FNB
Namibia Holdings

Unaudited interim group results and cash dividend declaration

for the six months ended 31 December 2014

Headlines earnings growth

28.6%

Return on average equity

35%

Interim dividend

71 cents per share

Dividend declaration

Notice is hereby given that an interim dividend (number 43) for the 6 months ended 31 December 2014 of 71 cents per ordinary share was declared on 29 January 2015.

The last day to trade shares on a cum dividend basis will be on 27 February 2015 and the first day to trade ex dividend will be 2 March 2015. The record date will be 6 March 2015 and the payment date 26 March 2015.

By order of the board

Brian Katjaerua
Acting Company Secretary, Windhoek,
29 January 2015

Salient features of the group results

	Six months ended 31 December		Year ended 30 June
	2014	**2013**	**2014**
Financial statistics			
Headline and diluted headline earnings per share (cents)	187.2	145.7	294.7
Ordinary dividends per share (cents) – (declared for the period)	71.0	55.0	122.0
Number of shares in issue ('000) – ordinary*	260 140	259 265	259 786
Weighted number of shares in issue ('1000) – ordinary*	259 896	259 511	259 676
* after consolidation of share trusts			
Net asset value per share (cents)	1 175	961	1 057
Closing share price (cents)	2 657	2 171	2 316
Market capitalisation (millions)	7 110	5 809	6 197
Price earnings ratio	7.1	7.5	7.8
Price to book ratio	2.3	2.3	2.2
Selected ratios			
Return on average shareholders' equity (%)	35.0	32.9	30.9
Return on average assets (%)	3.7	3.4	3.2
Cost to income ratio (%)	43.8	47.3	47.3

Commentary

Introduction

FNB Namibia produced excellent results for the six months ended 31 December 2014 – despite economic growth in the country slowing in the second half.

Profit for the period increased by 29.4% to N$495.6million (2013: N$383.1 million). Earnings per share increased by 28.5% to 187.2 cents (2013: 145.7 cents).

National growth has been forecast at around 3.8%, more than 1% lower than projected. The mining sector continued to recover, particularly diamonds and gold, after increased investment in new production facilities. However, weak growth in the world's largest economies and a strengthening US dollar, weighed on uranium, copper and zinc prices. The livestock sector restocked after 2013's devastating drought, while the agronomic sector has recovered along with improved grain prices for local producers.

Robust consumer expenditure fuelled growth and credit extension. This resulted in increased imports and eroded foreign reserves, prompting Bank of Namibia to raise interest rates twice by a total of 50 basis points in June and August 2014.

Overview of performance

The excellent first-half results were achieved by consistently executing our strategies and focus on delivering sustainable value to all our stakeholders.

Key ratios tracked the results. Return on average equity improved to 35.0% (2013: 32.9%), return on average assets was 3.7% (2013: 3.4%) and cost to income ratio improved to 43.8% from an already commendable 47.3%.

The group consists of two key operating entities: First National Bank of Namibia Limited (FNB), including Wesbank and RMB; and OUTsurance Insurance Company of Namibia Limited (OUTsurance).

Banking performed especially well, increasing profit for the period by 30%. It contributed 95% to group profits as against 93% reported in June 2014. FNB Insurance Brokers, FNB Unit Trusts and FNB Trust Services all helped. OUTsurance also achieved impressive results - increasing profit for the 6 months to N$18.6 million.

Statement of comprehensive income

Interest

Net interest income increased by 26.7% to N$705 million (2013: N$557 million). An 18% increase in average advances and deposits and the two prime rate increases of 25 basis points each underpinned growth. Interest earned on assets re-priced in line with prime but funding costs were level with the prior year as the market had anticipated the rate increases and factored them in. The endowment effect on FNB's large capital base and retail deposits also benefited margins.

Impairment losses

For the first six months of the financial year, the total impairment charge was N$30.0 million (2013: N$8.7 million). Specific impairments comprise N$10.9 million (2013: N$1.2 million) amounting to a charge equivalent to 0.1% of average advances. This does not indicate any deterioration in the advances book. The absolute level of non-performing loans has decreased by more than N$30 million in the past 12 months.

The portfolio provision charge of N$18.9 million (2013: N$7.5 million) is in line with the group's strategy of maintaining a level of provisioning equivalent to the previous year. The portfolio provision charge represents the growth in advances to maintain the credit overlay and not any specific stresses.

Non-interest income

Non-interest income has increased by 21.1% to N$644 million (2013: N$531 million). In the last six months we have seen an 11% increase in the number of accounts, an 11% increase in transaction volumes and a 23.1% increase in fee and commission income.

Mobile banking transactions have increased at double the rate of traditional branch volumes. Although this erodes revenue to a certain extent, we are pleased to pass on the benefits of our strategy to encourage innovative electronic banking.

Fair value income increased by 18.1% contributing N$80.5 million (2013: N$68.0 million) or 12.3% to non-interest income. The increase is mainly attributable to a 31.5% growth in forex. Although margins remained under pressure, the volatility in the USD/NAD provided an opportunity to increase revenue.

