FNB
First National Bank

2021

Integrated annual report

for the year ended 30 June

Our Purpose:

"**Building** a globally competitive **Namibia**, providing access to opportunities."

NAVIGATION ICONS

Our capitals: human, intellectual, manufacturing, financial, social, natural

Other icons: IAR, refer to, AFS

Contents

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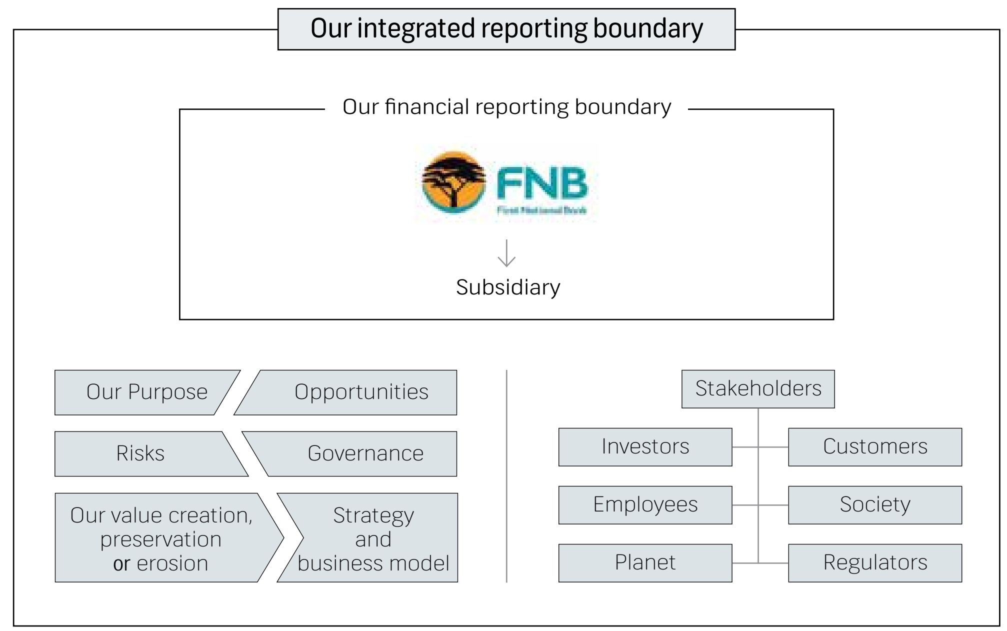
ABOUT OUR INTEGRATED REPORT

About our integrated report

FNB Namibia endeavors to include the principle of integrated thinking into our business and finally into our reporting. The objective of this integrated report is to represent the effects of the reciprocal relationships between FNB's strategy, governance, performance, and prospects within the economic, social, and environmental context in which it operates and will illustrate our impact and sustainable value creation. This integrated annual report is our primary report to stakeholders. It is mainly aimed at providers of financial capital, being our shareholders and debt providers; however, it reflects the information requirements of all our stakeholders.

SCOPE, BOUNDARY AND REPORTING CYCLE

This Integrated Annual Report covers the integrated financial and non-financial performance of First National Bank of Namibia Limited and its subsidiary (the Group) for the period 1 July 2020 to 30 June 2021. It contains relevant comparisons to previous periods, and is consistent with information and performance indicators included in internal management.



FORWARD LOOKING STATEMENTS

Statements relating to future operations and the performance of the group are not assurances of future operating, financial or other results and involve uncertainty as they are based on assumptions of future developments, some of which are beyond our control. Therefore, the results and outcomes may differ. The ongoing impact of COVID-19 also has a significant influence on our business, operational and financial performance.

REPORTING PRINCIPLES

Our report complies with the following reporting standards and frameworks:

Integrated Annual Report (IAR) A review of the Group's strategy, risks and opportunities and our operational and financial performance for the period. The report includes full FY21 annual financial results, disclosure of our governance structures, audit, risk and compliance committee reports and our remuneration report.

Annual Financial Statements (AFS) The audited Group and Company Annual Financial Statements for FNB Namibia Limited for the FY21 financial year. The report includes our directors' report.

	IAR	AFS
Namibia Code of Governance Principles for Namibia 2014 (NamCode)	✓	
International Integrated Reporting Council's (IIRC) International <IR> Framework.	✓	
International Financial Reporting Standards (IFRS)		✓
The Banking Institutions Act No 2 of 1998 as amended (Banking's act)		✓
Companies Act of Namibia, of 2004 (Companies Act)		✓
JSE Debt Listing Requirements	✓	✓

APPROVALS AND ASSURANCE

Reporting element	Assurance status and provider
IAR	Reviewed by the directors and management but has not been externally assured.
Financial information	AFS were audited by Deloitte who expressed an unqualified audit opinion thereon.
Employee satisfaction	Deloitte best company to work for survey
All other non-financial performance information	Management has verified the processes for measuring all other non-financial information

FNB Namibia group applies a combined assurance model to optimise the assurance obtained from its Risk Management department and the internal and external assurance providers on risks affecting us. For more information, see Audit and Risk Committee reports.

MATERIALITY

The objective of this integrated annual report is to provide an accurate, accessible, and balanced overview of the FNB Namibia group strategy, performance, and outlook in relation to material economic, financial, social, and environmental and governance issues. It concentrates on items of both a qualitative and quantitative nature which are material to the FNB group's ability to deliver on its strategy. The FNB Namibia group defines material issues as those which have the potential to substantially impact our ability to create and sustain value for our stakeholders.

How we determine materiality

We determine and assess material matters regularly by proactively assessing trends in the changing business environment and responding to unforeseen developments. Our material matters inform our strategy and its implementation, thereby enabling the Group to create and sustain value.

The material matters are assessed continually to ensure that our strategy remains relevant in an evolving operating environment.

While the FNB group considers all items raised by stakeholders, it does not report on all of these in its integrated annual report. The process we adopted to determine the issues material to the group and our stakeholders is aligned with our organisational decision-making processes and our strategies. By applying the principle of materiality, we determined which issues could influence the decisions, actions, and performance of the group. We describe the circumstances in which we operate, the key resources and relationships on which we depend, the key risks and opportunities we face and how our key priorities can affect our ability to create and sustain value over time.

APPROVAL BY THE BOARD

The Board acknowledges its responsibility of ensuring the integrity of this integrated report, which in the board's opinion addresses all the issues that are material to the group's ability to create value and fairly presents the integrated performance of FNB Namibia Group. This report was prepared under the supervision of the Chief Financial Officer, Oscar Capelao CA (NAM) (SA). The board has applied its collective mind to the preparation and presentation of this report and is confident that it has been prepared in accordance with the <IR> Framework and approved for publication on 18 August 2021.

II Zaamwani-Kamwi	P Gruttemeye
IN Nashandi	H Hausiku
JR Khethe	OLP Capelao
JG Daun	C Dempsey
CLR Haikali	E Tjipuka

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AT A GLANCE

Overview of performance

OVERVIEW OF FNB NAMIBIA:

N$43 billion Total assets (2020: N$46 billion)	N$36 billion Total deposits (2020: N$39 billion)	N$30 billion Total advances (2020: N$30 billion)	N$982 million Earnings (2020: N$865 million)	Market leader – digital innovations
2 044 Employees (2020: 2 120)	19.2% ROE (2020: 17.3%)	0.8% Credit loss ratio (2020: 1.79%)	17.1% Tier 1 (2020: 15.2%)	Customer satisfaction score (NPS) FNB Commercial: 13% FNB Retail: 36% 2020: FNB Commercial: 9% FNB Retail: 41%

First National Bank of Namibia Limited is home to some of the most successful financial brands in the country.

FNB Namibia offers banking and investment services to individuals and businesses across our vast country whilst RMB offers the corporate and investment banking associated with a growing economy. WesBank is the vehicle and asset financing arm of the Group to individuals and businesses alike.

WHAT DISTINGUISHES US:

FNB Namibia's purpose is to build a future of shared prosperity through enriching the lives of its customers, employees and the societies it serves.

An effective leadership team that creates an enabling and conducive working environment in which our employees can maximise their full potential is non-negotiable and hence leadership development constitutes a key part of our talent curatorship strategy.

Environmental guardian.

Products and services are provided through suitable channels, underpinned by an entrenched organisational culture of helpfulness and responsible business leadership.

World-class technology and leading digital innovations.

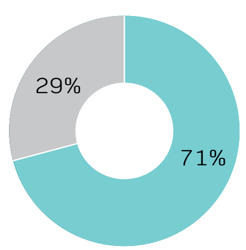
FNB Namibia, recognised for providing customers with an innovative, contextual and agile banking experience, invests a lot of time and resources in understanding what customers require from us, and we are diligent in ensuring that we deliver to their needs.

FNB Group – a systemically important economic contributor

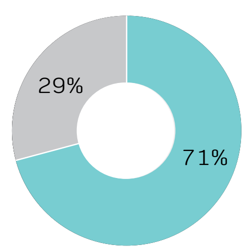
FNB Namibia is the largest bank in Namibia as measured by assets and capital. The Namibian banking sector has approximately N$100 billion in advances, of which FNB has a 30% share. We also have a 29% share of the N$122 billion Namibian deposit market, an important indicator of franchise strength.

Despite the crisis conditions in 2020 and the continuation into 2021, large Namibian banks remain well capitalised and liquid, with key ratios well above minimum regulatory levels. In 2021 our return on equity (ROE) remained well above cost of equity (COE) when the COVID-19 pandemic impacted earnings negatively, although in normal cycles, Namibian banks generated compact returns (around 14% to 15%). While cost-to-income ratios are generally above 50%, they are expected to trend lower from current levels over time as Namibian banks optimise their cost bases and revenue growth recovers along with the economy. Credit extension has been static, but credit loss ratios (CLRs) increased significantly in 2021 as Namibian banks raised judgmental overlays and client stresses or defaults increased, leading to higher levels of bad debt.

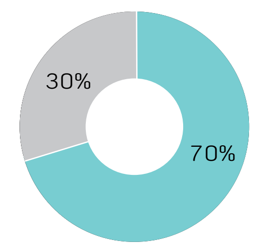
Total assets market share



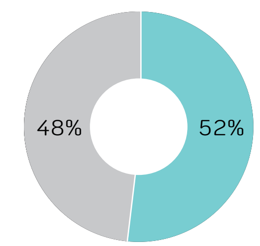
Total deposits market share



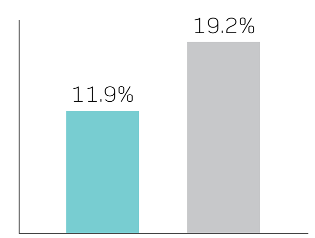
Total advances market share



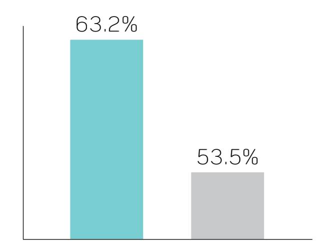
Profit after tax market share



Return on equity (ROE %)



Cost-to-Income (CTI %)



First National Bank of Namibia Limited (FNB & RMB)

Rest of industry

Source: Bank of Namibia Consolidated Returns, March 2021

Our organisational structure, products and services

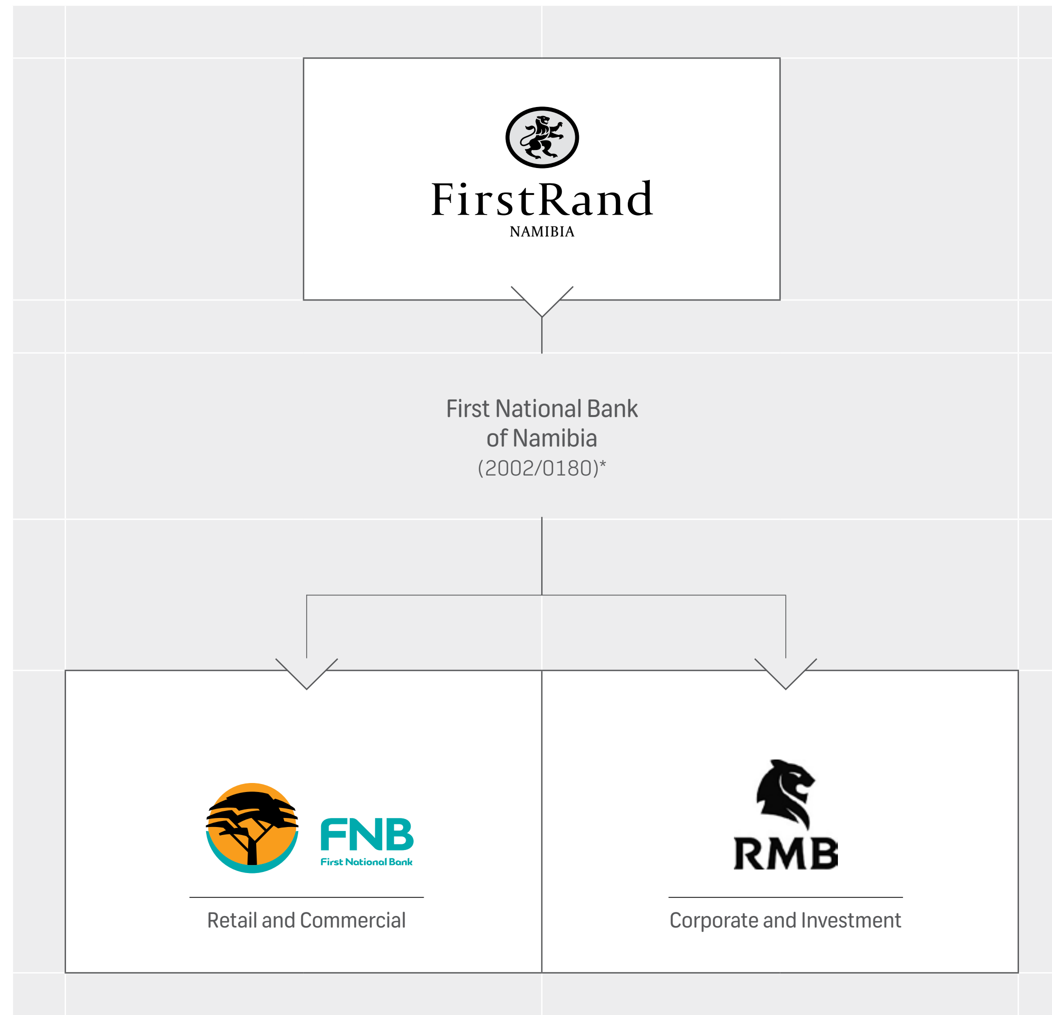
WHO WE ARE

At FNB Namibia, we offer our customers a range of products and services to suit their personal and business financial needs. We also focus on the community and strive to make a difference in the lives of our fellow Namibians.

RMB	Corporate and Investment Banking
OUR CLIENTS	Over 200 corporate relationships across a diversified mix of sectors including mining, energy, retail, manufacturing, business and financial services, public sector and telecoms.
OUR PRODUCTS AND SERVICES	Full suite of wholesale banking solutions, including investment banking and corporate lending, global markets and treasury, deposit-taking, and transactional banking.
OUR AREAS OF STRENGTH AND DIFFERENTIATION	• Market leader with strong expertise in corporate advances, advisory and renewable-energy financing. • Market-leading trading franchise with excellent trading and structuring capabilities across all asset classes. • Leading industry expertise in public sector, mining and resources, infrastructure, retail and telecoms. • Integrated model, delivering high levels of client service and better coverage. • Capability to appeal and preserve high-quality intellectual capital. • Resourceful franchise with excellent service and operational efficiencies.

FNB First National Bank	Retail and Commercial Banking
OUR CLIENTS	Individual clients and businesses.
OUR PRODUCTS AND SERVICES	Full range of Banking services, including transactional banking, card and payment solutions, lending solutions, deposit-taking services,risk management, investment products, card-acquiring services for businesses, ecosystems and platforms-based solutions.
OUR AREAS OF STRENGTH AND DIFFERENTIATION	• Competitive customer value propositions • Innovation and technology that enables diverse digital channels for self-service • Leading client experiences evidenced by recent award wins for PMR Diamond Awards in Digital banking, Private banking and Credit card • Leading provider of financial services in the market • Data analytics

GROUP STRUCTURE



Our business model for value creation

INPUTS

Financial capital	Manufacture capital	Human capital
• Equity of N$5.4 billion. • Common equity tier 1 ratio 17.1%. • Capital adequacy ratio 19.5%. • N$31 billion gross loans and advances to customers. • N$30 billion deposits due to customers.	• Effective information and technology infrastructure. • N$921 million property and equipment. • 45 branches, 318 ATMs, 6 668 point-of-sale devices. • Innovative digital portfolio and customer value propositions.	• 2 044 employees. • 65% women. • Fair and responsible reward structure. • Diverse, experienced management. • Skilled and engaged workforce with high internal morale.

OUR BUSINESS ACTIVITIES

Lend	Invest
Helping our customers to finance their projects, unlocking economic potential for clientele.	Managing and protecting the savings of our customers

OUTCOMES

Financial capital	Manufacture capital	Human capital
+ N$4.2 billion retained earnings. - 53.5% cost-to-income ratio. + Return of assets: 2.2% + 19.2% return on equity. + N$983 million headline earnings.	+ Digitally active customers. increased by 35%. + Digitised branch services and self-service branch. + Uptime of application systems at 99%. - Branches reduced by 7	• N$1.1 billion paid in salaries and benefits. • Non managerial employees received a higher cost-to-company increase than management team. • N$2.7 million invested in training. + 51% women in senior management. + 47% black senior management. - 5% employee turnover. + More than 90% of office-based employees enabled to work remotely from home.

We aim to be the best employer to the best people, who are passionate about stakeholder relationships and innovative customer-centric value propositions, delivered through e-fficient channels and processes in a sorted out and sustainable manner.

INPUTS

Social and relationship capital	Intellectual capital	Natural capital
• 653 656 total clients (2020: 626 026) • Good relationships with our stakeholders. • Hope Fund contributions N$5.2 million.	• Strong brand and presence in key markets. • Financial, commercial, technical, risk and management skills and expertise at Board, management and employee level. • World class innovative capabilities. • A leader across various products and segments, including renewable-energy finance, corporate and commercial property lending, small-business services, retail vehicle finance, card acquiring and asset management.	• Green rated building • Focusing on renewable energy financing.

OUR BUSINESS ACTIVITIES

Transact	Insure
Offer secure transacting to our customers through several convenient channels	Protecting our clients in their day-to-day life and their professional activities

OUTCOMES

Social and relationship capital	Intellectual capital	Natural capital
+ Improving customer experience scores. + Customer complaints, trend and root cause analysis managed weekly. Volume of complaints less than 0.5% of total customer base. + N$616 million direct and indirect tax paid. + 88% localised procurement in Namibia.	+ Innovative end-to-end digital onboarding capability + Innovative customer compliance confirmation on digital channels + Piloting Biometric Verification Engine + Enabling customer initiation of card maintenance / cancellation / ordering on digital channels + Enabling customer instructions to investment products on digital channels (Notice to withdraw on APP/USSD):	+ Renewable energy loans given - Electricity spend: N$7.6 million.

+ Value creation	• Value preservation	- Value erosion

Our stakeholders: their needs and expectations

FNB Namibia's purpose is to **build a future of shared prosperity through enriching the lives of its customers, employees and the societies it serves.**

This is the foundation to a sustainable future and will preserve the group's enduring promise to create long-term value and superior returns for its shareholders.

FNB Namibia continues to refine its thinking and processes to better determine and measure this social impact.

MACROECONOMIC CONTEXT

The macroeconomic environment created by the COVID-19 crisis is now considered to be the worst global economic crisis since the Second World War. It resulted in three simultaneous and profound shocks: to global trade; to global confidence, causing financial conditions to tighten significantly and abruptly; and to economic activity following the lockdown policies adopted by most of the world's major economies. This translated into a once-in-a-generation economic stress event. This scenario prompted coordinated efforts by central banks and governments to lower interest rates and simultaneously provide fiscal stimulus packages to cushion the impact of the economic shock to the real economy. Despite these actions, global financial conditions are expected to remain challenging and any form of recovery will be contingent on proof that the spread of the virus in developed economies has peaked.

Namibia's already extremely weak domestic position was further worsened by the COVID-19 crisis and resultant lockdown regulations, with limited fiscal space to support the economy. In line with forecasts, the economy shrank by N$11.6 billion in 2020, representing an annual contraction of 8.0% year on year.

The Bank of Namibia provided monetary policy support, keeping the repo rate unchanged at 3.75% since its June 2021 meeting. However, the real-economy impact of COVID-19 remains deep given the loss of economic activity, reduced tax revenue, and diminished household and corporate income. These challenges will result in higher levels of insolvency, structural unemployment – particularly amongst the youth – and the disruption of global supply chains which could mean certain industries will not fully recover.

ROLE OF FINANCIAL INSTITUTIONS IN SOCIETY

Given this backdrop, financial institutions must play an active role in helping economies and society recover from the impacts of COVID-19. They have the tools to drive sustainable and inclusive economic activities and positive social outcomes.

It is important to explain the financial system within which FNB Namibia operates to fully understand its contribution to the economy and society. A distinction is made between the real economy and the financial economy.

In the real economy, goods are manufactured, infrastructure is built, agricultural production takes place, metals and minerals are mined, and services are provided to individuals, businesses, and government entities.

In the financial economy, monetary services, including payments and credit, are provided. Financial assets such as deposits, bonds and shares are traded. These are also valued and priced in the financial economy, which gauges the risks of these assets.

The sole purpose of the financial system is to serve the real economy.

Financial institutions provide many different services that create economic value and contribute to social development. They act as intermediaries in financial transactions, facilitating the flow of funds between participants in the economy. They are also the custodians of financial assets.

These institutions also transfer risk between market participants, either directly by means of trading and market making activities, or indirectly through the shifting of risk between several market participants, as with insurance activities. This creates stability in the financial system and in society, as risk events are ultimately mitigated through broader distribution, and not concentrated in a single individual or entity.

Banks, in particular, have a further function: ensuring that capital is allocated efficiently throughout the economy between providers of funds (savers) and users of funds (borrowers).

Access to credit increases the supply of money in the system and has a multiplier effect on economic growth. Effectively, borrowers utilise their future income capacity to access current funding available in the financial system, which then enables individuals and businesses to make investments and purchases and build infrastructure much faster than if they had to build up cash reserves. A bank, through appropriate internal risk management, together with regulators, also ensures that both individuals and entities in these saving and borrowing interactions are protected and are not exposing themselves to excessive risk, thus ensuring the safety and stability of the financial system.

FNB'S SHARED VALUE CONTRACT WITH SOCIETY

The nature, size and scale of FNB Namibia's business activities means that it inevitably impacts society in its broadest sense, as a:

- provider of credit,
- custodian of the country's savings,
- provider of transactional platforms for people to access and spend their funds,
- material taxpayer, and
- large employer.

Given this position, FNB Namibia recognises that it has a responsibility to deliver both financial value and positive social outcomes for multiple stakeholders. Embedding the principles of shared value was introduced as a strategic priority for the group in 2019.

These principles underpin the group's view that it must intentionally use core business activities, including its role in allocating capital to the economy, to add value to society – profitably and at scale.

The group views this as a transformative and sustainable business strategy, albeit a long-term journey. It requires the group to commit to extracting economic and social value from its activities and operations, and to deliberately measure this value. Integral to this objective is assessing whether the group's products and services, and the way they are delivered to customers, address key social imperatives or only drive profitability.

Namibia faces a broad range of social challenges, and whilst FNB Namibia cannot solve all of these challenges as a systemic financial services business, it has the capacity to be a force for good. Using its core business resources and activities, the group can achieve positive, scalable and high-impact financial and social outcomes.

1. DEPLOYING THE GROUP'S BALANCE SHEET TO DRIVE ECONOMIC GROWTH AND INCLUSION

COVID-19 created unprecedented economic stress, which has had a profound and far-reaching impact on the economy. FNB Namibia responded by rapidly mobilising COVID-19 payment relief solutions for customers. These solutions were particularly necessary for vulnerable small and medium enterprises (SMEs) which are important growth and job creation engines of the economy.

COVID-19 RESPONSE

The COVID-19 lockdown and national restrictions resulted in unexpected loss of income for customers and the inability to cover monthly costs and obligations. In response, the group's operating businesses provided various cash flow relief solutions to preserve livelihoods and jobs.

THE REAL MEANING OF HELP

The group is proud to see how our business is standing strong in our purpose of being a trusted partner helping to create a better world. We help by keeping businesses open, people in their homes, distributing relief efforts, keeping our doors open and our systems operational to enable customers to continue trading.

The examples are many: from the establishment of the HOPE (Health Optimisation Pandemic Emergency) Fund, which accelerated the scaling of Namibia's COVID-19 critical care capacity with focus on supporting the medical structures and resources of the country. FNB donated 15 fever screening thermal cameras to the value of N$1,4 million to the Ministry of Health and Social Services; while RMB Namibia, through the FirstRand Foundation Trust, donated N$ 500 000 to assist a COVID-19 emergency response programme directly targeting hand-washing hygiene in informal settlements. In May, the FirstRand Namibia Foundation further contributed N$1.5 million to the Government in response to COVID-19 efforts. In June RMB Namibia, through the HOPE initiative handed over N$166 000 in food parcels as part of the food drive initiative with Bokomo Namibia to help feed the vulnerable, positively impacting families across the country.

Regarding financial help to customers, FNB provided cashflow relief to individuals and businesses, in particular SMEs; supporting in the distribution of the government grant pay-outs; reducing various banking fees for customers; availing banking app transactions and cashback withdrawals at point of sale devices free of charge for three months; offering instalment payment holidays for qualifying customers across all sectors and segments, including consumers, SMEs, tourism, agriculture, students and other large businesses. The bank has invested an amount of more than N$6.5 million in fees and charges' reductions to support its clients.

Despite the economic challenges over the past months, various CSI and sponsorship initiatives of FNB Namibia have been ongoing, such as the One Africa TV #LearnOnOne initiative valued at N$ 50 000, which provides Namibian children with access to classes and educational material of their current school curriculum.

It is these examples of active citizenship that really make us proud as a Namibian business, demonstrating the true meaning of Help! As a business we have successfully overcome significant and unforeseen hurdles in the past few months, and we believe this has made us stronger and more resilient. By all of us working together, partnering with Government and providing shared value, we can weather this storm.

2. SUPPORTING SMEs

FNB Namibia contributes to economic development and employment by providing innovative funding solutions to SMEs.

Case study

FNB Namibia has partnered with the Development Bank of Namibia on the risk-sharing initiative, which was announced by the Minister of Finance, Hon. Iipumbu Shiimi, on 19 August 2020.

The intention of the guarantee scheme is to alleviate the collateral constraints entrepreneurs are facing, and it will cover loans up to 60%. The size of the loan facilities will range between N$50 000 to N$1 000 000 for both short-term overdrafts and long-term loans with a maximum repayment period of five years.

Qualifying criteria for the guarantee scheme include the following:

- SME's annual turnover of up to N$10 million;
- SME is established and operating in Namibia and exclusively owned by Namibian nationals;
- Priority will be given to SMEs with development impact capabilities such as job creation, rural development and youth and women empowerment.

This year – more than ever – has shown that in unstable economic times, entrepreneurs should recognise and grab any possible opportunity and work up the courage to establish their own business in their emerging home market.

3. HOW THE GROUP'S PRODUCTS AND TRANSACTIONAL PLATFORMS DELIVER FINANCIAL INCLUSION TO BROADER SOCIETY

Rapid technological developments have allowed financial institutions to reach previously unbanked and under-banked segments of the population. Financial inclusion for individuals and SMEs is vital to transform and scale the informal economy.

Voted the Best Bank in Namibia due to its domination of overall customer satisfaction for its mobile banking app and internet banking categories, FNB Namibia is well-placed to drive current and future trends in the financial services sector in Namibia.

FNB Namibia, recognised for providing customers with an innovative, contextual and agile banking experience, invests a lot of time and resources in understanding what customers require from us, and we are diligent in ensuring that we deliver to their needs.

To this end, the company has placed a lot of focus on expanding its offering on its banking app, through a strategy of continuously innovating and adding rich functionality across all digital interfaces, including online banking.

We are aware that the latter remains a preferred interface for some customers such as businesses or senior citizens, who tend to be more comfortable using a bigger screen than a smartphone. This also holds true for USSD or the cellphone banking interface, which is preferred by customers who hold entry-level bank accounts or phones.

DIGITAL DAY

Over the years, FNB has expanded its digital capability to cater to customers' needs in areas such as transacting, lending, investing and insuring.

We have thus introduced money management tools that essentially give customers a view of their financial position at any given time. The tools further assist them to budget, view available funds and track expenses.

Most COVID-19 research has highlighted the fact that senior citizens are among the most vulnerable to the pandemic, leading FNB to advise senior citizens to consider more efficient ways of banking, in order to minimise the risk of exposure. The adoption of digital banking channels over this period empowers consumers of all ages with tools to easily manage their money from anywhere and at any time, while allowing them to protect their health at the same time.

We aim to educate our customers around the ease and safety of using digital platforms. To those customers over the age of 55, we want to emphasise the endless benefits such as cost savings and convenience. Furthermore, in light of the pandemic, it has become essential to fully embrace the technological innovations designed to offer ease of banking, convenience and safety.

To ease customer fears, FNB utilises a number of security features in order to enable easy and secure online banking. These include monitoring the device being used to ensure that it is verified, and, if not, only limited services will be available. Customer transacting via online banking will also be required to authenticate the transaction on their banking app as an additional safety net.

For us, data is a critical instrument to understand what our customers' needs are, and we use various sources to identify and address these via innovative solutions. Digital banking interfaces are also increasingly becoming a one-stop shop for customers to access services beyond mere traditional banking.

On the core service side, digital payment features like Pay2Cell and eWallet are all becoming increasingly popular. Although it is clear some of the most recent trends can be partly attributed to COVID-19, the rise has been consistent over a lengthy period of time, driven mostly by customers seeking efficient and cost-effective ways to meet their day-to-day needs.

FNB believes that customers are increasingly aware of the benefits of using a digital platform to access banking services. Still, it continues to encourage the uptake of this by incentivising customers with FNB Rewards, free digital transactions and richer functionality. More importantly, we have also removed a critical barrier to access our app, by zero-rating cellular data usage.

3. HOW THE GROUP'S PRODUCTS AND TRANSACTIONAL PLATFORMS DELIVER FINANCIAL INCLUSION TO BROADER SOCIETY continued

AGILITY AND SIMPLICITY

In today's hyper-connected, fast-moving world, it is more important than ever to deliver an innovative, contextual and agile banking experience to customers. This is, arguably, one of the areas where FNB Namibia leads the sector locally, as the bank has been working to ensure that its digital interfaces are contextual to its customers' needs.

Contextual solutions are the future of digital banking and using data and analytical insights is imperative to achieving this.

Simplicity and access to solutions 24/7 are also key aspects of the customer experience, but, at the same time, these need to be facilitated securely. In this respect, security was one of the key mentions in our recognition as Best Bank in Namibia.

Our efforts to help customers minimise exposure off-platform has seen us create in-app messaging to give customers full control over their money. Customers are able to report fraud at a click of button on our app.

Digital banking interfaces are also increasingly becoming a one-stop shop for customers to access services beyond mere traditional banking. The role of digital banking interfaces is to enable easier access to services; security is paramount to ensuring that customers can trust and rely on these interfaces. The bank has seen a growing number of customers embracing these efforts to help them manage their money through this platform.

These are just some of the examples of our efforts to help our customers thrive into the future as we further modernise and transition into our platform aspirations. We have spent more than a decade building significant and diverse data, technology and engineering teams who are constantly working to anticipate the digital demands our customers place on us at present, and in the future. Thanks to the deep levels of talent across these experienced multi-disciplinary teams we are able to respond to these ever-increasing needs given a multi-year investment in reconfiguring and modernising of our primary line of business systems, networks, data and technology-related infrastructure.

The proactive approach, leveraging emerging technologies, is something we are constantly looking to refine. Our customers are discerning and demanding, and we appreciate it, because along with growing competition in the market, it motivates us to continually innovate, deliver helpful solutions and strive for excellence.

AGILITY AND SIMPLICITY continued

Case study

CASHPLUS: PROVIDING FINANCIAL INCLUSION

Africa is largely a cash-based economy, with the general population still preferring cash over digital options. According to a study published by the World Bank, less than a quarter of all adults in Africa make use of bank accounts from formal financial institutions and 90% of all consumer payments are conducted in cash.

Some of the main reasons for the largely unbanked population in Africa are the limited infrastructure, poor GSM 1 network coverage, smartphone unaffordability and geographical inaccessibility experienced by many people outside the major metropolitan areas. Traditional bank branches and ATMs tend to be concentrated in urban areas, leaving rural communities without service or education on formal banking.

FNB Namibia aimed to deal with many of these challenges through its merchant strategy, CashPlus which proved to be a success in improved financial inclusion for communities and has enabled growth for SMEs in the country.

FNB partners with merchants, who act as agents of the bank, to provide day-to-day banking services to customers through the CashPlus channel. FNB sets the merchants up on the FNB platform and supports them with training (compliance, business and product), as well as marketing and branding material for use in their stores and areas of business. Customer and merchant transactions are completed easily, securely and in real time via the FNB App or FNB mobile banking (USSD).

FNB Namibia currently provides cash-in services, cash-out services and airtime and electricity purchasing services. The steady growth in the channel despite the impact of the pandemic demonstrates CashPlus' relevance in the market. In instances where FNB branches needed to be closed due to COVID-19 cases, customers were redirected to CashPlus agents, which enabled them to continue transacting.

3. HOW THE GROUP'S PRODUCTS AND TRANSACTIONAL PLATFORMS DELIVER FINANCIAL INCLUSION TO BROADER SOCIETY continued

AGILITY AND SIMPLICITY continued

Case study continued

This CashPlus strategy brings several benefits to in-country customers and merchants.

BENEFITS TO CLIENTS:

- Access to formal banking transactional services to all customers, no matter where they live;
- The merchant network allows FNB to be represented in local neighbourhoods without needing a formal branch environment, saving customers time and money that would otherwise have been spent travelling to physical facilities in towns;
- The familiarity and security of dealing with a local merchant in their community;
- An alternative to dealing with large amounts of cash, thereby introducing a digital-friendly banking system to those in rural areas;
- Promotes personal savings and independent money management;
- FNB customers can send money to people in rural areas via the FNB eWallet service and the money can be withdrawn at the nearest merchant.

BENEFITS TO MERCHANTS:

- FNB recognises that the merchants are SMEs with growth potential. CashPlus could potentially increase the number of walk-in customers for approved FNB merchants.
- Allows cash to be recycled in the market by reducing the amount of cash that merchants need to constantly reconcile, secure and bank, saving them time and money.
- Merchants have an additional revenue stream by way of FNB commissions for the transactions they perform for FNB clients.
- Employment opportunities are created in the community as most merchants typically employ one to two cashiers to serve customers on the CashPlus channel.

4. TREATING CUSTOMERS FAIRLY

The group aims to offer fair value to customers. Its products and services are provided through suitable channels, underpinned by an entrenched organisational culture of helpfulness and responsible business leadership.

The principles of treating customers fairly (TCF) are important throughout the product life cycle.

Financial literacy

Financial literacy of Namibians continues to remain low, requiring new and innovative approaches to financial education.

In addition to the annual financial investment towards the Financial Literacy Initiative (FLI), FNB Namibia conducts financial education initiatives which target the low-income market. The programmes aim to help consumers make informed financial decisions. An ongoing focus is providing basic financial literacy education on digital platforms.

FNB has developed content that focuses on financial literacy, savings, credit and debt management and the benefits of digital banking channels. In addition, there was an increased focus on digital content. Animated videos and audio clips were created to respond specifically to challenges faced by consumers as a result of the economic impact of COVID-19.

