balances with central bank	288 512	434 436
Total cash and cash equivalents	313 898	477 620
Due from banks and other financial institutions	1 585 029	1 766 327
Advances		
Overdraft and cash management accounts	2 593 310	2 072 897
Card loans	184 870	154 065
Instalment sales and hire purchase agreements	3 019 164	2 783 263
Lease payments receivables	316 573	214 022
Home loans	10 657 424	9 647 724
Term loans	5 276 757	4 326 788
Preference share advances	25 500	28 818
Advances under agreement to resell	27 087	
Investment bank term loans	552 035	576 659
Other	180 973	186 546
Total advances	22 833 693	19 990 782
Derivative financial instruments	158 644	92 031
Debt investment securities		
Listed investment securities	782 278	423 947
Unlisted investment securities	2 572 117	2 397 669
Total debt investment securities	3 354 395	2 821 616
Accounts receivables	144 671	96 762
Reinsurance assets	191	572
Guarantees	999 308	815 655
Letters of credit	66 713	179 041
Irrevocable commitments	4 926 719	3 715 345
Total	34 383 26	29 955 751

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

45. Risk management continued

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*
FR27-91	3.73%	AAA to B-
Above FR92		Below B-

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

Credit quality

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

	2015								
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	Preference share advance	Other
FR 28 - 91	22 208 964	184 987	2 638 715	3 314 026	10 053 110	5 232 531	552 035	25 500	207 180
Above FR 92	28 753	358	23 944	3 596	850	5			
	22 237 717	185 345	2 662 659	3 317 622	10 053 960	5 232 536	552 035	25 500	207 180

45. Risk management continued

N$'000	2014 Total neither past due nor impaired	Card loans	Overdraft and cash managed accounts	Instalment sales	Home loans	Term loans	Investment bank term loans	Preference share advance	Other
FR 28 - 91	19 502 086	140 334	2 097 985	2 973 199	9 249 346	4 249 199	576 659	28 818	186 546
Above FR 92	101 155	865	1 760	7 281	65 833	25 416			
	19 603 241	141 199	2 099 745	2 980 480	9 315 179	4 274 615	576 659	28 818	186 546

N$'000	2015 Investment securities	Derivative financial instruments	Cash and cash equivalents	Due from banks and other financial institutions	Accounts receivable	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)	3 365 927	158 644	313 898	1 585 029	58 381	5 481 879

N$'000	2014 Investment securities	Derivative financial instruments	Cash and cash equivalents	Due from banks and other financial institutions	Accounts receivable	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)	2 602 617	92 031	477 620	1 766 327	63 697	5 002 292
Unrated	230 529					230 529
Total	2 833 146	92 031	477 620	1 766 327	63 697	5 232 821

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

45. Risk management continued

N$'000	2015				
		Past due but not impaired			
Age analysis	Neither past due nor impaired	One instalment	Two instalments	Impaired	Total
Advances					
Card loans	185 345			1 257	186 602
Home loans	10 053 960	501 095	38 099	101 645	10 694 799
Instalment sales and lease payments receivables	3 317 622	14 913	3 370	21 630	3 357 535
Investment bank term loans	552 035				552 035
Overdraft and cash management accounts	2 662 659			12 433	2 675 092
Preference share advances	25 500				25 500
Advances under agreement to resell	27 087				27 087
Term loans	5 232 536	55 640	8 008	10 264	5 306 448
Other	180 973				180 973
	22 237 717	571 648	49 477	147 229	23 006 071
Accounts receivable					
Items in transit	82 629				82 629
Deferred staff cost	40 856				40 856
Other accounts receivable	61 216				61 216
	184 701				184 701
Reinsurance assets	572				572
Total	22 422 990	571 648	49 477	147 229	23 191 344

45. Risk management continued

N$'000	2014				
		Past due but not impaired			
Age analysis	Neither past due nor impaired	One instalment	Two instalments	Impaired	Total
Advances					
Card loans	141 199			1 043	142 242
Home loans	9 315 179	290 252	46 863	97 089	9 749 383
Instalment sales and lease payments receivables	2 980 480			15 740	2 996 220
Investment bank term loans	576 659				576 659
Overdraft and cash management accounts	2 099 745	10 876	2 963	9 593	2 123 177
Preference share advances	28 818				28 818
Term loans	4 274 615	38 397	3 998	17 586	4 334 596
Other	186 546				186 546
	19 603 241	339 525	53 824	141 051	20 137 641
Accounts receivable					
Items in transit	31 751				31 751
Deferred staff cost	43 684				43 684
Other accounts receivable	65 011				65 011
	140 446				140 446
Reinsurance assets	572				572
Total	19 744 259	339 525	53 824	141 051	20 278 659

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.

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

45. Risk management continued

Liquidity cash flow analysis (undiscounted cash flow)

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

	2015			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	Over 12 months	Total
Liabilities				
Deposits	18 924 903	4 503 525	2 015 424	25 443 852
Due to banks and other financial institutions	314 386	108 207	766 847	1 189 440
Derivative financial instruments	172 188			172 188
Short trading position	26 693			26 693
Creditors and accruals	120 327			120 327
Other liabilities	1 049	1 050		2 099
Tier two liabilities	10 338	21 247	576 498	608 083
Financial liabilities	19 569 884	4 634 029	3 358 769	27 562 682
Off statement of financial position				
Financial and other guarantees	505 026	560 996		1 066 022
Undrawn facilities	4 926 719			4 926 719