Net insurance premium income and net claims and benefits paid

OUTsurance's net premium income increased by an encouraging 23.3%. The main driver was a 30% growth in the personal lines product. Claims and benefits paid increased by 9.1%. Profit after tax increased by 94% after higher premium growth and favourable loss experience. This trend is, unfortunately, not expected to continue.

Operating expenses

Total operating expenses are up 14.9% to N$602 million (2013: N$524 million). The triggers include:

Staff related costs up 18.2%. Staff numbers increased by 8%, largely due to the strengthening of our risk and compliance team. In addition, an average annual salary increase of 8% was agreed with the union. A training levy became effective in April 2014.

We continue to incur investment costs in increasing our footprint. Grove Mall and Kuisebmond branches were opened, Okahandja branch was relocated and continuous renovations resulted in a 17.4% increase in property costs. In our effort to make banking more accessible, 38 additional ATMs were installed with associated data line and rental costs.

Statement of financial position

The group's total assets grew to N$28.1 billion. Advances, making up 76.9% of the balance sheet, grew by 14.8% to N$21.6 billion. Growth closely tracked private credit extension, which grew by 16% according to Bank of Namibia. Average advances grew 18.5%. Our strategy to increase the weighting of corporate lending activities continued to be successful, as reflected in a 21.7% growth in term loans.

Retail advances grew by 18% to N$5.2 billion. WesBank and home loans achieved asset growth of 15.2% and 12.3% respectively. FNB remained the market leader for vehicles and home loans. Mortgage loans constituted 47.1% (2013: 48.2%) of FNB's advances book. This is not considered a concentration risk due to the stable and active Namibian property market. On average the loan to value ratio is close to 70%, which is considered good.

The corporate advances grew by 20% demonstrating our success in increasing focus on the business, corporate and SOE market; one of our strategies.

Over the reporting period the composition of various categories of advances remained fairly stable.

The ratio of non-performing loans to average gross advances continued to improve, reducing to 0.67% (2013: 0.96%). Non-performing loans decreased by 18% to N$139.7 million (2013: N$170.9 million) – further testimony to our focus on asset quality.

Investment in our new head office building has also started influencing the property and equipment line, with an increase of N$257 million.

Deposits increased by 12.4% to N$22.9 billion. Although we saw average growth in overall value, mostly due to a limited increase in wholesale deposits, the bank experienced 23% annualised growth in retail deposits to more than N$5 billion. This is mainly because of our focus on growing transactional accounts, which also provide good opportunities to increase retail savings and investments.

Diversification of both source and term funding remain focus areas to reduce liquidity and concentration risk.

Capital management

FNB remains well capitalised with a total capital adequacy of 15.8% (2013:15.7%) – well above the regulatory requirement of 10% and internal target of 14%. Economic risk is still backed by a strong Tier 1 capital level of 12.4% (2013: 11.7%).

The group seeks to hold limited excess capital above the approved range, unless required to support business growth plans and future regulatory changes.

OUTsurance's solvency margin, a measure of an insurance company's ability to pay claims was 33.8% (2013: 38%), against a statutory minimum requirement of 15%.

All subsidiaries remain well capitalised.

Shareholder return

The group continually reviews capital levels in all subsidiaries. Excess capital will be returned to shareholders. A dividend of 71 cents a share has been declared for the interim reporting period, representing a 29% increase.

Events subsequent to the reporting date

The directors are not aware of any material events, as defined in IAS 10, occurring between 31 December 2014 and the date of authorisation of the results announcement.

Board changes

Mr Ian Leyenaar retired as CEO and resigned as an executive director on 30 November 2014 and was succeeded by Mr Sarel van Zyl, effective 1 December 2014.

Mr Cecil Giddy, a non executive director, resigned from the board on 25 August 2014.

Group prospects

Namibia should experience broad-based growth in 2015, based on robust consumer demand, increasing household incomes and new housing delivery. Fiscal policy will continue to entrench the macroeconomic stability necessary for economic growth and employment creation, while maintaining sufficient fiscal space to mitigate possible revenue risks and external shocks.

GDP growth is anticipated to be about 4.5% this year.

We expect the operating environment to become more challenging. There will be increased competition, regulatory interventions to limit cash deposit fees and increasing compliance requirements. However, we believe our strong balance sheet, customer centric staff and continued investments in infrastructure and innovative electronic banking will enable us to seize growth opportunities in the Namibian economy, both consumer and corporate.