Case study

FNB BUSINESS Toolkit – A RESPONSE TO COVID-19

The COVID-19 national lockdown resulted in businesses across the country completely shutting down, except for those deemed essential by the national government. FNB focused immediately on supporting its clients and the economy in unprecedented times. Within days an FNB Commercial task force was created, with different teams providing financial and non-financial assistance to SMEs. The task force created the FNB Business Toollkit, a central, digital support platform with helpful, educational and current information, developed to help businesses start, run, grow or reconfigure their operations. The solution – a crisis leadership toolkit to help businesses cope during COVID-19 and beyond – was built on the FNB App, allowing FNB clients to benefit from its information, tools and solutions right in the palm of their hand.

5. PROVIDING AN ENABLING ENVIRONMENT FOR EMPLOYEES

As part of our Human Capital strategy, we continued to build and drive a high performance and ethical culture premised on our Group philosophy which is underpinned by our Promises. The impact of COVID-19 and the subsequent lockdown during 2020, warranted the need to continuously remain innovative and embrace technology to enhance efficiencies and adapt to emerging new ways of work, specifically with reference to remote working environments. The health and wellbeing of our people takes centre stage and as a leading innovator, we develop and adopt mechanisms to enable our people to continue rendering services to our clients in the comfort of their homes. Given that the successful implementation of any change is depended upon people, appropriate time and energy was dedicated to continuously manage change through embedding a culture of open and transparent engagement, upskilling of our employees to adapt to changing work methods as well as ensuring that they are in the right state of mind and health.

CULTURE AND ENGAGEMENT

Creating a high-performance, values-driven, owner-manager and customer-centric culture underpinned by trust.

Embracing and building a culture of transparent engagement that is built on trust constitutes a key ingredient for our approach to embedding and bringing to life our Group philosophy and Promises.

The Group philosophy guides how our people conduct themselves to deliver the best results for customers, society, shareholders, and each other. It is also the core principle on guiding our employees in displaying customer centric behaviour to deliver the best results.

We implemented a number of campaigns to embed our Promises and culture in order to keep our employees engaged during the financial year. Key campaigns were:

- **Heros Amongst Us** – focused on recognising our employees' dedication and commitment during the COVID-19 lockdown.
- **Embedding our Promises** – three focus areas were addressed based on our Promises. Have Courage, Service Principles and Building Trust. Engagement packs for each topic were prepared for Line Management and employees to interact around these topics in detail. Employees who lived and displayed the behaviours linked to these Promises were rewarded and recognised via the online voting platform.
- **Gratitude Tree** – provided an opportunity for the Company and employees to submit gratitude stories that were shared via Newsflashes and the internal Newsletter. The purpose of this campaign was to show appreciation for the privileges we all still have, despite the impact COVID-19 had on the business and our personal lives.

We continue to build an environment that values differences, an environment where everyone's views and contributions can be heard and seen through remaining inclusive, gracious, decent and humble.

DIVERSITY AND INCLUSION

Gender Equity – Representation of Women:

Women as a percentage of Executive Team:

29%
2021

2020 = 34%
Target by December 2022 = 37%

Women as a percentage of Senior Management Team:

51%
2021

2020 = 48%
Target by December 2022 = 49%

Racial Equity – Representation of Previously Disadvantaged Employees:

Previously Disadvantaged Employees as a percentage of the Executive team:

50%
2021

2020 = 34%
Target by December 2022 = 39%

Previously Disadvantaged Employees as a percentage of the Senior Management team:

47%
2021

2020 = 43%
Target by December 2022 = 47%

Previously Disadvantaged Employees as a percentage of the Middle Management team:

72%
2021

2020 = 71%
Target by December 2022 = 71%

DIVERSITY AND INCLUSION continued

The Group deeply embraces diversity as it is a precondition for its successful entrepreneurial and innovative culture. We are committed to employment equity and transformation as depicted through the approval of our three year affirmative action plan and to consistently achieve employment equity certification status year-on-year. Our focus remains to increase representation of disabled persons as well as women and previously disadvantaged persons at Executive and Senior management levels. In addition to the above, we are planning to roll out a Diversity and Inclusion survey during the new financial year to further understand the progress we have made as well as the possible challenges we might have in terms of diversity and inclusion. This survey will assist us in creating new initiatives to drive this important focus area.

Employee headcount:

Number of Permanent Employees

2021
2 044
employees

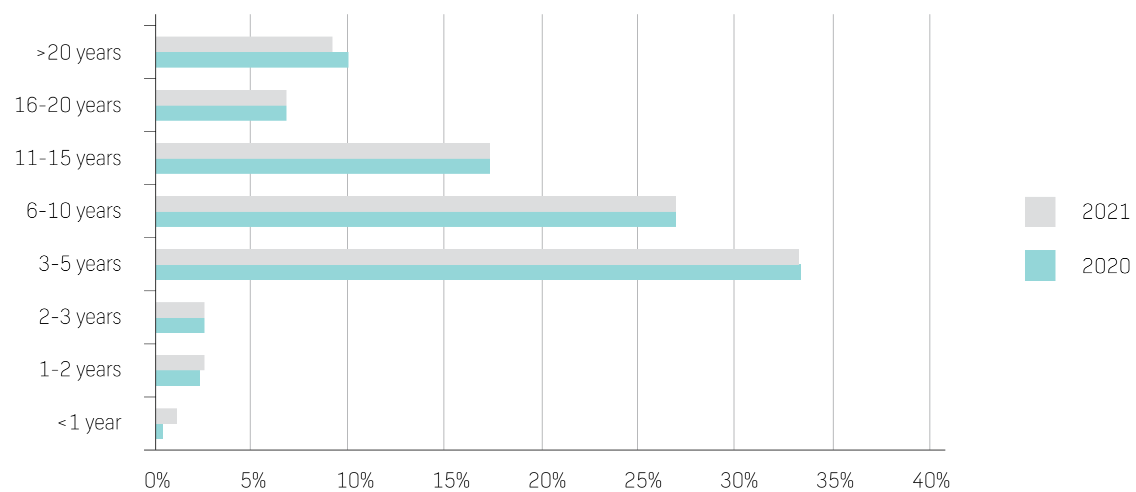
2020 = 2 120 employees

Number of Non – Permanent Employees

2021
82
employees

2020 = 65 employees

Tenure:



TALENT CURATORSHIP

We implement best-practice Talent Management practices to identify, develop, select, and advance a diverse talent pool fit to execute Group strategy.

Our Group's success is significantly depended upon people. Thus, the objective of the talent curatorship pillar is identification, development and retention of a diverse talent pool that is appropriately capacitated and fit to execute the Group strategy.

In this regard, a Talent and Succession Management programme is in place, aimed at ensuring that the Group is not unnecessarily exposed to people risks, associated with the planned and unplanned loss of knowledge, critical to the Group's business continuity. This programme guarantees a sustainable supply of the right talent in the right positions, at the right time and at the right level of excellence, to enable the Group to deliver on its vision and strategic objectives now and in the future.

Below information illustrates the advancements we have made in terms of Succession Planning during the financial year.

Succession Planning:

Succession Pool Size

2021
178
employees

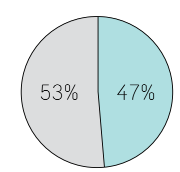
2020 = 55 employees

Number of Trained Organizational Mentors

2021
11
employees

2020 = 4 employees

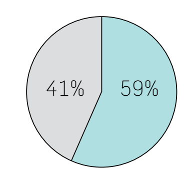
Succession Gender Equity



Male successor = 53%

Female successor = 47%

Succession Racial Equity



Previously Advantaged = 41%

Previously Disadvantaged = 59%

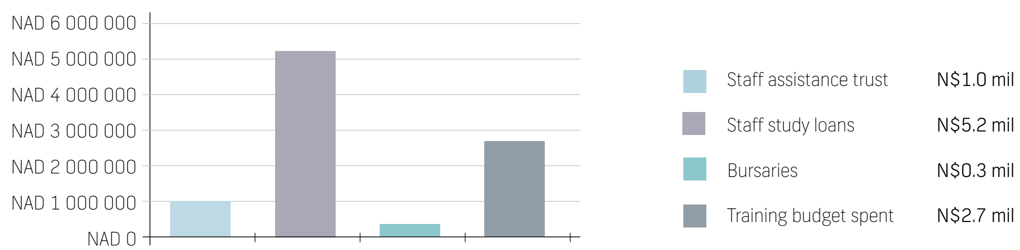
TALENT CURATORSHIP continued

Successors have been identified for various leadership, critical and specialized roles within the Group. The talent and succession management plans also reflect the Group's commitment to affirmative action and diversity in the profile of the business. As such, the Group's Transformation and Employment Equity plan will always be considered to ensure that equal development opportunities are being afforded to deserving employees, and that the Employment Equity policy is being upheld and the targets are being achieved.

Our Managers-as-Mentors Training programme reached a new level this past year where we started to see an increase in our Organisation's Mentors. The objective of this programme is to ensure that our leadership teams are appropriately capacitated to not only function effectively as leaders for their own teams but that they are also able to groom and mentor future leaders for our Group.

We also have a Talent Pipelining programme in place of which the objective is to ensure a sustainable supply and availability of talent to the Group as and when required. The programme is underpinned by several schemes, namely, the Graduate Development Programme, the Bursary scheme, Staff Study Loans, and the Staff Assistance Trust. Below graph illustrates the investment the Group has made towards these schemes over the past year:

Learning and development investments



The Group made a significant investment in the development and implementation of various in-house learning interventions focusing on the development of role-based competencies to ensure our employees are appropriately skilled for their respective roles thereby enhancing individual performance. Amongst others, one of these interventions included the introduction of two online learning platforms called Intuition and Skill Soft. These two platforms focused on the development of behavioral and technical skills. A total investment of N$ 790 000 over three years was made towards these two platforms.

In addition to the N$ 2.7 million training budget spent this past year, the Group also contributed N$ 8.3 million to the skills development fund of the National Training Authority during this financial year.

Having an effective leadership team that creates an enabling and conducive working environment in which our employees can maximise their full potential is non-negotiable and hence leadership development constitutes a key part of our talent curatorship strategy.

We therefore continued to roll-out our in-house foundational Leadership Development programme which is mandatory for all our managers and supervisors across the Group. The programme is designed to equip our leaders with hands-on people management skills to be able to lead and inspire our people towards high performance. A total of 467 Middle Managers and Supervisors have completed the programme to date.

BUSINESS CONTINUITY

Ensuring growth and stability of our business despite external factors such as the COVID-19 pandemic. The outbreak of the COVID-19 pandemic and subsequent lockdowns forced us to be innovative and the creation of a work environment that will ensure business continuity. To this end a number of initiatives were implemented:

Flexible Work Arrangements:

At the outbreak of COVID-19 and ensuing lockdowns, most of our employees were compelled to work from home. We implemented the flexible work arrangement concept and ensured that employees whose roles qualify for working from home continue to do so even after lockdown. Online training was developed in-house, and various tools and communication were provided to employees to assist them with this new way of work.

Automation of Training:

Since we could not do face-to-face training for the majority of 2020, for 2021 we developed online training for the following courses; Performance Contracting and Appraisals, conducting 360º degree reviews and we reviewed and updated the online Induction Programme

EMPLOYEE WELLBEING

Enhanced focus on our employees' mental and physical health during and after the COVID-19 lockdown period.

The physical and emotional wellbeing of our employees remains a priority for the Group and we therefore continued to embark on a variety of programmes and initiatives to sustain employee wellness and work-life balance. As part of our Employee Wellness Programme (EWP) which is administered by our external service provider LifeAssist, wellness services are available to staff and their next of kin, free of charge on a 24/7 basis. Telephonic, electronic and face-to-face assistance is provided through self-referrals or management referrals. The programme also provides debriefing sessions to assist our employees in coping with traumatic events.

Our on-site clinic at Parkside Building which is manned by a qualified occupational health and medical practitioner continued to be available to our employees.

The following campaigns and initiatives were initiated to ensure our employee's wellbeing is ensured:

- Mental Health Campaign
- Daily COVID-19 information sharing and videos during lockdown
- Live Q&A sessions with medical doctors during lockdown
- Wellness Ambassador Training
- 21-day Mindfulness Campaign
- Four blood donations with 245 donors in total
- Blood Group testing where 57 employees participated
- Eye Testing at Head Office
- Denim for Diabetes Campaign
- Respiratory Health Clinic where 34 employees participated
- Digital fatigue online sessions
- Diabetic and hypertension online sessions
- General wellness training
- Financial wellness training
- Healthy Lifestyle Campaign where 509 employees enrolled
- LifeTrack App was launched in March for easier access to LifeAssist
- LifeAssist Training for Line Managers, Human Resources Business Partners and Wellness Ambassadors.

6. A CSI STRATEGY DESIGNED TO CONTRIBUTE TO UPLIFTMENT

Case study continued

OTHER HOPE INITIATIVES:

Fever Screening Thermal Cameras

FNB, through HOPE, donated 15 thermal cameras to the value of N$1.4 million to support Government's efforts in detecting any infections as soon and as early as possible. The cameras were deployed at high contact points of migration between regions and borders as well as other crowded areas such as hospitals, to help those on the frontline of this pandemic and to manage Namibians at risk of infection.

Personal Protection Equipment Kits (PPE)

Since the outbreak of COVID-19, Namibia has been tested on an unparalleled scale and has seen a side of humanity that has re-affirmed that there is so much good in the world. It also compelled us all to be more agile, inventive, and creative than ever before. The PPE kits' sponsorship, valued at N$810 000, is vital in ensuring that our public healthcare workers continue to operate with confidence and a sense of safety, to ensure that our country stays afloat and productive in this time of crisis.

Emergency Respirator / Oxygen Support System

Given the potential shortage of ventilators across the country, and specifically in the public health sector, a low-cost, disposable emergency respirator has been created to manage patients in respiratory distress. The first 100 units valued at N$3 200 each have been manufactured and deployed for use, with very positive results in critical patients. A further 200 units will be manufactured and supplied to the Windhoek Central Hospital ICU team.

Co-Feed Namibia

Project Co-Feed Namibia is a citizen-driven initiative with the sole objective to mobilise food supplies and other basic necessities for distribution to the vulnerable within our communities in response to the national lockdown necessitated by the COVID-19 pandemic. Working with local retailers, social partners and some investee companies, Co-Feed created a platform for willing citizens to directly mitigate the inevitable shortage of basic necessities amongst the vulnerable members of our community. Ashburton's Executive Members contributed N$50 000 towards Co-Feed, which was further topped by the HOPE Fund.

Bag of Hope Initiative

RMB, through the HOPE Fund and in collaboration with Bokomo Namibia and Co-Feed established a food drive aptly named the Bag of Hope Initiative. Through this food drive, employees and the public donated N$166 000, all of which was handed over to vulnerable members of our communities.

Bed refurbishment

A key challenge in the COVID-19 pandemic is the number of people requiring quarantine, isolation or hospitalisation, resulting in a shortage of hospital beds. HOPE has paid towards the provision of spare parts to fix 393 broken beds at the Katutura Intermediate Hospital. The spare parts have been delivered and progress repair of the beds is in progress.

The Group is acutely aware that an economy cannot hope to grow without a healthy, educated and engaged workforce. Responding to this, over time the foundation has shifted the bulk of its attention to systemic education and capacity building initiatives, with clear accompanying support to community upliftment, environmental guardianship and the protection and development of arts and culture.

EDUCATION

The late Nelson Mandela once said it is important for corporates and governments to work together in the area of education and technology in order to eliminate the distinction between information-rich and information-poor communities and that Information Communication Technologies (ICTs) must be seen as an enabler, to eliminating economic and other inequalities, and to improving the quality of life of all of humanity.

Amos Meerkat

One of the projects that we are particularly proud of is the Amos Meerkat Pre-School Development Programme, which added great value to communities by ensuring that every pre-school child in Namibia – especially from farming communities and information settlements – is given the opportunity to prepare for primary school. This programme is in line with our partnership strategy which aims to uplift the lives of the people in the communities we operate in.

Edulution numeracy, literacy and ICT initiative

Edulution provides extra-curricular foundational numeracy 'catch up' programmes to primary school learners. At the heart of Edulution is the drive to convert learners from passive classroom occupants into confident, inspired participants driving their own learning journey. Edulution's vision is an Africa whose people are skilled and empowered. Using a mix of technology, enterprising coaches and evidence-based analytics, the programmes enable learners to revise and master essential foundation numeracy and ICT skills that better enable teachers to deliver curriculum objectives. The events of 2020 tested Edulution's adaptability and resilience to the full. The total closure of schools in March 2020 meant that Edulution needed to find ways to adapt to the changing landscape yet remain true to its well-defined purpose. One way in which Edulution achieved this was by running training programmes that ensured coaches would be more skilled in facilitating the programme when schools re-opened. The shutdown periods were also used to develop new products and tools.

KAYEC Trust

The KAYEC School supporting centre has proven to be a great investment in the youth, by shaping them to be good leaders and young entrepreneurs in Rundu since 2009. Since the beginning in 2009 in Rundu, the programme has served over 2 340 youths from 11 different schools around Rundu, and 1 820 youth have graduated. Zero school dropouts and teenage pregnancies have been experienced since 2015 when the Foundation's sponsorship was initiated. Part of the solution is KAYEC's structured weekly curriculum with special emphasis on English, Mathematics, Arts, Youth Development, and Sports.

The programme is offered in Windhoek and at Rundu, Otjiwarongo and Ondangwa. All towns run an after-school youth programme KYD (KAYEC Youth Development), and in Windhoek and Ondangwa the ATSE (vocational school) programme is also offered.

EDUCATION

Mondesa Youth Opportunities Trust (MYO)

FNB, through the FirstRand Foundation, is proud to sponsor the Mondesa Youth Opportunities Trust (MYO) with N$100 000 in support of the work they do to enhance and further the education of underprivileged learners in the Swakopmund district. MYO has served the Swakopmund community by giving promising learners a wider, thorough education based on foundation work in Mathematics, English and Computer Skills, focussing on reading and understanding. Learners are taken in free of charge. In return, good discipline, good attitudes and good attendance are required. MYO students achieve outstanding examination results and are recognised at their schools for their good standing. The work of MYO is based on donations from organisations which understand and support the aim of quality education, such as FNB Namibia. MYO was able to continue delivering on its promises through provision of quality e-learning for students despite the COVID-19 pandemic.

COMMUNITY AND HEALTH DEVELOPMENT

The HOPE Fund, which initially focused on the purchasing of long-term medical equipment set to uplift local state hospitals even beyond the pandemic, evolved to act as a platform for stakeholder engagement and diverse value contribution, bringing together local businesses and industries and Government to alleviate real community and societal pressures, e.g. helping to execute on the COVID-19 Vaccination Roll-out Plan countrywide.

Nampharm Foundation

Nampharm Foundation is an independent charitable organisation established with the aim to provide medicine, medical treatment and information sessions for children suffering from specified illnesses for free. Any Namibian child up to the age of 16 years without medical aid and needing facial reconstructive surgery qualifies. A multi-disciplinary team of volunteer doctors and specialists carries out operations on a weekly basis at a private hospital in Windhoek. Between July 2020 and April 2021, seven cleft lip and seven cleft palates operations, and one finger amputation was successfully performed.

Shack Dwellers Federation of Namibia

Ohorongo Cement, FirstRand Foundation, and the Pupkewitz Foundation partnered towards the end of 2015 to support the Shack Dwellers Federation of Namibia's low-cost community driven housing initiative. Over the years, the partnership has made major strides towards the common goal of a more effective model of solving one of the country's most fundamental needs. Thus far our joint venture – with our partners the SDFN, Ohorongo Cement and the Pupkewitz Foundation – has assisted in building 284 houses throughout the country, ranging from Otavi, Omaruru, Tsumeb, Tsandi, Henties Bay, Mariental, Tsumkwe, Okongo, Kalkveld, Outjo, Keetmanshoop, Katima Mulilo, Otjinene, Grootfontein and Okahao.

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ENVIRONMENTAL GUARDIANSHIP

The Foundation supports initiatives that seek to bring about positive environmental change in the communities in which we operate, while at the same time creating awareness on climate change as well as the environment and its fragile ecosystems.

SPCA Windhoek

FNB, through the FirstRand Namibia Foundation, donated N$100 000 to the SPCA's Dixie Fund, an account specifically launched to provide ordinary and extraordinary medical treatment and procedures for the animals in the care of the SPCA. Hanna Rhodin, the SPCA's national director, said: "FNB's ongoing support makes a significant impact on the SPCA's ability to care for the most vulnerable animals in need, as we rely almost entirely on corporate donors and private individuals to fund our operations and care for the over 4 000 animals we see in a year. Thanks to FNB's contribution to Dixie's Fund, the SPCA has been able to administer 2 431 vaccines and has sterilised 559 pets over the last year, making sure that these animals can be responsibly adopted by members of the community and given a second chance in life."

Zambezi River – Sikunga Conservancy Fish Protection Project

This project was established with the aim to act as a sanctuary for breeding and to enhance exploitable fish stocks in fishing areas adjacent to the fish protection area. It continues to fulfil this aim as it has reported improved revenue to the community as a result of increased angling tourism to the lodges in the area. In addition, on a yearly basis, more than 1 000 residents of Katima Mulilo benefit from the restocking of fish.

6. A CSI STRATEGY DESIGNED TO CONTRIBUTE TO UPLIFTMENT continued

ARTS AND CULTURE

Song Night, now called RMB Song Night, has changed lives with experiences and the motivation to believe in oneself. In 2020, the mentorship programme actively gave emerging vocalists from the Khomas, //Kharas, Erongo, Kavango and Hardap regions the experience of receiving training from a host of music professionals, including musical directors, stylists to vocal trainers. This was done online in observance of COVID-19 protocols.

SPORTS DEVELOPMENT

RMB, through the FirstRand Namibia Foundation Trust, is proud to partner with the Namibian Cycling Federation (NCF) and the Physically Active Youth (PAY) to encourage and remind youth of their innate ability to achieve future success. This initiative is a practical way to engage young people within their communities and has proven to result in higher levels of leadership, community engagement, and altruism, particularly among our young women.

EMPLOYEE SUPPORT

Members of the FNB Namibia Exco successfully summitted Konigstein, the highest point in Namibia, as part of an initiative to raise money and awareness on the issue of gender-based violence (GBV) in Namibia. For every member who made it to the top of the Brandberg Mountain, the FirstRand Namibia Foundation pledged to donate N$10 000 toward any staff nominated GBV or child protection charity. All seven members of the team reached the pinnacle, thereby raising N$70 000, which the Foundation topped up to N$120 000, donated towards initiatives/charities involved (directly or indirectly) in the societal challenge of GBV.

The RMB Namibia team and FNB Commercial raised N$5 240 and the FirstRand Namibia Foundation doubled the amount raised, raising the total amount for the needy this winter to N$10 480.

On 23 April 2021 RMB Namibia, through our CSI and Internal Social Committee, had an RMB Relay Day to raise funds in order to assist with ad-hoc projects coming through the RMB CSI Committee and in helping to make a difference in the lives of our staff and people around us who have been affected by COVID-19. Eight teams entered the competition and each team had to pay N$1 000. An amount of N$9 000 was raised.

03

Leadership for value creation and preservation through good governance

Report of the board chairperson

INGE ZAAMWANI-KAMWI | *chairperson*

COVID-19 compounded the severe economic challenges already underway in our market, resulting in depressed economic growth, growing fiscal deficits, and overwhelming social vulnerabilities.

As we reflect on how COVID-19 has forever distorted our concept of "normal" and caused devastating turmoil for communities, lives, and livelihoods., we realise that despite these challenges, our country has remained resilient. I view resilience as a positive outcome of this pandemic and beam with pride when I think about the dedication shown by our FNB Namibia team this past year. The pandemic has compelled us to be mindful of the interconnectivity of people, because every citizen has been impacted in some way. It has reinforced the idea of an undivided humanity, which requires equitable access to opportunities. As we enter our second year of navigating this pandemic, our purpose offers insight into how we can promote socio-economic recovery and help curb the spread of COVID-19 through the power of digitisation and shared value.

COVID-19 has exacerbated already existing societal challenges, thus increasing inequalities and mobility constraints. It has required us all to look beyond ourselves to see how we can serve others, because not only are we interconnected, but our future depends on what we do today. As a Group and a leadership team, we are committed to supporting our customers and stakeholders and to address the challenges presented by COVID-19. We remain committed to operating responsibly by preserving our natural resource base and using technology to enable more sustainable business practices. We understand that the legacy we leave for future generations is determined by how we operate today.

Our Government's decisiveness in calling for lockdown restrictions and the Bank of Namibia's proactive approach in response to the pandemic, makes me proud to be a Namibian. The dedication and excellent work by our clinicians and frontline healthcare workers must also be acknowledged. Through the group's HOPE Fund, we were able to assist the amazing doctors, nurses and general hospital staff in our public hospitals. They are undoubtedly leading experts in their field and caregivers with an unmatched spirit of public service. They refused to buckle under the weight of a crumbling healthcare system and have remained focused on saving lives.

Based on international experience, there is an expectation that there will be more waves of COVID-19 for us to weather. It is important that we build on our successes and learnings to date – both epidemiological and economic – as we confront these new waves. Active testing, tracking and sound isolation practices must remain key elements of our response. Partnerships such as these, formed during this pandemic, are an important part of the success so far and we must strengthen the cohesion between Government and business. Targeted economic stimulus to impacted people and industries must also be mobilised. The successful implementation of these measures will support the rebuilding of confidence in our economy, the health and wellbeing of our people and ultimately allow us to win the fight against COVID-19.

This pandemic clearly illustrated why public-private partnership must be at the core of Namibia's national policy responses to the many burning issues of our time. The private sector was not sitting on the side-lines during this pandemic, it was actively engaged in assisting Government with its healthcare and social responses. Many corporates in the country stepped in and invested significant amounts of time, money, resources, networks and skills. Whether through contributions to the Vaccines for HOPE initiative (which has to date deployed more than N$12 million to the Government's vaccine roll-out), or other initiatives, the private sector voluntarily tackled healthcare challenges, food shortages and supply chain breakdowns, to name a few. All of this was done as companies worked to run their businesses, protect their employees, service customers and keep the wheels of commerce turning as best they could. For a systemic financial services group like FNB Namibia, an economic recovery is vital to our ability to grow earnings and deliver returns to our shareholders.

As we look forward to the next financial year, the outlook remains challenging. We expect conditions to remain tough, as the full impact of the lockdown restrictions and a second wave of COVID-19 becomes increasingly visible.

The socio-economic fallout of the COVID-19 pandemic has brought forward the inevitable inflection point that our country was bound to eventually face. Confronted by an accelerating unemployment rate, reduced economic activities and rising government debt burden, economic change has become inevitable as the weight of these developments is becoming too heavy for the current system to carry.

However, we still have the opportunity to choose how we would best effect the changes necessary to reverse the trajectory. These choices cannot be wasted and need to be executed in a manner that optimises the roles of each of the social partners. This will create an environment for businesses to play their part in delivering goods and services through employing skills, capital and technology.

FNB Namibia and other private sector players remain ready to partner with Government to rebuild this economy and make job creation and social upliftment a reality.

In closing, I want to thank each and every employee for their courageous response to the COVID-19 pandemic and their commitment to continuing to provide our customers with outstanding service, despite social and economic disruptions. I also want to thank all of our customers, as our business is successful because of their trust and loyalty. My sincere gratitude goes to my colleagues on the Board for their wisdom and counsel. I would also like to thank the FNB Namibia executive team for their resilience in a trying year. To all our stakeholders – thank you for your unwavering support.

Inge Zaamwani - Kamwi
Chairperson

Board profiles, responsibilities and oversight areas

CHAIRPERSON

INGE ZAAMWANI-KAMWI | 62

Chairperson (Namibian)
Independent non-executive director
Appointed: April 2003
LLB (Honours); LLM

EXECUTIVE DIRECTOR

CONRAD DEMPSEY | 45

Chief Executive Officer (South African with Namibian Permanent Residence)
Executive director
Appointed: October 2020
CA (SA), CA (Nam), CGMA, AMCT, M.Phil

EXECUTIVE DIRECTORS

ERWIN TJIPUKA | 46

Executive Officer (Namibian)
Appointed: October 2020
B.Com, PGDA, MBA, CA (Nam)

OSCAR CAPELAO | 42

Chief Financial Officer (Namibian)
Executive director
Appointed: March 2016
B.Com (Hon) (Accounting), CA (Nam) (SA)

NON-EXECUTIVE DIRECTOR

I-BEN NASHANDI | 50

Non-executive director (Namibian)
Appointed: January 2019
B.Com, MSc Financial Economics, Masters Development Finance

INDEPENDENT NON-EXECUTIVE DIRECTORS

JANTJE DAUN | 54

Independent non-executive director (Namibian)
Appointed: March 2017
B.Com (Hon), CA (SA)

CHRISTIAAN RANGA HAIKALI | 52

Independent non-executive director (Namibian)
Appointed: February 2006
BBA (Entrepreneurship)

INDEPENDENT NON-EXECUTIVE DIRECTORS

JUSTUS HAUSIKU | 42

Independent non-executive director (Namibian)
Appointed: April 2017
B.Acc (Hon)/CTA

JABULANI KHETHE | 58

Independent non-executive director (South African)
Appointed: August 2006
B.Com (Banking); MBA

PETER GRÜTTEMEYER | 67

Independent non-executive director (Namibian)
Appointed: April 2020
B.Com (Hon), CA (SA)

DIRECTORSHIPS, TRUSTEESHIPS AND COMMITTEE MEMBERSHIP

Inge Zaamwani-Kamwi
Namibian
Chairperson

Employment: Advisor – Office of the President

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Ltd, First National Bank of Namibia Limited, FNB Share Incentive Trust, Directors' Affairs and Governance Committee

External directorships: Swakop Uranium (Pty) Ltd, Tungeni Africa Investments (Pty) Ltd, Zan Tag Investment (Pty) Ltd, Farm Rimini, Feist Investments CC, Namdeb Holdings (Pty) Ltd, Debmarine Namibia

Oscar Capelao
Namibian
Chief Financial Officer

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Ltd, First National Bank of Namibia Limited, OUTsurance Insurance Company of Namibia Ltd, Swabou Investments (Pty) Ltd, Talas Properties (Windhoek) (Pty) Ltd, RMB Investments (Pty) Ltd, FNB Nominees Namibia (Pty) Ltd, FNB Staff Assistance Trust, FNB Easy Loans Ltd

External directorships: National Housing Enterprise, Namibian Stock Exchange

Conrad Dempsey
South African with Namibian Permanent Residence
Chief Executive Officer

FirstRand Namibia group directorships and trusteeship: FirstRand Namibia Ltd Limited, First National Bank of Namibia Ltd, Swabou Investments (Pty) Ltd, Talas Properties (Windhoek) (Pty) Ltd, RMB Investments (Pty) Ltd, FNB Nominees Namibia (Pty) Ltd, FNB Insurance Brokers (Namibia) (Pty) Ltd, FNB Staff Assistance Trust

External directorships: Green Building Council of Namibia, Cirrus Strategic Finance Solutions CC, Erf Four Nil Nine One Vogelstrand CC, Phillips, Robinson & Associates CC, Portion 1 of the Farm Sukses No. 172, African Wanderer Tours & Safaris

Erwin Tjipuka
Namibian
Executive Officer

FirstRand Namibia group directorships and trusteeships: First National Bank of Namibia Ltd, FNB Staff Assistance Trust

External directorships: Koi International Worship Centre, Langplaas Farming Close Corporation, Tjipuka Restaurants Close Corporation, Beherens Property Holdings Five Close Corporation

I-Ben Nashandi
Namibian

Employment: Executive Director, Office of the Prime Minister

FirstRand Namibia group directorships: FirstRand Namibia Ltd, First National Bank of Namibia Limited

Jantje Daun
Namibian

FirstRand Namibia group directorships and trusteeship: FirstRand Namibia Ltd, First National Bank of Namibia Ltd, FNB Insurance Brokers (Namibia) (Pty) Ltd, FNB Easy Loans Ltd, Ashburton Investment Managers (Pty) Ltd, Audit Committee, Asset, Liability & Capital Committee, Senior Credit Risk Committee

Christiaan **Ranga** Haikali
Namibian

FirstRand Namibia group directorships and trusteeship: FirstRand Namibia Ltd, First National Bank of Namibia Ltd, FNB Insurance Brokers Namibia (Pty) Ltd, Remuneration Committee, Audit Committee, Directors' Affairs and Governance Committee, Senior Credit Risk Committee

External directorships: Inexma Electrical Namibia (Pty) Ltd, Africa Personnel Services, Namibia Stevedoring Services, Hanu Investments, Tulongeni Family Trust, Gecko Holdings and Mining, Namibia Drum and Cladding, Okahandja Sink & Staal (Pty) Ltd, Chappa Ai Investments, Petronam Investments, Namibia Liquid Fuel New Frontiers Investments / Safland Property Services, Mertens Mining and Trading, Ndalonga Investments CC, Morgan Cargo Namibia, Tulonga Investments (Pty) Ltd, Oryx Investments (Pty) Ltd, Frontier Property Trust, PC Centre through Duiker Investments 175 (Pty) Ltd, Tulongeni Strategic Investments (Pty) Ltd, Tulongeni Mining (Pty) Ltd, Tualonga Investments (Pty) Ltd, National Football Association (President)

Justus Hausiku
Namibian

FirstRand Namibia group directorships and trusteeship: FirstRand Namibia Ltd, First National Bank of Namibia Limited, Risk, Capital and Compliance Committee

External directorships: Quanta Holdings, Arch Group of Companies, MMI Short Term Insurance, InoHarith Capital (Pty) Ltd, Namibia Desert Diamonds (Pty) Ltd, Momentum Short-term Insurance

Jabulani Khethe
South African

FirstRand Namibia group directorships: FirstRand Namibia Ltd, First National Bank of Namibia Ltd, FirstRand Namibia group committee membership: Directors' Affairs and Governance Committee, Remuneration Committee

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

Peter Grüttemeyer
Namibian

FirstRand Namibia group directorships and trusteeship: FirstRand Namibia Ltd Limited, First National Bank of Namibia Limited, Audit Committee, Risk, Capital & Compliance Committee, Remuneration Committee

External directorships & trusteeships: Ohlthaver & List Group of Companies, Namibia Breweries Limited, Goreangab Trust, Namibian Lloyds representative

Corporate governance report

The directors and management of First National Bank of Namibia Limited regard **excellence in corporate governance, transparency, fairness, responsibility, and accountability as essential for its long-term business sustainability**, helping to protect and enhance the interests of its stakeholders. FirstRand Namibia's overarching governance objective is to ensure that an adequate and effective process of corporate governance is established and maintained. The First National Bank of Namibia Limited is committed to and accepts responsibility for applying these principles and objectives to ensure that the Group is managed ethically within prudent risk parameters.

The Group is subject to and endorses the on-going disclosure, corporate governance, and other conditions required by the Namibia Stock Exchange ("NSX"). In response to the notice by the NSX contained in Government Gazette No. 139, the FNB Namibia Group supported and applied the principles of The Corporate Governance Code of Namibia ("NamCode"); and further replaced all references made to King III in the NSX Listings Requirements with that of the NamCode.

The First National Bank of Namibia Limited's main business is banking financial service provider, regulated by the Bank of Namibia in terms of the Banking Institutions Act No. 2 of 1998. First National Bank of Namibia Limited has debt listed on the Johannesburg Stock Exchange ("JSE") and the NSX. Thus, the First National Bank of Namibia Limited complies with the Stock Exchanges Control Act No. 1 of 1985, NamCode, the JSE Debt Listings Requirements, and the NSX Listings Requirements. The directors of the First National Bank of Namibia Limited ensures compliance with all relevant legislation and other best practice regulations.

The Group's overall corporate governance objective is supported by the implementation of effective policies, processes and procedures relating to corporate governance, internal controls, risk management, capital management, and capital adequacy. The assessments conducted and overseen by the board committees during the year confirmed that the process implemented by the Group relating to corporate governance, internal controls, risk management, capital management, and capital adequacy have successfully achieved these objectives. The board is satisfied that the Group has complied with all these principles in all material respects throughout the year.