45. Risk management continued

N$'000	2014 Term to maturity Call - 3 months	4 - 12 months	Over 12 months	Total
Liabilities				
Deposits	13 836 316	2 820 754	5 366 704	22 023 774
Due to banks and other financial institutions	87 759	104 964	803 352	996 075
Derivative financial instruments	109 281			109 281
Creditors and accruals	60 921			60 921
Other liabilities	1 050	4 198	1 050	6 298
Tier two liabilities	10 117	20 582	601 928	632 627
Financial liabilities	14 105 444	2 950 498	6 773 034	23 828 976
Off statement of financial position				
Financial and other guarantees	471 235	523 461		994 696
Undrawn facilities	3 715 345			3 715 345

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

45. Risk management continued

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

	2015			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	Over 12 months	Total
Assets				
Cash and cash equivalents	795 225			795 225
Due from banks and other financial institutions	1 585 029			1 585 029
Derivative financial instruments	158 644			158 644
Advances	3 836 900	1 796 974	17 199 819	22 833 693
Investment securities	829 926	1 362 234	1 173 765	3 365 925
Accounts receivables	58 381			58 381
Financial assets	7 264 105	3 159 208	18 373 584	28 796 897
Non-financial assets				987 418
Total assets				29 784 315
Liabilities				
Deposits	17 906 086	4 310 340	1 735 387	23 951 813
Due to banks and other financial institutions	307 048	86 588	626 380	1 020 016
Derivative financial instruments	172 188			172 188
Short trading position	26 693			26 693
Creditors and accruals	120 327			120 327
Other liabilities	1 041	1 019		2 060
Tier two liabilities	2 635		390 000	392 635
Financial liabilities	18 536 018	4 397 947	2 751 767	25 685 732
Non-financial liabilities				709 732
Total liabilities				26 395 464
Total equity				3 388 851
Total equity and liabilities				29 784 315
Net liquidity gap	(11 271 913)	(1 238 739)	15 621 817	
Cumulative liquidity gap	(11 271 913)	(12 510 652)	3 111 165	

45. Risk management continued

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

	2014			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	Over 12 months	Total
Assets				
Cash and cash equivalents	867 579			867 579
Due from banks and other financial institutions	1 766 327			1 766 327
Derivative financial instruments	92 031			92 031
Advances	1 919 051	851 837	17 219 894	19 990 782
Investment securities	1 325 867	1 053 948	453 331	2 833 146
Accounts receivables	63 697			63 697
Financial assets	6 034 552	1 905 785	17 673 225	25 613 562
Non-financial assets				642 265
Total assets				26 255 827
Liabilities				
Deposits	16 155 674	3 527 673	1 839 030	21 522 377
Due to banks and other financial institutions	86 463	74 322	652 179	812 964
Derivative financial instruments	109 281			109 281
Creditors and accruals	60 921			60 921
Other liabilities	1 024	3 097	1 908	6 030
Tier two liabilities	2 622		390 000	392 622
Financial liabilities	16 415 985	3 605 092	2 883 117	22 904 195
Non-financial liabilities				574 460
Total liabilities				23 478 655
Total equity				2 777 172
Total equity and liabilities				26 255 827
Net liquidity gap	(10 381 430)	(1 699 308)	14 790 108	
Cumulative liquidity gap	(10 381 430)	(12 080 738)	2 709 370	

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

45. Risk management continued

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.

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.

Repricing profile

	2015				
N$'000	< 3 months	> 3 but ≤ 12 months	> 12 months	Non rate sensitive	Carrying amount
Total assets	24 846 020	1 528 868	1 155 105	2 254 322	29 784 315
Total equity and liabilities	22 267 105	3 020 500	275 740	4 220 970	29 784 315
Net repricing gap	2 578 915	(1 491 632)	879 365	(1 966 648)	
Cumulative repricing gap	2 578 915	1 087 283	1 966 648		

	2014				
N$'000	< 3 months	> 3 but ≤ 12 months	> 12 months	Non rate sensitive	Carrying amount
Total assets	23 298 738	1 115 557	472 914	1 368 618	26 255 827
Total equity and liabilities	19 964 281	2 492 037	267 807	3 531 702	26 255 827
Net repricing gap	3 334 457	(1 376 480)	205 107	(2 163 084)	
Cumulative repricing gap	3 334 457	1 957 977	2 163 084		

45. Risk management continued

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.

	2015				
N$'000	NAD	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	718 451	51 159	6 868	18 747	795 225
Due from banks and other financial institutions	570 534	931 719	73 903	8 873	1 585 029
Derivative financial instruments	90 313	51 092	11 475	5 764	158 644
Advances	22 091 917	741 776			22 833 693
Investment securities	3 365 925				3 365 925
Accounts receivables	58 381				58 381
Financial assets	26 895 521	1 775 746	92 246	33 384	28 796 897
Non-financial assets	987 418				987 418
Total assets	27 882 939	1 775 746	92 246	33 384	29 784 315
Liabilities					
Deposits	22 676 955	889 486	381 899	3 473	23 951 813
Due to banks and other financial institutions	278 393	741 623			1 020 016
Derivative financial instruments	104 789	50 624	11 082	5 693	172 188
Short trading position	26 693				26 693
Creditors and accruals	120 327				120 327
Other liabilities	2 060				2 060
Tier two liabilities	392 635				392 635
Financial liabilities	23 601 852	1 681 733	392 981	9 166	25 685 732
Non-financial liabilities	709 732				709 732
Total liabilities	**24 311 584**				**26 395 464**
Total equity	**3 388 851**				**3 388 851**
Total equity and liabilities	**27 700 435**	**1 681 733**	**392 981**	**9 166**	**29 784 315**