For and on behalf of the board

Claus Hinrichsen
Chairman, Windhoek,
29 January 2015

Condensed consolidated statement of comprehensive income

N$'000	Notes	Unaudited Six months ended 31 December 2014	Unaudited Six months ended 31 December 2013	Audited Year ended 30 June 2014
Interest and similar income	2	1 166 653	926 024	1 909 521
Interest expense and similar charges	2	(461 154)	(369 315)	(771 519)
Net interest income before impairment of advances		**705 499**	**556 709**	**1 138 002**
Impairment losses of advances		(30 062)	(8 677)	(18 433)
Net interest income after impairment of advances		**675 437**	**548 032**	**1 119 569**
Non-interest income	3	643 885	531 386	1 087 351
Net insurance premium income		73 785	59 702	125 795
Net claims and benefits paid		(35 888)	(33 133)	(71 079)
Income from operations		**1 357 219**	**1 105 987**	**2 261 636**
Operating expenses	4	(602 441)	(524 173)	(1 069 398)
Net income from operations		**754 778**	**581 814**	**1 192 238**
Share of profit from associates after tax		409	1 199	557
Income before tax		**755 187**	**583 013**	**1 192 795**
Indirect tax		(12 472)	(10 170)	(21 971)
Profit before tax		**742 715**	**572 843**	**1 170 824**
Direct tax		(247 076)	(189 680)	(386 216)
Profit for the period		**495 639**	**383 163**	**784 608**
Other comprehensive income for the period				
Items that will not be reclassified to profit and loss				**(1 263)**
Actuarial gains and losses on post-employment benefit liabilities				(1 885)
Deferred income tax				622
Items that may be reclassified subsequently to profit and loss		**1 351**	**(660)**	**862**
Gains and losses on remeasuring available-for-sale financial assets		2 016	(861)	449
Deferred income tax		(665)	201	413
Total comprehensive income for the period		**496 990**	**382 503**	**784 207**
Profit for the period attributable to:				
Equity holders of the parent		486 483	378 223	773 170
Non-controlling interests		9 156	4 940	11 438
Profit for the period		**495 639**	**383 163**	**784 608**
Total comprehensive income for the period attributable to:				
Equity holders of the parent		487 834	377 563	772 769
Non-controlling interests		9 156	4 940	11 438
Total comprehensive income for the period		**496 990**	**382 503**	**784 207**
Earnings per share (cents)				
Basic and diluted earnings per share (cents)		187.2	145.7	297.7
		187.2	**145.7**	**297.7**

Condensed consolidated statement of financial position

N$'000	Notes	Unaudited as at 31 December 2014	Unaudited as at 31 December 2013	Audited as at 30 June 2014
Assets				
Cash and cash equivalents		1 058 699	1 305 748	867 579
Due from banks and other financial institutions		1 168 016	1 012 663	1 766 327
Derivative financial instruments		152 231	93 857	92 031
Advances	6	21 634 217	18 841 458	19 990 782
Investment securities		3 172 569	2 879 551	2 833 146
Accounts receivable		158 777	154 265	140 446
Tax asset		2 846	1 218	341
Investments in associates		3 577	4 452	3 168
Property and equipment		741 966	485 240	551 620
Intangible assets		4 617	11 762	6 700
Deferred income tax asset		3 371	3 046	3 115
Reinsurance assets		930	467	572
Total assets		**28 101 816**	**24 793 727**	**26 255 827**
Equity and liabilities				
Liabilities				
Deposits	7	22 970 271	20 436 540	21 522 377
Due to banks and other financial institutions	7	894 264	858 813	812 964
Derivative financial instruments		173 187	115 418	109 281
Creditors and accruals		218 557	195 272	294 364
Tax liability		99 342	54 431	57 494
Employee liabilities		129 139	105 944	150 098
Deferred income tax liability		72 986	55 393	70 432
Policyholders liabilities under insurance contracts		57 402	49 461	62 993
Other liabilities		4 070	7 941	6 030
Tier two liabilities		392 695	392 674	392 622
Total liabilities		**25 011 913**	**22 271 887**	**23 478 655**
Capital and reserves attributable to ordinary equity holders of parent		3 057 326	2 497 077	2 745 911
Non-controlling interests		32 577	24 763	31 261
Total equity		3 089 903	2 521 840	2 777 172
Total equity and liabilities		**28 101 816**	**24 793 727**	**26 255 827**

Condensed consolidated statement of changes in equity

N$'000	Attributable to equity holders of the parent[1]			Non-controlling interests		
	Unaudited		Audited	Unaudited		Audited
	Six months ended 31 December		Year ended 30 June	Six months ended 31 December		Year ended 30 June
	2014	**2013**	**2014**	**2014**	**2013**	**2014**
Balance at beginning of the period	**2 745 911**	**2 262 045**	**2 262 045**	**31 261**	**27 663**	**27 663**
Total comprehensive income for the period	487 834	377 563	772 769	9 156	4 940	11 438
Share option costs	3 444	3 865	6 262			
Dividends paid	(174 237)	(140 140)	(282 998)	(7 840)	(7 840)	(7 840)
Consolidation of share trusts	(5 626)	(6 256)	(12 167)			
Balance at end of the period	**3 057 326**	**2 497 077**	**2 745 911**	**32 577**	**24 763**	**31 261**