CHIEF EXECUTIVE OFFICER

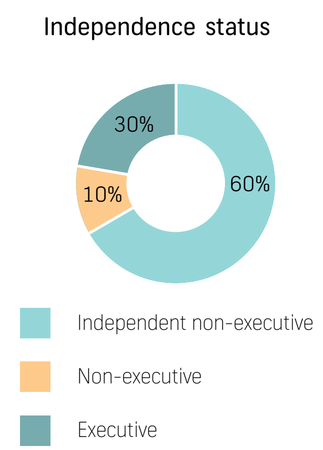
After the retirement of Sarel van Zyl as at 30 September 2020, Conrad Dempsey was appointed as the Chief Executive Officer of FirstRand Namibia Limited and First National Bank of Namibia Limited by the respective Boards on 01 October 2020 and 20 October 2020, respectively. The Chief Executive Officer leads and directs the executive management and serves as the chief link between management and the Board. The Chief Executive Officer is accountable to the Board for, amongst others, managing the strategies, Group performance and vision of FirstRand Namibia Limited Group, and ensuring the achievement of its performance targets.

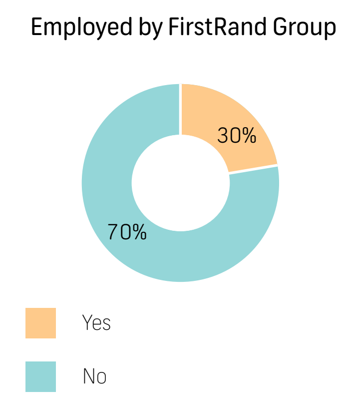
GROUP COMPANY SECRETARY

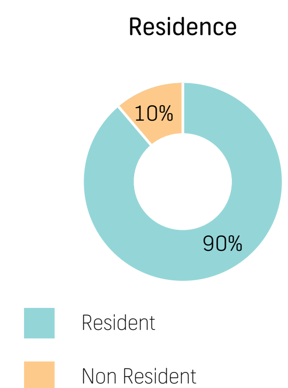
The Group Company Secretary is responsible to the Board for, inter alia, acting as a central source of information and advice to the Board on their duties and responsibilities, adherence to good corporate governance principles, and compliance with procedures and applicable statutes and regulations. Nelago Makemba was appointed as First National Bank of Namibia Limited's Group Company Secretary in May 2015 and is also the Company Secretary to the Board Committees. All Directors have full access to the services and advice of the Group Company Secretary in all aspects of the Board's mandate and operations of the Group. An assessment of the performance of the Company Secretary is undertaken annually, as part of the Board Evaluation process. The assessment confirmed the Company Secretary is competent, suitably qualified, and experienced; has the requisite skills, knowledge, and experience to advise the Board on good governance; maintains an arm's-length relationship with the Board; and has discharged her responsibilities effectively for the financial year.

COMPOSITION OF BOARD, INDEPENDENCE OF DIRECTORS AND DEMOGRAPHICS

As at 30 June 2021, First National Bank Namibia Limited had a unitary board of 10 Directors. The Board is satisfied that all Directors, whether classified as executive, non-executive or independent non-executive, act independently, free of undue influence, and in the best interest of the Group. The roles of the Chairperson and Chief Executive Officer are separate from each other as required by Principle C2-16 of the NamCode, and are clearly defined in the Board Charter, demonstrating a clear balance of power and authority at the Board to ensure that no Director has unfettered powers of decision-making.



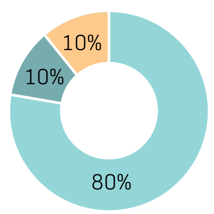




The independence status of the Board was assessed in term of NamCode Principle C2-18 requiring that the Chairperson annually assess the independence of those directors classified as Independent Non-Executive Directors weighing all relevant factors that may impair independence.

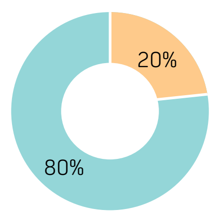
COMPOSITION OF BOARD, INDEPENDENCE OF DIRECTORS AND DEMOGRAPHICS continued

Citizenship



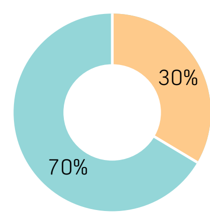
Namibian
Foreign
Foreign with permanent residence

Gender diversity



Male
Female

Previously disadvantaged



Yes
No

Directors	Independence Status	Employed by Group	Resident in Namibia	Gender	Previously Disadvantaged
II Zaamwani-Kamwi	Independent non-executive	No	Yes	Female	Yes
JG Daun	Independent non-executive	No	Yes	Female	No
CLR Haikali	Independent non-executive	No	Yes	Male	Yes
JH Hausiku	Independent non-executive	No	Yes	Male	Yes
JR Khethe	Independent non-executive	No	No	Male	Yes
P Grüttemeyer	Independent non-executive	No	Yes	Male	No
IN Nashandi*	Non-executive	No	Yes	Male	Yes
C Dempsey	Executive	Yes	Yes	Male	No
OLP Capelao	Executive	Yes	Yes	Male	Yes
E Tjipuka	Executive	Yes	Yes	Male	Yes

* *IN Nashandi was nominated and represents the GIPF. According to Principle C2-18.62 of the NamCode, he is not considered as independent as he has a direct or indirect interest in the Company (including any parent or subsidiary in a consolidated Group with the Company) which exceeds 5% of the Group's total number of shares in the issue.*

Tenure

The Banking Institutions Determination – 1 ("**BID1**") published in the Government Gazette No. 7339, prescribes that "*...a director of a banking institution or controlling company must serve for a maximum of (10) ten years*". This is not applicable to executive directors. The BID1 has provided banking institutions and controlling companies with a 3 year grace period from 18 September 2020 to comply with this requirement.

FirstRand Namibia Limited being the controlling company of First National Bank of Namibia, has 3 independent non-executive directors serving for periods of more than 10 years on its Board. The Directors' Affairs and Governance Committee has put in place plans to have the following affected Directors resign from the Boards of FirstRand Namibia Limited and First National Bank of Namibia Limited:

1. II Zaamwani-Kamwi resigns at the close of the October 2022 AGM,
2. CLR Haikali resigns on 30 June 2022, and
3. JR Khethe resigns on 31 December 2021.

BOARD COMMITTEE COMPOSITION

Directors	Audit Committee	Risk, Capital and Compliance Committee	Directors Affairs and Governance Committee	Remuneration Committee
II Zaamwani-Kamwi			√	
JG Daun	√			
CLR Haikali	√		√	√
JH Hausiku		√		
JR Khethe			√	√
P Grüttemeyer	√	√		√
IN Nashandi *				
C Dempsey				
OLP Capelao				
E Tjipuka				

COMPOSITION OF BOARD, INDEPENDENCE OF DIRECTORS AND DEMOGRAPHICS continued

Directors	FirstRand Namibia Ltd	Board meeting attendance	Audit Committee	Risk, Capital and Compliance Committee	Remuneration Committee	Directors Affairs and Governance Committee
II Zaamwani-Kamwi	4/4	100%				3/3
JG Daun	4/4	100%	4/4			
CLR Haikali	4/4	100%	4/4		2/2	3/3
JH Hausiku	4/4	100%		5/5		
JR Khethe	4/4	100%			2/2	3/3
P Grüttemeyer [1]	4/4	100%	3/3	3/3	1/1	
IN Nashandi	4/4	100%				
C Dempsey [2]	3/4	75%				
OLP Capelao	3/4	75%				
E Tjipuka [3]	3/4	75%				
S Moir [4]	2/2	100%	2/2	2/2	1/1	2/3
GS Hinda [5]	2/2	100%				
GCP Kruger [6]	2/2	100%			1/2	
S van Zyl [7]	2/2	100%				

[1] *Appointed at the 21 October 2020 to the Audit Committee and Risk, Capital, and Compliance Committees. Further, he was appointed to the Remuneration Committee at the 07 April 2021 Committee meeting.*

[2] *Appointed on 20 October 2020.*

[3] *Appointed on 20 October 2020.*

[4] *Retired as at 31 December 2020.*

[5] *Resigned as at 03 November 2020.*

[6] *Resigned as at 19 August 2020.*

[7] *Retired as at 30 September 2020.*

Audit Committee

The fundamental role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities in areas such as financial reporting, internal control systems, and internal and external audit functions. The Committee works closely with the Group' Risk, Capital, and Compliance Committee to identify common risk and control themes and achieve synergy between combined assurance processes thus ensure that these functions can leverage off each other to the extent necessary.

The Committee is constituted as a statutory committee of the Board in respect of its duties. The objectives and functions of the Committee is detailed in its Charter.

The independence of the Audit Committee is paramount and is thus comprised of three independent directors. The Board assures stakeholders that the Committee's collective skills are appropriate to oversee integrated reporting taking into consideration the industry, the Group's size and circumstances.

Stuart Moir has retired as at 31 December 2020, after serving on the FirstRand Namibia Limited Group Board and Committees, including Chairing this Committee. After due consideration, the Committee assisted by the Directors' Affairs and Governance Committee elected Peter Grüttemeyer as the Chairperson of the Committee.

The period for which the Audit Committee members have served are as follows:

P Grüttemeyer	Appointed 2020
CLR Haikali	Appointed 2016
JG Daun	Appointed 2017

Expertise and adequacy of finance function

The Committee received and deliberated on the expertise, resources, and experience of the Company's finance function. The Committee confirmed that they are satisfied with the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function. The finance function follows the Group structure in that each segment / brand has its own finance team reporting to the respective Executive Officers of the segment or support unit head.

Further, the Committee opined and confirmed that they are satisfied that OLP Capelao, the Group Chief Financial Officer and Executive Director, possess the appropriate expertise and experience to perform his duties as the Chief Financial Officer.

Expertise and adequacy of the internal audit function

The Committee received and deliberated on the expertise, resources, and experience of the Company's finance function. The Committee confirmed that they are satisfied with the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function. The finance function follows the Group structure in that each segment / brand has its own finance team reporting to the respective Executive Officers of the segment or support unit head.

Further, the Committee opined and confirmed that they are satisfied that OLP Capelao, the Group Chief Financial Officer and Executive Director, possess the appropriate expertise and experience to perform his duties as the Chief Financial Officer.

External audit function

External Audit Function

The Audit Committee has satisfied itself as to the performance and quality of the external audit and that the external auditors and lead partners were independent from the Group. The Audit Committee is satisfied with the efficacy and independence of the independent auditor, Deloitte & Touche, who performed the audit for the year and further confirms that the appointment of Deloitte & Touche, together with that of the designated individual audit partner, was assessed in accordance with the NSX listing requirements, JSE debt listing requirements, the Banking Institutions Act, 1998, as amended, and the Companies Act, 2004. The application in terms of the Banking Institutions Determination-10 (BID-10) has been made and approved by the Bank of Namibia. The audit form Deloitte & Touche will be proposed to the shareholders at the upcoming Annual General Meeting for approval to be the Group's auditor for the 2022 financial year.

Following the review of the Annual Financial Statements, the Audit Committee is of the opinion that, in all material respects they comply with the relevant provisions of the Companies Act, 2008, IFRS, the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and that they fairly present in all material respects, the results of operations, cash flows and financial position of the Company and the Group for the year ended.

The Committee has reviewed a documented assessment including key assumptions, prepared by management by the going concern status of the Company and accordingly confirmed to the Board that the Company is expected to be a going concern for the foreseeable future. The Audit Committee has recommended the entire Annual Report to the Board for approval. The Audit Committee is of the opinion that it has discharged its functions in terms of its Charter and as ascribed to it by the Companies Act, 2008 and the Banking Institutions Act, 1998, as amended. The Audit Committee confirms that the Company has established appropriate financial reporting procedures and that those procedures are operating.

External audit function continued

The Audit Committee discharged its duties by, inter alia, complying with its legal and regulatory responsibilities, as well as:

- overseeing the internal and external audits, including reviewing and approving of the internal and external audit plans, reviewing of significant audit findings, monitoring progress reports on corrective actions required to rectify any reported internal control shortcomings;
- reviewing legal and compliance matters that could have a significant impact on the annual financial statements;
- confirming and monitoring the internal audit process and assessing the effectiveness of the internal audit function;
- reviewing the quality, independence and cost-effectiveness of the statutory audit and non-audit engagements;
- monitoring internal control frameworks and procedures, including accounting policies, legislative compliance, regulatory matters and governance;
- reviewing the effectiveness of the systems of internal control, including IT internal controls and risk management, based on written reports form the Chief Audit Executive;
- recommending the appointment of external auditors, who in the opinion of the Committee are independent of the Company, for approval by shareholders at the Annual General Meeting;
- approving the remuneration of the external auditors and assessment of their performance;
- performing an annual assessment of the independence of the external auditors;
- setting the principles for recommending the use of external auditors for non-audit services;
- advising and updating the board on issues ranging from accounting standards to published financial information;
- providing independent oversight of the integrity of the Annual Financial Statements and other external reports issued and recommending the Annual Integrated Report to the Board for approval;
- assessing combined assurance from the external auditors, internal auditors and management ensuring that the combined assurance received is adequate to address all material risks;
- reviewing the appointment of the external auditors for recommendation to the Board; and
- assessing the expertise, resources and experience of the Group financial director and finance function.

The Audit Committee confirms that it was able to carry out its work to fulfil its mandate under normal and unrestricted conditions. The Committee is satisfied that the assurance obtained during the meetings, corroborated by the review of the documentation deemed necessary and its analyses, sustain its conclusion reached for the 2021 financial year end.

Chairperson

Risk, Capital & Compliance Committee (RCCC)

The RCCC provides independent oversight of risk, capital management, compliance, regulatory and conduct risk management, and enterprise risk activities in the FirstRand Namibia Limited Group. This includes ensuring that effective policies and plans for risk management have been implemented to improve the Group's ability to achieve its desired outcomes and that risk disclosures are timely, sufficiently detailed, and relevant to the Group's stakeholders. The Committee is satisfied that the Group has adequate resources, systems, skills, and remuneration practices to facilitate the ongoing effectiveness of the risk, capital management, compliance, regulatory and conduct risk functions. Compliance with laws and regulations applicable to operations is critical to the Group as non-compliance may have potential serious consequences.

Pursuant to paragraph 7.3(g) of the JSE Debt Listings Requirements, the Committee at the 24 November 2020 meeting recommended to appoint the Group Treasurer as the Debt Officer for the First National Bank of Namibia Limited. The Committee is satisfied that Selma Kapeng has the requisite qualifications, expertise, and experience to perform the duties of Debt Sponsor. The responsibilities of the Debt Officer include, to act as a central contact person for the applicant issue to assist holders of debt securities with any issues pertaining to compliance with the terms and conditions of any placing document, security document, and or any applicable pricing supplement(s) and the Debt Listings Requirements. Further, to assist the holders of debt securities to access the register of holders of debt securities through the transfer agent or otherwise (accepting the disclosure limitations at nominee/broker holder level only).

Stuart Moir has retired as at 31 December 2020, after serving on the FirstRand Namibia Limited Group Board and Committees, including Chairing this Committee. After due consideration, the Committee assisted by the Directors' Affairs and Governance Committee elected Peter Grüttemeyer as the Chairperson of the Committee.

The period for which the RCCC members have served are as follows:

P Grüttemeyer	Appointed 2020
JH Hausiku	Appointed 2017

The following Committees are Sub-Committees of the RCCC:

1. Enterprise Risk Management Committee,
2. Asset, Liability, and Capital Committee,
3. Information Technology Governance Committee, and
4. Social, Ethics, and Technology Committee.

The RCCC discharged its duties under the period of review by:

- approving Group policies, frameworks, strategies and processes, specifically regulatory risk management and financial crime risk management policies;
- monitoring containment of risk exposures within the risk appetite framework;
- reporting assessment of the adequacy and effectiveness of the risk appetite, risk management, ICAAP and compliance processes to the Board. In doing so, the RCCC approved assumptions underlying the Group's ICAAP and stress testing process, including reviewing the management plans to address additional risk arising from risk scenarios;
- monitoring implementation of the risk and compliance management strategy, risk appetite limits and effectiveness of risk and compliance management;
- reviewing and approving the Group recovery plan;
- received presentations and tracking of the progress made with BCBS 239 project (principles for effective risk data aggregation and risk reporting for IT risk), including integration with the Group data strategy;
- monitoring that the Group takes appropriate action to manage its regulatory and supervisory risk, and complies with applicable laws, rules, codes and standards in a way that supports the Group in being an ethical and good corporate citizen;
- approving regulatory capital models, risk and capital targets, limits and thresholds;
- monitoring capital adequacy and ensuring that a sound capital management process exists;
- receiving reports on the increased regulatory scrutiny and enforcement across the Group, including initiatives to address these risks. Further, initiating and monitoring corrective action, where appropriate;
- considering presentations on regulatory and conduct risk matters and considered group-wide monitoring coverage plans for regulatory and conduct risk management;
- receiving reports on the effectiveness of group corporate governance practices; and
- assessing the expertise, resources and experience of the debt officer.

P Grüttemeyer
Chairperson

Remuneration Committee (REMCO)

1. SCOPE

REMCO is charged with overseeing group remuneration and ensuring that remuneration practices align employees and shareholders. Remco promotes fairness of remuneration by ensuring the principle of equal pay for work of equal value is applied, and that **remuneration is market related and sustainable.**

The Committee assists the board in ensuring that the group meets recommended remuneration guidelines and practices of the NAMCODE and King IV, where appropriate. The committee is overall accountable for providing governance oversight over all forms of remuneration and reward for non-executive directors, executive directors, senior management and all employees across all subsidiaries and businesses in the FirstRand Namibia Group.

The overall intent of the remuneration is to achieve the following objectives:

- attract, motivate, reward and retain talent;
- promote the achievement of strategic objectives within the organisation's risk appetite;
- promote positive outcomes and fair, transparent and consistent remuneration practices; and
- promote an ethical culture and responsible corporate citizenship.

2. COMMITTEE MEMBERSHIP

REMCO is chaired by an independent Non-Executive Director and is constituted by Non-Executive Directors, majority of whom are independent. The Chief Executive Officer and the Chief Human Resources Officer attend all committee meetings in an ex officio capacity. Management invitees do not have any voting rights. Where there is a conflict or perceived conflict of interest, members of management recuse themselves from the discussion, and deliberation on an individual's performance occurs in the absence of the individual.

Segment representatives from FirstRand SA attend all committee meetings as permanent invitees.

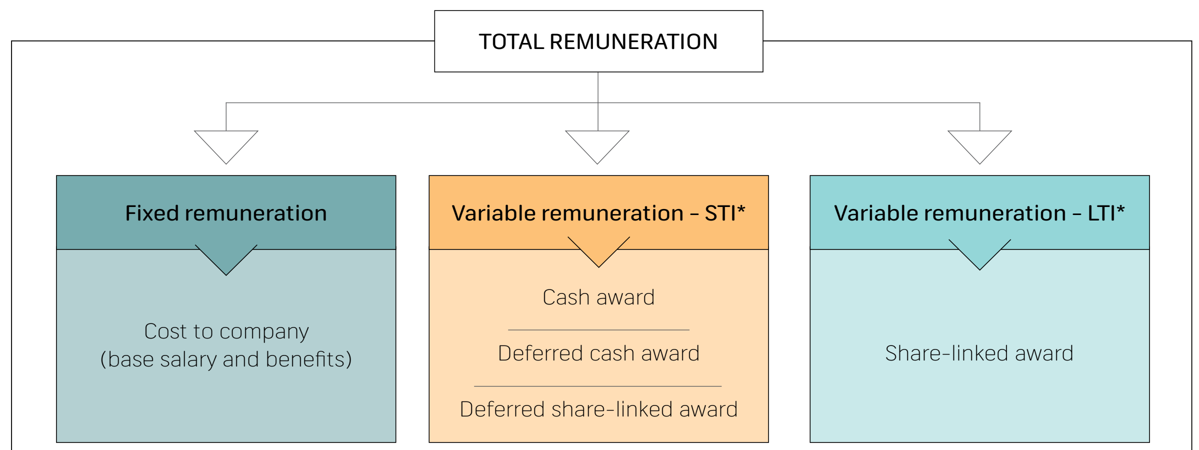
3. REMUNERATION PHILOSOPHY

The Group's remuneration philosophy is based on FirstRand founders long-held view that remuneration must align with shareholder value. This ethos has shaped the group's remuneration philosophy and is anchored in the performance management framework through which performance is managed at individual, team, business unit and Group levels.

The Group performance management process commences with an annual performance planning process whereby an annual operating business plan is developed informed by the Group's long-term strategic blueprint. The Board of Directors sets strategic priority areas and targets for the particular financial year derived from the Group's long-term strategy. Group targets are set within the group's overall risk appetite.

The group has adopted the principles of an outcomes-based remuneration philosophy, which it believes to be appropriate given the diverse nature of the businesses that make up its portfolio. The group's remuneration philosophy is founded on the following principles:

- Attracting and retaining the best talent in the market is a critical enabler for FirstRand to execute on strategy and deliver on its promises to stakeholders.
- Management should not do better than shareholders. That is, the growth in management remuneration should not exceed the growth in accumulated net asset value and dividends. To this end, the group's key performance measure, net income after cost of capital (NIACC), ensures that employees only receive variable pay after all obligations are met, including "paying" shareholders first for their equity. Management is thus expected to produce positive net income after cost of capital (NIACC) before they can start sharing.
- Management also has a responsibility to other stakeholders: regulators, customers, deposit holders, investors, employees and society at large. These are all considered by Remco when determining and assessing remuneration so that sustainable long-term growth for the benefit of all stakeholders is achieved.
- Remco considers total remuneration across fixed salaries, STIs and LTIs as encapsulated in the table below:



* *Variable remuneration is subject to malus and clawback provisions*

4. REMUNERATION POLICY AND STRUCTURES

4.1. Guaranteed pay

Cash Package (Based on Cost to Company)

The group has a cost-to-company (CTC) remuneration approach designed to attract and retain talent in line with the scope, nature and skills requirement of the role. CTC is generally market-related and reflects the responsibilities of the role, expertise and skills of the individual employee. An individual's guaranteed pay is determined by:

- The appropriate salary range matched to the role using market benchmarks (pay for the role); and
- The value he/she adds to FirstRand Namibia Ltd (pay for the person) in relation to the expected outcomes for a specific position/ role.

Guaranteed Pay Benchmarking

The remuneration policy promotes fairness of remuneration by ensuring that the principle of equal pay for work of equal value is applied. This principle encompasses two main aspects, namely: market-related pay and internal parity.

FirstRand engages independent service providers to benchmark market data pertaining to guaranteed remuneration. The PwC Remchannel® salary survey is currently used to benchmark against the market information. It also provides each industry with a comparator circle to ensure that benchmarking is done against peers at the correct level. This approach ensures that guaranteed pay packages are competitive allowing FirstRand Namibia Ltd to attract and retain the right caliber of employees.

In instances where it appears that pay for certain skills has fluctuated rapidly owing to factors such as scarcity of skills, a targeted customized survey may be commissioned. Such surveys are conducted using a reputable consultancy that is independent and does not have an ongoing contract with FirstRand. The results of these ad-hoc surveys serve to either validate existing data or provide intelligence for the business to make decisions.

With regards to internal parity, the remuneration committee has taken deliberate steps to ensure that it understands internal pay gaps within the group. The group has robust processes aimed at identifying and correcting any arbitrary inequalities in pay. These processes compare like-for-like objective criteria across the employee base, such as performance, skills and experience. Where unjustified income differentials are identified, adjustments are made as part of the annual remuneration review exercise to the extent that these can be catered for within the staff cost budget.

The Group has recognised the Namibia Bank Workers Union (NBWU) as the exclusive bargaining agent for non-managerial employees. The Group negotiates salary increases with the NBWU on an annual basis as provided for in the Recognition Agreement. Salary negotiations and resulting settlement are generally informed by prevailing macro-economic factors as well as individual employees' performance

All remuneration increases are reviewed and approved by REMCO in the context of individual and business unit performance, inflation and specific industry practices and trends as well as current economic environment.

Retirement contribution

All employees are contractually obliged to contribute to the FirstRand Namibia Retirement Fund. An independent Board of Trustees is in place constituted by employer and employee representatives. The Board of Trustees manage the Pension Fund and has been tasked to improve retirement outcomes by maximizing investment returns and minimizing costs.

4.1. Guaranteed pay continued

Medical Aid contribution

All employees are contractually obliged to belong to a medical aid. Employees who are not able to provide proof that they have membership with a medical aid, are obliged to become a member of Bankmed. An independent Board of Trustees is in place constituted by employer and employee representatives. The Board of Trustees manages the medical aid to ensure that relevant benefits are provided to the employees at reasonable cost.

4.2. Variable pay

Short-Term Incentive (STI) Scheme

A short-term incentive scheme is in place to reward and incentivize achievement of annually agreed individual, business unit and Group performance objectives and strategic priorities.

The STI pool for managerial employees of FirstRand Namibia is determined by FirstRand SA Remco by using a combination of both financial and non-financial performance measures.

As regard financial measures, the STI pool is determined using such performance measures as return on equity (ROE), normalized earnings growth and NIACC for the year under review as well as over a cumulative six-year period as this reflects the length of a normal business cycle. For an STI pool to be established, the ROE hurdle rates need to be met i.e. ROE must at least exceed COE while NIACC must at minimum be positive.

REMCO also uses certain qualitative and non-financial measures in the determination of the STI pool. These include but are not limited to risk management considerations, diversification, volatility and quality of earnings, performance within risk appetite, regulatory compliance and financial controls, sustainability, operational losses, progress against strategic objectives, progress on transformation, employee satisfaction and health of relationships with internal and external stakeholders, including regulators. Remco applies judgement and may make deductions from a calculated STI pool for poor performance against these non-financial measures.

For example, a significant risk management failure/issue could result in the reduced pool, whilst an improvement in quality of earnings compared to the prior year could also result in a higher pool.

Individual performance against agreed targets is assessed annually and this assessment includes qualitative feedback from managers, peers and subordinates. Individual short-term incentive awards are not guaranteed as they are discretionary and are determined by a combination of company, business unit and individual performance based on agreed targets. As such, there are no guaranteed bonuses for senior positions and employees who fail to attain set minimum performance targets do not participate in the STI scheme.

The awards are paid in cash with the primary objective of rewarding superior performance. Worth noting is the fact that, short-term incentive awards reduce or disappear in the event of poor Group, franchise, business unit or individual performance in line with the claw back principle.

Individual short-term incentive awards up to N$650,000 are paid in full in August while those in excess of N$650,000 up to N$2 million are paid out in three tranches, providing for a 6-months and 12-months deferral respectively. Interest, as determined by the Group, accrues on the second and third tranches and is included in these payments. Awards above N$2 million are also paid in three tranches but a component of the bonus is deferred as a share-linked award which vest two years later (based on continued employment and good standing). Should an employee resign or leave the employ of the Group for any reason before the date on which any tranche is payable, any outstanding tranches will no longer be payable and are forfeited.

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

Long-Term Incentive (LTI) Scheme

The Group operates a Long-Term Incentive (LTI) Scheme which seeks to ensure employees are aligned to shareholder requirements for sustainable earnings growth, sustainable and superior returns and the creation of long-term franchise value. LTIs also support the long-term retention of critical management level employees. The FirstRand Limited Conditional Incentive Plan (CIP) in South Africa is utilised to achieve these objectives.

The total LTI award pool for the group is approved annually by the FirstRand Remco in South Africa and considers overall headcount growth and salary inflation increases. The allocation of this pool is determined by the value created and the sustainability of the Group's contribution to shareholder value.

The allocation to individuals is driven by eligibility criteria with guidance on quantum linked to the guaranteed package of the individual. The performance conditions set for the LTI plans include targets for ROE and earnings growth and are deeply embedded in the performance culture of the group. The group does not assign weightings to the return and earnings growth conditions as it believes this practice creates two separate instruments which could drive behaviour where the one condition is favoured at the cost of the other. The group therefore requires both return and growth conditions to be met. ROE is the prerequisite and must be achieved before the growth metric is assessed. The earnings growth target is measured over a three-year rolling period on a cumulative basis. The return target is measured as the average ROE over the three-year vesting period, and positive NIACC is required in line with the group's performance philosophy. The ROE is based on net asset value and not on tangible net asset value, and as such includes goodwill.

Performance conditions should support motivation and retention, and as such Remco considers several factors, including:

- the outcomes of the three-year budget process as well as scenario analyses on the budgets with incorporation of risk and stressed views;
- the macroeconomic outlook together with the probabilities assigned to the different scenarios;
- the required investment in platforms and new business development for future growth strategies, with this investment expensed and not capitalised;
- the opportunity to grow in excess of the economy given the group's relative market share; and
- the requirement to protect the return profile as opposed to incentivizing earnings growth at the expense of returns.

Participants in the LTI CIP have exposure to fluctuations in the group's share price and the value of the award will either increase or decrease in line with the change in the share price over the vesting period, further supporting the alignment between shareholders and employees.

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

FirstRand Conditional Incentive Plan (CIP)

The FirstRand CIP is structured as a conditional incentive plan which is denominated in South African Rands. To align with overall FirstRand group strategic intent, the CIP is linked to the performance of the FirstRand share price (applicable to qualifying employees). For all qualifying employees, 100% of the award has the FirstRand share price as the underlying.

Under the group CIP described earlier, the conditional awards vest three years from the award date if the performance and employment conditions have been met. At the date of vesting, the employee will receive the vesting value, based on the share price at the time. Settlement of the vesting value will either be in cash or by acquiring settlement shares if elected by the participant. Shares required for settlement are purchased in the open market, not issued, to avoid shareholder dilution. There is no accrual of dividends over the vesting period and the participating employees remain exposed to fluctuations in the group's share price over the vesting period.

Remco has changed the vesting conditions for the 2019 LTIs. A distinction has been made between all participants in the CIP and top and certain senior management, given their level of influence on group strategy development and execution.

The awards for top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the person remains in employment (50% of the award remains subject to performance conditions).

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

Other LTI considerations

Outstanding LTIs

The group has a "good leaver" policy covering remuneration already awarded that has not fully vested. Remco has discretion in certain circumstances. The categories of good leavers:

1. **Retirement:** The LTI awards of employees who retire in terms of the group's retirement policy continue for the duration of the performance period and remain subject to the normal rules and performance conditions.

2. **Retrenchment and death:** LTI awards are pro-rated and deemed to be vested. From 2018, the awards are pro-rated for the remaining vesting period and a probability of vesting is applied based on performance to date measured against the roll-forward vesting conditions to date.

3. **Injury, disability or ill health:** LTI awards are pro-rated and deemed to be vested. From 2018, the awards are pro-rated for the remaining vesting period and a probability of vesting is applied based on performance to date measured against the roll-forward vesting conditions to date.

4. **Resignation:** Employees who resign before the vesting date of the outstanding LTIs will forfeit these awards. However, on rare occasions, depending on the circumstances, Remco may apply its discretion to allow some or all the outstanding awards to remain in force until the normal vesting date with specific conditions applicable to the employee's future role.

Employees who are dismissed are not deemed "good leavers" and as such, unvested awards are forfeited.

Currently open

2018 LTI AWARDED (Not vesting at the expected vesting date of September)

FirstRand Limited must achieve growth in normalised earnings per share which equals or exceeds the South African CPI plus GDP growth, on a cumulative basis, over the performance period from the base year end, being 30 June 2018, to the year-end immediately preceding the vesting date, and the company must deliver a ROE of at least 18% over the performance period. If real gross domestic product is negative, then growth in normalised earnings should equal or exceed CPI over the same period. Real GDP and CPI are advised by the Group Treasury macro strategy unit. For vesting to occur, the criteria must be met or exceeded. However, the scheme rules allow the remuneration committee the discretion to determine whether the conditional awards will vest in full or partially in circumstances where the performance conditions were not fulfilled. During the current year, the company failed to achieve the targets set for the cumulative growth in normalised earnings per share and ROE, and Remco notified qualifying employees that the scheme would consequently not vest.

4.2. Variable pay continued

Other LTI considerations

Graded vesting is applied to the 2019 LTI. The LTI for certain employees has time-based vesting applied to 50% of the award. The remaining 50% as well as 100% of the award for senior employees are linked to performance conditions. The performance conditions for 2019 include a minimum condition to achieve any vesting, a target, a stretch and a super stretch target with linear grading between targets. The minimum ROE and earnings growth conditions apply for vesting at 70%. If these conditions are not met the award lapses. Further conditions, including both ROE and growth, are set for 100%, 120% and 150% vesting, with the conditions set progressively harder up to the maximum level of 150%.

The performance conditions were set after careful consideration of the following:

- the group's ROE at 30 June 2019 as well as ROE projections and the stated long-term through-the-cycle ROE range of 18% to 22%;
- the group's stated long-term earnings growth target of nominal GDP plus more than 0% up to 3%, which was set after careful consideration of:
  - the size of its South African earnings base and balance sheet and the challenge of growing these materially above system growth given its relative market share;
  - the required investment in platforms, and new business development for future growth strategies, given the group's preference to expense and not capitalise where possible;
  - the outcomes of the budget process as well as scenario analyses on the budgets with incorporation of risk and stressed views; and
  - the macroeconomic outlook together with the probabilities assigned to the different scenarios considered. Remco retains the ability to adjust the vesting level downwards from the level determined by the ROE and growth outcomes as it deems appropriate.

For awards issued from 2019 onwards, Remco cannot apply upward vesting judgement if performance criteria are not met.

The 2019 performance conditions and relevant vesting levels are described below, measured over the period 1 July 2019 to 30 June 2022.

	Performance conditions	
Vesting level should both Conditions be met	ROE target average over the 3-year period	Normalised earnings per share growth target (3-Year compound annual growth rate)
70% (minimum vesting, below which the award lapses)	≥ 20%	Cumulative growth rate over 3 years – the greater of: • real GDP growth + CPI + >0%; and • CPI (to cater for negative real GDP growth)
100% (on-target performance)	≥ 20.5%	Cumulative growth rate over 3 years: • real GDP growth + CPI + 1.5% to 3%
120% (stretch target)	≥ 21%	Cumulative growth rate over 3 years: • real GDP growth + CPI + >5% to 7%
150% (super stretch target, maximum vesting)	≥ 22%	Cumulative growth rate over 3 years: • real GDP growth + CPI + >7% to 10%

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

2020 LTI AWARDED

Given that the impact of the COVID-19 crisis is expected to influence the operating environment for the next 18 – 24 months, Remco wanted to incorporate this scenario when considering the performance conditions for the 2020 LTI. At the time, the forecasts for earnings and ROE and the macroeconomic variables and the cost of equity were extremely fluid.

Remco determined that the 2020 LTI conditions should therefore align to the deliverables asked of management, namely:

- To strengthen and protect the balance sheet and franchise to enable the group to effectively weather the prevailing environment, and emerge from the current crisis with limited vulnerabilities, well positioned to capitalise on the recovery; and
- To restore both earnings and returns to previous levels by June 2023.

The metrics Remco will therefore consider for minimum vesting are: liquidity and capital ratios, earnings and ROE. The growth requirements are not set relative to economic variables as is usually the practice. Remco emphasised that vesting above 100% would only be possible once the group exceeded the 30 June 2019 earnings level and ROE was back within or above the group's targeted range of 18% – 22% at June 2023. To achieve minimum vesting of 70%, the group must exceed the liquidity and capital targets set by the board at 31 March 2023. If the conditions set for 70% vesting are not met, the award lapses. It further included an adjustment mechanism which will allow Remco to adjust the vesting outcome down by up to 20%. This would be exercised if material negative outcomes for the business occur that are within management control.
Examples would include:

- Issues that materially damaged the group's franchise, including its reputation;
- Material enterprise-wide risk and control issues, as recommended to it by the RCCC; and
- Concerns regarding the adherence to the liquidity and capital management strategies in place.