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

45. Risk management continued

	2014				
N$'000	NAD	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	802 234	59 456	5 160	730	867 579
Due from banks and other financial institutions	984 456	727 836	51 128	2 907	1 766 327
Derivative financial instruments	4 911	51 005	8 372	27 742	92 031
Advances	19 239 361	751 421			19 990 782
Investment securities	2 833 146				2 833 146
Accounts receivables	63 697				63 697
Financial assets	23 927 805	1 589 718	64 660	31 378	25 613 562
Non-financial assets	642 265				642 265
Total assets	24 570 070	1 589 718	64 660	31 378	26 255 827
Liabilities					
Deposits	20 830 623	639 126	51 299	1 329	21 522 377
Due to banks and other financial institutions	62 037	750 927			812 964
Derivative financial instruments	22 945	50 910	7 848	27 578	109 281
Creditors and accruals	60 921				60 921
Other liabilities	6 030				6 030
Tier two liabilities	392 622				392 62
Financial liabilities	21 375 178	1 440 963	59 147	28 907	22 904 195
Non-financial liabilities	574 460				574 460
Total liabilities	21 949 638				23 478 655
Total equity	2 777 172				2 777 172
Total equity and liabilities	24 726 810	1 440 963	59 147	28 907	26 255 827

45. Risk management continued

Average balances and effective interest rates

	2015			2014		
	Average balance	Average rate	Interest income/ expense	Average balance	Average rate	Interest income/ expense
N$'000	N$	%	N$	N$	%	N$
Assets						
Cash and cash equivalents, balance with banks	3 561 474	2.9	103 234	2 957 711	2.6	76 232
Advances	21 406 414	9.8	2 108 455	18 397 661	9.2	1 685 713
Investment securities	3 182 329	6.3	199 501	2 664 879	5.5	147 299
Non-interest-earning assets	909 716			601 193		
Total assets	29 059 933	8.3	2 411 190	24 621 444	7.8	1 909 244
Liabilities						
Deposits, balance due to banks	24 897 416	3.7	927 629	21 221 584	3.5	741 522
Tier two liabilities	393 968	8.0	31 325	393 868	7.4	29 259
Other interest			1 220			738
Non-interest-earning bearing liabilities	714 715			501 522		
Total liabilities	26 006 099	3.7	960 174	22 116 974	3.5	771 519
Total equity	3 053 834			2 504 470		
Total equility and liabilities	29 059 933	3.3	960 174	24 621 444	3.1	771 519

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

45. Risk management continued

Sensitivity analysis

Banking market risk

Net interest income sensitivity

Assuming no management intervention, a parallel 200 (2014:200) basis point increase in all yield curves would increase the forecast net interest income for the next year by N$157.30 million (2014:N$181.75 million), while a parallel decrease in all yield curves would decrease the forecast income by N$164.90 million (2014:N$181.75 million).

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.

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.

	2015		2014	
N$'000	10% reduction in fair value	10% increase in fair value	10% reduction in fair value	10% increase in fair value
Impact on equity (available-for-sale-reserve)	1 153	(1 153)	1 153	(1 153)

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Company statement of comprehensive income
for the year ended 30 June

N$'000	Note	2015	2014
Interest and similar income	2	1 982	592
Net interest income		**1 982**	**592**
Non-interest revenue			
- gains less losses from investing activities	3	370 810	302 152
Income from operations		**372 792**	**302 744**
Operating expenses	4	(1 381)	(1 302)
Income before tax		**371 411**	**301 443**
Indirect tax	5	(153)	(159)
Profit before tax		**371 258**	**301 283**
Direct tax	5	(70)	(90)
Profit for the year		**371 188**	**301 193**
Items that may subsequently be reclassified to profit and loss			
Available-for-sale financial assets			
Gains and losses arising during the year			1 954
Other comprehensive income for the year			1 954
Total comprehensive income for the year		**371 188**	**303 147**
Profit for the year attributable to:			
Equity holders of the parent		371 188	301 193
Total comprehensive income for the year attributable to:			
Equity holders of the parent		371 188	303 147

Company statement of financial position
as at 30 June

N$'000	Note	2015	2014
Assets			
Accounts receivable		17 056	19 507
Loan to group company	7	4 895	1 325
Investment securities	8	29 534	28 601
Investments in subsidiaries	9	1 185 649	1 185 649
Total assets		1 237 134	1 235 082
Equity and liabilities			
Liabilities			
Creditors and accruals		1 408	1 262
Tax liability		3	6
Total liabilities		1 411	1 268
Equity			
Ordinary shares	10	1 338	1 338
Share premium	10	280 810	280 810
Reserves		953 575	951 666
Capital and reserves attributable to ordinary equity holders		1 235 723	1 233 814
Total equity and liabilities		1 237 134	1 235 082

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

N$'000	Share capital	Share premium	Share capital and share premium	Available-for-sale reserve	Retained earnings	Total ordinary shareholders' funds
Balance at 1 July 2013	1 338	280 810	282 148		940 195	1 222 343
Total comprehensive income for the year				1 954	301 193	303 147
Ordinary dividends					(291 676)	(291 676)
Balance at 30 June 2014	1 338	280 810	282 148	1 954	949 712	1 233 814
Total comprehensive income for the year					371 188	371 188
Ordinary dividends					(369 279)	(369 279)
Balance at 30 June 2015	1 338	280 810	282 148	1 954	951 621	1 235 723