[1] *includes general risk reserve*

Condensed consolidated statement of cash flows

N$'000	Unaudited		Audited
	Six months ended 31 December		Year ended 30 June
	2014	**2013**	**2014**
Net cash generated from operations	786 172	1 186 775	1 167 043
Tax paid	(220 546)	(289 753)	(461 039)
Net cash flow from operating activities	565 626	897 022	706 004
Net cash outflow from investing activities	(188 287)	(128 718)	(221 562)
Net cash outflow from financing activities	(186 219)	(152 896)	(307 203)
Net increase in cash and cash equivalents	**191 120**	**615 408**	**177 239**
Cash and cash equivalents at beginning of the period [2]	867 579	690 340	690 340
Cash and cash equivalents at end of the period	**1 058 699**	**1 305 748**	**867 579**

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

Condensed notes to the consolidated financial results

for the reporting period ended

1. Basis of presentation

The group prepares its condensed consolidated interim financial statements in accordance with International Financial Reporting Standards (IFRS) and the Namibian Companies Act and these are presented in accordance with measurement and recognition prescribed by IAS 34: Interim Financial Reporting. The accounting policies applied in the preparation of the condensed interim consolidated financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for the adoption of the following new and revised IFRS requirements effective for the current financial period:

- Investment Entities — Amendments to *IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements;*
- Defined Benefit Plans: Employee Contributions — Amendments to *IAS 19 Employee Benefits;*
- Offsetting Financial Assets and Financial Liabilities — Amendments to *IAS 32 Financial Instruments: Presentation;*
- Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36 Impairment of Assets;
- Novation of Derivatives and Continuation of Hedge Accounting — *Amendments to IAS 39 Financial Instruments: Recognition and Measurement*;
- *IFRIC 21 Levies*; and
- Annual Improvements to IFRS: 2010-2012 *cycle* and 2011-2013 *cycle*.

The adoption of the above-mentioned standards and inter-pretations did not have any significant impact on the group.

The estimates and judgments made in applying the accounting policies are consistent with those applied and disclosed in the annual financial statements for the year ended 30 June 2014.

The condensed consolidated interim results for the six months ended 31 December 2014 have not been audited nor independently reviewed by the group's external auditors.

2. Analysis of interest income and interest expenditure

N$'000	December 2014	December 2013	June 2014
Interest and similar income			
- Advances	989 581	798 908	1 663 215
- Cash and cash equivalents	64 658	41 220	76 232
- Investment securities	96 953	71 272	147 299
- Unwinding of discounted present value on non performing loans	4 618	4 610	6 560
- Unwinding of discounted present value on off-market advances	2 713	3 121	1 649
- On impaired advances	(2 747)	(669)	(880)
- Net release of deferred fee and expenses	9 866	7 342	15 170
- Other	1 011	220	276
	1 166 653	**926 024**	**1 909 521**
Interest expense and similar charges			
- Deposits from banks and financial institutions	(17 495)	(6 808)	(23 806)
- Current accounts	(59 002)	(42 258)	(87 304)
- Savings deposits	(4 897)	(3 736)	(7 723)
- Call deposits	(118 662)	(109 562)	(218 196)
- Term deposits	(89 583)	(54 202)	(111 906)
- Negotiable certificates of deposit	(155 243)	(137 956)	(292 587)
- Tier two liabilities	(15 657)	(14 472)	(29 259)
- Other	(615)	(321)	(738)
	(461 154)	**(369 315)**	**(771 519)**

3. Non-interest income

N$'000	December 2014	December 2013	June 2014
Fee and commission income:			
- Card commissions	56 436	35 479	85 838
- Cash deposit fees	87 159	76 615	148 950
- Commissions: bills, drafts and cheques	17 972	15 623	30 840
- Service fees	229 183	185 661	373 240
- Fiduciary service fees	4 280	3 733	8 676
- Other commissions	169 984	135 294	283 038
- Banking fee and commission income	565 014	452 405	930 582
- Brokerage income	27 028	27 513	55 988
- Unit trust and related fees	8 528	7 659	15 321
- Reinsurance commission received by insurance companies	2 612	2 253	4 611
- Non banking fee and commission income	38 168	37 425	75 920
Fee and commission income	**603 182**	**489 830**	**1 006 502**
Fee and commission expenses:			
- Transaction processing fees	(33 619)	(25 614)	(54 452)
- Cash sorting handling and transportation charges	(8 613)	(3 233)	(6 899)
- Card and cheque book related	(2 656)	(2 706)	(4 569)
- Insurance operations	(2 823)	(2 414)	(4 995)
- ATM commissions paid	(1 277)	(1 433)	(2 511)
- Other	(1 775)	(1 954)	(4 518)
Fee and commission expenses	**(50 763)**	**(37 354)**	**(77 944)**
Net fee and commission income	**552 419**	**452 476**	**928 558**

Non banking fee and commission income 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.