If performance criteria are not met Remco cannot adjust the vesting outcome upwards.

4.2. Variable pay continued

2020 LTI AWARDED continued

The conditions for each vesting level are unpacked in detail in the table below.

	Performance conditions	
Vesting level *	Minimum ROE requirement at 30 June 2023**	Normalised earnings per share growth target (3-Year compound annual growth rate)
Between 70.1% and 99.9%	For grading above 95%, ROE must be more than COE as at issue date of award, i.e. NIACC positive	Grading based on minimum compound annual growth rate of 4.3% up to <13.4%
100%	ROE must be more than COE as at issue date of award, i.e. NIACC positive	Minimum compound annual growth rate of 13.4% up to <17.5% (100% vesting only for all growth outcomes in the range above)
Between 100.1% and 119.9%	ROE of at least 18%.	Minimum compound annual growth rate of 17.5% up to <22%
120% vesting	ROE of at least 20%	Minimum compound annual growth rate of 22%
Between 120.1% and 150% Maximum vesting of 150%	ROE of at least 22%	Minimum compound annual growth rate above 22% and up to 28.2% to calculate linear grading up to 150% vesting.

* *Linear grading between these vesting levels based on the growth achieved.*

** *In the event that the ROE target is not met, the required growth condition will not be considered.*

What retention measures are being considered?

The reduction in earnings impacted all outstanding LTIs (i.e. the 2018 and 2019 LTI awards) which presents a potential talent retention risk. Remco considered the risk of failed multiple year awards and therefore implemented a specific retention scheme (COVID-19 instrument) for certain senior and top management, as follows:

- For senior employees, including the FirstRand executive directors and prescribed officers, the retention condition is for three years (rolling every 12 months) in the form of an LTI with only time-based vesting and no performance conditions.
- This retention instrument was awarded in September 2020. The value will be converted to a FirstRand LTI on the award date and will vest in equal proportions (tranches) over the next three years (September 2021, 2022 and 2023).
- Should an employee who receives this award resign within 12 months of a tranche of the award vesting, they will be required to repay the full amount of the vested tranche. Thereby the instrument represents a retention period of up to four years.
- The instrument will not additionally benefit an employee. In the event that the 2018 and 2019 LTI awards do vest, only the higher of the COVID-19 vesting tranche or the outstanding LTI awards will vest (not both).

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 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 during 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.

All executive directors have a notice period of one month. Executives have no guaranteed termination payments.

FINANCIAL PERFORMANCE

FirstRand's results for FY20 reflect the extremely difficult operating environment, with normalised earnings decreasing. Most of this decline was due to the much higher than expected credit impairment charge, driven by forward-looking economic assumptions required under IFRS 9. In addition, post the beginning of lockdown in March 2020, underlying customer income and affordability in all segments deteriorated sharply, as evidenced by lower levels of underlying transactional and credit turnover and the increase in non-performing loans.

Given the scale of the economic crisis, which FirstRand expects to influence the operating environment for the next 18 to 24 months, the group has anchored business to certain FRM principles, adherence to which will ensure FirstRand returns to its historical trajectory of growth, quality earnings and delivery of superior returns to shareholders. These FRM principles include:

- Carefully price for financial resources.
- Appropriately provide against lending portfolios.
- Apply strict cost management.
- Further strengthen and appropriately tilt the balance sheet to the macro outlook.
- Accrete capital and NAV – deployment of capital to reflect the increased cost of equity.
- Emerge from COVID-19 with limited vulnerabilities, with capital for growth.

The adoption of these principles shifted the group's focus from earnings growth and return to measures that protect both the franchise and the balance sheet. The board considered this shift to be strategically appropriate for the year under review, and therefore Remco partly recalibrated the remuneration performance measures to support these outcomes. This recalibration will remain in place for the duration of the crisis.

As a result, earnings growth and NIACC were not the only performance measures considered when awarding short-term incentive awards for the year under review and for target setting for 2022. Remco also took the view that management should be recognised for navigating a severe operational challenge which, whilst not fully reflected in NIACC and earnings over the short term, will be key to the future sustainability of the business. However, to ensure appropriate shareholder alignment (a long-standing remuneration principle) given the financial performance, Remco determined that the short-term incentive (STI) pool should reduce by a greater percentage than the decline in earnings.

Given the financial 2020 performance remuneration was impacted as follows:

- No salary increases on senior management in the ensuing 2021 year, except to the extent related to the remuneration mix alignment implemented in RMB, with the reduction of STIs in favour of higher long-term incentives (LTIs) and a more appropriate guaranteed pay.
- The largest impact on earnings was the creation of provisions due to the forward-looking assumptions required by IFRS 9. This does not represent lost earnings but conservative front-loading. Given the absolute decline in earnings, the STI pool reduced 27%, driven by the decline in normalised earnings. These reductions, and the fact that the other components of total return to shareholders, namely dividend and NAV, were flat demonstrate adherence to the key principle that management should not do better than shareholders.
- The decline in executive STIs was greater than the reduction in normalised earnings and the decline in the total STI pool (27%).

Key financial performance metrics for the year ended 30 June 2021 and the Executive Directors' remuneration. The committee believes that this increase and the underlying remuneration mix detailed in this report, is consistent with the FirstRand Group's remuneration governance framework.

	Normalised earnings growth (%)	ROE (%)	NIACC (N$m)	NAV growth (%)	Dividends per share growth (%)	Headline earnings growth (%)
2021	(1.1%)	19.4%	N$190.5 mil	13.1%	37.7%	17.9%
2020	(6.6%)	16.0%	N$81.5 mil	7.7%	(26.0%)	(19.1%)

DIRECTORS REMUNERATION

Executive Directors

Remuneration Sarel van Zyl FNB Namibia CEO (retired 30 September 2020)
Growth in reward and awards for 2021

N$ ('000)	2021	2020	% growth
Cost to company	820	3 269	(74.9%)
Compensation for loss of office	1 282	-	-
STI	2 541	2 566	(1.0%)
- Cash within 6 months	2 541	1 907	33.3%
- Cash within 1 year	-	659	(100%)
LTI award	107	3 073	(96.5%)
Total including LTI award	4 750	8 909	(46.7%)
Total guaranteed and variable pay (excluding LTIs)	4 643	5 835	(20.4%)

Remuneration Conrad Dempsey FNB Namibia CEO (appointed with effect from 1 October 2020)
Growth in reward and awards for 2021

N$ ('000)	2021	2020	% growth
Cost to company [1 2]	2 292	-	-
STI [1 2]	-	-	-
- Cash within 6 months	-	-	-
- Cash within 1 year	-	-	-
LTI award [1 2]	-	-	-
Total including LTI award	2 292	-	-
Total guaranteed and variable pay (excluding LTIs)	2 292	-	-

¹ *Pro rata 2021 remuneration disclosed to reflect the period of the year he was director.*

² *2020 remuneration not disclosed as he was not a director for 2020.*

Executive Directors continued

Remuneration Oscar Capelao FirstRand Namibia CFO
Growth in reward and awards for 2021

N$ ('000)	2021	2020	% growth
Cost to company	2 067	2 060	-
STI	868	1 349	(35.7%)
- Cash within 6 months	794	1 108	(28.3%)
- Cash within 1 year	74	241	(69.3%)
LTI award	-	1 654	(100.0%)
Total including LTI award	2 935	5 063	(42.0%)
Total guaranteed and variable pay (excluding LTIs)	2 935	3 409	(13.9%)

Remuneration Erwin Tjipuka CEO FNB (appointed with effect from 1 October 2020)
Growth in reward and awards for 2021

N$ ('000)	2021	2020	% growth
Cost to company [1 2]	1 801	-	-
STI [1 2]	296	-	-
- Cash within 6 months	172	-	-
- Cash within 1 year	116	-	-
LTI award [1 2]	-	-	-
Total including LTI award	2385	-	-
Total guaranteed and variable pay (excluding LTIs)	2 385	-	-

Variable compensation paid in cash in respect of the year ended June is paid (with an interest factor) in three tranches during the following year ending on 30 June, i.e. August, December and June.

Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate performance targets being met on a cumulative basis over three years.

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 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.

REMCO proceedings

The committee met twice during the financial year. Attendance at the meetings held during the year is as follows:

Members		Meeting Attendance
CLR Haikali	Independent Non-Executive Director	2/2
SH Moir	Independent Non-Executive Director	2/2
JR Khethe	Independent Non-Executive Director	2/2
GCP Kruger	Independent Non-Executive Director	1/2
P Gruttemeyer	Independent Non-Executive Director	1/1

The Committee is comfortable that it has rewarded FNB employees appropriately in the year under review. The committee is thus satisfied that it has executed its duties during the past financial year in accordance with its charter, relevant legislation, regulation and governance practices. The effectiveness of the committee is assessed annually by the board. The Chairperson attends the annual general meeting.

Ranga Haikali
Chairperson

Directors' Affairs and Governance Committee (DAGC)

The DAGC is constituted as a Committee of the Board and consequently reports to the Board. The duties and responsibilities of the members of the Committee are in addition to those as members of the Board. The purpose of the DAGC is to evaluate the **adequacy, efficiency and appropriateness of the corporate governance practices** of the Group and assist the Board in discharging its duties in respect of the governance and Board effectiveness, Board continuity and Board succession planning.

Board Evaluation Outcome

The DAGC conducted board evaluations which purpose was to measure the success of the board, identify any problems and highlight areas where performance can be enhanced. The evaluation assessed the effectiveness of the board charter, board meetings, board responsibilities, board composition, executive director, chairperson, and the company secretary. The evaluation yielded that the board members are generally satisfied with the areas evaluated. Further, that in the pursuit of recruiting new directors to that it is crucial to conduct thorough background checks to ensure that candidates considered and/ or appointed meet all ethical standards. The Committee noted that the following skills and experience are required on the board: banking, human capital, information governance, audit (including financial controls), risk management, asset management, and insurance.

Director succession and appointment

The DAGC considered and reviewed the Board structure, size and composition, taking account of skills and experience requirements and a need for appropriate demographics and the balance between independent non-executive directors, non-executive directors and executive directors. During this reporting year, continued focus has been applied to succession planning of the Board. During the year the DAGC has made plans and progress on compliance with the new BID-1 as gazetted focusing, amongst others, on the directors who has served for longer than nine years on the Board. Further, the DAGC successfully vetted candidates and continues to do so for appointment to the Board and recommending them to the Board in a formal and transparent manner. In making its recommendations, the DAGC took cognizance of the candidate's integrity, skills and further ensured that any statutory requirements for the proposed appointments were complied with.

Non-Executive (including Independent Non-Executive) Director Attendance

The BID-1 requires non-executive Board members to attend at least 75% of Board meetings in any particular year. This is to ensure that they will discharge their duties and responsibilities effectively. The Board is required to review the sustainability of any such Non-Executive Director who fails to comply to the 75% attendance rule without valid reason. The DAGC received and considered the attendance of all Directors and noted that all Directors have attended at least 75% of the scheduled Board meetings for the reported financial year.

Monitoring Progress with the Boards on-going Director Development Programme and Identifying Relevant Areas of Training for the Board

Other on-going training and education courses allow directors to familiarize themselves with the Groups operations, the business environment, fiduciary duties and responsibilities, the Board's expectations in respect of a Director's Commitment, ethical behaviour and keeping abreast of regulatory changes and trends. Directors have full and unrestricted access to management, group information and property. They are entitled to seek independent professional advice in support of their duties at the Group's expense.

The Directors are accountable and responsible for all actions of Board Committees. Ongoing training and education allow the Directors to familiarise themselves with the FNB Namibia Group's operations, the business environment, fiduciary duties and responsibilities, the Board's expectations in respect of a Director's commitment and ethical behaviour and keeping abreast of regulatory changes and trends. The DAGC oversees Director induction and ongoing training programmes and will continue to make professional development of its members a priority.

During the financial year the following training topics were covered:

- Chairman Rest of Africa Conference,
- Regulatory Conduct Risk Management Training,
- JSE Debt Listing Training, and
- FirstRand Namibia Limited Group Strategy Session.

In addition to the above, the DAGC discharged its duties as highlighted below:

- making recommendations on the re-election of directors retiring by rotation,
- monitoring the adequacy and effectiveness of the Group's corporate governance structures and processes,
- regularly reviewing the board structure and composition of the significant operating companies and non-statutory boards and committees in the FirstRand Namibia Limited Group and making recommendations thereon to the Board,
- to consider the independence of the non-executive directors on an annually as required by law and/ or recommended by the NamCode,
- regulatory and audit findings relating to governance;
- monitoring and advising on the executive committee talent pipeline;
- monitoring any adverse media of the Directors; and
- advising the Board on succession planning in respect of the office of the Chairperson of the Board, executive and non-executive directors.

The DAGC's future focus areas will continue to be Board continuity and specific focus on Board succession planning to ensure compliance with the BID-1.

II Zaamwani-Kamwi
Chairperson

04

SUSTAINABLY CREATING VALUE THROUGH OUR STRATEGY

Reflections from our Chief Executive Officer

CONRAD DEMPSEY | *CEO*

Dear fellow stakeholders,

The past financial year was an extraordinary year by any measure. It was **a year where Namibia bravely faced its toughest battle against the global COVID-19 pandemic's invasive march,** amid turbulent macro-economic and political tensions and deeply felt social and racial injustice became animated in dramatic scenes globally.

Here in Namibia, our clients, employees, and broader society suffered sustained, complex personal challenges and many loved ones were lost to the pandemic. As FNB we share their grief and feel genuinely saddened by the numerous members of our FirstRand Namibia family that passed away through COVID-19-related illnesses. We extend our condolences to their families and loved ones.

Our strategy, resolve and resilience were tested time and again. But, thanks to the astounding innovation and creativity of our teams across the country we successfully navigated the stormy waters of the year. During this time, like many other companies big and small, not only discovered what it is capable of, but also where we needed to realign operating models; and through many innovative responses to the changes in our operating environment, more than glimpsed the promising reality of what we might become. It is fair to say that our experience of more than 118 years in Namibia gave us the ability to constantly adapt, with speed and with a future-fit mindset. This has become our basic operating standard, and coupled with an agile technology set, the group continues to find ways to elevate financial services daily.

This past year reset the way in which companies think about the hurt of joblessness and growing poverty and our now forever-changed role in society. It is time for boldness. We have huge problems to address, locally and globally. In response, our corporate vision and ambition has been stretched to encompass helping to build a globally competitive Namibia, with the understanding of all the societal and economic challenges this presents. Our ambition and vision for the role that FNB plays in market, will always expand to meet the need of our customers in any country.

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As I write this report, Namibia is in the most challenging phase of the pandemic to date. Still, I feel encouraged and optimistic about the significant public and private effort, despite limited resources, to curb the spread of the virus across the country. Any meaningful recovery in our fragile economy is only possible if we all work together to get on top of this health crisis.

Globally, economies and societies are starting to emerge from the pandemic. In some countries, post-pandemic life is becoming a reality, with swift economic recovery creating new jobs. This view of life on the other side inspires us and our partners to step up and rebuild lost capacity to ensure that Namibia keeps in step with the global recovery.

RESPONDING TO THE COVID-19 PANDEMIC

The Group's collective innovative thinking, disruptive digital platforms, and owner-manager philosophy directed the way we responded to the profound socio-economic challenges brought about by COVID-19. Having swiftly responded on our own and through strategic partnerships with other private sector players, continues to be at the forefront of helping the to curb the spread of COVID-19, and to mitigate its deep impact on Namibian lives and livelihood.

As we entered the financial year, we created an enabling environment for customers transact, lend, invest and insure, and our staff to work from home wherever possible, and we focused on expanding our footprint through CashPlus in communities, enhancing our digital solutions to support our customers as they adapted to the still-evolving new normal.

Both the Namibian government and the central bank's decisive actions were instrumental in protecting lives and ensuring financial stability. However, the country's precarious fiscal position limited government's ability to deal with the magnitude of the economic consequences of the pandemic. FNB Namibia provided significant help to three key stakeholder groups in response to the pandemic, as outlined below.

Helping customers

COVID-19 created unprecedented economic stress, which has had a profound and far-reaching impact on our customers, individuals, and businesses alike.

Some of the many innovative solutions to alleviate stress for customers are outlined below:

- Retail customers in good standing were offered emergency funds designed to bridge short-term liquidity needs and provide cash flow relief. This customer-centric approach covered all FNB products and WesBank customers who bank with FNB Namibia. Payment holidays were also offered.
- As Namibia's leading digital bank, FNB Namibia was able to assist customers by waiving swiping fees, and other data charges, and encourage banking behaviour change to alternative channels to manage numbers in branch.
- FNB Namibia provided relief to commercial customers, primarily in the form of payment holidays, and additional relief was offered to small and medium-sized enterprises (SMEs) through the government-guaranteed loan scheme.
- More than N$2 billion of facilities received some form of cashflow relief over the past year.
- For corporate customers, relief was advanced on a case-by-case basis. Corporate relief was provided in the form of additional liquidity facilities, payment holidays and covenant waivers. Eligibility for relief followed a risk-based approach and was assessed at an overall customer level by RMB.

Equipping employees

Employees were provided with the necessary equipment, VPN access, hardware support and data solutions to enable the majority of the workforce to work effectively from home. Microsoft Teams was deployed across the group and is now the primary tool of trade. Appropriate protective measures were implemented to ensure a safe working environment, and at on-site premises, temperature screening was conducted, and sanitising stations were permanently installed. The group also provided PPE and installed screens where appropriate; implemented safe zoning and floor spacing to enforce social distancing; and conducted visitor pre-screening and sanitising of all premises including branches. To date we continue to provide support to employees dealing with COVID-19 either as victims themselves or as they experience loss, through an expansive and detailed wellbeing process including care hampers, daily messaging, access to counselling and, where appropriate, financial solutions through this challenging time.

TRACKING STRATEGIC PROGRESS

Despite the challenges presented by the COVID-19 crisis, the Group continued to execute well on its stated growth strategies for the 2020/21 financial year. Group earnings remained strong and were mainly generated by large lending and transactional franchises, FNB and RMB, which have deep and loyal customer bases.

Ultimately the Group's strategy is to deliver integrated financial services to its customers to make Namibia globally competitive. Successful execution is underpinned by a long-standing culture of solutionist thinking and innovation, combined with disciplined allocation and pricing of financial resources. This approach has resulted in a solid set of results adding to a proven track record of delivering superior resilient economic profits, returns and dividends to shareholders.

Our results evidence our continued efforts to protect and grow our banking businesses, through FNB, RMB, even while transforming into a financial services business with a fully integrated, platform-based, customer-centric approach in Namibia.

Over the past few years, FNB Namibia has focused on developing a strong financial service offering, with special emphasis on digitalisation. We review our representation points and locations on a regular basis and take into account other offerings, including digital banking technology such as USSD, Online Banking and the FNB App, as well as the increasing availability of alternative channels such as Cash@Till, eWallet@Till, and CashPlus where cash can be deposited and withdrawn, and eWallets can be withdrawn at partner retailers countrywide and specifically, in rural areas. This has allowed FNB to decrease its physical presence across the country, while exponentially increasing its customer access to banking through merchants and alternative channels.

We have seen a steady increase of transactions by our customers at these merchants and trust they will continue to make use of the numerous alternative banking channels designed to ensure that channels remain affordable and accessible to all Namibians, while also delivering us with increased opportunities for engagement, speed to market efficiencies and in the future, reduced overhead.

RESILIENCE AND OPTIMISM

Economies that were weak entering the crisis will most likely take longer to recover. Consequently, Namibia's recovery will be slow unless its underlying fundamental long-term structural weaknesses are resolved.

The economic impact of COVID-19 will continue to place acute pressure on the Group's performance for the rest of the 2021 calendar year. However, trends are improving post-lockdown even as economic recovery slowly emerges, and we remain hopeful that the remaining year will be better for Namibia and its people and the world at large. Our resilience this year puts us in a stronger position to accelerate our exponential help for customers in our transact, credit, insure and invest areas in the months ahead.

We recently concluded the realignment of our business into two distinct client clusters, being the Retail and Commercial (R&C) client segment and the Corporate and Institutional (C&I) segment. This alignment allows us to serve the needs of our clients across the full continuum of financial services and we are very excited about the value that this will unlock for clients in their own personal wealth journeys.

As a group, we are driven by our purpose to be a force for good and, no matter the circumstances, we will continue to navigate towards a future of shared prosperity for all. Financial inclusion, sound money management, youth employment creation and Public-Private Partnerships are all important themes in our strategy to provide sustainable help into the market.

Our business is well aligned to deliver on our purpose and unlock value in the multitude of opportunities that we continue to see. FNB's capital position and well provided balance sheet unlocks a series of real options for the executive and management team. As a team we remain positive that we can combat the impact of COVID-19 on our business, and we will continue positioning the Group to best weather the many anticipated headwinds through the next planning period. Protecting and growing customers and their financial wellbeing, while equipping and rewarding employees appropriately, will ensure our success.

A note of thanks

Notwithstanding the difficulties that customers continue to experience as a result of the pandemic, as an Exco team, we are humbled by their more than 100 years of support, and we are grateful to be their preferred partner in navigating the current challenges. Equally, our contribution to the lives of our customers and society makes this a fulfilling journey of help.

We also extend our gratitude to all frontline workers across the country, irrespective of industry, for their selfless service to our nation.

My own sincere thanks go out to our employees countrywide, the executive team and the Board for their collective contribution. To our business partners, shareholders, and other stakeholders– thank you for your ongoing support.

For over a century our products and services have helped to positively transform the lives of thousands of people in Namibia. In this time of uncertainty, delivering on our Promises has never been more critical. Our strategy is working, and we will continue to build a future of shared prosperity through enriching the lives of our customers, employees, and communities in which we operate.

I am confident that FNB is in a strong position to take on the challenges and opportunities ahead.

Conrad Dempsey
CEO

Our operating environment

FNB OPERATIONAL REVIEW

FNB Namibia ("FNB") represents activities in the Retail and Commercial segments. FNB provides end to end financial services to retail and commercial customers through the pillars of, Transact, Lend and Invest. FNB's mission is to be a trusted partner helping to create a better world by providing contextual innovative financial solutions platforms.

In spite of the severe economic and social impact of COVID-19, we present a strong performance, which echoes the strength and diversity of our franchise.

Customers have been materially affected in their lives, with regard to their disposable income and at times financial security coming under great pressure. Financial strain aside, **we have observed major shifts in how our customers are preferring to transact with us,** as well as some changes in the need and appetite for products across our product range.

Ensuring smooth business continuity through this time has been a major priority and the speed to respond to the operating environment with mitigating actions is evident in the outcomes of this financial year. Strong and skilled leadership in navigating all aspects of the strategy, culture, talent and disciplined deployment of resources in execution is reflected in both the financial and non-financial results.

STRATEGY AND RESOURCE ALLOCATION

FNB Namibia is committed to meaningfully impacting people's lives by offering real help – prioritizing accessible, affordable and contextually relevant solutions, and consistently delighting customers in the experiences they have with us. We aspire to sustainably grow our customer base and to deliver differentiated value propositions to customers in each of the sub segments served.

Our ongoing journey to evolve to a platform business is core to achieving this strategy and growing the choice of digital channels we offer, as well as increased use of these by our customers remains key. Besides accessing our wide network of physical infrastructure, we expect consumers to increasingly prefer self-servicing in future and our customers have the luxury of choice to conduct their transactions via our app, online and cellphone channels. These channels are supplemented with the 6 668 POS devices, 238 ATMs and 80 ADTs that we have located nationwide. All of these options allow us to provide more affordable, safe and convenient banking services to our customers, be they individuals, small business, large corporates, or Government entities.

Ensuring the sustainability of this business is key, and we effectively deploy our resources to deliver value to our customers and shareholders alike. Data-driven actionable insights inform the business strategy, decision-making, execution and measurement as a fundamental. This allows us to have appetite for growth whilst continuing to actively manage and mitigate credit risk to our balance sheet. The unending move towards more efficient and optimized processes that are automated where appropriate, furthermore contributes to the frictionless delivery of our various customer value propositions.

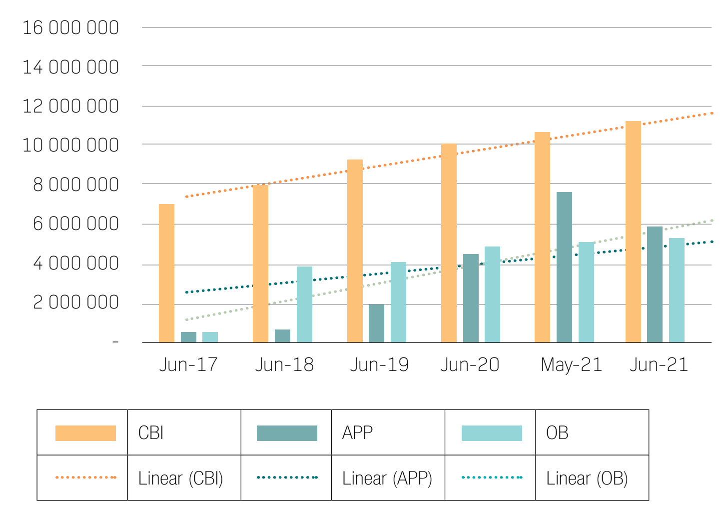
It is recognized that none of this can be achieved without our people. Deepening our culture that is simultaneously purposeful, service-oriented and results-driven is crucial and we remain committed to having a talent base that is best-in-class and future fit.

CUSTOMER MIGRATION TO PLATFORM

In 2018, FNB embarked on a formal transformation journey necessitated by advances in technology and the increased utilisation of digital platforms. We are proud to have been awarded the PMR Diamond Arrow award for the Best Digital Banking Service in 2020. This continued investment in platform meant that the business could quickly adapt to the challenges brought on by the COVID-19 pandemic.

Over the past year, the mid- to high-income segment has seen an increase of 11% take-up on our app. USSD registrations in the lower income segment grew by 3% off a base of already high penetration. In addition to card maintenance on app, we added statement downloads and disinvestment functionality, increasing customers' ability to conveniently self-service. Prepaid purchases for items such as electricity and airtime, and electronic payments increased by 10.6% and 32.6% respectively.

Channel volume (financial and non-financial)



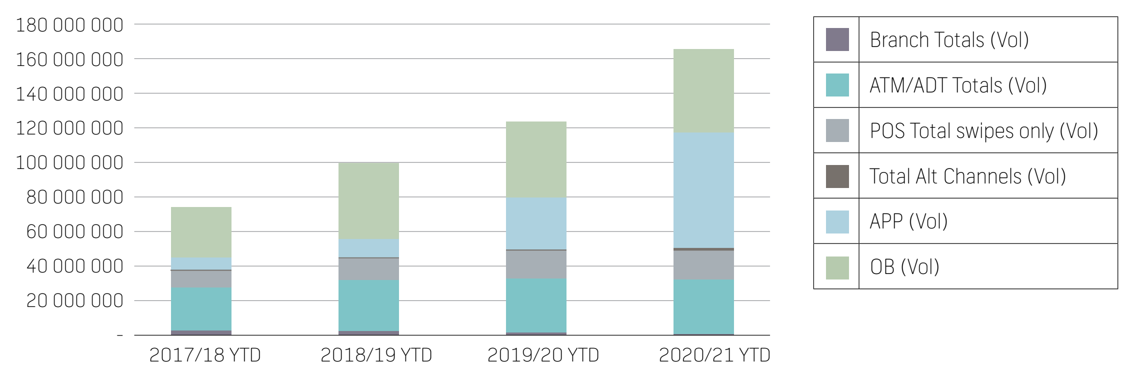
We observed an increase in eWallet send volumes and values of 12.2% and 16.4% respectively. Our efforts to encourage customers to swipe cards instead of using cash are evidenced in the increase of swipes by 19.6%. It is worth noting that 54% of our cards in circulation are contactless enabled, representing an increase of 408% above prior year. This functionality further supports our efforts to facilitate safe banking in light of the pandemic, allowing our customers to have reduced physical contact when transacting via POS devices.

CUSTOMER MIGRATION TO PLATFORM continued

Our nation-wide network of ADT's (automated deposit taking machines) has played a significant role in reduced queue congestion in branch whilst allowing for convenient banking for the customer. The ADT offers customers access to 24-hour, real time, deposit functionality. ADT deposits increased by 49.7% in volumes with a resultant decrease of 29.5% in-branch transactions as we supported customers in efforts to practice health-related safety measures by providing alternatives to conducting transactions in our physical branches.

Our recently introduced alternative channels offering, collectively known as FNB Cash Instore, delivered a 177% increase in volumes and a correlated increase in value of 161%. Customers can withdraw cash, withdraw eWallets and pay with eWallet at stores countrywide offering the Instore services. Customers can further make account deposits at selected stores countrywide. The FNB Cash Instore services allow for more convenient access to cash, benefitting not only the FNB customer but reducing the cash and related burden on the retailer offering the service. The focus now is to grow the network of stores that offer the FNB Cash Instore services and to offer access to banking in a safe and secure manner.

Total volume (Branch v ATM v POS vs APP vs OB vs Alt Channels)



As a result of customer migration to digital platforms, we have had to adjust branch operating models. The "Teller Lite" and "Teller Less" operating models have been implemented in branches where teller volumes have significantly reduced. At specific locations, this migration to a customer self-help model has resulted in branch activity volumes dropping to the extent that it was no longer feasible to keep these branches open. Branches in Oshikuku, Arandis, Usakos, Mondesa, Klein Windhoek, Old PowerStation and Aussenkehr have thus been closed over the past year. Similarly, several ATMs have also been removed where no longer warranted due to availability of alternatives and more affordable channels in close proximities to where these ATM's were situated. The consolidation of our ATM network will also enable us to redirect ATM's from low volumes sites to high volumes sites in order to reduce queues at the high volumes sites.

Not all customers are comfortable or have access to the technology to switch immediately from branch to digital platforms. Over the past year, we have thus introduced several enhancements within the Contact Centre. These enhanced capabilities allowed it to act as a service centre that is a fitting alternative to branch. Call volumes in the contact centre increased by 46% in relation to pre COVID-19 levels, to about 75 000 calls per month. These volumes have tapered back to an average of around 68 000 calls per month. The Contact Centre operating hours were extended, with weekdays from 07h00 to 22h00, and now also open on Saturdays, Sundays, and Public Holidays.

Activities such as updating of customer profiles on the banking system, stop payments on accounts, statement request, disinvestments, adding of nominated electronic payments, disputes for debit orders and enhanced credit enquiries have all been directed to the Contact Center, thereby further reducing footprint and activity in branch.

FINANCIAL PERFORMANCE

The operating environment remains challenging and the effects of the COVID-19 pandemic are still being felt. Despite these obstacles, the business delivered a set of solid results. FNB's earnings are up 4.4%% with normalised earnings declining by only 2.4% from N$1.27 billion to N$1.24 billion which points to a resilient operating performance, despite margin pressure, subdued noninterest revenue growth due to lower absolute volumes during the lockdown period, and depressed new business origination. Net interest income declined 11% mainly impacted by slower advances growth and cumulative rate cut of 300bps which had a negative impact on net interest income. Non-interest revenue remained flat year on year. Although there was notable increase in digital activities and utilisation of the alternative channels, this revenue was offset by the regulatory pressures on fee income and marked decreased volumes in traditional channels such as branch and ATM activities. Impairment losses decreased by 57% year on year. The decrease was mainly due to a significant decrease in the COVID-19 related judgemental overlays that were created in the prior year. FNB remains prudently provided with coverage ratios matching prior year levels. Operating expenses were well contained reducing by 2% compared to prior year reflecting focus on cost management and lower variable expenditure given the current year performance.

The balance sheet showed muted growth as both advances and deposits only increased by 1% respectively. Necessary COVID-19 restrictions adversely impacted advances growth and led to a low levels demand for new loans and rise in non-performing assets but within acceptable risk appetite parameters. Deposits increase mainly emanated from the retail customers who opted to hold their cash in savings or in call deposits due to uncertain economic environment.

OUTLOOK

Although the outlook remains challenging mainly due to impacts of the pandemic on both Retail and Commercial customers, as well as an anticipated increase in compliance costs, management is confident that the strategy and execution capability of the business is well-positioned to continue anticipating and responding to evolving customer needs in order to delight them. The combination of this with our innovation and continuous improvement capability, along with the disciplines of how this business is run are expected to continue to deliver value to our employees, customers, shareholders and broader society at large. To achieve this, we will execute our strategy through 4 strategic pillars:

- High performance culture
- Delighted customers
- Contextual solutions
- Sustainability mindset

We will remain true to our purpose of providing real help for impactful change in the lives of our customers, employees and society at large and thereby helping to build a globally competitive Namibia.

Erwin Tjipuka
CEO FNB

RMB OPERATIONAL REVIEW

RMB continued to generate positive value amidst a challenging macroeconomic environment which was further compounded by the COVID-19 pandemic. The RMB purpose to liberate diverse talent to partner and innovate for a sustainable Namibia allowed the team to intentionally drive and achieve long-term sustainable value for all stakeholders, without being distracted by short-term exogenous shocks. The businesses' sustainability is further anchored by a diversified mix of commoditized and bespoke solutions, enabled by disciplined financial resources management and risk capabilities. The balance between risk and return allowed RMB to navigate through market disruptions, while maintaining our promise to contribute to a sustainable Namibia. Growth initiatives that contributed to value creation, allowing RMB to achieve Primary Bank and Trusted advisor status, include:

- Building on our competitive position by providing bespoke and innovative client solutions;
- A highly skilled team, deeply invested in clients, allowing value to be unlocked along value-chains and within ecosystems;
- Streamlining our business model through service excellence, simplification of operations and capacity building;
- Strict and stringent financial resource management principles.

Debt and Trade Solutions (DTS) provides a meaningful contribution to the overall business through a series of landmark and innovative short-term and long-term structured deals. Despite external headwinds, DTS maintained momentum through a proactive approach to addressing client needs and achieving Trusted Advisor status. This is further driven by the twin goal of diversifying exposure and revenue streams with key focus areas in capital markets, lending, structuring activities and advisory. These efforts have also added to Namibia's sustainable goals by contributing to sectors such as Energy and Affordable housing.

Namibia's domestic consumption has come under pressure as result of COVID-19, which was cushioned by 300 bps repo rate cut, which impacted our flow business. The teams deliberately set out to provide alternative transactional banking solutions and channels to mitigate contact and COVID-19 associated risks, while driving client behaviour towards digital channels for a healthy society. The team also focused on retention of clients through investment in service. In addition, to a proactive approach to providing value-adds and competitive transactional banking offering to achieve Primary Bank Status.

The team set out to deliberately de-link from the macros with an active investment in the Markets Business. This is showing positive gains as the Markets business has been increasingly contributing to the overall business. The team was able to embrace volatility of the global markets and was able to navigate with the clients through this new normal and diversify income streams. The teams collaborated strongly with client to de-risk their market risk profiles and enhance the performance of their businesses. By doing so, business sustainability was improved for clients and their ecosystems as well the surrounding economic system. Bringing value to clients through innovative solution allows for value to diffuse throughout the economic, financial, and social systems.

The success of RMB is further entrenched in its ability to leverage off the wider FirstRand ecosystem, both locally and internationally, and to partner with the FNB and Ashburton franchises. Through this, RMB can meaningfully solve for our clients through value-added and enhanced solutions, while creating internal synergies. In addition, our success remains a factor of our talent and skills, our teams were able to prove their resilience and fully embrace solutionist thinking to solve for our clients, and also for Namibia itself, as we work together to rebuild our economy.

Philip Chapman
CEO RMB

05

DRIVING PERFORMANCE

Reflections from our Chief Financial Officer

OSCAR CAPELAO | *CFO*

In response to the pandemic, the Namibian government declared a National State of Emergency with associated stages of lockdown in order to protect lives. The Ministry of Finance and BON simultaneously acted to ensure financial stability. The measures undertaken by the Namibian government and its various agencies followed a similar response seen in many other countries but need to be seen in the context of the limited fiscal space available to government. **Namibia was one of the first countries in Africa to roll out the COVID-19 vaccination programme** ahead of initially anticipated timelines.