Company statement of cash flows
for the year ended 30 June

N$'000	Note	2015	2014
Cash flows from operating activities			
Cash generated from operations*		371 446	292 113
Working capital changes			
- Increase/decrease in accounts receivable		2 450	2 824
- Increase/decrease in accounts payable		146	11
Net cash generated from operations		**374 043**	**294 948**
Indirect tax paid	5	(153)	(159)
Income tax paid **		(73)	(1 467)
Net cash flow from operating activities		**373 818**	**293 321**
Cash flows from investing activities			
Net (increase) / decrease in loan to group company		(3 570)	11 764
(Purchase) / sale of investment securities		(971)	(13 410)
Net cash flow from investing activities		(4 541)	(1 646)
Cash flows from financing activities			
Dividends paid		(369 279)	(291 676)
Net cash flow from financing activities		**(369 279)**	**(291 676)**
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		**371 411**	**301 443**
Adjusted for:			
- Revaluation of investment securities		36	(16)
- Net profit realised on deemed disposal of interest in associate			(9 313)
		371 446	**292 113**
**Income tax paid			
Amounts payable/ (receivable) at beginning of the year		(6)	(1 384)
Current tax per comprehensive income		(70)	(90)
Amounts payable at end of the year		3	6
Total income tax paid		**(73)**	**(1 467)**

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

N$'000	2015	2014
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 66 to 93 of this annual report.		
2 Analysis of interest income and expenses	Amortised cost	
Interest received: loan account with group company	175	270
Interest paid: loan account with group company	(2)	
Unwinding of discounted present value on accounts receivable	1 809	322
	1 982	592
3 Non-interest revenue		
Gains less losses from investing activities		
• Dividends received from subsidiaries and unlisted investments		
- Subsidiaries	366 796	290 434
- Unit trust investments	970	409
- Equities	3 080	1 980
• Revaluation of investment securities through profit or loss	(36)	16
• Net profit realised on deemed disposal of interest in associate (note 18 of the group financial statements)		9 313
Gross gains less losses from investing activities	370 810	302 152

4 Operating expenses

N$'000	2015	2014
Auditors' remuneration		
- Audit fees	1 141	1 149
Professional fees	127	40
Other operating costs		
- Other operating expenses	113	113
Total operating expenses	1 381	1 302

5 Tax

Indirect tax		
Value added tax	153	159
Total indirect tax	153	159
Direct tax		
Namibian normal tax		
- Current year	70	90
	70	90
The company provided for tax at 33% (2014: 33%) of the taxable income (interest income). The effective tax rate is 0.02% (2014: 0.03%).	0.02%	0.03%

6 Dividends

Final dividend (8 August 2014 : 67 cents), (14 August 2013: 54 cents)	179 287	144 500
Interim dividend (29 January 2015 : 71 cents), (13 February 2014: 55 cents)	189 991	147 176
	369 279	291 676

Final dividend of 112 cents (2014: 67 cents) per share was declared subsequent to year-end.

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

N$'000	2015	2014
7 Loan to / (from) group company		
Balances with Talas Properties (Windhoek) (Pty) Ltd		
Balance at 1 July	1 325	13 089
Decrease / increase during the year	3 570	(11 764)
Balance at 30 June	4 895	1 325
Refer to note 2 for the interest received		
8 Investment securities		
Unlisted		
Unit trust investments	18 004	17 071
Equity investment	11 530	11 530
Total	29 534	28 601

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 39 of the group financial statements.

				2015
N$'000	Level 1	Level 2	Level 3	Total carrying amount
Available-for-sale financial assets				
Investment securities			11 530	11 530
Financial assets designated at fair value through profit or loss				
Investment securities		18 004		18 004
		18 004	11 530	29 534

8.1 Fair value hierarchy disclosure continued

	2014			
	Level 1	Level 2	Level 3	Total carrying amount
Available-for-sale financial assets				
Investment securities			11 530	11 530
Financial assets designated at fair value through profit or loss				
Investment securities		17 071		17 071
		17 071	**11 530**	**28 601**

Changes in level 3 fair value instruments

The company 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.

2015	Fair value on 1 July	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales)/issues/ (settlements)	Fair value on 30 June
Assets					
Investment securities	11 530				11 530
Total financial assets at fair value	11 530				11 530
2014					
Assets					
Investment securities			1 954	9 576	11 530
Total financial assets at fair value			1 954	9 576	11 530

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

8.1 Fair value hierarchy disclosure continued

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$12,683 and using more negative reasonable possible assumptions to N$10,377. 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.

2014	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income	Total gains or loss
Assets			
Investment securities		1 954	1 954
Total		1 954	1 954

9 Investments in subsidiaries

N$'000			2015	2014
Unlisted investments				
Carrying value at beginning of the year			1 185 649	1 185 649
Carrying value at end of the year			1 185 649	1 185 649
The list of subsidiaries are:	Ownership %	Voting rights %		
First National Bank of Namibia Ltd	100	100	1 142 792	1 142 792
Swabou Investments (Pty) Ltd	100	100		
RMB Investments (Pty) Ltd	100	100		
FNB Trust Services Namibia (Pty) Ltd	100	100		
Talas Properties (Windhoek) (Pty) Ltd	100	100	2 967	2 967
OUTsurance Insurance Company of Namibia Ltd	51	51	6 511	6 511
FNB Insurance Brokers (Namibia) (Pty) Ltd	100	100	27 904	27 904
FNB Namibia Unit Trust Ltd	100	100	5 475	5 475
			1 185 649	1 185 649

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 investments is N$ nil.