3. Non-interest income continued

N$'000	December 2014	December 2013	June 2014
Fair value gains or losses:			
- Foreign exchange trading	48 528	36 888	76 852
- Treasury trading operations	(4 511)	5 299	6 241
- Designated at fair value through profit or loss	36 524	25 823	48 007
Fair value gains or losses	**80 541**	**68 010**	**131 100**
Gains less losses from investing activities			
- Gains on investment securities designated at fair value through profit or loss	3 147	3 326	6 442
- Gains on deemed disposal of interest in associate			8 193
- Dividends received	5 404	2 227	7 004
- Unlisted shares	1 440		1 980
- Unit trusts	3 964	2 227	5 024
- Share of profit from associates after tax	409	1 199	557
Gross gains less losses from investing activities	**8 960**	**6 754**	**22 196**
Less: Share of profit from associates after tax (disclosed separately on face of the statement of comprehensive income)	(409)	(1 199)	(557)
Gains less losses from investing activities	**8 551**	**5 553**	**21 639**
Other non-interest income			
- Gains and losses on sale of property and equipment	24	46	(229)
- Rental income	695	557	1 240
- Other income	1 655	4 744	5 043
Other non-interest income	**2 374**	**5 347**	**6 054**
Total non-interest income	**643 885**	**531 386**	**1 087 351**

Condensed notes to the consolidated financial results
for the reporting period ended continued

4. Operating expenses

N$'000	December 2014	December 2013	June 2014
Auditors' remuneration			
- Audit fees	2 855	2 838	5 163
- Fees for other services			135
Auditors' remuneration	**2 855**	**2 838**	**5 298**
Operating lease charges			
- Property	13 427	11 563	24 778
- Equipment	4 835	3 819	7 784
Operating lease charges	**18 262**	**15 382**	**32 562**
Staff costs			
- Salaries, wages and allowances	251 795	211 494	435 312
- Off-market staff loans amortisation	2 713	3 121	1 649
- Contributions to employee benefit funds	52 663	48 425	98 633
- Defined contribution schemes: pension	24 193	22 379	43 937
- Defined contribution schemes: medical	28 470	26 046	54 696
- Post retirement medical expense	2 138	1 958	2 368
- Severance pay: death in service	311	478	279
- Social security levies	3 974	862	2 886
- Share-based payments	9 112	6 588	11 236
Total staff costs	**322 706**	**272 926**	**552 363**
Other operating costs			
- Amortisation of intangible assets	2 083	4 048	9 125
- Depreciation	22 470	20 230	42 173
- Insurance	3 804	5 385	8 829
- Advertising and marketing	27 371	25 920	57 682
- Property and maintenance related expenses	29 197	24 867	53 609
- Legal and other related expenses	3 516	2 976	6 277
- Postage	2 173	2 171	4 434
- Stationery and printing	7 270	5 019	14 257
- Telecommunications	9 333	7 872	16 546
- Travel and accommodation	6 740	6 477	12 629
- Computer and processing related costs	87 682	79 312	152 180
- Other operating expenditure	42 228	42 030	86 831
- Total directors' remuneration	8 898	2 852	5 594
- Professional fees	5 853	3 868	9 009
Other operating costs	**258 618**	**233 027**	**479 175**
Total operating expenses	**602 441**	**524 173**	**1 069 398**

5. Earnings per share

5.1 Headline earnings per share

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

	December 2014	December 2013	June 2014
Headline earnings (N$'000)	486 483	378 223	765 206
Weighted average number of ordinary shares in issue	259 896 146	259 510 503	259 676 325
Headline earnings per share (cents)	**187.2**	**145.7**	**294.7**
Earnings attributable to equity holders of the parent	486 483	378 223	773 170
Headline earnings adjustment			
Profit on sale of property and equipment			229
Profit on deemed disposal of associate			(8 193)
Headline earnings	**486 483**	**378 223**	**765 206**

* Net of tax and non controlling interests

5.2 Earnings per share

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

	December 2014	December 2013	June 2014
Earnings attributable to ordinary shareholders (N$'000)	486 483	378 223	773 170
Weighted average number of ordinary shares in issue	259 896 146	259 510 503	259 676 325
Basic earnings per share (cents)	**187.2**	**145.7**	**297.7**

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

Condensed notes to the consolidated financial results
for the reporting period ended continued

6. Advances

N$'000	December 2014	December 2013	June 2014
Notional value of advances	21 826 694	19 012 679	20 160 092
Contractual interest suspended	(23 581)	(24 520)	(22 452)
Gross advances	**21 803 113**	**18 988 159**	**20 137 640**
Category analysis			
Overdrafts and cash management accounts	2 043 318	1 790 726	1 935 534
Loans to other financial institutions	192 138	179 479	182 726
Card loans	160 365	137 625	155 306
Instalment sales and hire purchase agreements	2 985 368	2 689 830	2 822 953
Lease payments receivable	306 131	167 597	214 022
Home loans	10 276 087	9 153 705	9 667 352
Term loans	5 019 971	4 124 060	4 367 724
Investment bank term loans	537 045	553 420	576 659
Preference share advance	27 323	30 000	28 818
Other	255 367	161 717	186 546
Gross advances	21 803 113	18 988 159	20 137 640
Impairment of advances	(168 896)	(146 701)	(146 858)
Net advances	**21 634 217**	**18 841 458**	**19 990 782**