We started this financial year, in various levels of lockdown in the country. 2020 was an extraordinary year by several measures. We had to realign and rethink to ensure our focus was on supporting our clients through this treacherous time. Namibian projected GDP was set to decline at 5.5% annualised for the period to June 2021 but as we entered the fourth of the current financial year some economic activity started to pick up and a slight conservative optimism emerged.

Our clients, both individuals and corporates, came under serious pressure and transactional volumes fell tremendously in the first quarter of the financial year, before recovering somewhat into the last three quarters of the year.

FNB Namibia entered the crisis in a strong position. Financial resource management, technology and talent are the instruments that helped us weather the storm. We experienced a reasonable recovery in July, with activity levels still lower than March, but as of October growth had started to progress.

The negative impact of interest rate cuts that BON implemented to try and alleviate the impact of COVID-19 became noticeable in our earnings. A total repo rate cut of 300 bps since the start of the pandemic took the rate to 3.75%.

REFLECTIONS FROM OUR CHIEF FINANCIAL OFFICER continued

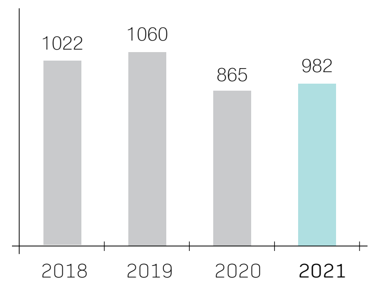
Despite this difficult operating environment, FNB Namibia's proven commitment to create and preserve value for all our stakeholders remained in tact. This highlights that our people, models, and franchises are resilient in a harsh economic declining cycle. Profit before tax increased by 15% to N$1.424 billion (2020: N$1.234 billion) for the period under review. Cost to income ratio increased to 54.6% (2020: 52.6%) and ROE was 19.2% for the period. Costs were well maintained, increasing with 0.5% for the year.

Pre-provision profit has decreased by 7.3% to N$1.662 billion whereas headline earnings increased by 14.1% to N$983 million. This was impacted largely by a significant decrease in impairments mainly related to IFRS 9 forward-looking macro models and COVID-19-related judgemental overlays recognised in the prior year.

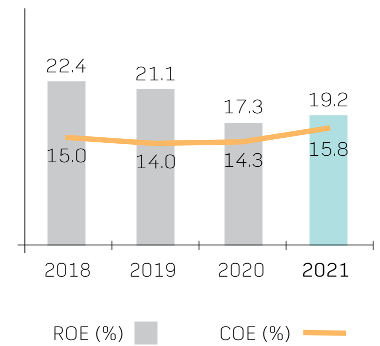
ROE and ROA improved to 19.2% and 2.2% respectively.

During the crisis we upheld robust capital and liquidity positions. Our capital adequacy ratio of 19.5% increased from 2020 levels and remained well above our board targets of 14.0% and well above the BON and SARB minimum requirements of 10.0% and 12.25% respectively.

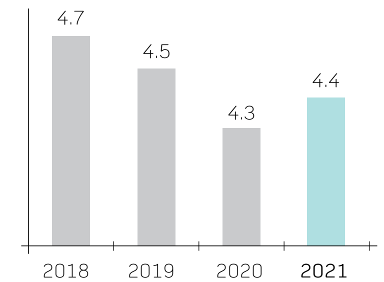
Earnings (N$ million)



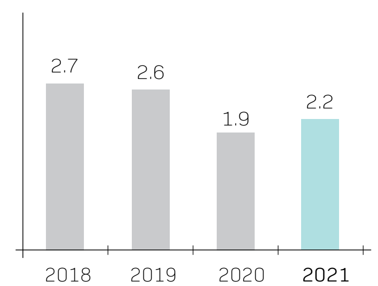
ROE and Cost of Equity (COE)



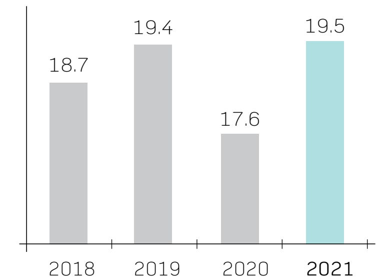
Opex vs. Assets (%)



ROA (%)



CAR (%)



STATEMENT OF COMPREHENSIVE INCOME

Net interest income (NII) declined 7% from 2020, as stable balance sheet growth was more than offset by margin compression. Cumulative interest rate cuts of 300 bps had a negative impact on endowment income, decreasing net interest margins. Interest expense decreased by 38% while interest income decreased by 21%.

NII was down N$21 million on average in the last 12 months following the MPC repo rate since March 2020.

Impairment losses

The total impairment charge declined year-on-year to N$238 million (2020: N$559 million). The impairment charge is 0.75% (2020: 1.79%) of gross advances.

Based on international experience, there is an expectation that there will be more waves of COVID-19 for us to weather. It is important that we build on our successes and learnings to date – both epidemiological and economic – as we confront these new waves.

The slightly optimistic outlook on the macro environment and positive effect of the earlier rolled out COVID-19 vaccines contributed to lower portfolio impairment charge for the year of N$58 million. Overlays increased on account of forward-looking assumptions used in the modelling of expected credit losses. As we closed off the financial year the third wave hit. Uncertainties include drop in employment, vaccines efficacy against new virus strains and permanent changes in consumer behaviour and the recovery of the directly impacted sectors.

The group remains prudently provided, with portfolio impairments as a percentage of the performing book at 200 bps, exceeding the annual credit charge.

The ratio of non-performing loans (NPLs) to gross advances as at period end was 0.80% up from the 4.4% in 2020 and in dollar terms deteriorated from N$1 369 million to N$1 645 million. This compares well to the industry NPLs ratio which stood at 6.5% for March 2021.

Non-interest revenue

Non-interest revenue (NIR) improved by 0.45%.

During the first two months of the year and the last month, when lockdown was implemented with the resultant drop in activity levels, certain channel volumes declined markedly, however, app volumes remained resilient, with overall transactional volumes 28% higher than the prior year.

The pandemic accelerated the need for digital solutions, and the volume trend this year increased, as the result of being led by more digital transactions compared to brick and mortar assisted transactions.

Pressure on fee income was further caused by the introduction of PSD 5 and 10, eroding fees in the second half.

Net fee and commission income represent 89.8% (2020: 88.0%) of group operational NIR.

Cash deposit volumes in branch decreased with 50% compared to an increase in Automatic Deposit Taking machine (ADT) deposits of 49.8%.

The number of customers using the FNB app increased by 54%, with volumes increasing 107%.

Operating expenses

Group operating costs have increased by 0.46% to N$1 951 million (2020: N$1 942 million), reflecting the close management of our discretionary spend. The ratio of operating expenses over average assets stood at 4.38% (2020: 4.33%) demonstrating the efficiencies of our operations during these challenging times.

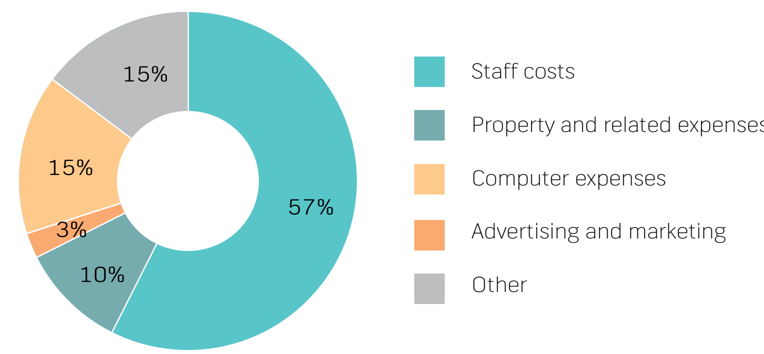
Staff costs increased by 1.5% and remain the largest component at 57% of the total cost. There were no increases to senior management, below inflation to managerial and inflation to non-managerial staff.

We experienced relief from leave days utilisation during the December / January season as the lockdown levels in the country were lifted. Staff costs also benefited from the non-vesting of the 2017 long-term incentives. The remuneration committee and the board believe that these outcomes are appropriate.

Remco report.

Cost containment initiatives are ongoing, whilst maintaining investment in core platform modernisation. IT costs were down overall by 9%.

The pandemic accelerated the remote working capabilities, which will likely carry forward for the foreseeable future. Remote working arrangements will change as and how we manage our corporate real estate. The trend is to have more open seating and a reduced office space for on average every 100 employees.



Tax

FNB Namibia's total current tax charge amounted to N$442 million and indirect taxes incurred at N$38 million, Indirect taxes are made up by VAT and stamp duties on long term deposits. FNB Namibia remains a significant taxpayer. We ensure that all taxes are paid in accordance with the legislative requirements.

COVID-19 impact on earnings

Comparing the NII run rate of pre March 2020 lockdown period to post lockdown period, our estimate of earnings lost approximate N$248 million for the current financial year, as well as higher specific impairments of N$64 million.

STATEMENT OF FINANCIAL POSITION

Advances

We have been lending and will continue to lend to our clients throughout the pandemic with prudent credit risk management.

Gross banking loans and advances increased by 1%, impacted by a 5.5% and 2.1% decline in commercial and CIB advances respectively. Retail customer advances showed growth at 4.4%. Provisions held increased 17% year-on-year (Y-O-Y).

The annual growth in private sector credit extension (PSCE) declined relative to the same period of 2020 driven by lower demand and more cautious supply. The ratio of household debt to disposable income increased due to subdued growth in disposable income, relative to the growth in credit. Fuelled by low interest rates mortgage loans increased Y-O-Y with 5.4% and still makes up 49% (2020: 47%) of net advances.

WesBank sales remain subdued with advances declining with 4.8% Y-O-Y. This is an overall market phenomenon.

Card advances increase of 1.8% was sufficient when compared to the decline of the comparative prior period. This is reflecting the increased risk appetite given the cuts, together with higher spending during the lockdown period. Personal loans growth of 3.6%, reflecting the credit rating cuts on the weaker macro environment pre-pandemic and the impact of the pandemic on customers.

Deposits and funding

For 30 June 2021, the group remained well capitalised with levels above the minimum regulatory requirements. Capital adequacy ratio for the group was 19.5% and CET 1 capital 17.1%.

Increasing essential deposits remain of importance and is an indicator of the health of our position. Total customer deposit growth improved with 0.3% Y-O-Y. With pleasing remarks we note that our customer deposits increased to 85% of our total funding mix from 81%.

Retail deposits grew 1%, with strong growth in savings and investment products as well as call deposits. This is supported by ongoing customer acquisition and simplified product offerings to support savings outcomes. Reduced spending and lower withdrawals from notice products during lockdown contributed to the growth. Commercial deposits declined with 4.6%.

Deposits from financial institutions in our treasury sphere declined with 29% because of sufficient excess liquidity and growth highlighted above.

Capital and regulation

The worsening macros in the economic environment trickled into sovereign grades and client risk ratings and this sequentially filtered into manageable RWA. Accordingly, with the 1.2% decrease in RWA, the group maintained strong capital adequacy ratios.

Conclusion

FNB Namibia's results for the year ended 30 June 2021 reflect the extremely difficult operating environment, with pre-provision profits decreasing by 7.3% to N$1 662 million compared to N$1 793 million for 30 June 2020.

Most of this decline was due to accommodative lower interest rates during the financial year. Pleasantly the credit impairment charge, driven by forward-looking economic assumptions required under IFRS 9, came in lower than modelled a year ago at N$238 million. ROE has improved to 19.2% (2020: 17.3%).

The group has been prudent in its provisioning and continues to focus on further strengthening and appropriately tilting the balance sheet to the macro outlook.

Oscar Capelao
Chief Financial Officer

Managing risk stategically

FNB believes that **effective risk, performance and financial resource management is key to its success and underpins the delivery of sustainable returns to shareholders.** These disciplines are, therefore, deeply embedded in the group's strategic decision-making processes.

	FNB	RMB	Wesbank	FCC
Key activities	Retail and commercial banking, wealth and Investment management	Corporate and Investment banking	Instalment finance and short-term insurance (VAPS)	Group-wide functions
Market segments	• Retail • Small business • Agricultural • Medium corporate • Public sector	• Financial institutions • Large corporates • Public sector	• Retail, commercial and corporate	• Institutional (and internal/intragroup)
Products and services	• Transactional • Deposit taking • Mortage and personal loans • Credit and debit cards • Investment products • Card acquiring • Credit facilities • Wealth and investment management	• Advisory • Structured finance • Markets and structuring • Transactional banking • Deposit taking • Principle investing solutions and private equity	• Asset-based finance • Full maintenance leasing • VAPS (short-term insurance)	• Funding and liquidity - Banking • Funding instruments • Capital management • Foreign exchange management • Tax risk management
Risks	• Retail and commercial credit risk • Operational risk, People Risk, IT risk	• Corporate and counter party credit risk • Market risk in Trading book	• Retail, commercial and corporate credit risk	• Interest rate risk in the banking book • Funding and liquidity risk • Equity investment risk
Other risks	Strategic, business, reputational, model, environmental and social, tax regulatory and conduct risks			

OVERVIEW OF TOP AND EMERGING RISKS FOR 2021

The 2021 risk profile and response plans were impact by the following factors and scenarios:

- Persistent Pandemic pressure impacting on ability to service clients and contributing to the economic decline.
- Significant downward pressure on revenue growth given challenging macroeconomic conditions.
- Potential effect of the sovereign rating downgrades on the macroeconomic environment and funding costs as well as risk of an additional sovereign downgrade.
- Increasing cost and scarcity of financial resources.
- Ongoing introduction of new regulations and legislation (particularly in banking activities), which could impact profitability over the medium to long term.
- Intensifying competition in banking profit pools from non-traditional competitors.
- Rising regulatory and macroeconomic risks.

ECONOMIC RISK

The operating environment is now considered to be the worst global economic crisis since the Second World War. The COVID-19 pandemic and associated economic crisis resulted in three simultaneous and profound shocks: to global trade; to global confidence, causing financial conditions to tighten significantly and abruptly; and to economic activity following the lockdown policies adopted by most of the world's major economies.

This translated into a once in a generation economic stress event. This scenario prompted coordinated efforts by central banks and governments to lower policy rates and simultaneously provide fiscal stimulus packages to cushion the impact of the economic shock to the real economy. Despite these actions, global financial conditions are expected to remain challenging and any form of recovery will be contingent on proof that the spread of the virus in developed economies has peaked, allowing containment measures to be relaxed, and that the various governments' fiscal support to consumers and small businesses has been successful to some degree.

The diminished economic activity during the COVID-19 pandemic is likely to cause structural shifts in the global economy with emerging economies at risk of deeper crises. A prolonged recession of the global economy is a potentially prevailing risk. Most emerging economies are challenged by weaker health systems and lower capacity to stimulate growth. A much-needed fiscal response to the pandemic places further pressure on capacity by lowering revenue and raising the cost of debt. These challenges will result in higher levels of bankruptcies, structural unemployment, particularly amongst the youth, and the disruption of global supply chains which means certain industries will not fully recover.

CLIMATE CHANGE CHALLENGE

Fiscal capacity has focused on the COVID-19 pandemic with a resultant shortfall of investment in climate adaptation and mitigation efforts. However, worldwide lockdowns resulted in reduced emissions due to decreased industrial activity, travelling and commuting.

As economies reopen, global emissions will increase and there is emerging evidence that large-scale infectious disease outbreaks may become more frequent due to a warming climate and biodiversity loss.

Many governments have announced green recovery packages that aim to address both economic recovery and climate change.

CYBERSECURITY AND PRIVACY

Technology has been central to the way people, companies and governments have managed the COVID-19 pandemic and the contact-free economy may also create new employment opportunities in the post-pandemic world. However, a greater dependence on technology has increased cybersecurity risks and privacy concerns. New working patterns may increase cyber-attacks and data fraud.

SOCIAL IMPACT

The pandemic has resulted in wide-scale social anxiety and exacerbated existing inequality. For example:

- High unemployment levels have affected mental health and caused financial distress.
- The rapid shift to remote working has, in some instances, resulted in a lack of work-life balance and low morale due to isolation.
- Large social gatherings, such as religious and civil gatherings that promote well-being, have been restricted to limit the spread of the virus.
- The of lack of access to online learning is widening the inequality gap.
- Additional unemployment from accelerated workforce automation is a global concern.

The spread of COVID-19 has severely impacted many local industries in Namibia. Businesses are being forced to cease or limit operations for long or indefinite periods of time. Although Government have taken measures to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Our Government and central bank have responded with monetary and fiscal interventions to stabilise economic conditions.

While the outbreak has had an impact on almost all entities either directly or indirectly, some of the worst hit sectors are aviation, hospitality and retail with more and more sectors coming under its radar with widespread lockdowns being enforced across the world. The aviation industry is facing massive disruption with travel restrictions imposed by most jurisdictions. The hospitality sector has been impacted with low occupancy in business and holiday destinations having to close down entirely. Other affected sectors are automobiles, apparel, consumer durables, pharmaceuticals, leather goods, electronics and others where the supply chain is dependent on countries worst hit by COVID-19.

The Group set up a COVID-19 Operations committee (OPSCO) that oversees the Groups response to the pandemic to ensure that the Group applies their Pandemic Response Plan, but also maintain a flexible and agile approach as situations develop.

SOCIAL IMPACT continued

The COVID-19 OPSCO has the following subcommittees:

- **Human Resources and employee wellbeing** – monitor Staff wellness, productivity and succession planning
- **Credit** – implement payment holidays, review of security held, adjusted credit scoring and impairment models.
- **Liquidity and market risk** – adjust market risk limits and ensure high level of liquidity available to group
- **Operations and IT** – implement remote working tools and maintain cyber resilience with split workforce
- **Front line business** – ensure client service are maintained while balancing client facing and remote working capabilities

IMPAIRMENTS

The Group is required to test its assets for impairment when indicators of impairment are present. An impairment test must be performed in response to indicators of impairment in addition to a mandatory impairment test for goodwill and intangible assets with indefinite useful lives at least annually.

Although some indicators of impairment are based on internal information (eg damage to property, plant and equipment, plans to remove the asset from use), others are triggered by events and circumstances external to the entity.

The negative economic outlook and cash flow difficulties experienced by customers as a result of COVID-19 must be factored into an entity's forecasts of future conditions, which may result in an increase in its provision for ECLs to reflect (a) a greater probability of default across many borrowers, even those that currently do not exhibit significant increases in credit risk but may in the future; and (b) a higher magnitude of loss given default, due to possible decreases in the value of collateral and other assets.

OPPORTUNITY AND RISK MANAGEMENT FOCUS

As economies restart, there is an opportunity to create greater societal equality and embed sustainable development goals. In business, the opportunity exists for the transformation to more sustainable and digital operating models and enhancing productivity.

The Group expects the following risks to materialise worldwide and have planned accordingly:

- Cybercrime and IT related disruptions
- Environmental and social risk
- Data protection and market conduct
- Theft, fraud, and violent crime
- War for scarce talent

OPPORTUNITY AND RISK MANAGEMENT FOCUS continued

Current and emerging challenges	Opportunities and focus areas
Funding, Liquidity and Capital	
In response to the COVID-19 pandemic, the regulator implemented temporary capital and liquidity relief measures to provide additional capital capacity and liquidity relief to enable banks to counter economic risks to the financial system and to promote financial stability. Regulatory reforms may put further pressure on required capital levels.	The Group exceeded all prudential minimum regulatory requirements and maintained a strong balance sheet with buffers in excess of minimum requirements. The group continues to focus on growing its deposit base through innovative products, improving the risk profile of its institutional funding, and the management and optimisation of liquidity buffers. The group's internal capital targets have not been adjusted for the COVID-19 temporary relief measures. The Group continues to focus on optimising the capital usage. The impact of regulatory reforms continues to be assessed and incorporated into the group's capital planning.
Credit Risk	
COVID-19 created significant economic dislocation, directly impacting consumers and businesses, particularly in industries impacted by lockdown measures. This required immediate credit risk management responses across various disciplines, including the development of payment relief programmes, assessment of impairments within the context of the deteriorating growth outlook, and credit origination incorporating industry and high-frequency transactional data. The outlook remains uncertain and is dependent on the extent and duration of prevention measures, as well as the impact of consumer and business confidence on the recovery of activity. The impact of physical and transition climate risks on the group's lending book may heighten credit risks for climate-sensitive industries, such as fossil fuels and agriculture. Counterparty credit risk remains sensitive to mark-to-market changes driven by volatility of underlying risk factors for derivative instruments, especially those that are uncollateralised or concluded without netting agreements. Exposures increased due to increased trading volumes to facilitate client hedging activities in volatile markets.	COVID-19 created unprecedented economic stress, which has had a profound and far-reaching impact on the economy. One of the implications of this stress was the need to provide payment relief solutions for customers. Some of these solutions are outlined below: Retail customers in good standing were offered emergency funds designed to bridge short-term liquidity needs and provide cash flow relief. The loans were priced at the prime interest rate with zero fees and a flexible repayment period starting three months after relief was taken up. No early settlement penalties are levied. This customer-centric approach covered all FNB products. FNB provided relief to commercial customers primarily in the form of payment holidays and additional relief will be offered to SMEs through the government-guaranteed loan scheme. For corporate customers, relief was advanced on a case-by-case basis. Corporate relief was provided in the form of additional liquidity facilities, payment holidays and covenant waivers. Conservative credit provisions were raised, incorporating forward-looking information on the expected weak economic outlook. The group had a smooth transition to remote working practices, allowing effective execution on required credit risk management responses. Despite challenging economic conditions, the group is benefiting from prudent risk mitigation measures in support of its existing customers, as well as in its new credit origination. The group continues to review risk appetite and credit origination strategies on an ongoing basis

Current and emerging challenges	Opportunities and focus areas
Regulatory Risk	
Regulatory and conduct risk management is affected by the changing regulatory landscape and the ongoing introduction of new and/or amended legal and related regulatory instruments. This may result in an increase in the cost of compliance. Heightened scrutiny and monitoring by regulators and other stakeholders on regulatory compliance and ethical conduct in areas such as debt relief, new products and new business origination, impact regulatory and conduct risk management. Responding to crisis-related changes in the operating environment and ensuring the group continues to effectively manage regulatory and conduct risk with unique risks, including a suddenly dispersed workforce, have an impact on regulatory and conduct risk management.	Continue to make significant investments in people, systems and processes to manage risks emanating from the large number of new and amended local and international regulatory requirements, market conduct reforms, data privacy and financial crime-related legislation. Ensure ongoing monitoring of, among others, the risk culture with a focus on prevention and, where required, effective and timely remediation. The risk of ethical drift is heightened with the majority of employees working remotely. Implement conduct risk programmes focused on defining key business metrics and materiality thresholds which are sufficiently noteworthy for board-level reporting.
Operational Risk	
Operational risk is driven by the complex IT environment, the growing sophistication of cybercrime, the interplay between cyber risk and fraud, and their effects on reputational risk, operational challenges in meeting various new regulatory requirements across multiple jurisdictions, the risk of process breakdowns in manually intensive process environments, industry-wide payments risk, and organisational change. The impact of external factors on business operations, such as the COVID-19 pandemic and intermittent electricity supply interruptions, pose a heightened risk to operations, especially where employees are working from home, and require management to continuously review operational resilience plans to ensure minimal business disruption whilst managing employee wellbeing. Planning an operational response to the unprecedented COVID-19 pandemic. Ensuring compliance with continuously changing COVID-19-related regulations within a short space of time. Increased business digitisation (including robotics, artificial intelligence and cloud computing) introduces additional risks due to the demand and speed of digital technology adoption, which the group must be in a position to speedily identify and mitigate. Global demand for critical IT resources across industries poses a challenge in terms of attracting and retaining the best IT skills. Key vendor dependency and supply-chain risk requires ongoing management and monitoring to ensure uninterrupted, continuous service provision.	The group continues to address possible control weaknesses, and there are ongoing improvements in information security, IT risk processes and operational business resilience capability. Efforts to improve staff and customer awareness of cybercrime and information security are ongoing. Build an integrated group cybercrime framework and cyber incident response planning and testing. Continue to improve risk data management, aggregation and reporting. Align IT risk management practices with changing business models and technological landscape. Enhance vendor risk management processes throughout the vendor lifecycle. Improve information management capabilities and the control environment, and roll out awareness programmes on records management, data quality and data privacy management. Adopt a holistic approach to the development of key staff retention plans. Use technology capability and capacity to enable flexible and remote working arrangements seamlessly. Increase the drive for automation of controls and digitisation of risk processes, where possible, to facilitate robust risk management in the context of remote working arrangements. Agility in response to and lessons learnt from the COVID-19 pandemic may be used to refine operational risk responses to future crises.

Group response

These challenges and associated risks are continuously identified, potential impacts determined, reported, and debated by appropriate risk committees and management.

Developments in key markets are monitored with appropriate responses, strategic adjustments and proactive financial resource management actions implemented where required.

Credit origination and funding strategies are assessed and adjusted considering macroeconomic conditions and market liquidity. Actions are in place to ensure a resilient funding model. Significant investment in people, systems, processes, and data projects are made to:

- manage the risks emanating from the large number of regulatory requirements;
- address possible control weaknesses and improve system security;
- improve operational resilience; and
- improve risk data management and reporting.

Risk reporting and governance

The group's robust and transparent risk-reporting process enables key stakeholders (including the board and strategic executive committee) to:

- obtain an accurate, complete and reliable view of the group's financial and non-financial risk profile;
- make appropriate strategic and business decisions;
- evaluate and understand the level and trend of material risk exposures and the impact on the group's capital position; and
- make timely adjustments to the group's future capital requirements and strategic plans.

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, approving risk appetite and ensuring that risks are adequately identified, measured, monitored, managed and reported on.

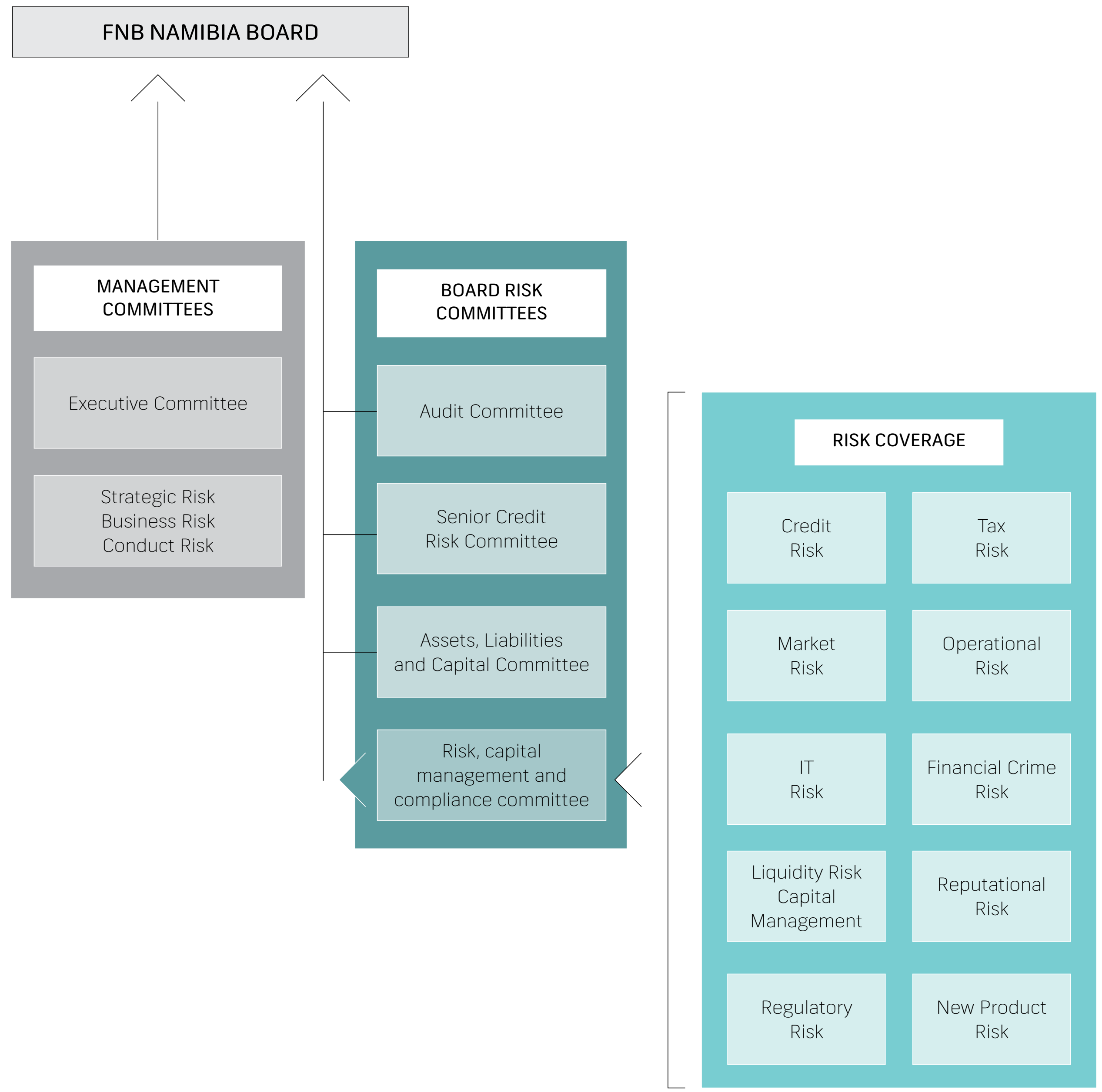
Strong governance structures and policy frameworks foster the embedding of risk considerations in business processes and ensure that consistent standards exist across the group.

The group's business performance and risk management framework (BPRMF) describes the group's risk management structure and approach to risk management. Effective risk management requires multiple points of control or safeguards that should consistently be applied at various levels throughout the organisation. There are three lines of control across the group's operations, which are recognised in the BPRMF along with the business functions, committee structures and risk universe, as illustrated in the diagram on the next page. The primary board committee overseeing risk matters across the group is the FirstRand Namibia risk, capital management and compliance (RCC) committee. It has delegated responsibility for a number of specialist topics to various subcommittees.

Other board committees also exist, with clearly defined responsibilities. The group board committees comprise members of group's board, audit and risk committees to ensure a common understanding of the challenges businesses face and how these are addressed across the group.

The executive committee ensures alignment of business strategies, implements the risk/return framework and is responsible for the optimal deployment of the group's resources.

Risk reporting and governance continued



Risk management approach

The group believes a strong balance sheet and resilient earnings streams are key to growth, particularly during periods of uncertainty. The Groups businesses have consistently executed on a set of strategies which are aligned to certain group financial strategies and frameworks designed to ensure earnings resilience and growth, balance sheet strength, an appropriate risk/return profile and an acceptable level of earnings volatility under adverse conditions. These deliverables are underpinned by frameworks set at the centre to ensure financial discipline.

These frameworks include:

Risk management framework	Performance management framework	Risk/return and financial resource Management frameworks
Key principles: • ensure material risks are identified, measured, monitored, mitigated and reported; • assess impact of the cycle on the group's portfolio; • understand and price appropriately for risk; and • originate within cycle-appropriate risk appetite and volatility parameters	Key principles: • Allocate capital appropriately; • Ensure an efficient capital structure with appropriate/conservative gearing; and • ensure economic value creation, which is measured as NIACC.	Key principles: • execute sustainable funding and liquidity strategies; • protect credit ratings; • preserve a "fortress" balance sheet that can sustain shocks through the cycle; and • ensure the group remains appropriately capitalised.

The group defines risk widely – as any factor that, if not adequately assessed, monitored, and managed, may prevent it from achieving its business objectives or result in adverse outcomes, including reputational damage.

Effective risk management is key to the successful execution of strategy and is based on: • risk-focused culture with multiple points of control applied consistently throughout the group; • combined assurance process to integrate, coordinate and align the risk management and assurance processes within the group to optimise the level of risk, governance, and control oversight; and • strong risk governance through the application of financial and risk management disciplines through frameworks • Risk taking is an essential part of the group's business and the group explicitly recognises core competencies as necessary and important differentiators in the competitive environment in which it operates.	These core risk competencies are integrated in all management functions, business areas and at risk-type level across the group to support business by providing the checks and balances to ensure sustainability, performance, achievement of desired objectives, and avoidance of adverse outcomes and reputational damage. A business profits from taking risks but will only generate an acceptable profit commensurate with the risk from its activities if the risks are properly managed and controlled. The group's aim is not to eliminate risk, but to achieve an appropriate balance between risk and reward. This balance is achieved by controlling risk at the level of individual exposures, at portfolio level and in aggregate across all risk types and businesses through the application of its risk appetite framework. The group's risk appetite framework enables organisational decision making and is aligned with the Group's strategic objectives.

Risk appetite

Risk appetite is the aggregate level and type of risks the Group is willing and able to accept within its overall risk capacity and is captured by a number of qualitative principles and quantitative measures.

The group's risk appetite enables organisational decision making and is integrated with the strategic objectives. Business and strategic decisions are aligned to the risk appetite measures to ensure these are met during a normal cyclical downturn. At a business unit level, therefore, strategy and execution are managed through the availability and price of financial resources, earnings volatility limits and required hurdle rates.

The Group's strategic objectives and financial targets frame its risk appetite in the context of risk and reward and contextualise the level of reward the Group expects to deliver to its stakeholders under normal and stressed conditions for the direct and consequential risk it assumes in the normal course of business.

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 shareholder value; • deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility; and • maintain balance sheet strength.	Risk appetite articulates what proportion of Group's financial resources should be utilised in the execution of its strategy and is determined through consideration of a number of filters, including: • overall strategic objectives; • growth, volatility and return targets; and • meeting the Group's commitments to all stakeholders including regulators, depositors, debt holders, employees, society and shareholders.

The Board adopted the following guiding statements to frame appetite:

Qualitative principles
• Always act with a fiduciary mindset; • Comply with prudential regulatory requirements; • Comply with the spirit and intention of accounting and regulatory requirements; • Build and maintain a strong balance sheet which reflects conservatism and prudence across all disciplines; • Do not take risk without a deep understanding thereof; • Comply with internal targets in various defined states to the required confidence interval; • Do not implement business models with excessive gearing through either non-or off – balance sheet leverage; • Limit concentrations in risky asset classes or sectors; • Avoid reputational damage; • Manage the business on a through – the –cycle basis to ensure sustainability; • Identify, measure, understand and manage the impact of downturn and stress conditions; • Strive for operational excellence and responsible business conduct; and • Ensure the Group's sources of income remain appropriately diversified across business lines, products, markets and regions

Risk culture

The Ethics committee endorses a risk philosophy which takes cognisance of the importance of ethical conduct. Organisational culture is an important component of ensuring the robustness of the group's internal control environment.

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.

Leadership	Flow of information	Customers
• Active promotion of the FirstRand philosophy • Leadership development/ impact through others • Stronger distinctions between strategic and operational layers	• Legitimising candour especially across hierarchies • Safe and effective reporting mechanisms • Better platform and inbuilt controls	• Increased customer centricity embedded in strategy • Strong customer centric goal setting in management • Client service and conduct measurements and rewards

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.

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 always enables the board and its designated committees to retain effective control over the group's risk position.

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.

The goal of credit risk management is to maximise the group's measure of economic profit, NIACC, within acceptable levels of earnings volatility by maintaining credit risk exposure within acceptable parameters.

Credit risk management objectives are two-fold:

- Risk control: Appropriate limits are placed on the assumption of credit risk and steps taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfil this task; and
- Management: Credit risk is taken within the constraints of the risk appetite framework. The credit portfolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions fulfil this role.

Based on the group's credit risk appetite, as measured on a ROE, NIACC and volatility-of-earnings basis, credit risk management principles include holding the appropriate level of capital and pricing for risk on an individual and portfolio basis. The scope of credit risk identification and management practices across the group, therefore, spans the credit value chain, including risk appetite, credit origination strategy, risk quantification and measurement as well as collection and recovery of delinquent accounts.