Refer to note 38 in the group financial statements for full details of investments in subsidiaries.
Refer to note 38 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

N$'000	2015	2014
10 Share capital		
Authorised		
990 000 000 (2014: 990 000 000) ordinary shares with a par value of N$0.005 per share	4 950	4 950
10 000 000 (2014: 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 (2014: 267 593 250) ordinary shares with a par value of N$0.005 per share	1 338	1 338
2 (2014: 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.

11 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$ 14 million (2014 N$17 million) loan balance which relates to portion of the price on the sale of Momentum Namibia that is payable based on the performance of the book.

12 Related party transactions

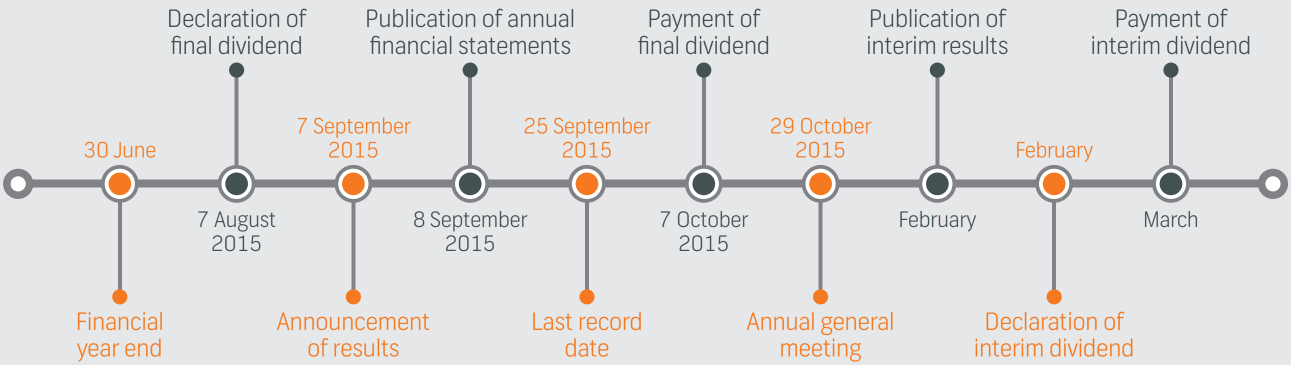
During the year and the prior year, the company entered into transactions with its subsidiaries, disclosed in detail in the relevant notes of the company financial statements.

Refer to note 38 in the group financial statements for full related party transactions and balances.

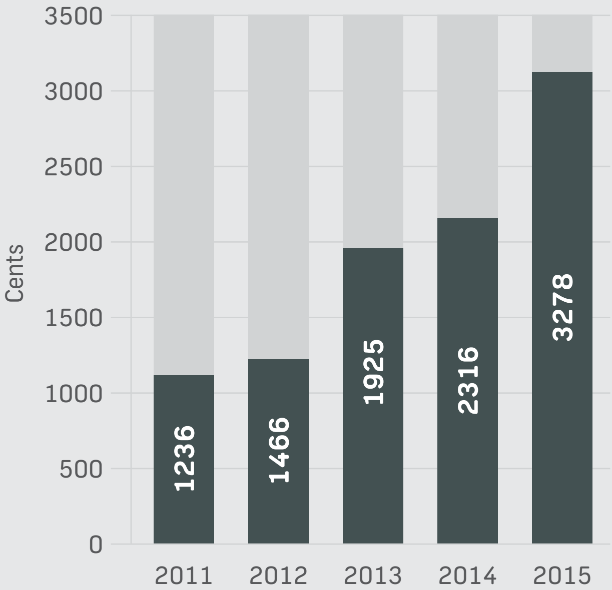
Contents

Shareholders' information

Shareholders' diary



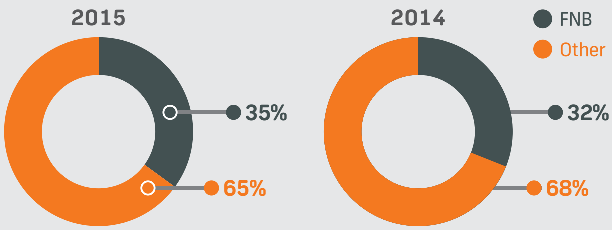
Closing share price – ordinary



Stock exchange performance

	2015	2014
Share price (cents)		
- high for the year	3 450	2 316
- low for the year	2 316	1 926
- closing price per share	3 278	2 316
Number of shares traded (000's)	2 084	1 801
Value of shares traded (N$ '000's)	56 530	37 858
Number of shares traded as percentage of issued shares (%)	0.78	0.67
Average price (cents)	2 713	2 102