7. Deposits

7.1 Deposits and current accounts

N$'000	December 2014	December 2013	June 2014
Category analysis			
- Current accounts	9 027 550	7 834 908	8 305 762
- Call deposits	5 469 635	4 867 843	4 889 396
- Savings accounts	606 062	520 399	558 840
- Fixed and notice deposits	3 618 919	2 316 660	2 790 205
- Negotiable certificates of deposit	4 248 105	4 896 730	4 978 174
Total deposits and current accounts	**22 970 271**	**20 436 540**	**21 522 377**

7.2 Due to banks and other financial institutions

	December 2014	December 2013	June 2014
To banks and financial institutions			
- In the normal course of business	**894 264**	**858 813**	**812 964**

8. Related parties

The group defines related parties as :

(i) The parent company;
(ii) Subsidiaries and fellow subsidiaries;
(iii) Associate companies;
(iv) Associates and joint ventures of the parent company and fellow subsidiaries;
(v) Entities that have significant influence over the group. If an investor has significant influence over the group that investor and its subsidiaries are related parties of the group. The group is FNB Namibia Holdings Limited and its subsidiaries;
(vi) Post-retirement benefit funds (pension fund);
(vii) Key management personnel being the FNB Namibia Holdings Limited board of directors and the group executive committee; and
(viii) Close family members of key management personnel (individual's spouse/domestic partner and children; domestic partner's children and dependants of individual or domestic partner); and
(ix) Entities controlled, jointly controlled or significantly influenced by any individual referred to in (vii) and (viii).

FNB Namibia Holdings Limited is listed on the Namibian Stock Exchange and is 58.4% (2013: 58.4%) owned by FirstRand Bank Holdings Limited, with its ultimate holding company FirstRand Limited, which is incorporated in South Africa, listed on the JSE Limited and on the NSX.

N$'000	December 2014	December 2013	June 2014
Balances and transactions with parent company and fellow subsidiaries			
Balances			
Money at call and short notice	581 431	321 304	906 567
Other deposits and loans	(793 865)	(856 795)	(804 956)
Derivative assets	34 942	17 041	7 916
Derivative liabilities	(127 209)	(101 097)	(99 637)
Transactions			
Interest received	44 382	28 792	53 554
Interest paid	(17 286)	(6 723)	(23 596)
Dividends paid	99 467	80 167	165 271
Operating expenses	(108 341)	(81 347)	(166 334)
Balances and transactions with associates			
Balances			
Loans and advances	24 487	27 921	26 170
Other deposits and loans	(3 140)	(143)	(307)
Transactions			
Interest received	833	502	1 401
Interest paid	(231)	(84)	(17)
Operating expenses	(3 715)	(2 316)	(6 090)

Condensed notes to the consolidated financial results
for the reporting period ended continued

9. Fair value measurements

9.1 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 non-financial 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.

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 9.2 below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

9.2 Fair value hierarchy and measurements

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, option-pricing models, and discounted cash flow techniques.

9. Fair value measurements continued

9.2 Fair value hierarchy and measurements continued

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.

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.

The table below sets out the valuation techniques applied by the group for recurring fair value measurements of assets and liabilities categorised as Level 2 and Level 3 in the fair value hierarchy:

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable 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

Condensed notes to the consolidated financial results
for the reporting period ended continued

9. Fair value measurements continued

9.2 Fair value hierarchy and measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
Derivative financial instruments continued					
- 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
Loans and advances to customers					
- Investment banking book*	Level 3	Discounted cash flows	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
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 dis-counted 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

9. Fair value measurements continued

9.2 Fair value hierarchy and measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
Investment securities and other investments continued					
- 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
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
- Deposits that represent collateral on credit linked notes	Level 3	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. 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 on related advance
- 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

* 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 period.

During the current reporting period there were no changes in the valuation techniques used by the group.

9. Fair value measurements continued

9.2 Fair value hierarchy and measurements continued

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:

	December 2014			
N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Available-for-sale financial assets				
Investment securities		2 933 636	11 530	2 945 166
Financial assets designated at fair value through profit or loss				
Advances			537 045	537 045
Investment securities		208 211		208 211
Financial assets held for trading				
Derivative financial instruments		152 231		152 231
Investment securities		19 192		19 192
Total financial assets		**3 313 270**	**548 575**	**3 861 845**
Liabilities				
Financial liabilities held for trading				
Derivative financial instruments		173 187		173 187
Total financial liabilities		**173 187**		**173 187**

	December 2013			
N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Available-for-sale financial assets				
Investment securities		2 642 178		2 642 178
Financial assets designated at fair value through profit or loss				
Advances			553 420	553 420
Investment securities		145 645		145 645
Financial assets held for trading				
Derivative financial instruments		93 857		93 857
Investment securities		16 220		16 220
Total financial assets		**2 897 900**	**553 420**	**3 451 320**
Liabilities				
Financial liabilities held for trading				
Derivative financial instruments		115 418		115 418
Total financial liabilities		**115 418**		**115 418**

9. Fair value measurements continued

9.2 Fair value hierarchy and measurements continued

N$'000	June 2014 Level 1	Level 2	Level 3	Total carrying amount
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		**2 838 080**	**550 113**	**3 388 193**
Liabilities				
Financial liabilities held for trading				
Derivative financial instruments		109 280		109 280
Total financial liabilities		**109 280**		**109 280**

There were no transfers of assets or liabilities between Level 1 and Level 2 during the current or previous reporting period, and no transfers into and out of Level 3 fair value measurements.