Credit risk profile

	Group	
N$ million	2021	2020
Gross advances	31 648	31 319
Credit loss ratio (%)	0.8%	1.8%
NPLs as % of advances	5.2%	4.4%
Specific coverage ratio (%)	40.9%	44.4%
Total impairments coverage ratio (%)	4.3%	4.0%
Performing book coverage ratio (%)	2.3%	2.1%

CREDIT RISK continued

Assessment and management

Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure. Credit risk management across the group is split into three distinct portfolios: retail, commercial and corporate, and are aligned to customer profiles.

The assessment of credit risk across the group relies on internally developed quantitative models for addressing regulatory and business needs. The models are used for the internal assessment of the three primary credit risk components:

- Probability of default (PD);
- Exposure at default (EAD); and
- Loss given default (LGD).

Management of the credit portfolio is reliant on these three credit risk measures. PD, EAD and LGD are inputs into the portfolio and group level credit risk assessment where the measures are combined with estimates of correlations between individual counterparties, industries and portfolios to reflect diversification benefits across the portfolio.

The group employs a granular, 100-point master rating scale, which has been mapped to the continuum of default probabilities, as illustrated in the following table. FirstRand (FR)1 is the lowest PD and FR100 the highest. External ratings have also been mapped to the master rating scale for reporting purposes. These mappings are reviewed and updated on a regular basis.

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. They encompass forward looking index information.

COVID-19 Relief

The group has offered financial relief through various mechanisms in response to COVID-19. These relief measures were granted to eligible customers whose accounts were up to date and included the following:

- Additional facilities or new loans being granted, in particular the cash flow relief account;
- Restructure of instalment products (payment relief) including extension of contractual terms;
- Payment and interest relief; and
- Extension of balloon repayment terms.

Financial relief mechanisms employed by the group included customers being offered a three to 24 month payment holiday, during which interest accrued at the contractual rate for relief period less than 6 months and at a reduced rate for relief periods from 6 to 24 months (in line with BID 33) and at the end of the relief period, the instalment was adjusted accordingly.

These debt relief measures resulted in the group not suffering a modification loss as the present value of the original cash flows and the present value of the revised cash flows were equivalent.

REGULATORY AND CONDUCT RISK

The Group Board is responsible for the management of regulatory and conduct risk management throughout the Group. The Board in executing this responsibility has:

- Delegated the responsibility to manage the group regulatory and conduct risk to the Risk Capital and Compliance Committee (RCCC). Reporting into the RCCC on compliance and conduct risk matters are both the Enterprise Risk Management Committee and the Social, Ethics & Transformation Committee, and the Compliance and Conduct Risk Committee.

- Approved a Regulatory and Conduct Risk Management framework and the group Code of Ethics as key governance documents setting out the board principles to creating an ethical and compliance culture; and

- Established an independent Regulatory and Conduct Risk Management department.

To aid the Group in achieving its strategic objectives the following key activities are performed by the Group Regulatory and Conduct Risk Department:

Regulatory Risk	• Develop and maintain up to date compliance risk management plans • Provide specialist advisory services and manage key internal and external stakeholder relationships
Financial Crime Risk	• Develop, implement and maintain effective Anti Money Laundering and Combating the Financing of Terrorism and Proliferation Financing measures to assist in protecitng the integrity of the platforms of the group and the country.
Business Conduct	• Oversee the Anti Bribery and Corruption Program • Managing the Declaration of Interest and Whistleblowing programs
Market Conduct	• Complaints Management oversight to ensure timely resolution • Ensuring that we continue to our commitment to Treating Customers Fairly
Monitoring and Assessment	• Perform indepdendent compliance monitoring to provide assurance on adequacy and effectiveness of controls impelmented to address key regulatory and conduct risks

Emerging Risks – Namibia's mutual evaluation to assess compliance with the FATF standards is in progress with any negative overall outcome likely to result in additional domestic and international regulatory pressure in future.

Regulatory and Conduct Risk

Regulatory compliance refers to all applicable compliance obligations, including the FirstRand Namibia Limited Group's adherence to applicable laws, regulations, regulatory directives, guidelines, and other applicable specifications such as codes of conduct relevant to specific businesses. As such **regulatory risk** refers to the risk of non-compliance together with related legal or regulatory sanctions, material financial loss, damage to reputation as a result thereof.

Conduct risk must be viewed in its widest sense and includes risks associated with delivery of fair customer outcomes and the integrity and efficiency of financial markets. It touches every part of how persons, inclusive of financial institutions, conduct their respective business affairs. From a regulatory perspective, conduct risk also refers to the risk of non-compliance with conduct standards and related requirements, as may be prescribed and/or expected from time to time, by regulatory and other related authorities.

The Group thus continues to strive to fully comply with the spirit and letter of the law. Ethical behaviour is both a keystone and an important contributor to the success of the entire compliance process. In view thereof, the Group expects all staff and entities to maintain standards of honesty, integrity and to act with due care and diligence. The Group subscribes to the principles of ethical conduct as per its Code of Ethics.

Operational risk definition

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes and systems or from external events and human error. It includes fraud and criminal activity (internal and external), project risk, legal risk, business continuity, information and IT risk, process and human resources risk. Strategic, business and reputational risks are excluded from the definition.

REGULATORY AND CONDUCT RISK continued

Operational risk management framework

Effective management of operational risk is carried out through the continual cyclic process of risk identification, assessment, measurement, monitoring and reporting. Risk profile reports enhance the transparency of business operations and support management in making informed decisions.

The Operational Risk Framework is applied as follows:

Leadership	Tools / Methodology / Key considerations
Risk Identification	• Process based risk and control identification and assessment ("PRCI&A") • Audit findings • Analysis of internal Events & Losses • Data Quality Assessment
Risk exposure quantification and measurement	• Assess operational risks from two perspectives: likelihood and impact, and use a combination of qualitative and quantitative methods to do so.
Risk monitoring	• Use of Key Risk Indicators against pre-determined thresholds (risk appetite)
Risk reporting	• Risk Profile Reporting to support decision making
Capital Calculation	• Risk Scenario Analysis • Assessment of internal loss data • Consideration of external loss data • Evaluation of control environment within the Group

Risk appetite and tolerance thresholds

Establishing a risk appetite that has an adequate balance between risk and reward is a dynamic process that is built on a blend of qualitative and quantitative principles, processes and guidelines. The aim is not to eliminate all operational risk exposure, but to set a framework for effectively managing and mitigating operational risk within the Group and the approved Group operational risk appetite levels.

The Operational Risk Appetite Policy governs the Group's approach to Risk Appetite. All exceptions and breaches of thresholds are reported per the escalation process, to the ERM Committee, EXCO and the RCCC, as appropriate.

FNB Namibia aims to maintain a mix of businesses, business activities, income streams and risk exposures to limit earnings volatility. Risk management within risk appetite contributes towards limiting loss of confidence or adverse reputational impacts.

Operational losses

	% Change Year on Year	FY 2021	FY 2020
Total Operational Losses as a % of Gross Income	(0.2%)	0.9%	1.1%

Summarised commentary on operational risk events

- As per the BCBS 239 Risk Data Aggregation Reporting project fully adopted in FY 2021, operational losses are reported from a centralised internal operational loss data base in line with our approved methodology.
- The overall losses incurred were within the Group's risk appetite.
- External fraud continues to be an inherent risk to the Banking Industry, with account takeovers becoming a more predominant modus operandi. Card fraud losses also increased from approximately 3% of actual losses in FY 2020 to 5% of actual losses.
- Net internal fraud losses discovered in FY 2021 amount to approximately 0.05% of net pure losses for the financial year.
- A material insurance recovery relating to a foreign currency trade error in FY 2020 was recovered in FY 2021. Taking this recovery into account, the FY 2020 net pure losses have been restated and reduced to 1.1% of Gross Income.

CURRENT AND EMERGING CHALLENGES AND OPPORTUNITIES

Current and emerging challenges	Opportunities and risk management focus areas
• Operational risk is driven by ongoing challenges in the IT environment, growing sophistication of cybercrime, operational challenges in meeting various regulatory requirements (on a national and regional level), current group-wide projects to make system changes that are required. • Following the impact of a global pandemic, monitoring and protecting Employee Wellbeing is expected to remain a key priority (enforcing preventative measures to limit the spread of COVID-19; supporting employee mental health initiatives)	• Leverage an integrated group cybercrime strategy and cyber incident response plans. • Continue to improve the internal control environment, improve system security, IT risk processes and operational business resilience capability. • Continue to embed risk data management, aggregation and reporting. • Improve information management, roll out awareness programmes on records management and data quality. • Implementation of risk and compliance management strategy, risk appetite limits and effectiveness of risk and compliance management • Evolve risk management maturity while protecting an ethical risk culture.

FRAUD RISK

INTRODUCTION AND OBJECTIVES

The objective remains to proactively manage the risk of loss arising from fraudulent activities whether this emanates from an external or internal source and enable the proactive recovery of funds involved in fraud.

The Group is a law-abiding corporate citizen and requires all business entities and employees to, at all times, act honestly, with integrity, and within the confines of the law. It furthermore remains the responsibility of the Group to ensure that adequate control and preventative measures are in place to combat all criminal activities, and to adhere to such controls.

The Group views any criminal activity as an extremely serious matter and is committed to the enforcement of an anti-crime culture throughout the organisation including fraud training, awareness and communication for all staff and customers of the Group.

Our main focus remains to improve our ability to proactively identify all criminal activity, and in particular syndicated / organised criminal activity targeting the Group, by establishing detection and prevention strategies that enable this.

A Fraud Risk Management framework/policy that governs key risk management principles and guidelines and by which the critical fraud risks areas are identified, trends monitored, and preventative actions documented, is in place.

The governance of ethics plays a key role in fraud prevention by ensuring the continuance of the leading light programme which is a whistle-blower reward program against theft, fraud or corruption that recognises staff who display high ethical characteristics.

Fraud loss drivers under the external fraud category remains predominantly due to credit card fraud. The implementation of VbyV reduced the losses allowing the bank to enforce liability shift/chargeback. Identify theft and or account take over fraud also continues to a key factor on losses incurred and the bank is looking at biometrics. And different models such as the account take over and or mule account model to curb and or deter this type of fraud.

TRENDS

With COVID-19, we are seeing a tremendous increase in different scams e.g. BEC Fraud, tender scams, good scams etc with most of the connects and fraudulent payments being done cross border. E-wallet products are also being used as access mechanisms defraud customers.

Focus Areas

- The Group is piloting Data Analytics tools which aim to assist with proactive fraud detection and prevention.
- Client awareness: COVID-19 scams awareness, threats etc.
- SIM Swop project to manage client angst for losses suffered.
- FNB Fraud Risk Management Strategy socialising and execution.

IT RISK AND SECURITY GOVERNANCE

The information technology risk and governance committee (ITRGC) is a board delegated committee responsible for information technology governance in accordance with Banking Institutions Determination and NamCode. This committee reviews and receives assurance from management on the effectiveness and efficiency of the group's information technology systems. The committee comprises of independent IT specialists, two executive directors and risk and operations executives who assist the board in governing information technology in a way that supports the group in setting and achieving its strategic objectives.

The group has developed frameworks, policies, and standards to direct the information technology strategy, architecture, governance, management, systems development, operational excellence, information security, risk, and compliance.

The committee exercises ongoing oversight of IT management and, in particular:

- oversees the appropriateness and effectiveness of implementation and oversight of IT risk, and governance management across the group.
- reviews and approves the IT risk management framework (ITRMF) and information security policy.
- proposes to the board and approves, where appropriate, risk and governance policies, standards, procedures, and practices in respect of IT risk and security.
- receives and considers formal reports from the businesses on the effectiveness of IT operations and risk management across FirstRand for review prior to presentation to the board.
- receives and considers reports on significant incidents and process breakdowns in the execution of IT risk control policies and processes.
- reviews and approves the data privacy management initiatives.
- monitors implementation of IT strategies and key IT projects across business units.

IT RISK AND SECURITY MANAGEMENT

The approved frameworks, policies, and standards provide management with the appropriate tools to manage information technology and information security optimally. The tools used to manage the internal controls are risk and control self-assessments, key risk indicators to act as early warning signs and loss reporting to track and manage losses incurred due to systems downtime or any security related incidents.

The world is rapidly advancing in the areas of technology, communication, commerce, and financial transactions. This means that banking systems must adapt and implement appropriate delivery platforms for customers and internal use.

IT RISK AND SECURITY FUTURE ENHANCEMENTS

Continued focus is on:

- the group's IT, cloud, data and digitization strategies;
- the embedding of the BCBS 239 programme for IT risk;
- the group's cybersecurity incident management and breach readiness;
- proactive monitoring of intelligence to identify, avoid and respond to incidents (including cyber-attacks);
- implementing additional information security controls to gear the group towards Payment Card Industry Data Security Standard (PCI DSS);
- enhancing and embedding the data privacy initiates across the group;
- enhancing risk and governance over the use of digital tools (e.g. robotics and artificial intelligence)

MARKET RISK

Treasury Risk Management

Market risk in the Banking Book and Liquidity risk are managed as part of the Treasury Risk function and are governed by the Framework for the Management of Banking Assets and Liabilities.

Market risk

Market Risk arises from adverse movements in market prices given long or short positions in impacted assets and or liabilities. The market risk framework outlines the principles of managing market risk in the Banking and Trading Book. The responsibility for determining market risk appetite vests with the board, which retains independent oversight of market risk related activities through the Risk Capital and Compliance committee (RCCC).

Market risk management for the bank is split into two components, mainly Market Risk in the Trading Book as well as Market Risk in the Banking Book.

Market Risk in the Banking Book

Market risk in the banking book mainly consist of interest rate risk (IRRBB), that is the effect that movements in interest rate have on the Banks financial position specifically its capital and earnings. Market Risk in the Banking book also includes currency risk in the banking book which is the net sum of all foreign currency assets and liabilities of the bank. This risk is expressed in the form of Net Open Foreign Exchange Position (NOFP). The latter is however insignificant for the FNB Namibia Group.

Interest Rate Risk

Causes of Interest rate risk in the Banking Book (IRRBB):

- **Repricing Risk** – Repricing Risk is represented by assets and liabilities that reprice or reset at different times resulting in a mismatch which can have a favourable or adverse impact on earnings.

- **Yield Curve Risk** - Yield curve risk is the risk that unanticipated shifts in the yield curve will have adverse effects on a bank's income or underlying value.

- **Basis Risk** – This risk arises when different benchmark rates/yield curves are used for the pricing of different customer products.

- **Optionality** – the risk emanates from the difference in the actual client behaviour in terms of prepayments and withdrawal and the contractual profile of the product.

To reduce the volatility in interest rate margin and to produce a stable stream of interest income, IRRBB is managed dynamically within approved board limits.

Measurement of Interest rate Risk in the Banking Book (IRRBB)

IRRBB exposure is monitored regularly and reported quarterly to ALCCO using interest income sensitivity analysis. This measures the 12-month impact on future net interest income arising from various economic stress scenarios. It includes instantaneous 100, 200 and 300 basis points parallel shifts in the yield curve.

Interest income sensitivities incorporate additional behavioural assumptions as to the timing and how individual products would reprice in response to changing interest rates. Reported sensitivities are however not necessarily predictive of future performance as they do not capture additional management actions that would be taken in response to an immediate and large movement in interest rates.

Impact of COVID-19 on IRRBB

The Bank of Namibia, in response to the COVID-19 pandemic reduced the repo rate by 25bps in the FY2021 bringing the cumulative interest rate cuts since the FY2020 to 300bps. The impact on earnings emanating from IRRBB was countered by the repricing of the fixed rated liabilities and the risk management strategies employed to manage IRRBB.

LIQUIDITY RISK

Liquidity Risk is the risk that the bank, although solvent, will not be able to meet its contractual and contingent obligations as they arise or can only meet obligations under materially unfavourable terms. Liquidity risk is inherent in the operations of the bank and may arise as a result of unforeseen disruptions in asset markets which affects their liquidity or due to unexpected withdrawals by the providers of short-term funding.

The bank's liquidity risk is managed as part of the ALM risk management function within Treasury whose primary objective is to:

- provide an assessment, measurement and monitoring of liquidity risk for the bank. Define, monitor and report on liquidity risk metrics;
- Establish and monitor liquidity risk limits and indicators, including Liquidity Risk Appetite in line with regulatory requirements and ALCCO approvals;
- Perform a review of liquidity risk management processes; and
- Facilitate the performance of Liquidity Stress testing for the bank and implement improvements recommended.

Liquidity risk is managed through a series of measures, which include stress tests. Reports are primarily based on contractual maturities with behavioural adjustments applied as appropriate. Daily monitoring and forecasting of liquidity positions is performed and includes the following key liquidity risk indicators:

- **Liquidity Coverage Ratio (LCR)** – which measures the high-quality liquid assets against the net cash outflows over the next 30 days. The actual position is monitored against management and board limits and escalated as per the governance framework and appetite statement.

- **Term and Source Diversification measures** - which measures the diversification of funding by term and source against pre-determined limits.

- **Available Sources of Stress funding** - This measure compares the stressed balance sheet to the available sources of stress funding and indicates whether the bank has sufficient sources of stress funding as per the Contingency Funding Plan to fund the bank in an idiosyncratic stress event.

Robust cashflow forecasting is an integral part of the bank's liquidity management process and aids in planning the banks immediate and future liquidity requirements. These risk management processes help to optimise the banks funding composition.

Impact of COVID-19

Expectation at the onset of the COVID-19 pandemic was that the affected industries and clients would have difficulty meeting their loan repayment obligations which would result in increased liquidity risk due to the widening of the gap between inflows and outflows. The Bank of Namibia temporarily relaxed some of the minimum regulatory requirements on Liquidity Risk which was intended to enable the banks to comply with the regulatory requirements during the pandemic.

Regulatory Requirement	BAU Regulatory Requirement	COVID-19 relieve Measure
Maximum Liquidity Mismatch Overnight to 7 days	0% Liquidity Mismatch	Mismatch Allowed, limited to Excess Liquid Asset
Maximum Liquidity Mismatch 8 days to one month	-5% Liquidity Mismatch	Banking institutions to set own Limits

The bank entered the COVID-19 pandemic era in a strong liquidity position owing to prudent and proactive liquidity risk management. In addition, the slowed economic activity as a result of the lock-down measures and the uncertainty regarding the economic outlook led to reduced private sector credit extension (PSCE) which reduced liquidity outflow for the bank.

As a result, the banks maximum liquidity mismatch for the year ended 30 June 2021 significantly exceeded the regulatory requirements even before the relieve measures. The bank experienced a growth in current account balances and a subsequent reduction in instutional funding and this resulted in lower liquidity risk given the differing behavioural adjustments applied to the various deposit lines.

Regulatory Requirement	BAU Regulatory Requirement	Actual Position
Maximum Liquidity Mismatch Overnight to 7 days	0% Liquidity Mismatch	+3% Liquidity Mismatch
Maximum Liquidity Mismatch 8 days to one month	-5% Liquidity Mismatch	+1% Liquidity Mismatch

REPUTATION RISK

The risk of reputational damage due to events such as compliance failures, pending litigations, underperformance or negative media coverage.

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 considered 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 Climate Risk

Relates to environmental, social and climate risks which may impact or result from various other risk types

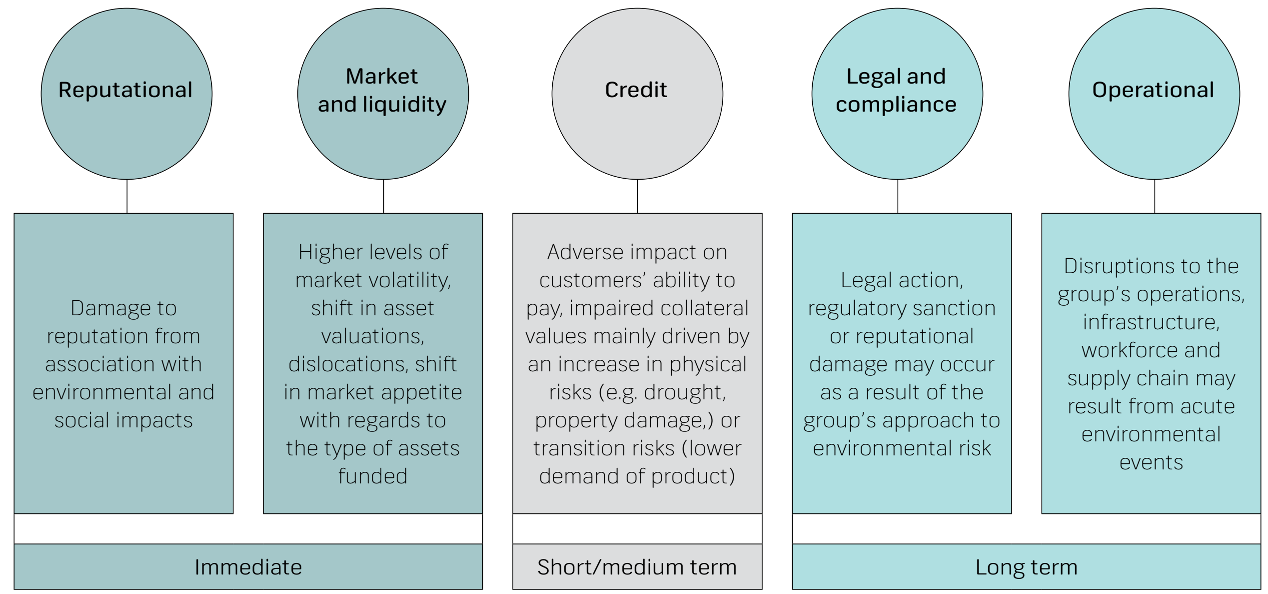
The group's environmental, social and climate risk management programme covers the following thematic focus areas

1. Water and marine resources management
2. Biodiversity and ecosystem management
3. Circular economy waste management
4. Polution prevention and control
5. Climate mitigation
6. Climate adaption

The Group adopted governance processes for managing environmental and social risk. These include lending due diligence environmental risk analysis approval process, reviewing the impact of natural capital risks on the group's lending portfolios, and the management of direct environmental impacts. Environmental and social risk management processes are integrated into the group's risk governance process, which is monitored by the Group social, conduct and ethics committee.

Environmental, social and climate risk is typically a cross-cutting risk issue and therefore cannot be managed in only one risk management function.

Risk impacts



Climate change is a defining issue of this century, with significant focus being placed on it at governmental, business and societal level. The group has a climate-related risk management programme which focus on governance, strategy, risk management, risk metrics, targets and risk disclosure.

As part of the development of a comprehensive group climate risk management programme, the following principles are considered:

- Initial vision setting: Leadership supports an enhanced focus on climate-related risk and opportunities and supports the building and development of climate risk capacity in the group.
- Risk-based prioritisation: Resource allocation to develop climate risk capabilities is prioritised for areas with the highest potential impacts.

The group's climate risk assessment considers the following objectives:

- protect the group's balance sheet and capital;
- include a climate filter in the credit risk management process;
- report the group's climate exposure, vulnerability and opportunities; and
- actively seek green and climate financing opportunities to support clients' climate resilience

Capital management

FNB Namibia has maintained a **sound capital position with the highest capital adequacy ratio (CAR) in the market,** despite the current COVID-19 pandemic and the impact that it had on the Namibian economy. The group continues to endeavour to maintain sufficient capital that exceeds regulatory and economic capital requirements. The Group's Capital is managed on a forward-looking basis, considering the three-year forecast including budget and stress scenarios. The core objective of Capital Management is to **maintain sound capital ratios and strong credit rating** which is in line with our risk profile and risk tolerance objectives.

The Group's objectives when managing capital in all its forms are:

- To comply with the capital adequacy requirements (CAR) set by the Bank of Namibia as per BID 5A and BID 5 by maintaining sound capital ratios and quality of capital during calm and turbulent periods of the economy and financial markets;
- To safeguard the group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- To maintain a strong capital base to support the growth of its business, protect its depositors and creditors and to promote and uphold public confidence; and
- To maintain strong credit ratings.

GOVERNANCE AND OVERSIGHT

The board approved capital management framework sets the objectives, policies and principles relating to the capital management processes. This is based on the following three elements:

- Maintaining optimal capital levels to meet regulatory and economic capital requirements;
- Managing optimum levels of capital mix to ensure capital efficiency and deliver sustainable targeted rate of return for shareholders; and
- Ensure balance sheet strength over the long term, to support business strategy and investment opportunity.

Effective and successful capital planning and management is only achievable through well-defined roles and responsibilities. The capital management framework is updated and reviewed on an annual basis.

The board is responsible for approving the capital management framework while Assets, Liability and Capital compliance committee (ALCCO) is answerable for ensuring compliance with the framework. The group Treasurer is accountable for the timeous update of the framework.

CAPITAL RISK MANAGEMENT

The bank maintains a capital buffer above the regulatory minimum requirement. Capital stress testing is done annually as part of the internal capital adequacy assessment process ("ICAAP"). The stress test measures the impact on the balance sheet based on macro-economic and idiosyncratic stress scenarios and the consequent impact on earnings and capital adequacy levels.

The stress testing process amongst other factors determines the buffer.

The ICAAP as stipulated in Pillar 2 of Basel 3 requires banks to identify and assess risks, maintain sufficient capital to face these risks and apply appropriate risk management techniques to maintain adequate capitalization.

The Risk, Capital and Compliance Committee (RCCC), a board designated committee. The RCCC is responsible for the group's ICAAP. Capital planning is part of regular forecasts and scenario testing, which aligns with dividend decisions and growth projections.

DIVIDEND POLICY

The dividend policy plays a pivotal role in the management of the group's CET1 position. The group used a dividend cover of 1.8 (2020: 2) for the 2021 financial year. The long-term dividend cover range remains unchanged at 1.8x to 3x.

CAPITAL OVERVIEW AND COMPLIANCE

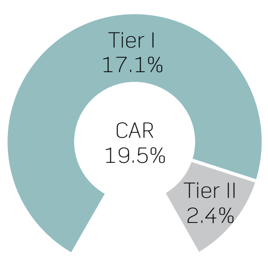
The supply of capital consists of the sum of Tier 1 and Tier 2. The criteria of the instruments that qualifies as regulatory capital is stipulated in the BID 5A. The following diagram illustrates the key components of the various capital elements:

Tier 1	Tier 2
CET 1 • Share capital and premium • Retained earnings • Other reserves • Non-controlling interests • Less deductions – Goodwill and intangibles – Deferred tax assets – Investment in financial and banking entities – Other Additional Tier 1 • Qualifying capital instruments	• Qualifying capital instruments • Revaluation reserves • Loan loss reserves • Unaudited profits (approved by the board, with a phase-out over 5 years, after which only "reviewed" profits are included in Tier 1 capital)

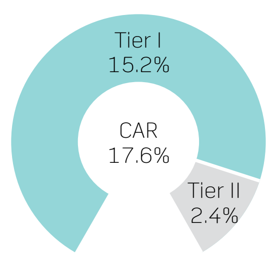
Banking group capital adequacy

The group continues to maintain a position of strength and remained well capitalized with a CET1 ratio of 17.1%, above the end state requirement of 12.50% (excluding the temporary reduction of the Capital Conservation Buffer to 0% from 1.5%) The actual capital adequacy ratio for Bank and Group exceeds the Board set targets.

June 2021



June 2020



REGULATORY DEVELOPMENTS AND PROPOSALS

With the adoption of Basel III in 2018, the applicable minimum ratios per year to the original end-state requirement 2022 would have been as per below. However, following the COVID-19 relief measures announced in the Directive BID33 issued on 26 March 2020, applicable for a two year period the minimum requirement target for 2021 reduced to 10%.

	Phased-in 2020	Phased-in 2021	End-state 2022	COVID-19 relief	Board Limits
Core equity	6.0%	6.0%	6.0%	6.0%	-
Capital conservation buffer	1.5%	2.0%	2.5%	0.0%	-
CET1 minimum	7.5%	8.0%	8.5%	6.0%	>11.5%
Additional Tier 1	1.5%	1.5%	1.5%	1.5%	-
Tier 1 minimum	9.0%	9.5%	10.0%	7.5%	-
Tier 1 (maximum)	2.5%	2.5%	2.5%	2.5%	-
Total CAR minimum	11.5%	12.0%	12.5%	10.0%	>14.0%

During 2018 BoN published BID-5A, an updated determination on the measurement and calculation of capital charges for credit risk, operational risk and market risk for domestic systemically important banks, that came into effect on 01 September 2018. The updated determination introduced major adjustments to capital components, measures, limits and new buffers. However, due to the COVID-19 global pandemic, BON issued policy directives to provide relief to the banking institutions and its customers for a period of two years or until revoked.

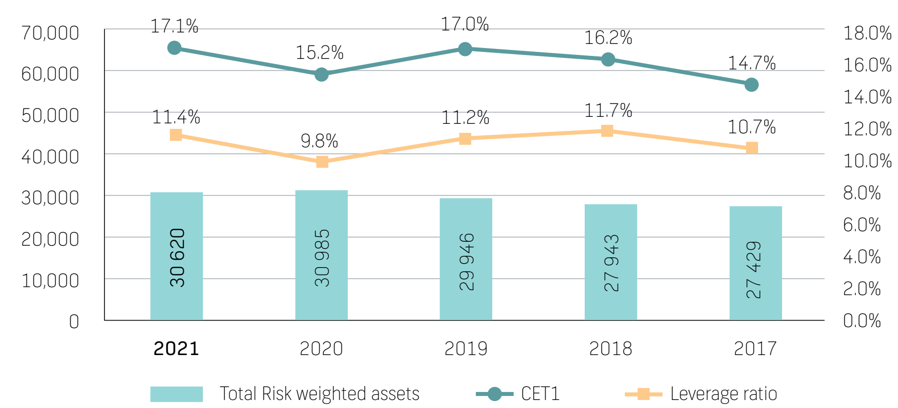
REGULATORY DEVELOPMENTS AND PROPOSALS continued

The following measures were introduced:

- Loan repayment moratorium/holiday ranging from 6 months, but not exceeding 2years. This will allow clients who cannot not meet their payment obligations to remain as performing clients thus not increasing the non-performing ratio. Non-performing loans attracts a higher risk weight that could result in the decline in the capital adequacy ratio;
- Write offs under loss category for non-performing loans overdue for more than 360 days shall be written off within 3 years as opposed to 15 months to allow for ample time for possible recoveries provided that various haircuts will be applied to collateral;
- Capital conservation buffer reduced to 0 percent for a period of 24 months, reducing the minimum capital requirement back to 10% from 11%; and
- To increase the Banks' lending capacity the Single Obligor Limit which set at 25% in December 2019 was revoked and reverted to 30% of the group's qualifying capital.

The group commended the actions the Bank of Namibia has taken to try to mitigate the economic impact of the COVID-19 turmoil as these measures will provide banking institutions the necessary flexibility to respond to the client's needs, thereby supporting the economy during these challenging times.

Capital highlights



The minimum leverage ratio as per the implemented determination is 6% and is defined as Tier 1 capital divided by total on- and off-balance sheet exposures.

Capital adequacy of Banking Operations

	Banking operations	
	Year ended 30 June	
N$'000	2021	2020
Risk weighted assets		
Credit risk	25 572 607	26 149 501
Market risk	51 134	38 256
Operational risk	4 972 202	4 796 815
Total risk weighted assets	30 595 943	30 984 572
Regulatory capital		
Share capital and share premium	1 142 792	1 142 792
Retained profits	4 175 579	3 650 827
Other disclosed reserves	6 334	6 086
Capital impairment: intangible assets	(81 599)	(81 349)
Total tier 1	5 243 106	4 718 356
Eligible subordinated debt	400 000	400 000
General risk reserve, including portfolio impairment	320 059	326 869
Capital impairments*	-	-
Total tier 2	720 059	726 869
Total tier 1 and tier 2 capital	5 963 165	5 445 225
Banking group		
Capital adequacy ratios		
Tier 1	17.1%	15.2%
Tier 2	2.4%	2.4%
Total	19.5%	17.6%
Tier 1 leverage ratio	11.4%	9.8%

** Includes intangible assets, investment in deconsolidated entities and investment in significant minority & majority insurance entities.*

06

FNB NAMIABIA GROUP ANNUAL FINANCIAL STATEMENTS

Directors' responsibility statement

To the shareholder of First National Bank of Namibia Limited

The directors of First National Bank of Namibia Limited are responsible for the preparation of the consolidated and separate annual financial statements comprising the statement of financial position, income statement, and statements of comprehensive income, changes in equity and cash flows, and the notes to the annual financial statements. These annual financial statements have been prepared in accordance with **International Financial Reporting Standards (IFRS),** including interpretations issued by the IFRS Interpretations Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the NSX Listing Requirements, JSE Debt Listing requirements, Banking Institutions Act, as amended and the requirements of the Companies Act of Namibia.

In discharging this responsibility, the directors rely on management to prepare the consolidated and separate annual financial statements and for keeping adequate accounting records in accordance with the group's system of internal control. Oscar Capelao, CA (Nam) (SA), supervised the preparation of the annual financial statements for the year.

In preparing the annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by management. The annual financial statements incorporate full and responsible disclosure in line with the group philosophy on corporate governance and as required by the Namibian Stock Exchange.

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 133 to 182.

The directors are responsible for the group's system of internal control. To enable the directors to meet these responsibilities, the directors set the standards for internal control to reduce the risk of error or loss in a cost effective manner. The standards include the appropriate delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. Effective risk management requires various points of control. The directors and management are the risk owners, assisted by enterprise risk management and internal audit. Enterprise risk management is responsible for independent oversight and monitoring of controls and reports to the risk, capital and compliance committee, who oversees the group's risk governance structures and processes. Internal audit provides independent assurance on the adequacy and effectiveness of controls and report to the audit committee. The board has adopted and is committed to the principles in the NamCode report on Corporate Governance.

Based on the information and explanations given by management and the internal auditors, nothing has come to the attention of the directors to indicate that the internal controls are inadequate and that the financial records may not be relied on in preparing the consolidated and separate annual financial statements in accordance with IFRS and the Companies Act of Namibia and maintaining accountability for the group's assets and liabilities. Nothing has come to the attention of the directors to indicate any breakdown in the functioning of internal controls, resulting in a material loss to the group, during the year and up to the date of this report. Based on the effective internal controls implemented by management, the directors are satisfied that the consolidated and separate annual financial statements fairly present the state of affairs of the group and company at the end of financial year and the net income and cash flows for the year.

The directors have reviewed the group and company's budgets and flow of funds forecasts and considered the group and company's ability to continue as a going concern in the light of current and anticipated economic conditions. On the basis of this review, and in light of the current financial position and profitable trading history, the directors are satisfied that the group and company has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

The group's external auditors, Deloitte & Touche, have audited the financial statements and their report appears on page 123 to 127.

The consolidated and separate annual financial statements which appear on pages 82 to 119 and 128 to 327 were approved by the board of directors on 18 August 2021 and signed on its behalf by:

I I Zaamwani – Kamwi
Chairperson

Chief Executive Officer

Windhoek
18 August 2021

Independent auditor's report

to the member of First National Bank of Namibia Limited

Opinion

We have audited the consolidated and separate financial statements of First National Bank Namibia Limited set out on pages 114 to 119 and 128 to 327, which comprise consolidated and separate statements of financial position as at 30 June 2021 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, and the notes to the financial statements, including a summary of significant accounting policies, the directors' report and capital management report.

In our opinion, these consolidated and separate financial statements present fairly, in all material respects, the financial position of the group and company as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report We are independent of the First National Bank Namibia group in accordance with the International Ethics Standards Board for Accountants (including International Independence Standards) and other independence requirements applicable to performing audits of financial statements in Namibia.