NSX Market capitalisation



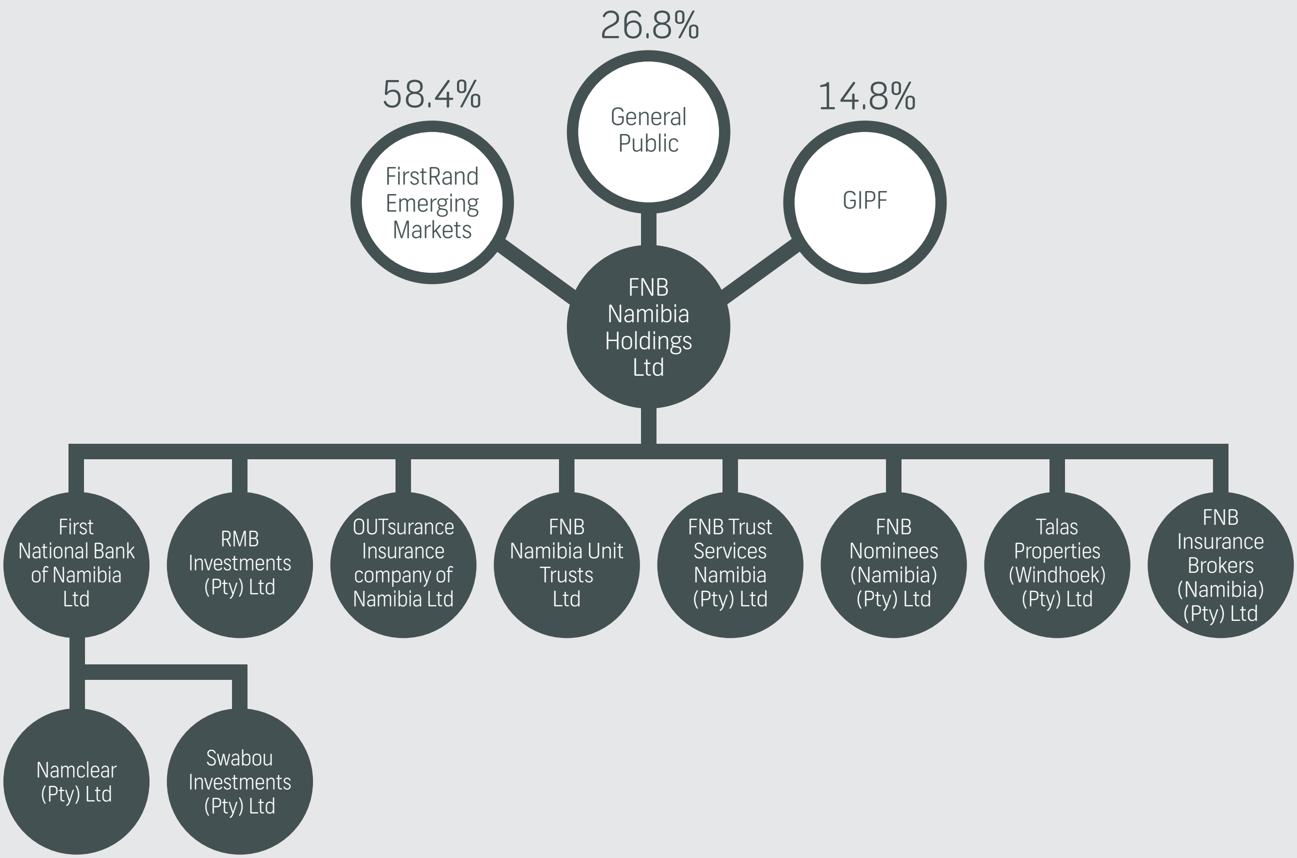
FNB versus all locally listed companies

Group corporate information

COMPANY NAME	% HOLDING	REGISTRATION NO.
FNB Namibia Holdings Ltd		88/024
FNB Trust Services Namibia (Pty) Ltd	100	91/125
FNB Nominees (Namibia) (Pty) Ltd	100	96/138
First National Bank of Namibia Ltd	100	2002/0180
FNB Insurance Brokers Namibia (Pty) Ltd	100	78/02244/07
FNB Namibia Unit Trusts Ltd	100	89/485

COMPANY NAME	% HOLDING	REGISTRATION NO.
Namclear (Pty) Ltd	25	97/004
OUTsurance Insurance Company of Namibia Ltd	51	89/524
RMB Investments (Pty) Ltd	100	2012/1063
Swabou Investments (Pty) Ltd	100	94/081
Talas Properties (Windhoek) (Pty) Ltd	100	282/68

Group structure of FNB Namibia group



Analysis of ordinary shareholders

	Number of shareholders	%	Number of shares	%
SHAREHOLDER RANGE				
1 - 999	1 097	42.9%	398 012	0.2%
1 000 - 1 999	389	15.2%	500 798	0.2%
2 000 - 2 999	189	7.4%	456 733	0.2%
3 000 - 3 999	90	3.5%	304 784	0.1%
4 000 - 4 999	59	2.3%	260 031	0.1%
5 000 - 9 999	216	8.5%	1 458 113	0.5%
over 10 000	516	20.2%	264 214 779	98.7%
TOTAL	2 556	100.0%	267 593 250	100.0%
SHAREHOLDER TYPE				
Corporate bodies	26	1.0	165 194 661	61.7
Nominee companies	64	2.5	77 742 066	29.1
Private individuals	2 441	95.5	16 161 388	6.0
Trusts	25	1.0	8 495 135	3.2
TOTAL	2 556	100.0	267 593 250	100.0
GEOGRAPHIC OWNERSHIP				
Namibian including unknown	2 439	95.0	103 770 214	38.8
Other Africa	105	4.0	157 236 840	58.7
International	12	1.0	6 586 196	2.5
TOTAL	2 556	100.0	267 593 250	100.0
TEN MAJOR SHAREHOLDERS				
FirstRand EMA Holdings Limited			156 271 536	58.4
Government Institutions Pension Fund			39 639 153	14.8
FNB Employee Share Incentive Trust			6 834 373	2.6
Sovereign Capital (Pty) Ltd			5 749 989	2.1
Old Mutual Life Assurance Company (Namibia) Ltd			5 741 361	2.1
Northern Trust Global Services Ltd			5 589 401	2.1
Allan Gray Namibia Balanced Fund			5 588 267	2.1
Chappa'ai Investments Forty Two (Pty) Ltd			3 011 899	1.1
Rossing Pension Fund			2 008 578	0.8
SANLAM Life Namibia Limited			2 466 494	0.9

Two issued preference shares were in existence at 30 June 2015 (2014: 2). These were preference shares that were issued to RMB-SI Investments (Proprietary) Limited to facilitate a structured insurance transaction with OUTsurance Insurance Company of Namibia Limited.