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.

9. Fair value measurements continued
9.2 Fair value hierarchy and measurements continued

Changes in level 3 fair value instruments

	Fair value on June 2014	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales)/ issues/ (settlements)	Fair value on December 2014
Assets					
Advances	538 583	42 848		(44 386)	537 045
Investment securities	11 530				11 530
Total financial assets at fair value	**550 113**	**42 848**		**(44 386)**	**548 575**

	Fair value on June 2013	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales)/ issues/ (settlements)	Fair value on December 2013
Assets					
Advances	564 111	(10 691)			553 420
Total financial assets at fair value	**564 111**	**(10 691)**			**553 420**

	Fair value on June 2013	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales)/ issues/ (settlements)	Fair value on June 2014
Assets					
Advances	564 111	51 699		(77 227)	538 583
Investment securities			1 954	9 576	11 530
Total financial assets at fair value	**564 111**	**51 699**	**1 954**	**(67 651)**	**550 113**

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$603,432 (2013:N$608,762) and using more negative reasonable possible assumptions to N$493,717 (2013:N$498,078). These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

9. Fair value measurements continued

9.2 Fair value hierarchy and measurements continued

The table below presents the total gains (losses) relating to financial instrument classified in Level 3 that are still held on 31 December. With the exception of interest on funding instruments all of these gains or losses are recognised in non interest income.

Assets	December 2014		December 2013		June 2014	
	Advances	Investment securities	Advances	Investment securities	Advances	Investment securities
Gains or losses recognised in profit and loss	**42 848**		**(10 691)**		**51 699**	
Gains or losses recognised in other comprehensive income						**1 954**
Total	**42 848**		**(10 691)**		**51 699**	**1 954**

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position.

For all other instruments the carrying value is equal to or a reasonable approximation of the fair value.

N$'000	December 2014 Carrying value	December 2014 Fair value	December 2013 Carrying value	December 2013 Fair value	June 2014 Carrying value	June 2014 Fair value
Assets						
Cash and cash equivalents	1 058 699	1 058 699	1 305 748	1 305 748	867 579	867 579
Due from banks and other financial institutions	1 168 016	1 168 016	1 012 663	1 012 663	1 766 327	1 766 327
Advances	21 097 172	21 576 282	18 288 037	18 731 038	19 452 199	21 578 324
Investment securities			75 507	74 811	75 567	74 870
Accounts receivable	73 073	73 073	84 738	84 738	63 697	63 697
Total	**23 396 960**	**23 876 070**	**20 766 693**	**21 208 998**	**22 225 369**	**24 350 797**
Liabilities						
Deposits	22 970 271	22 980 974	20 436 540	20 398 563	21 522 377	21 487 673
Due to banks and other financial institutions	894 264	894 264	858 813	858 813	812 964	812 964
Creditors and accruals	73 288	73 288	37 048	37 048	60 921	60 921
Other liabilities	4 070	4 070	7 941	7 941	6 030	6 030
Tier two liabilities	392 695	394 105	392 674	395 233	392 622	393 874
Total	**24 334 588**	**24 346 701**	**21 733 016**	**21 697 598**	**22 794 914**	**22 761 462**

9. Fair value measurements continued

9.2 Fair value hierarchy and 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 period with a reconciliation of changes in the balance during the period:

N$'000	2014	2013	2014
Unrecognised profit at the beginning of the period	8 587	12 280	12 280
Recognised in profit or loss during the period	(1 886)	(1 857)	(3 693)
Unrecognised profit at the end of the period	**6 701**	**10 423**	**8 587**

10. Contingent liabilities and capital commitments

N$'000	December 2014	December 2013	June 2014
Contingent liabilities	5 782 916	4 564 000	4 710 041
Capital commitments	198 398	301 000	260 918

Condensed notes to the consolidated financial results
for the reporting period ended continued

11. Condensed consolidated segment information

N$'000	31 December 2014	31 December 2013	30 June 2014
Income from operations:			
FNB	1 277 677	1 045 900	1 756 169
OUTsurance	42 691	30 409	56 060
Other [3]	36 852	29 678	66 728
	1 357 220	**1 105 987**	**1 878 957**
Profit for the period			
FNB	471 227	363 096	730 589
OUTsurance	18 655	10 315	23 624
Other [3]	5 757	9 752	30 395
	495 639	**383 163**	**784 608**
Total assets:			
FNB	28 257 898	24 836 375	26 228 928
OUTsurance	123 432	97 971	127 456
Other [3]	(279 514)	(140 619)	(100 557)
	28 101 816	**24 793 727**	**26 255 827**