We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. This matter was addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter- Group and Company	How the matter was addressed in the audit
Impairment of advances	
International Financial Reporting Standards (IFRS) 9 *Financial Instruments* remains an area of significant management judgement and estimation. The Group and Company continued to enhance models, processes and judgements over the course of the year in response to known limitations and as part of the ongoing annual improvements. The current year was again complicated by the continued impact of the Covid-19 pandemic and the and the significant economic impact thereof. This adds further uncertainty, particularly around the incorporation of forward-looking information to predict the impact on default rates and the realisation of collateral. The Group and Company's advances broadly fall into three broad customer segments: • Retail; • Commercial (both as part of the First National Bank (FNB) segment); and • Corporate/Wholesale which forms part of the Rand Merchant Bank (RMB) business. We have set out below the risks and responses based on the ECL approach adopted. The impairment of advances was considered to be a matter of significant importance to our current year audit due to the following: • Advances are material to the financial statements; • The level of judgement applied in determining the ECL on advances; • The uncertainty related to unprecedented global and local economic stress.	Our audit of the impairment of advances included, inter alia, the following audit procedures performed with the assistance of our credit and actuarial specialists: • Across all significant portfolios we assessed the advances impairment practices applied by management against the requirements of IFRS 9; • In addition, we tested the design and implementation of relevant controls over the processes used to calculate impairments; and • We assessed the Group and Company's probability-weighted macroeconomic scenario reports and analysed the outlined methodology, scenario views and associated probabilities in terms of the principles of IFRS 9, including the review of the approval of the macroeconomic outlook. Below is a summary of the substantive procedures performed for each segment: **Retail and commercial advances** We performed the following procedures on the ECL for all material retail and commercial advances portfolios with the assistance of our credit and actuarial experts: • Obtained an understanding of the methodologies and assumptions used by management in the various ECL model components (PD, EAD, LGD) and assessed these against the requirements of IFRS 9 and best practice; • Assessed the reasonableness of the SICR criteria adopted by management and tested whether this was correctly and consistently applied in the models; • Assessed the application of forward-looking information in the ECL calculation, this included selection of relevant macro-economic variables such as gross domestic product (GDP) and the central bank rates, and assessing whether these variables were appropriate indicators of future losses; • Confirmed that the latest available and relevant probability weighted forward-looking information has been appropriately incorporated within the impairment models by comparing these to widely available market data; • Assessed the accuracy of the Group and Company's model output at a parameter level and in total against our independent challenger model output, and investigated any material variances; and • Inspected a sample of legal agreements and supporting documentation to assess the legal right to and existence of collateral.

Key audit matter – Group	How the matter was addressed in the audit
Impairment of advances	
Portfolio Impairments Where clients have not defaulted on their advances, management uses a portfolio provisioning approach in which they use statistical models incorporating various judgements and assumptions in developing their expected credit losses on the portfolio of clients. The inputs into the modelling process require significant management judgement, including: • The input assumptions and methodologies applied to estimate the probability of default (PD), exposure at default (EAD) and loss given default (LGD) within the ECL calculations; • The assessment of whether there has been a significant increase in credit risk (SICR) event since origination date of the exposure to the reporting date. IFRS 9 requires that accounts reflecting signs of SICR should be reported as Stage 2 and attract a lifetime ECL provision, relative to Stage 1 accounts which attract a 12-month ECL; • The valuation of watch list accounts which are individually assessed for ECL; • The determination of the lifetime of a financial instrument subject to ECL assessment; and • The incorporation of unbiased probability weighted forward-looking information. Particularly in the current year where the COVID-19 pandemic has resulted in a continued reduction in economic activity which has an impact on the realisation of collateral. There remains significant uncertainty around the recovery path which has a significant impact on ECLs. **Model overlays** Across all portfolios, management applies judgement to recognise additional ECL (in the form of overlays and out of model adjustments) where there is uncertainty in respect of the models' ability to accurately predict future losses. This could be due to data limitations, inability to accurately model emerging risks due to inherent limitations of modelling based on past performance, and macro-economic events that are not adequately captured by the models. We consider out of model adjustments and overlays as a significant risk across all segments given the high level of judgement inherent in these. In the current year a significant proportion of the overlays relate to the impact that the COVID-19 pandemic is expected to have on default rates and realisation of collateral. Related disclosures in the Consolidated and Separate Financial statements: • Accounting policy note 4 - Accounting policy for financial instruments; • Accounting policy note 8.4 – Critical accounting estimates, assumptions and judgements; • Note 11 - Advances to customers; • Note 12 - Impairment of advances; and • Note 30 – Risk management.	**Corporate advances** We performed the following procedures on the ECL for corporate advances with the assistance of credit and actuarial experts: • We assessed, the appropriateness of assumptions made by management in determining the level of impairment, including the probability of default and valuation of collateral and the incorporation of the macro-economic variables; • Tested the performance and sensitivity of the forward-looking information in order to evaluate whether the chosen macro-economic factors and model fit provide a reasonable representation of the impact of macro-economic changes on the ECL results; • Assessed the reasonability of the credit risk parameters calculated by management; and • We inspected a sample of legal agreements and supporting documentation to assess the valuation, legal right to and existence of collateral. **Out of model adjustments and overlays** • We challenged the validity and reasonableness of overlays recorded by management by ensuring each overlay was related to a known model weakness or model limitation; • We challenged the key assumptions and judgements related to each overlay to ensure that these were reasonable and supportable using available Group and Company information or other widely available market data; • Assessed the need for any other overlays not considered by management based on our expert judgement and widely available information; and • Performed a top-down test of the reasonableness of the overall ECL provisions under stressed conditions to assess whether adequate provisions were recorded given the uncertainty brought about by Covid-19. In conclusion, we determined the impairment of allowances to be within a reasonable range.

Other information

The directors are responsible for the other information. The other information also includes the about our annual report, at a glance, leadership for value creation and preservation through good governance, sustainability creating value through strategy and driving performance sections as well as the Directors' Responsibility Statement and corporate information, which we obtained prior to the date of this auditor's report. The other information does not include the consolidated and separate financial statements, Directors' report, capital management report and our Auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's or the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

We also:

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

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

Per J Cronjé
Partner
28 September 2021

Deloitte Building, Maerua Mall Complex, Jan Jonker Road, Windhoek
PO Box 47, Windhoek, Namibia

Partners: RH Mc Donald (Managing Partner), H de Bruin J Cronjé, A Akayombokwa, J Nghikevali, G Brand*, M Harrison*
* *Director*

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Directors' report

NATURE OF BUSINESS

First National Bank of Namibia Limited is a Namibian registered bank offering a full range of banking services to retail, commercial, corporate and public sector customers through its portfolio of market leading franchises; FNB, the retail and commercial bank, RMB, the corporate and investment bank and WesBank, the instalment finance provider.

Page 13 for a simplified group structure.

SHARE CAPITAL

The company's authorised share capital remained unchanged at N$4 000. The company's authorised share capital at year-end consists of 4 000 (2019: 4 000) ordinary shares of N$1 each. The issued ordinary share capital remained unchanged at 1 200 ordinary share.

DIVIDENDS

During the current year cash dividends of N$ 532 million (2020: N$ 1 250 million) were declared and paid out by the company.

GROUP RESULTS AND COVID-19 IMPACT

The financial statements on pages 128 to 327 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 (page 38), the chief executive officer's report (page 72) and the chief financial officer's report (page 86) on the financial results.

DIRECTORATE

There is a formal transparent board nomination and appointment process. Non-executive directors are appointed, subject to re-election and the Companies Act provisions relating to removal and retire by rotation every three years. Re-appointment of non-executive directors is not automatic. The retirement age of directors is set at age 70 and such directors are compelled to resign annually at the annual general meeting after turning 70, and may be considered for re-election, should their specialised skills be required and the board unanimously supported their nomination.

The Board Chairperson is an independent non-executive director, whose role is separate from that of the chief executive officer. The Chairperson held office till the first board meeting in 2021, where she was duly re-elected after consideration of her independence. The Chairperson continues to provide the FirstRand Namibia Limited the direction necessary for an effective board.

THE COMPOSITION OF THE BOARD OF THE FIRST NATIONAL BANK OF NAMIBIA LIMITED IS AS FOLLOWS:

II Zaamwani-Kamwi (Chairperson)
C Dempsey** (Appointed 1 October 2020)
OLP Capelao (Chief Financial Officer)
JG Daun (Appointed 1 October 2020)
P Grüttemeyer
CLR Haikali
JH Hausiku
JR Khethe*
IN Nashandi
E Tjipuka (Appointed 1 October 2020)

* *South African*
** *South African with Namibian Permanent Residence*

BOARD CHANGES

During the period under review Mr G Kruger and Adv GS Hinda resigned effective 19 August 2020 and 03 November 2020 respectively.

Mr S van Zyl and Mr S Moir retired as directors effective 30 September 2020 and 31 December 2020 respectively. Mr C Dempsey was appointed as director and CEO effective 1 October 2020. Mr E Tjipuka was appointed as director effective 1 October 2020.

DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed in note 5 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 First National Bank of Namibia Limited is FirstRand Namibia Limited a Namibia Stock Exchange (NSX) listed company. FirstRand Namibia Limited is, in turn controlled by FirstRand EMA (Pty) Holdings Limited and its ultimate holding company is FirstRand Limited, both of which are incorporated in the Republic of South Africa.

SUBSIDIARIES

Interest in subsidiaries are set out in note 14 to the annual financial statements.

COMPANY SECRETARY AND REGISTERED OFFICES

Company secretary
N Makemba

Registered office
130 Independence Avenue, Windhoek

Postal address
P O Box 195, Windhoek, Namibia

EVENTS SUBSEQUENT TO THE REPORTING DATE

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

INTEREST OF DIRECTORS

During the financial year, no contracts were entered into which directors or officers of the group had an interest and which significantly affected the business of the group.

Accounting policies

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1	**Introduction and basis of preparation**	COVID-19 impact (section 1.1)	Significant estimates, judgements and assumptions (section 1.2)	New standards adopted in the current year (section 1.3)
2	**Subsidiary**	Consolidation (section 2.1)	Related party transactions (section 2.2)	
3	**Income, expenses and taxation**	Income and expenses (section 3.1)	Taxation (section 3.2)	
4	**Financial instruments IFRS 9**	Classification and measurement (section 4.1)	Impairment (section 4.2)	Transfers, modifications and de-recognition (section 4.3)
		Offset and collateral (section 4.4)	Derivatives and accounting (section 4.5)	
5	**Other assets and liabilities**	Property and equipment (section 5.1)	Intangible assets (section 5.1)	Provisions (section 5.1)
		Leases (section 5.2)		
6	**Capital and reserves**	Share capital	Dividends	Other reserves
7	**Transactions with employees**	Employee liabilities (section 7.1)		
8	**Critical judgements**	Introduction (section 8.1)	Subsidiaries and associates (section 8.2)	Taxation (section 8.3)
		Impairment of financial assets (IFRS 9) (section 8.4)	Provisions (section 8.5)	Transactions with employees (section 8.6)

1. INTRODUCTION AND BASIS OF PREPARATION

The First National Bank of Naimibia group (the group) **consolidated and separate financial statements have been prepared in accordance with IFRS,** including interpretations issued by the IFRS Interpretations Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the NSX Listings Requirements, JSE debt listing requirements, Banking Institutions Act and requirements of the Companies Act of Namibia.

These financial statements comprise the statements of financial position as at 30 June 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended, as well as the notes comprising a summary of significant accounting policies and other explanatory notes.

The group prepares consolidated financial statements which include the assets, liabilities and results of the operations of First National Bank of Namibia Limited, its subsidiaries and its share of earnings of associates. To compile the consolidated financial statements the following information is used:

- Audited information about the financial position and results of operations at 30 June each year for all subsidiaries in the group. For insignificant private equity subsidiaries that have a year end that is less than three months different to that of the group, the latest audited financial statements are used.
- The most recent audited annual financial statements of associates. These are not always drawn up to the same date as the financial statements of the group. Where the reporting date is different from that of the group, the group uses the most recently available financial statements of the investee and reviews the investee's management accounts for material transactions during the intervening period. In instances where significant events occurred between the last reporting date of an investee and the reporting date of the group, the effect of such events is adjusted for.

The segmental analysis included in the segment report is based on the information reported to the chief operating decision maker for the respective segments under the current operating business management structures. The information is prepared in terms of IFRS and certain adjustments are made to the segment results in order to eliminate the effect of non-taxable income and other segment specific items that impact certain key ratios reviewed by the chief operating decision maker when assessing the operating segments' performance.

1. INTRODUCTION AND BASIS OF PREPARATION continued

Presentation of financial statements, functional and foreign 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).

Presentation	The group presents its statement of financial position in order of liquidity. Where permitted or required under IFRS, the group offsets assets and liabilities or income and expenses and presents the net amount in the statement of financial position or in the statement of comprehensive income.
Materiality	IFRS is only applicable to material items. Management applies judgement and considers both qualitative and quantitative factors in determining materiality.
Functional and presentation currency of the group	Namibia Dollars (N$)
Level of rounding	All amounts are presented in thousands of Namibian Dollars. The group has a policy of rounding up in increments of N$ 1 000. Amounts less than N$ 1 000 will therefore round down to N$nil and are presented as a dash.
Foreign currency transactions of the group	Translated into the functional currency using the exchange rates prevailing at the date of the transactions.
Translation and treatment of foreign denominated balances	Translated at the relevant exchange rates, depending on whether they are monetary items (in which case the closing spot rate is applied. Foreign exchange gains or losses are recognised in profit or loss in fair value gains or losses.

1.1 Covid-19 Impact

Since the outbreak of the coronavirus (COVID-19) pandemic, Namibia and the rest of the world have experienced both a first, second and third wave of infections. The impact of the spread of COVID-19 continues to be felt across the global economy, with many governments across the world reinstituting national lockdowns which has resulted in extensive travel restrictions and quarantine measured being maintained, all of which impacts on the current state of the global economy.

Although the successful rollout of vaccines is expected to boost global economic growth, it is still not possible to accurately predict the full extent and duration of COVID-19 and its economic impact.

Contained within the specific areas of judgement detailed in note 9 of the accounting policies, are additional judgements relating to the impact of COVID-19.

1. INTRODUCTION AND BASIS OF PREPARATION continued

1.2 Significant estimates, judgements and assumptions

The table below provides an overview of the areas where additional judgement has been applied and includes references to the relevant sections in the notes to the annual financial statements, where additional information has been included.

Description	Additional information
Impairment provisions on advances	
Incorporating forward-looking information	
Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the group's forward-looking assumptions for the purposes of its Expected Credit Loss (ECL), has been provided. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of the social and economic consequences of COVID-19 will manifest, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.	Accounting policy note 8.4 *Impairment of financial assets -Forward-looking information.*
Significant increase in credit risk	
The group has not approached the ECL impact of COVID-19 on an overall blanket approach (where COVID-19 is seen as a Significant Increase in Credit Risk (SICR) trigger that will result in the entire portfolio of advances moving into their respective next staging bucket). A more systematic and targeted approach to the impact of COVID -19 on the customer base is being undertaken rather, which is in line with the group's existing policy documented in the Group Credit Impairment Framework.	Accounting policy note 8.4 *Impairment of financial assets*

1. INTRODUCTION AND BASIS OF PREPARATION continued

1.2 Significant estimates, judgements and assumptions continued

The key statement of financial position items and related disclosures that have been impacted by COVID-19

In addition to the key areas where additional judgement has been applied, the following balances and related disclosures have also been impacted by COVID-19.

Description	Additional information
Overall application of the going concern principle	
The directors have reviewed the group and company's budgets and flow of funds forecasts and considered the group and company's ability to continue as a going concern in light of current and anticipated economic conditions. These budgets and flow of funds forecasts took the impact of the COVID-19 pandemic into consideration, including projections of the impact on the group's capital, funding and funding requirements, all of which have remain within internal targets and above regulatory requirements. As part of this assessment, the Board considered the sufficiency of the group's financial resources throughout the pandemic. The management of the group's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of the group's stated growth and return targets and is driven by the group's overall risk appetite. Forecast growth in earnings and balance sheet risk weighted assets (RWA) is based on the group's macroeconomic outlook and is evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies. The expected outcomes and constraints are then stress tested, and the group sets targets through different business cycles and scenarios. On the basis of this review, and in light of the current financial position and profitable trading history, the directors are satisfied that the group and company has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.	Director's responsibility statement page 121.

1. INTRODUCTION AND BASIS OF PREPARATION continued

1.3 New standards adopted in the current year

New standards adopted in the current year

None of the new or amended IFRS which became effective for the year ended 30 June 2021 impacted the group's reported earnings, financial position or reserves, nor the accounting policies. Additional disclosures have been provided relating to the Interest Rate Benchmark Reform – Phase 1 and Phase 2.

New / revised IFRS	Description of change	Impact on First National Bank of Namibia group
Conceptual framework	The amendments revise the definitions of an asset and liability, updating the recognition criteria for including assets and liabilities in financial statements and the following provides additional clarification of the following principles - prudence, stewardship, measurement uncertainty and substance over form. Minor amendments have also been made to various other standards as a result of the amendments to the Conceptual Framework.	The amendments did not have a significant impact on the group's accounting policies.
IFRS 3	**Business Combinations – Amendments to clarify the definition of a business** The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.	This amendment will be applied by the group for any future business combination transaction.
IAS 1 and IAS 8	**Amendments regarding the definition of material** The amendments align the definition of material across the IFRS Standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendment must be applied prospectively.	The amendments did not have a significant impact on the group's accounting policies.

1. INTRODUCTION AND BASIS OF PREPARATION continued

1.3 New standards adopted in the current year continued

New / revised IFRS	Description of change	Impact on First National Bank of Namibia group
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	**Phase One** The IASB issued amendments to the following standards as part of the interest rate (IBOR) benchmark reform that has a direct impact on the bank's hedging relationships. These impacts are • The highly probable requirement under IFRS 9 and IAS 39 - when a forecast transaction is designated as a hedged item, that transaction must be highly probable to occur. When determining whether a forecast transaction is highly probable, a company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform. • Prospective assessments – when performing prospective assessments for effectiveness, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument is based is not altered as a result of the interest rate benchmark reform. • Separately identifiable risk components – IFRS 9 and IAS 39 require a risk component (or a portion) to be separately identifiable to be eligible for hedge accounting. The amendment allows for hedges of a non-contractually specified benchmark component of interest rate risk. A company shall apply the separately identifiable requirement only at the inception of such hedging relationships. These reliefs are essential to mitigate the hedge accounting issues that could arise during the period of uncertainty before IBOR contracts are amended to new alternative risk-free rates (ARRs).	These amendments did not have a significant impact on the group.

1. INTRODUCTION AND BASIS OF PREPARATION continued

1.3 New standards adopted in the current year continued

New / revised IFRS	Description of change	Impact on First National Bank of Namibia group
Interest Rate Benchmark Reform Phase 2, (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Phase Two The amendments provide temporary reliefs which address the financial reporting effects when an IBOR is replaced with an alternative nearly risk-free interest rate (RFR). These included: • Practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred. Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognised. If they are not substantial, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognised in profit or loss. • The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Permitted changes include redefining the hedged risk to reference an RFR and redefining the description of the hedging instruments and/or the hedged items to reflect the RFR. Entities are allowed until the end of the reporting period, during which a modification required by IBOR reform is made, to complete the changes.	Although the amendments are effective for periods beginning on or after 1 January 2021, the group elected to early adopt the Phase Two amendments. In doing so, the practical expedients were applied for advances and lease receivables where changes in the movement in a market rate of interest impacted by IBOR, was treated as a change in a floating interest rate and not as a modification in terms of IFRS 9. Any other changes to the interest rate made at the same time were assessed to determine if they were substantial enough to warrant a derecognition event or if not deemed significant, then to update the EIR and recognise the resultant modification gain or loss. The other temporary relieves provided under Phase Two, relate to hedge accounting under IFRS 9. The group has evaluated the relief provided against the current hedges in place and noted that no adjustment was necessary. Furthermore, it was noted that no comparative information required restatement and as such, there was no impact on the current period opening reserves balance upon early adoption.

1. INTRODUCTION AND BASIS OF PREPARATION continued

1.3 New standards adopted in the current year continued

New / revised IFRS	Description of change	Impact on First National Bank of Namibia group
Interest Rate Benchmark Reform Phase 2, (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) continued	**Phase Two** continued • The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. The relief allows entities upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months.	Early adoption required the group to provide the following disclosure: • How the group is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform; • Disaggregated by each significant IBOR benchmark, quantitative information about financial instruments that have yet to transition to RFRs; and • If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes. Refer to note 30 for these disclosures.

2. Subsidiary

2.1 Basis of consolidation

Subsidiaries and other structured entities	
Typical shareholding in the assessment of entities that are not structured entities	Greater than 50%
Nature of the relationship between the group and the investee	Entities over which the group has control as defined in IFRS 10 are consolidated. These include certain investment funds managed by the group, securitisation structures or other entities used for the purpose of buying or selling credit protection.
Consolidated financial statements	
Consolidation	
Initial recognition in the consolidated financial statements	Subsidiaries acquired are accounted for by applying the acquisition method of accounting to business combinations. The excess (shortage) of the sum of the consideration transferred, the value of non-controlling interest, the fair value of any existing interest, and the fair value of identifiable net assets, is recognised as goodwill or a gain on bargain purchase, as set out further below. Transaction costs are included in operating expenses within profit or loss when incurred.
Intercompany transactions and balances	Intercompany transactions are all eliminated on consolidation, including unrealised gains. Unrealised losses on transactions between group entities are also eliminated unless the transaction provides evidence of impairment of the transferred asset, in which case the transferred asset will be tested for impairment in accordance with the group's impairment policies.
Impairment	In the consolidated financial statements either the cash generating unit (CGU) is tested, i.e. a grouping of assets no higher than an operating segment of the group; or, if the entity is not part of a CGU, the individual assets of the subsidiary and goodwill are tested for impairment in terms of IAS 36.

2. Subsidiary

2.1 Basis of consolidation continued

Consolidated financial statements continued	
Consolidation	
Goodwill	Goodwill on the acquisition of businesses and subsidiaries represents excess consideration transferred and is recognised as an intangible asset at cost less accumulated impairment losses. If this amount is negative, as in the case of a bargain purchase, the difference is immediately recognised in gains less losses from investing activities within non-interest revenue. Goodwill is tested annually for impairment by the group in March, or earlier if there are objective indicators of impairment. For subsidiaries acquired between March and June a goodwill impairment test is performed in June in the year of acquisition and thereafter annually in March. For testing purposes, goodwill is allocated to a suitable CGU. Impairment losses in respect of goodwill are not subsequently reversed.
Non-controlling interest	Non-controlling interests in the net assets of subsidiaries are separately identified and presented from the group's equity. All transactions with non-controlling interests, which do not result in a loss of control, are treated as transactions with equity holders. Partial disposals and increases in effective shareholding between 50% and 100% are treated as transactions with equity holders. Non-controlling interest is initially measured either at the proportional share of net assets or at fair value. The measurement distinction is made by the group on a case-by-case basis.

2. Subsidiary continued

2.2 Related party transactions

Related parties of the group, as defined, include:

Subsidiaries	Post-employment benefit funds (pension funds)
Entities that have significant influence over the group, and subsidiaries of these entities	Entities controlled, jointly controlled or significantly influenced by key management personnel or their close family members

The principal shareholder of First National Bank of Namibia is FirstRand Namibia Ltd, whose principal shareholder is FirstRand EMA Holdings (Pty) Ltd, with its ultimate holding company FirstRand Limited incorporated in South Africa.

Key management personnel of the group are the First National Bank of Namibia board of directors and the First National Bank of Namibia executive committee, including any entities which provide key management personnel services to the group. Their close family members include spouse/domestic partner and children, domestic partner's children and any other dependants of the individual or their domestic partner.

3. INCOME, EXPENSES AND TAXATION

3.1 Income and expenses

Net interest income recognised in profit or loss

Interest income includes:

- Interest on financial instruments measured at amortised cost;
- Interest income is calculated using the effective interest rate which includes fees and transaction costs that form an integral part of generating an involvement with the resulting financial instrument. The original effective interest rate is applied to:
  - the gross carrying amount of financial assets which are not credit-impaired; and
  - the amortised cost of financial assets which represents the net carrying amount, from the month after the assets become credit-impaired (refer to section 4.2 of the accounting policies).
- Modified advances (derecognition not achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. The interest income on the modified financial asset (refer to accounting policy 4.3) is calculated by applying the original effective interest rate to the asset's modified gross carrying amount;
- Modified advances (derecognition is achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. New fees or costs charged on the new advance which are integral to the new asset recognised are capitalised to the new loan; and
- Interest on financial asset debt instruments measured at fair value through profit or loss that are held by and managed as part of the group's insurance or funding operations.

Interest expense includes:

- Interest on debt instruments measured at amortised cost;

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Non-interest and financial instrument revenue recognised in profit or loss	
Non-interest revenue from contracts with customers	
Under IFRS 15, where a five-step analysis is required to determine the amount and timing of revenue recognition, the group assesses contracts and determines whether the fees identified in the contract relate to revenue as defined in IFRS 15. The revenue is recognised only if the group can identify the contract and the performance obligation (i.e. the different services) and can determine the transaction price which is allocated to the identifiable performance obligations. Unless specifically stated otherwise, the group is the principal in its revenue arrangements as the group controls the goods and services before transferring them to the customer.	
Fee and commission income	Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers and are recognised in non-interest revenue. Fee and commission income is earned by the group by providing customers with a range of services and products, and consists of the following main categories: • Banking fee and commission income. • Knowledge-based fee and commission income. • Management, trust and fiduciary fees. • Fee and commission income from service providers. • Other non-banking fee and commission income. The vast majority of fee and commission income is earned on the execution of a single performance obligation and as such, it is not necessary to make significant judgements when allocating the transaction price to the performance obligation. As such, fee and commission income which typically includes transactional banking fees, such as bank charges, interchange fees, point-of-sale fees, exchange commissions, cash deposit fees and knowledge-based fee and commission income, are recognised at a point in time. Where the distinct performance obligation is satisfied over a period of time, the fees are recognised as follows: • Fees for services rendered are recognised on an accrual basis as the service is rendered and the group's performance obligation is satisfied, e.g. annual card fees and asset management and related fees; and • Commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis.

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Non-interest and financial instrument revenue recognised in profit or loss	
Non-interest revenue from contracts with customers	
Fee and commission income continued	Commitment fees for unutilised funds made available to customers in the past are recognised as revenue at the end of the contract period. Commitment fees paid upfront for a future facility, where it is not probable that a specific lending arrangement will be entered into by the group, are recognised as revenue on a straight-line basis over the period for which the funds are promised to be kept available. Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking, insurance and asset management operations. This includes fee and commission income earned from providing services on behalf of third-party service providers, in effect acting as an agent. The revenue is recognised at a point in time and includes commission earned from the sale of prepaid airtime, data vouchers, electricity and traffic fines paid through FNB channels, as well as insurance commission.
Fee and commission expenses	Fee and commission expenses are expenses that are incremental and directly attributable to the generation of fee and commission income and are recognised as part of fee and commission income. These include transaction and service fees, which are expensed as the services are received. The group operates a customer loyalty programme, Rewards, in terms of which it undertakes to provide reward credits to customers when they transact. Reward credits are recognised as fee and commission expenses as incurred.

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Non-interest and financial instrument revenue recognised in profit or loss
Fair value gains or losses
Fair value gains or losses of the group recognised in non-interest revenue includes the following: • Fair value adjustments and interest on financial instruments at fair value through profit or loss including derivative instruments that do not qualify for hedge accounting; • Fair value adjustments that are not related to credit risk on advances designated at fair value through profit or loss; • Fair value adjustment on financial instruments designated at fair value through profit or loss in order to eliminate an accounting mismatch, except for such instruments relating to the group's insurance and funding operations for which the interest component is recognised in interest income. The change in the fair value of a financial liability designated at fair value through profit or loss attributable to changes in its credit risk are presented in other comprehensive income unless this would cause or enlarge an accounting mismatch in profit or loss. The total fair value adjustment on policyholder liabilities and non-recourse liabilities (including movements due to changes in credit risk) is included in profit or loss, since the fair value movements on these liabilities are directly linked to fair value movements on the underlying assets; and • Ordinary and preference dividends on equity instruments at fair value through profit or loss.
Gains less losses from investing activities
The following items are included in gains less losses from investing activities: • Any gains or losses on disposals of investments in subsidiaries and associates; and • Dividend income on any equity instruments that are considered long-term investments of the group, including non-trading equity instruments measured at fair value through other comprehensive income. In the separate financial statements, this includes dividends from subsidiaries and associates.
Dividend income
The group recognises dividend income when the group's right to receive payment is established.

3. INCOME, EXPENSES AND TAXATION continued

3.2 Taxation

Income tax includes Namibian tax payable.

Current income tax	
The current income tax expense is calculated by adjusting the net profit for the year for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date.	
Deferred income tax	
Recognition	On temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.
Typical temporary differences for which deferred tax is provided	• Provision for loan impairment. • Instalment credit assets. • Revaluation of certain financial assets and liabilities, including derivative contracts. • Provisions for post-retirement medical benefits. • Share-based payment liabilities.
Measurement	The liability method under IAS 12 is used, which means applying tax rates and laws that have been enacted or substantively enacted at 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.
Presentation	Deferred income tax is presented as profit or loss unless it relates to items recognised directly in equity or other comprehensive income. Items recognised directly in equity or other comprehensive income relate to: • The issue or buy-back of share capital; • Fair value remeasurement of financial assets measured at fair value through other comprehensive income; and • Remeasurements of defined benefit post-employment plans. Tax in respect of share transactions is recognised directly in equity. Tax in respect of the other items is recognised directly in other comprehensive income and subsequently reclassified to profit or loss (where applicable) at the same time as the related gain or loss.
Deferred tax assets	The group recognises deferred income tax assets only if it is probable that future taxable income will be available against which the unused tax losses can be utilised. The group reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

4. FINANCIAL INSTRUMENTS

4.1 Classification and measurement

4.1.1 Initial measurement

All financial instruments are initially measured at fair value including transaction costs, except for those classified as fair value through profit or loss, in which case the transaction costs are expensed upfront in profit or loss, usually as part of operating expenses. Any upfront income earned on financial instruments is recognised as detailed under accounting policy 3.1, depending on the underlying nature of the income.

Immediately after initial recognition, an expected credit loss allowance is recognised for newly originated financial assets measured at amortised cost or fair value through other comprehensive income debt instruments.

4.1.2 Classification and measurement

Classification and subsequent measurement of financial assets
Management determines the classification of its financial assets at initial recognition, based on: • the group's business model for managing the financial assets; and • the contractual cash flow characteristics of the financial asset.
Business model
The group distinguishes three main business models for managing financial assets: • holding financial assets to collect contractual cash flows; • managing financial assets and liabilities on a fair value basis or selling financial assets; and • a mixed business model of collecting contractual cash flows and selling financial assets. The business model assessment is not performed on an instrument-by-instrument basis, but at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment is done for each legal reporting entity at least at a franchise level, although franchises will perform the assessment on a portfolio or sub-portfolio level, depending on the manner in which groups of financial assets are managed in each franchise. The main consideration in determining the different business models across the group is whether the objectives of the business model are met primarily through holding the financial assets to collect contractual cash flows, through the sale of these financial assets, by managing assets and liabilities on a fair value basis, or through a combination of these activities. In considering whether the business objective of holding a group of financial assets is achieved primarily through collecting contractual cash flows, among other considerations, management monitors the frequency and significance of sales of financial assets out of these portfolios for purposes other than managing credit risk. For the purposes of performing the business model assessment, the group only considers a transaction a sale if the asset is derecognised for accounting purposes. For example, a repo transaction where a financial asset is sold with the commitment to buy back the asset at a fixed price at a future date is not considered a sale transaction. Substantially all the risks and rewards relating to the ownership of the asset have not been transferred and the asset is not derecognised from an accounting perspective.

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and measurement continued

Business model continued
If sales of financial assets are infrequent, the significance of these sales are considered by comparing the carrying amount of assets sold during the period and cumulatively to the total carrying amount of assets held in the business model. If sales are either infrequent or insignificant, these sales will not impact the conclusion that the business model for holding financial assets is to collect contractual cash flows. In addition, where the issuer initiates a repurchase of the financial assets which was not anticipated in the terms of the financial asset, the repurchase is not seen as a sale for the purposes of assessing the business model of that group of financial assets. Determining whether sales are significant or frequent requires management to use its judgement. The significance and frequency of sales are assessed on a case-by-case basis at the business model level. The frequency is assessed on an annual basis and sales of assets that take place once or less per annum is considered to be infrequent. If sales take place more than once per annum it doesn't mean that the business models are not to collect contractual cash flows, but rather that the reasons for the sales need to be more carefully considered. Management will consider both the volume and amount of sales relative to the total assets in the business model to determine whether it is significant. A change in business model of the group only occurs on the rare occasion when the group changes the way in which it manages financial assets. Any changes in business models would result in a reclassification of the relevant financial assets from the start of the next reporting period.
Cash flow characteristics
In order for a debt instrument to be measured at amortised cost or fair value through other comprehensive income, the cash flows on the asset have to be solely payments of principal and interest (SPPI), i.e. consistent with those of a basic lending agreement. The SPPI test is applied on a portfolio basis for retail advances, as the cash flow characteristics of these assets are standardised. This includes the consideration of any prepayment penalties that are limited by consumer credit regulation. They can therefore be considered reasonable compensation, which would not cause these assets to fail the SPPI test. For wholesale advances, the SPPI test is applied to individual advances at initial recognition, based on the cash flow characteristics of the asset. Wholesale advances that do not pass the SPPI test and that have to be measured at fair value through profit or loss include advances with equity participation features, convertible bonds and payments linked to commodity or other prices. If the contract contains prepayment penalties, the amount of the prepayment penalty is compared to the present value of the margin that will be earned if the loan is not prepaid. If the amount of the prepayment penalty is lower than or equal to the margin lost due to prepayment, this is considered reasonable compensation and the loan passes the SPPI test.

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and measurement continued

<table>
<tr><th colspan="3">Amortised cost</th></tr>
<tr><td colspan="3">Financial assets are measured at amortised cost using the effective interest method when they are held to collect contractual cash flows which are solely payments of principle and interest, and sales of such assets are not significant or frequent. These include the majority of the retail, corporate and commercial advances of the group, as well as certain investment securities utilised for liquidity risk management of the group.</td></tr>
<tr><th colspan="3">Cash and cash equivalents</th></tr>
<tr><td colspan="3">Cash and cash equivalents comprise of coins and bank notes, money at call and short notice and balances with central banks. All balances included in cash and cash equivalents have a maturing date of less than three months from the date of acquisition. Money at call and short notice constitutes amounts withdrawable in 32 days or less. Cash and cash equivalents are measured at amortised cost.</td></tr>
<tr><th colspan="3">Retail advances</th></tr>
<tr><td rowspan="2">Retail advances</td><th>Business model</th><th>Cash flow characteristics</th></tr>
<tr><td>FNB, WesBank hold retail advances to collect contractual cash flows. Their business models focus on growing these advances within acceptable credit appetite limits and maintaining strong collection practices.

The products included under this business model include:

• residential mortgages;
• vehicle and asset finance;
• personal loans;
• credit card; and
• other retail products such as overdrafts.</td><td>The cash flows on retail advances are solely payments of principal and interest. Interest charged to customers compensates the group for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.</td></tr>
</table>

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and measurement continued

<table>
<tr><th colspan="3">Corporate and commercial advances</th></tr>
<tr><td rowspan="2">Corporate and commercial advances</td><td>The business models of FNB Commercial and RMB Corporate are also focused on collecting contractual cash flows on advances and growing these advances within acceptable credit appetite limits. The products included in this business model are:

• trade and working capital finance;
• specialised finance;
• commercial property finance; and
• asset-backed finance.