Notice of annual general meeting

Notice is hereby given that the twenty-eighth (28th) Annual General Meeting of the shareholders of the company will be held in the boardroom of FNB Namibia Holdings Ltd, 5th Floor, 130 Independence Avenue, Windhoek, on 29 October 2015 at 15:00 for the following business:

1. Ordinary resolution number 1:

RESOLVED THAT the minutes of the previous annual general meeting be and hereby are approved.

2. Ordinary resolution number 2:

RESOLVED THAT the integrated report for the year ended 30 June 2015 be adopted.

3. Ordinary resolution number 3:

RESOLVED THAT the final dividend declared on 7 August 2015 of 112 cents per ordinary share be and hereby is approved.

4. Ordinary resolution number 4:

Re-election of directors by way of separate resolutions

To re-elect directors of the company who retire in terms of the company's Articles of Association and who, being eligible, offers themselves for re-election. Biographical information of the directors to be re-elected is set out on pages 24 to 26 of the integrated report.

4.1 Ms. Jennifer Juanita Comalie, independent non-executive director
4.2 Mr. Jabulani Richard Khethe, non-executive director
4.3 Mr. Leonard Jack Haynes, non-executive director

5. Ordinary resolution number 5:

Election of directors by way of separate resolutions

To elect the following directors of the company who were appointed by the directors on 8 August 2014 effective 27 January 2015 and 1 December 2014 respectively are now recommended by the board for election by shareholders. Biographical information of the directors to be re-elected is set out on pages 24 to 26 of the integrated report.

5.1 James Roger Formby, non-executive director
5.2 Sarel Jacobus Van Zyl, chief executive officer

6. Ordinary resolution number 6:

RESOLVED THAT all the ordinary shares required for the purpose of carrying out the terms of the FNB Employee Share Incentive Scheme ("the scheme") be and are hereby specifically placed under the control of the trustees of the scheme, who are hereby authorised and shall have the power to allot and issue those shares as they become required for the purposes of carrying out and giving effect to the terms of the scheme.

7. Ordinary resolution number 7:

RESOLVED THAT all the authorised but unissued shares in the capital of the company be and are hereby placed under the control of the directors who are hereby authorised to allot or issue shares on such terms and conditions as they deem fit, subject to the provisions of the Banking Institutions Act 2 of 1998, Companies Act 28 of 2004 ("the Act"), the Articles of Association of the company and the Listings Requirements of the Namibia Stock Exchange ("NSX"), which provide, inter alia, that:

- such issue of shares shall not in the aggregate exceed 10% of the company's shares in issue; and
- the resolution for the issue of shares must be approved by a 75% majority of votes cast in favour of such resolution

8. Ordinary resolution number 8:

RESOLVED THAT Deloitte & Touche be reappointed as auditors of the company and authorise the directors to determine the remuneration of the auditors.

9. Ordinary resolution number 9:

RESOLVED THAT the annual fees of the non-executive directors, as reflected below be approved for the 2015/16 financial year:

	Proposed 2015/16 fee
FNB Namibia Holdings Board	
Member	51 730.00
Chairman	90 527.50
Audit committee	
Member	66 510.00
Chairman	181 055.00
Risk, Capital and Compliance Committee	
Member	55 425.00
Chairman	83 137.50
Remuneration Committee	
Member	23 278.50
Chairman	34 917.75
Directors' Affairs and Governance Committee	
Member	33 255.00
Chair	58 196.25
Senior Credit Risk Committee	
Member	221 700.00
First National Bank of Namibia Board	
Member	103 460.00
Chairman	206 920.00

The fee proposed represents a 6.0% increase on those paid in respect of the financial year ended 30 June 2015.

10. Ordinary resolution number 10:

RESOLVED THAT the remuneration policy as set out in the Remuneration Committee Report be approved.

11. Ordinary resolution number 11:

RESOLVED THAT the following directors be re-appointed as members of the Audit Committee

11.1 Stuart Hilton Moir (Chairperson)

11.2 Jennifer Comalie

11.3 Leonard Jack Haynes

11.4 Inge Ingenesia Zaamwani-Kamwi

12. Ordinary resolution number 12:

RESOLVED THAT any one or more of the directors selected by the board of directors be and are authorised to do all such things, sign all such documents, procure the doing of all such things and the signature of all such documents as may be necessary or incidental to give effect to all of the resolutions proposed and passed at which this resolution is proposed.

Voting:

All holders of FNB Namibia Holdings Ltd shares will be entitled to attend and vote at the annual general meeting. On a show of hands, every holder of FNB Namibia Holdings Ltd shares who is present in person, or in the case of a company, the representative appointed in terms of section 196 of the Companies Act, shall have one vote.

On a poll, the holders of ordinary shares present in person or by proxy will each be entitled to one vote for every ordinary share held.

Proxies:

Each member entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies (none of whom need be a member of the company) to attend, speak and, on a poll, to vote in his/her stead.

The form of proxy for the annual general meeting, which sets out the relevant instructions for its completion, accompanies this notice and may also be obtained on request from the transfer secretaries of the company.

In order to be effective, duly completed forms of proxy must be received at the office of the transfer secretaries of the company by no later than 15:00 on Monday, 26 October 2015.