[3] other segment includes FNB Insurance Brokers, FNB Trust Services, FNB Unit Trust, RMB, property and consolidation entries

Capital adequacy
Capital adequacy of the banking group in terms of Basel II framework

N$'000	31 December 2014	31 December 2013	30 June 2014
Risk weighted assets			
Credit risk	17 227 172	14 944 653	15 665 687
Market risk	326 126	59 915	34 918
Operational risk	2 561 318	2 180 215	2 333 403
Total risk weighted assets	**20 114 616**	**17 184 783**	**18 034 008**
Regulatory capital			
Share capital and share premium	1 142 792	1 142 792	1 142 792
Retained profits	1 499 961	1 033 239	1 497 606
Capital impairment: intangible assets	(148 817)	(165 943)	(156 623)
Total tier 1	**2 493 936**	**2 010 088**	**2 483 775**
Eligible subordinated debt	390 000	390 000	390 000
General risk reserve, including portfolio impairment	218 043	197 541	201 437
Current board approved profits	78 350	106 721	
Total tier 2	**686 393**	**694 262**	**591 437**
Total qualifying capital	**3 180 329**	**2 704 350**	**3 075 212**
Banking group			
Capital adequacy ratios			
Tier 1	12.4%	11.7%	13.8%
Tier 2	3.4%	4.0%	3.3%
Total	**15.8%**	**15.7%**	**17.1%**
Tier 1 leverage ratio	8.8%	8.1%	9.5%

Capital adequacy

Consolidated group in terms of Banking Institutions Determination on Consolidated Supervision (BID-24)

N$'000	31 December 2014	31 December 2013	30 June 2014
Risk weighted assets			
Credit risk	17 322 780	14 996 757	15 777 598
Market risk	326 126	59 915	34 918
Operational risk	2 709 931	2 314 651	2 475 121
Total risk weighted assets	**20 358 837**	**17 371 323**	**18 287 637**
Regulatory capital			
Share capital and share premium	247 733	247 734	247 733
Retained profits	2 348 389	1 840 948	2 342 226
50% investment in significant minority owned entities		(131)	
50% investment in significant commercial entities		(1 483)	
50% investment in deconsolidated entities	(2 738)	(2 737)	(2 738)
Capital impairment: intangible assets	(4 517)	(8 668)	(6 600)
Total tier 1	**2 588 867**	**2 075 663**	**2 580 621**
Eligible subordinated debt	390 000	390 000	390 000
50% investment in significant minority owned entities		(131)	
50% investment in significant commercial entities		(1 483)	
50% investment in deconsolidated entities	(2 737)	(2 737)	(2 737)
General risk reserve, including portfolio impairment	218 043	197 541	201 437
Current board approved profits	78 350	106 721	
Total tier 2	**683 656**	**689 911**	**588 700**
Total qualifying capital	**3 272 523**	**2 765 574**	**3 169 321**
Consolidated group			
Capital adequacy ratios			
Tier 1	12.7%	11.9%	14.1%
Tier 2	3.4%	4.0%	3.2%
Total	**16.1%**	**15.9%**	**17.3%**
Tier 1 leverage ratio	9.1%	8.4%	9.9%

How we deliver sustainable value to our stakeholders

FNB creates value for a wide section of the population through various activities and initiatives

Staff

New job opportunities created for 156 people in past 12 months, bringing total staff to 2 101.

72 graduates joined FNB's internship programme. Of these, 27 have been permanently employed.

Communities

FNB Foundation funded by 1% of after-tax profit supports various social upliftment programmes. N$6 million spent in past 12 months, includes N$2.7 million on skills development.

Environment

It is not only our new Windhoek building that will be more environmentally friendly. Small initiatives also contribute. These include solar power plants at two buildings, financing of lower interest loans to install solar power, converting clients to electronic statements and reducing air travel through video conferencing.

Clients

Continued investment in accessible banking. Two new branches opened, 38 additional ATM's installed. Products aimed at making banking easier – Ewallet transactions in excess of 4 million since launch in November 2012.

Shareholders

Consistently good profits resulting in excellent returns to shareholders – both in both capital growth and dividend income.

Government and regulators

Substantial taxes paid – including VAT and PAYE.
Healthy working relationships maintained with all regulators.
Strong capital ratios maintained.

Directors:
C J Hinrichsen[1] (Chairman), J J Comalie, C L R Haikali, L J Haynes[2], J R Khethe[2], S H Moir[2],
M N Ndilula, P T Nevonga, S J van Zyl (Chief executive), I Zaamwani-Kamwi
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Registration No. 88/024, ISIN Code: NA0003475176, NSX Share Code: FNB
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