By order of the board FNB Namibia Holdings Limited

Nelago Ashipala

Company Secretary

7 September 2015

Registered office

FNB Namibia Holdings Ltd

130 Independence Avenue

P O Box 195, Windhoek, Namibia

Transfer secretaries

4 Robert Mugabe Avenue, Windhoek

P O Box 2401, Windhoek, Namibia

Form of proxy

I/We ....(name in full)

being the holder(s) of .... ordinary shares in the company do hereby appoint:

1. .... or failing him/her

2. .... or failing him/her

3. the chairman of the annual general meeting,

as my/our proxy to act for me/us at the annual general meeting (as the case may be) which will be held or the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote on such resolution in respect of the shares in the issued capital of the company registered in my/our name/s in accordance with the following instructions (see note):

	For*	Against*	Abstain*
1. Ordinary resolution 1: Approval of minutes of previous annual general meeting			
2. Ordinary resolution 2: Adoption of annual financial statements for 30 June 2015			
3. Ordinary resolution 3: Approval of final dividend declared			
4. Ordinary resolution 4: Re-election of directors by way of separate resolutions:			
4.1 Ms. Jennifer Juanita Comalie, independent non-executive director			
4.2 Mr. Jabulani Richard Khethe, non-executive director			
4.3 Mr. Leonard Jack Haynes, non-executive director			
5. Ordinary resolution number 5: Election of directors by way of separate resolutions			
5.1 James Roger Formby, non-executive director			
5.2 Sarel Jacobus Van Zyl, chief executive officer			
6. Ordinary resolution 6: Control of FNB Employee Share Incentive Scheme ordinary shares			
7. Ordinary resolution 7: Control of unissued shares			
8. Ordinary resolution 8: Re-appointment of external auditors and determine their remuneration			
9. Ordinary resolution 9: Approval of non-executive director remuneration			
10. Ordinary resolution 10: Approval of Remuneration Policy			
11. Ordinary resolution 11: Re-appointment of Audit Committee members			
11.1 Stuart Hilton Moir (Chairperson)			
11.2 Jennifer Juanita Comalie			
11.2 Jennifer Juanita Comalie			
11.4 Inge Ingenesia Zaamwani-Kamwi			
12. Ordinary resolution 12: Authority to sign documents			

* Insert an X in the appropriate spaces above to indicate how you wish your votes to be cast. However, if you wish to cast your votes in respect of less than all of the shares that you own in the company, insert the number of ordinary shares held in respect of which you desire to vote.

Signed at .... this .... day of 2015

Signature ....

Assisted by me (where applicable) ....

Each member is entitled to appoint one or more proxies (none of whom need be a member of the company) to attend, speak and, on a poll, vote in place of that member at the annual general meeting.

Notes:

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialed by the member. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of the member's votes exercisable thereat. A member or the proxy is not obliged to use all the votes exercisable by the member or by the proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the member or by the proxy.

3. Forms of proxy must be received at the company's transfer secretaries, Transfer Secretaries (Proprietary) Limited, 4 Robert Mugabe Avenue (entrance on Berg Street), Windhoek (PO Box 2401) Windhoek, Namibia by no later than 15:00 on Monday, 26 October 2015. Alternatively, forms of proxy may be sent to the company's transfer secretaries by way of telefax (+264 61 248531), provided that such telefaxes are received by the transfer secretaries by no later than 15:00 on Monday, 26 October 2015.

4. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.

6. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.

7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the company.

8. The chairman of the annual general meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these notes, if the chairman is satisfied as to the manner in which the member wishes to vote.

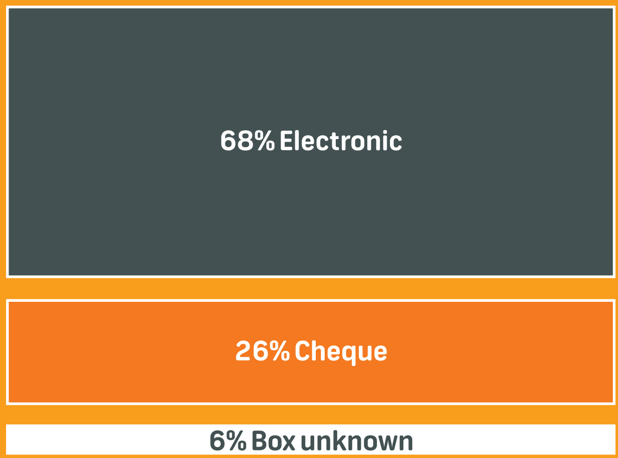
9. Where there are joint holders of ordinary shares:

    i. any one holder may sign the form of proxy;

    ii. the vote of the senior (for that purpose seniority will be determined by the order in which the names of the member appear in FNB Namibia Holdings Ltd's register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote/s of the other joint shareholder/s.

FNB Namibia Holdings Limited "the company"
Incorporated in the Republic of Namibia
Registration number: 88/024
Share code: FNB
ISIN: NA 0003475176

How do FNB shareholders receive their dividends?



Dividend payments to shareholders

The majority of shareholders choose to have their dividend payments paid electronically into their bank account on the date of payment. However, there are shareholders still receiving cheques. These shareholders are encouraged to convert to electronic payments and can contact Transfer Secretaries for assistance.

All shareholders are encouraged to contact Transfer Secretaries to ensure that their personal details are up to date. As the company is moving towards electronic communication with its shareholders, it is especially important to ensure that Transfer Secretaries have your current e-mail address.

Unclaimed dividends have accumulated for shareholders who did not bank their dividend cheques or who changed their address and are now untraceable. Should you be unsure whether you have received all your dividend payments, we urge you to contact Transfer Secretaries. A certified copy of your identity document and an original bank letter confirming your bank information will be needed to update your information.

www.fnbnamibia.com.na