These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return.</td><td>The cash flows on corporate and commercial advances are solely payments of principal and interest. Interest charged to customers compensates the group for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.</td></tr>
<tr><td>Within RMB's Investment Banking Division (IBD), debt for large corporates and institutions are structured. These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return.</td><td>The cash flows on these advances are considered to be solely payments of principal and interest if the loan contract does not contain upside features, conversion options, payments linked to equity or commodity prices or prepayment penalties that exceed reasonable compensation for early termination of the contract. Any advances that do contain such features are mandatorily measured at fair value through profit or loss.</td></tr>
</table>

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and measurement continued

Investment securities		
Investment securities	Group Treasury holds investment securities with lower credit risk (typically government bonds and treasury bills). These investment securities are held in a business model with the objective of collecting contractual cash flows.	The cash flows on these investment securities are solely payments of principal and interest.
Other assets		
Other assets	Other financial assets are short-term financial assets that are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.
Cash and cash equivalents		
Cash and cash equivalents	Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. These assets are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.
Mandatory at fair value through profit or loss		
Financial assets of the group are mandatorily measured at fair value through profit or loss when they are held for trading, managed on a fair value basis, held to sell/distribute, or are held to collect contractual cash flows which are not solely payments of principal and interest.		
Investment securities	RMB Global Markets holds portfolios of investment securities (including corporate and government bonds) to hedge risks or for short-term profit realisation. These securities are managed on a fair value basis.	
	All equity investments of the group are managed on a fair value basis, either through profit or loss (FVTPL) or designated at fair value through other comprehensive income.	
Derivative assets	Derivatives are held for trading or to hedge risk. These instruments are managed on a fair value basis.	
Equity investments at fair value through other comprehensive income		
Investment securities	The group has elected to designate certain equity investments not held for trading to be measured at fair value through other comprehensive income.	

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.3 Classification and subsequent measurement of financial liabilities and compound instruments

Financial liabilities 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. Tier 2 instruments which have write-down or conversion features are classified based on the nature of the instrument and the definitions. Tier 2 and other funding liabilities are presented in separate lines on the statement of financial position of the group.
Financial liabilities measured at amortised cost
The following liabilities are measured at amortised cost using the effective interest rate method, unless they have been designated as measured at fair value through profit or loss: • deposits; • creditors; • Tier 2 liabilities; and • other funding liabilities.
Financial liabilities measured mandatory at fair value through profit or loss
The following held for trading liabilities are measured at fair value through profit or loss: • derivative liabilities; and • short trading positions. These liabilities are measured at fair value at reporting date as determined under IFRS 13, with fair value gains or losses recognised in profit or loss.

4. FINANCIAL INSTRUMENTS continued

4.2 Impairment of financial assets and off-balance sheet exposures subject to impairment continued

This policy applies to:

- financial assets measured at amortised cost, including other financial assets and cash;
- loan commitments;
- financial guarantees; and
- finance lease debtors where group is the lessor.

Refer to accounting policy note 9.4 where all risk parameters, scenarios and sources of estimation are detailed more extensively.

Expected credit losses		
Loss allowance on financial assets		
Credit risk has not increased significantly since initial recognition (stage 1)	Credit risk has increased significantly since initial recognition, but asset is not credit-impaired (stage 2)	Asset has become credit-impaired since initial recognition (stage 3)
12-month expected credit losses	Lifetime expected credit losses (LECL)	LECL

4. FINANCIAL INSTRUMENTS continued

4.2 Impairment of financial assets and off-balance sheet exposures subject to impairment continued

Expected credit losses continued	
Advances	
Significant increase in credit risk since initial recognition (SICR)	In order to determine whether an advance has experienced a significant increase in credit risk, the probability of default (PD) of the asset calculated at the origination date is compared to that calculated at the reporting date. The origination date is defined as the most recent date at which the group has repriced an advance/facility. A change in terms results in derecognition of the original advance/facility and recognition of a new advance/facility. SICR test thresholds are reassessed and, if necessary, updated, on at least an annual basis. Any facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a significant increase in credit risk. In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a significant increase in credit risk. One such qualitative consideration is the appearance of wholesale and commercial SME facilities on a credit watch list. Any up-to-date facility that has undergone a distressed restructure (i.e. a modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a significant increase in credit risk and will be disclosed within stage 2 at a minimum. The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a significant increase in credit risk are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a significant increase in credit risk has occurred. No minimum period for transition from stage 2 back to stage 1 is applied, with the exception of cured distressed restructured exposures that are required to remain in stage 2 for a minimum period of six months before re-entering stage 1.
Low credit risk	The group does not use the low credit risk assumption.

4. FINANCIAL INSTRUMENTS continued

4.2 Impairment of financial assets and off-balance sheet exposures subject to impairment continued

Advances continued	
Credit-impaired financial assets	Advances are considered credit impaired if they meet the definition of default. The group's definition of default applied for calculating provisions under IFRS 9 has been aligned to the definition applied for regulatory capital calculations across all portfolios, as well as those applied in operational management of credit and for internal risk management purposes. Exposures are considered to be in default when they are more than 90 days past due or, in the case of amortising products, have more than three unpaid instalments. In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay their credit obligations in full without any recourse by the group to actions such as the realisation of security. Indicators of unlikeliness to pay are determined based on the requirements of BID2 of the Banking Institutions Act. Any distressed restructures of accounts which have experienced a significant increase in credit risk since initial recognition are defined as default events. Retail accounts are considered to no longer be in default if they meet the stringent cure definition, which has been determined at portfolio level based on analysis of re-defaulted rates. Curing from default within wholesale is determined judgmentally through a committee process.
Write-offs	Write-off must occur when it is not economical to pursue further recoveries, i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised). • By implication, in both retail and wholesale, for secured as well as unsecured exposures, write-offs cannot occur if there is evidence of recent payment behaviour. Each credit portfolio has articulated a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account; • Within retail portfolios, write-off definitions have been determined with reference to analysis of the materiality of post write-off recoveries. The result of this is that retail unsecured loans are written off after 12 to 15 cumulative missed instalments and retail secured loans are written off on perfection of collateral; and • Within wholesale portfolios, a judgemental approach to write-off is followed, based on case-by-case assessment by a credit committee. Partial write-offs are not performed within credit portfolios. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur.

4. FINANCIAL INSTRUMENTS continued

4.2 Impairment of financial assets and off-balance sheet exposures subject to impairment continued

Other financial assets	
Cash and cash equivalents	All physical cash is classified as stage 1. Other exposures are classified as stage 1 unless specific evidence of impairment exists, in which case, due to the nature of these assets, they are classified immediately as stage 3. ECL for physical cash and cash equivalents is zero.
Other assets	ECL for other assets i.e. accounts receivable and where applicable, contract assets, are calculated using the simplified approach. This results in a lifetime ECL being recognised.
Investment securities	Impairment parameters for investment securities (PD, loss given default (LGD) and exposure at default (EAD)) are determined using appropriate models, with the models to be applied determined with reference to the issuer of the security and the nature of the debt instrument. The tests for a significant increase in credit risk and default definitions are then applied and the ECL calculated in the same way as for advances. The significant increase in credit risk thresholds applied for investment securities are the same as those applied within the wholesale credit portfolio to ensure consistency in the way that a significant increase in credit risk is identified for a particular counterparty and for similar exposures. The group does not use the low credit risk assumption for investment securities, including government bonds.

4. FINANCIAL INSTRUMENTS continued

4.3 Transfers, modifications and derecognition

Financial instruments are derecognised when:

- the contractual rights or obligations expire or are extinguished, discharged or cancelled, for example an outright sale or settlement;
- they are transferred and the derecognition criteria of IFRS 9 are met; or
- the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met.

Financial assets are derecognised when the group has either transferred the contractual right to receive cash flows from the asset or it has assumed an obligation to pay over all the cash flows from the asset to another entity (i.e. pass-through arrangement).

If the contractual cash flows of a financial asset measured at amortised cost are modified (changed or restructured, including distressed restructures), the group determines whether this is a substantial modification, which could result in the derecognition of the existing asset and the recognition of a new asset. If the change is simply a non-substantial modification of the existing terms it would not result in derecognition.

Financial instruments are derecognised when:

- the contractual rights or obligations expire or are extinguished, discharged or cancelled, for example an outright sale or settlement;
- they are transferred and the derecognition criteria of IFRS 9 are met; or
- the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met.

Financial assets are derecognised when the group has either transferred the contractual right to receive cash flows from the asset or it has assumed an obligation to pay over all the cash flows from the asset to another entity (i.e. pass-through arrangement).

If the contractual cash flows of a financial asset measured at amortised cost are modified (changed or restructured, including distressed restructures), the group determines whether this is a substantial modification, which could result in the derecognition of the existing asset and the recognition of a new asset. If the change is simply a non-substantial modification of the existing terms it would not result in derecognition.

4. FINANCIAL INSTRUMENTS continued

4.3 Transfers, modifications and derecognition continued

Transaction type	Description	Accounting treatment
Transfers without derecognition		
Securities lending and reverse repurchase agreements	Investment securities are lent to external counterparties in exchange for cash collateral as security for the return of the securities. The group's only recourse in respect of the return of the securities it has lent is to the cash collateral held and as such, the group generally requires cash collateral in excess of the fair value of the securities lent.	
Modifications without derecognition		
Modification of contractual cash flows	Debt restructuring accounts are accounts where the new terms of the contract (such as a lower interest rate) are mandated by law and do not have the same commercial terms as a new product that the group would be willing to offer a customer with a similar risk profile.	Existing asset is not derecognised. The gross carrying amount of the financial asset is recalculated as the present value of the estimated future cash receipts through the expected life of the renegotiated or modified financial asset, discounted at the financial asset's original effective interest rate. Distressed modifications are included in ECL.
Modifications with derecognition (i.e. substantial modifications)		
Retail advances	The process for modifying an advance (which is not part of a debt restructuring) is substantially the same as the process for raising a new advance, including reassessing the customer's credit risk, repricing the asset and entering into a new legal agreement.	Existing asset is derecognised and a new asset is recognised at fair value based on the modified contractual terms.

4. FINANCIAL INSTRUMENTS continued

4.4 Offsetting of financial instruments and collateral

Where the requirements of IFRS are met, the group offsets financial assets and financial liabilities and presents the net amount. Financial assets and financial liabilities subject to master netting arrangements (MNA) or similar agreements are not offset, if the right of set-off under these agreements is only enforceable in the event of default, insolvency and bankruptcy.

Details of the offsetting and collateral arrangements of the group are set out in the following table:

Derivative financial instruments	The group's derivative transactions that are not transacted on an exchange are entered into under International Derivatives Swaps and Dealers Association (ISDA) MNA. Generally, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, e.g. when a credit event such as default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions (close-out netting). Financial collateral (mostly cash) is also obtained, often daily, for the net exposure between counterparties to mitigate credit risk.
Securities lending and borrowing transactions	These transactions by the group are covered by master agreements with netting terms similar to those of the ISDA MNA. Where the group has entered into a securities borrowing and lending transaction, with the same counterparty, the advance and liability balances are offset in the statement of financial position only if they are due on a single day, denominated in the same currency and the group has the intention to settle these amounts on a net basis. The group receives and accepts collateral for these transactions in the form of cash and other investment securities.
Other advances and deposits	The advances and deposits that are offset relate to transactions where the group has a legally enforceable right to offset the amounts and the group has the intention to settle the net amount.

It is the group policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, either through physical inspection or indexation methods, as appropriate. For wholesale and commercial portfolios, the value of collateral is reviewed as part of the annual facility review. For mortgage portfolios, collateral valuations are updated on an ongoing basis through statistical indexation models. However, in the event of default, more detailed reviews and valuations of collateral are performed, which yields a more accurate financial effect. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

4. FINANCIAL INSTRUMENTS continued

4.5 Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially and are subsequently measured at fair value. Movements in fair value is recognised in fair value gains or losses within non-interest revenue in the consolidated income statement. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative.

Derivative instruments are classified as fair value through profit and loss.

5. OTHER ASSETS AND LIABILITIES

5.1 Classification and measurement

Classification	Measurement
Property and equipment (owned and right of use)	
Information regarding land and buildings is kept at the group's registered office and is open for inspection in terms of section 120 of the Companies Act of Namibia.	
Property and equipment of the group include: • Assets utilised by the group in the normal course of operations to provide services, including freehold property and leasehold premises and leasehold improvements (owner-occupied properties); • Assets which are owned by the group and leased to third parties under operating leases as part of the group's revenue generating operations; • Capitalised leased assets; and • Other assets utilised by the group in the normal course of operations, including computer and office equipment, motor vehicles and furniture and fittings.	Historical cost less accumulated depreciation and impairment losses, except for land which is not depreciated. Depreciation is over the useful life of the asset, except for assets capitalised under finance leases where the group is the lessee, in which case depreciation is over the life of the lease (refer to policy 5.2). Leasehold premises are measured on the shorter of estimated life or period of lease. Freehold property and property held under leasing agreements: - Buildings and structures 50 years - Mechanical and electrical 20 years - Components 20 years - Sundries 3 – 5 years - Computer equipment 3 – 5 years - Other equipment Various: 3 – 10 years

5. OTHER ASSETS AND LIABILITIES continued

5.1 Classification and measurement continued

Intangible assets	
Intangible assets of the group include: • Internally generated intangible assets (including computer software and other assets such as trademarks or patents) are capitalised when the requirements of IAS 38 relating to the recognition of internally generated assets have been met; • External computer software development costs are capitalised when they 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; and • Material acquired trademarks, patents and similar rights are capitalised when the group will receive a benefit from these intangible assets for more than one financial period. All other costs related to intangible assets are expensed in the financial period incurred.	Cost less accumulated amortisation and any impairment losses. Amortisation is on a straight-line basis over the useful life of the asset. The useful life of each asset is assessed individually. The benchmarks used when assessing the useful life of the individual assets are: Software and development costs 3 years Trademarks 10 – 20 years Other 3 – 10 years
Goodwill arising from business combinations is recognised as an intangible asset.	Tested for impairment annually.

5. OTHER ASSETS AND LIABILITIES continued

5.1 Classification and measurement continued

Provisions
The group will only recognise a provision measured in terms of IAS 37 when there is uncertainty around the amount or timing of payment. Where there is no uncertainty the group will recognise the amount as an accrual. The most significant provisions are related to litigation and claims. The group recognises a provision when a reliable estimate of the outflow required can be made and the outflow is more reliable than not.

Other assets that are subject to depreciation, and intangible assets other than goodwill acquired as part of a business combination (refer to accounting policy 2.1) are reviewed for impairment whenever objective evidence of impairment exists. Impairment losses are recognised in profit or loss as part of operating expenses. The assets are impaired if the carrying amount is more than the recoverable amount, which is the higher of the assets' value in use and fair value less cost to sell. The impairment loss is calculated as the difference between the assets' carrying amount and their recoverable amounts.

Other assets are derecognised when they are disposed of or, in the case of intangible assets, when no future economic benefits are expected from their use. Gains or losses arising on derecognition are determined as the difference between the carrying amount of the asset and the net proceeds received and are recorded in profit or loss as part of non-interest revenue.

5. OTHER ASSETS AND LIABILITIES continued

5.2 Leases

The First National Bank of Namibia group leases a variety of properties and equipment. Rental agreements typically include fixed periods over which the item is leased, which are individually negotiated and contain a wide range of different terms and conditions. The group assesses whether a contract is or contains a lease at inception of a contract.

Qualifying leases are recognised as a Right of Use Asset (ROUA) and a corresponding liability at the date at which the leased asset is made available for use by the group.

	Group company is the lessee	Group company is the lessor
At inception	The group recognises a ROUA and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the individual group lessee uses its own incremental borrowing rate, being the rate that it can borrow funds from the Group Treasury function. The ROUAs are measured at cost comprising of the amount of the initial measurement of the lease liability plus any initial direct costs and restoration costs. Where applicable, any lease payments made at or before the commencement date less any lease incentives received is deducted from the cost. Post initial recognition, ROUAs are treated in line with other property and equipment. Variable payments that do not depend on an index or rate are not included in the measurement the lease liability and the ROUA. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line operating expenses in the consolidated income statement.	Where the group company is the lessor under a finance lease, the group recognises assets sold under a finance lease as advances and impair the advances, as required, in line with the impairment of financial assets accounting policy in section 4.2. No practical expedients are applied, and fully compliant IFRS 9 models are used for impairment calculation on advances.

5. OTHER ASSETS AND LIABILITIES continued

5.2 Leases continued

	Group company is the lessee	Group company is the lessor
Over the life of the lease	Each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROUA is subsequently measured at cost less accumulated depreciation and impairment losses. The asset is depreciated over the lease term on a straight-line basis, where ownership is not transferred at the end of the lease term. If ownership is transferred at the end of the lease term, the asset is depreciated over the shorter of the lease term or useful life. The group applies IAS 36 to determine whether a ROUA is impaired and accounts for any identified impairment loss.	Unearned finance income is recognised as interest income over the term of the lease using the effective interest method. Finance lease receivables are assessed for impairment in terms of IFRS 9, as set out in the impairment of financial assets policy section 4.2. Interest on finance lease receivables that are credit-impaired (stage3), is recognised and calculated by applying the original effective interest rate to the net carrying amount
Presentation	The lease liability is presented in other liabilities in the consolidated statement of financial position. The ROUA's are not presented as a separate line in the consolidated statement of financial position, but rather disclosed as ROUA in the property, plant and equipment note.	The group regards instalment credit sale agreements as financing transactions and includes the total rentals and instalments receivable, less unearned finance charges, as finance lease receivables presented as part advances in in the consolidated statement of financial position.
Operating leases	For short-term and low value leases, which the group has defined as all other leases except for property and vehicles leases, the lease payments are recognised as operating expense, spread on a straight-line basis over the term of the lease.	Assets held under operating leases are included in property and equipment and depreciated – refer to accounting policy 5.1. Rental income is recognised as other non-interest revenue on a straight-line basis over the lease term.

6. CAPITAL AND RESERVES

Transaction	Liability	Equity
Shares issued and issue costs	Ordinary shares and any preference shares which meet the definition of equity issued by the group less any incremental costs directly related to the issue of new share or options, net of any related tax benefit.	
Dividends paid / declared	Recognised as interest expense on the underlying liability.	Dividends on equity instruments are recognised against equity. A corresponding liability is recognised when the dividends have been approved by the company's shareholders and distribution is no longer at the discretion of the entity.
Other reserves	Not applicable	Other reserves recognised by the group include general risk reserves, defined benefit post-employment reserve.

7. TRANSACTIONS WITH EMPLOYEES

7.1 Employee benefits

The group operates 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. The defined benefit plans are funded by contributions from employees and the relevant group companies.

Defined benefit plans	
Defined benefit obligation liability	**Recognition** The liabilities these funds are reflected as a liability in the statement of financial position, i.e. the present value of the defined benefit obligation at the reporting date.
	Measurement The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. 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 the terms of the related pension liability.
Profit or loss	Included as part of staff costs: • Current and past service costs calculated on the projected unit credit method. • Gains or losses on curtailments and settlements that took place in the current period. • Net interest income calculated by applying the discount rate at the beginning of the period to the net asset or liability. • Actuarial gains or losses on long-term employee benefits.
Other comprehensive income	All other remeasurements in respect of the obligation are included in other comprehensive income and never 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, included in staff costs, in profit or loss when it has a present obligation relating to termination. The group has a present obligation at the earlier of the following two occurrences: when the group can no longer withdraw the offer of the termination benefit or when the group recognises any related restructuring costs.	
Liability for short-term employee benefits	
Leave pay	The group recognises a liability for the employees' rights to annual leave in respect of past service. The amount recognised by the group is based on current salary of employees and the contractual terms between the employee and the group. The expense is included in staff costs.
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.

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

8.1 Introduction

In preparing the financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions 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. Included below are all the critical accounting estimates, assumptions and judgements made by the group, except those related to fair value measurement, which are included in note 33.

8.2 Subsidiaries

Subsidiaries	
Only one party can have control over a subsidiary. In determining whether the group has control over an entity, consideration is given to any rights the group has that result in the ability to direct the relevant activities of the investee, and the group's exposure to variable returns. In operating entities, shareholding is most often the clearest indication of control. However, for structured entities and investment management funds, judgement is often needed to determine which investors have control of the entity or fund. Generally, where the group's shareholding is greater than 50%, the investment is accounted for as a subsidiary.	
Decision making power	Some of the major factors considered by the group in making this determination include the following: • The purpose and design of the entity. • What the relevant activities of the entity are. • Who controls the relevant activities and whether control is based on voting rights or contractual agreements. This includes considering: - what percentage of voting rights is held by the group and the dispersion and behaviour of other investors; - potential voting rights and whether these increase/decrease the group's voting powers; - who makes the operating and capital decisions; - who appoints and determines the remuneration of the key management personnel of the entity; - whether any investor has any veto rights on decisions; - whether there are any management contracts in place that confer decision-making rights; - whether the group provides significant funding or guarantees to the entity; and - whether the group's exposure is disproportionate to its voting rights. • Whether the group is exposed to any downside risk or upside potential that the entity was designed to create. • To what extent the group is involved in the setup of the entity. • To what extent the group is responsible to ensure that the entity operates as intended.

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.2 Subsidiaries continued

Subsidiaries continued	
Exposure to variable returns	Factors considered include: • the group's rights in respect of profit or residual distributions; • the group's rights in respect of repayments and return of debt funding; • whether the group receives any remuneration from servicing assets or liabilities of the entity; • whether the group provides any credit or liquidity support to the entity; • whether the group receives any management fees and whether these are market-related; and • whether the group can obtain any synergies through the shareholding, not available to other shareholders. Benefits could be non-financial in nature as well, such as employee services etc.
Ability to use power to affect returns	Factors considered include: • whether the group is acting as an agent or principal; • if the group has any de facto decision-making rights; • whether the decision-making rights the group has are protective or substantive; and • whether the group has the practical ability to direct the relevant activities.

Impairment of goodwill
The period over which management has projected cash flows ranges between three and five years. The cash flows from the final cash flow period are extrapolated into perpetuity to reflect the long-term plans of the group. The growth rate does not exceed the long-term average past growth rate for the business in which the CGU operates. The group assessed the recoverable amount of goodwill based on value in use and determined that goodwill is impaired, mainly as a result of the impact of Covid-19 on the expected future cash flows.

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.3 Taxation

The group is subject to direct tax in Namibia. As such 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. In determining whether an interpretation and/or application of the various tax rules may result in a dispute of which the outcome may not be favourable to the group, the group seeks, where relevant, expert advice to determine whether the unfavourable outcome is probable or possible. Where payment is determined to be possible but not probable the tax exposure is disclosed as a contingent liability. 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.

8.4 Impairment of financial assets

Impairment of advances
In determining whether an impairment loss should be recognised, 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.
The objective of the measurement of an impairment loss is to produce a quantitative measure of the group's credit risk exposure. The group adopted the PD/LGD approach for the calculation of ECL for advances. The ECL is based on an average of three macroeconomic scenarios incorporating a base scenario, upside scenario and downside scenario, weighted by the probability of occurrence. Regression modelling techniques are used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the group of accounts to which the model will be applied. This results in the production of models that are used to predict impairment parameters (PD, LGD and EAD) based on the predictive characteristics identified through the regression process.

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Impairment of advances continued

Forward-looking information (FLI)

Forward-looking macroeconomic information has been incorporated into expected loss estimates through the application of quantitative modelling and expert-judgement-based adjustments. The quantitative techniques applied estimate the impact of forecasted macroeconomic factors on expected credit losses using regression techniques.

The macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for baseline, downside, upside and stress scenarios. The baseline, downside and upside scenarios are used in the ECL calculations. These scenarios are overseen by the FSR Macro forum, which is responsible for oversight and is independent from credit and modelling functions, and approved by the Board of Directors.

To arrive at the macroeconomic forecasts, a bottom-up and top-down process is followed. The bottom-up process is conducted by teams of economists.. These economists assess micro and macroeconomic developments to formulate (bottom-up) and adjust (top-down) the macroeconomic forecasts. A number of internal and external economists are then requested to assign a probability to each scenario. The rationale for probabilities assigned by each respondent are noted and explained.

ECL results are calculated as probability-weighted average results across multiple macroeconomic scenarios. The creation of macroeconomic scenarios and the determination of associated probabilities are subjective, with final ECL results dependent on the assumptions applied during the process.

The following scenarios were applied at 30 June 2021:

Baseline regime	Assumes that global growth slows below trend, developed market (DM) inflation remains benign and interest rates turn more accommodative while domestic policy uncertainty reduces relative to 2020 and meaningful economic reform remains absent.
Upside regime	Assumes that the global economy expands at a solid pace whilst DM inflation and interest rates lift gradually, and domestic policy certainty improves substantially, opening the door for positive economic reforms to drive growth higher.
Downside regime	Assumes that the global economy slows down whilst DM inflation and interest rates lift. Increased policy uncertainty, a collapse in corporate governance at state-owned enterprises (SOEs), increased populism and fiscal recklessness drive South Africa's growth lower.

There has been a significant change in the probabilities assigned to upside and downside scenarios when compared to the prior year. There are a number of factors, including the COVID 19 pandemic, that have contributed to this change. These are discussed in more detail below and has resulted in increases in the provisions recognised in the current year.

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Namibia

Namibia continues to grapple with weak economic conditions as 1Q-2021 GDP figures show that the economy contracted by 6.5% y/y, compared to a 2.5% contraction observed in the 1Q-2020. The weakness in the economy was broad based across the sectors with only 5 sectors recording positive growth. The second quarter has been marred by a severe third wave of COVID-19 which prompted the government to introduce stricter regulations related to domestic travel and public gatherings. Namibia has also been blacklisted by Germany, the UAE and the US for travel, which will have a continued detrimental impact on tourism-related sectors. Furthermore, after only fully vaccinating 0.9% of the population, the Ministry of Health has limited stock of vaccines and has thus suspended the vaccination roll-out at some vaccination sites until further notice.

Considering the impact of the third wave, we now expect the economy to contract by -0.2% in 2021. While our baseline view incorporates some growth in the base moving forward, the size of the economy in real GDP terms will not reach pre-pandemic levels by the end of the forecast horizon. The Namibian economy has suffered severe base erosion even before the pandemic, with 9 out of the last 10 quarters pre-pandemic contractions. The long period of contraction has resulted in capital degradation and continues to weigh on investment prospects. This has severe adverse implications for the outlook of the labour market which, together with below-inflation wage increases, high levels of indebtedness and a deteriorating employment situation has put a lid on private consumption, which we expect to grow by only 1.5% in 2021. Additionally, the government's ability to stimulate the economy is restricted as government consumption is expected to decline by 0.9% in 2021. The effects thereof are already visible in the Government Wage Index which recorded slow growth of 0.1% in the first quarter of 2021.

Compounding the above is lower than expected diamond production owing to a mining vessel that is expected to be under maintenance over the next 12 months.

Inflation is expected to remain elevated relative to 2020 levels with the outlook at 4.1% in 2021 average and 4.4% in 2022.

This revision is supported firstly by higher food prices expected during this period, particularly for grain and meat products.

Secondly, global oil prices are expected to continue to increase over the course of the year, which will impact domestic fuel prices. Thirdly, the Electricity Control Board has announced an increase in electricity tariffs of 2.92%.

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Significant macroeconomic factors

The table below sets out the most significant macroeconomic factors used to estimate the FLI on the ECL provisions.

30 June 2021

Namibia	Upside scenario	Baseline expectation	Downside scenario
Real GDP growth (%)	2.25%	1.4%	(1.6%)
Policy interest rate (%)	2.75%	3.88%	6.25

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Significant macroeconomic factors continued

The following table reflects the impact on the IFRS 9 impairment provisions on advances, if the probability weighting assigned to each of the scenarios were increased to 100%.

	N$ 000's	% change on total IFRS 9 provision
IFRS 9 impairment provision at 30 June 2021		
Scenarios		
Baseline	1 350 420	(0.9%)
Upside	1 307 705	(4.1%)
Downside	1 407 261	3.1%

	N$ 000's	% change on total IFRS 9 provision
IFRS 9 impairment provision at 30 June 2020		
Scenarios		
Baseline	1 239 954	0.84%
Upside	920 455	(25.9%)
Downside	1 879 769	51.4%

In addition to forward-looking macroeconomic information, other types of forward-looking information, such as specific event risk, is taken into account in ECL estimates when required. Furthermore, where there is uncertainty in respect of the respective models' ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the timing of model updates and macro-economic events, additional provisions via post model adjustments are made.

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Financial relief offered in response to the impacts of COVID-19
The group has offered financial relief through various mechanisms in response to COVID-19. These included the following: • Additional facilities or new loans being granted; • Restructure of existing exposures with no change in the present value of the estimated future cash flows; and • Restructure of existing exposures with a change in the present value of the estimated future cash flows. Exposures on which relief has been offered have been assessed to determine whether the requirement for relief is expected to be temporary or permanent in nature. Where the requirement for relief is expected to be temporary in nature and as such qualified as a non-distressed restructure, the staging of the exposure as at 28 February 2020 has been maintained, and adjustments have been made to coverage to allow for incremental credit risk and potential masking of normal arrears. Where the requirement for relief is not expected to be temporary in nature, the exposure has been treated as a distressed restructure, and staging and coverage has been adjusted in line with normal practice. Where relief has been enacted through the issuance of a new loan as part of a non-distressed restructure, the loan has been treated at initial recognition as a new exposure and coverage has been calculated on the basis of historical behaviour in similar products. The terms of the new loan are distinct from other facilities granted to the customer previously, as the new loan is unsecured and its repayment terms differ from the terms of the customers other facilities with the group. Relief provided as an emergency facility (as defined under the NCA) part of a distressed restructure, the staging of the emergency facility has been aligned to the staging of the underlying exposures. Where there are multiple underlying exposures with different stages, the worst of these stages has been applied. The ECL for all exposures on which relief has been offered and for all emergency facilities has been adjusted to reflect the impact of forward-looking macro-economic information in line with the rest of the portfolio. Debt relief measures for wholesale clients have been undertaken on a case-by-case basis within the boundaries of existing credit risk management processes. ECL treatment of financial relief offered to wholesale customers remains the same as for other wholesale restructures.

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Judgement	Retail and retail SME	Wholesale and commercial SME
Determination of whether a financial asset is credit impaired	Exposures are classified as stage 3 if there are qualitative indicators that the obligor is unlikely to pay his/her/its credit obligations in full without any recourse by the group to action such as the realisation of security. Distressed restructures of accounts in stage 2 are also considered to be default events. For a retail account to cure from stage 3 to either stage 2 or stage 1, the account needs to meet a stringent cure definition. Cure definitions are determined on a portfolio level with reference to suitable analysis and are set such that the probability of a previously cured account re-defaulting is equivalent to the probability of default for an account that has not defaulted in the past. In most retail portfolios curing is set at 12 consecutive payments. For wholesale exposures, cures are assessed on a case-by-case basis, subsequent to an analysis by the relevant debt restructuring credit committee. A default event is a separate default event only if an account has met the portfolio-specific cure definition prior to the second or subsequent default. Default events that are not separate are treated as a single default event when developing LGD models and the associated term structures.	

8.5 Provisions

Provisions for litigation
The group has a policy and process in place to determine when to recognise provisions for potential litigation and claims. The recognition of such provisions are linked to the ranking of legal risk of potential litigation on the bank's litigation database.

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.6 Transactions with employees

Employee benefits – defined benefit plans	
Determination of present value of defined benefit plan obligations	The cost of the benefits and the present value of the defined benefit pension funds and post-employment medical obligations depend on a number of factors that are determined annually on an actuarial basis, by independent actuaries, using the projected unit credit method which incorporates a number of assumptions. The key 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, discount rate and 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.
Cash-settled share-based payment plans	
Determination of fair value	The liability is determined using a Black Scholes option pricing model with a zero strike price. The following estimates are included in the model to determine the value: • Management's estimate of future dividends; • The risk-free interest rate is used; and • Staff turnover and historical forfeiture rates are used as indicators of future conditions.

Annual financial statements

for the year ended 30 June 2021

Statements of comprehensive income

for the year end 30 June 2021

N$'000	Note(s)	Group 2021	Group 2020	Company 2021	Company 2020
Interest and similar income	1	3 025 761	3 852 376	3 012 043	3 833 490
Interest expense and similar charges	2	(1 155 492)	(1 847 660)	(1 152 689)	(1 847 660)
Net interest income before impairment of advances		1 870 269	2 004 716	1 859 354	1 985 830
Impairment and fair value of credit on advances		(237 832)	(559 413)	(236 504)	(557 651)
Net interest income after impairment of advances		1 632 437	1 445 303	1 622 850	1 428 179
Non-interest revenue *	3	1 779 979	1 772 437	1 777 662	1 782 856
- Net fee and commission income *		1 598 638	1 560 338	1 597 518	1 558 632
- Fee and commission income *		1 788 403	1 737 441	1 787 283	1 735 736
- Fee and commission expenses *		(189 765)	(177 103)	(189 765)	(177 104)
- Fair value gains		148 930	165 790	148 930	165 790
- Gains less losses from investing activities		11 009	18 516	11 009	31 555
- Other non-interest revenue		21 402	27 793	20 205	26 879
Income from operations		3 412 416	3 217 740	3 400 512	3 211 035
Operating expenses	4	(1 951 301)	(1 941 563)	(1 944 471)	(1 938 024)
Net income from operations		1 461 115	1 276 177	1 456 041	1 273 011
Share of profit of associate after tax		-	1 492	-	-
Income before indirect tax		1 461 115	1 277 669	1 456 041	1 273 011
Indirect tax	6	(37 493)	(43 639)	(37 198)	(43 251)
Profit before taxation		1 423 622	1 234 030	1 418 843	1 229 760
Income tax expense	6	(441 767)	(369 166)	(438 660)	(361 376)
Profit for the year		981 855	864 864	980 183	868 384

N$'000	Note(s)	Group 2021	Group 2020	Company 2021	Company 2020
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit post-employment plans		365	3 755	365	3 755
Deferred income tax		(117)	(1 202)	(117)	(1 202)
Total items that will not be reclassified to profit or loss		248	2 553	248	2 553
Other comprehensive income for the year		248	2 553	248	2 553
Total comprehensive income for the year		982 103	867 417	980 431	870 937

* *Non-interest revenue on the face of the consolidated and seperatestatements of comprehensive income has been expanded to show granular information to align to industry practice. The following line items, previously included in the notes to the annual financial statments, are now included on the face of the statements of comprehensive income: fee and commission income and fee and commission expense, fair value gains or losses, gains less losses from investing activities and other non-interest revenue. The additional information is also presented for the comparative year. Managment believe the additional information provides more relevant information given the different nature of the line items.*

Statements of financial position
as at 30 June 2021

N$'000	Note(s)	Group 2021	Group 2020	Company 2021	Company 2020
Assets					
Cash and cash equivalents	8	1 263 521	1 105 368	1 263 521	1 105 368
Due from banks and other financial institutions		2 958 109	4 442 443	2 958 109	4 442 443
Derivative financial instruments	9	314 626	519 294	314 626	519 294
Investment securities	10	7 041 312	8 381 307	7 041 312	8 381 307
Advances	11	30 283 263	30 078 229	30 098 777	29 843 241
Other assets	13	400 080	213 708	481 253	252 515
Investments in subsidiary	14	-	-	43 731	104 608
Property and equipment	15	920 901	885 904	865 476	863 883
Intangible assets	16	81 600	81 350	81 599	81 349
Total assets		43 263 412	45 707 603	43 148 404	45 594 008

N$'000	Note(s)	Group 2021	Group 2020	Company 2021	Company 2020
Equity and Liabilities					
Short trading position	20	21 849	-	21 849	-
Derivative financial instruments	9	317 192	534 035	317 192	534 035
Creditors and accruals	19	533 881	506 974	534 522	505 973
Current tax liability		111 209	62 610	112 571	62 450
Deposits	21	35 927 937	38 659 136	35 925 572	38 656 569
- Deposits from customers		30 147 627	30 933 479	30 145 262	30 930 912
- Debt securities		4 617 181	7 607 682	4 617 181	7 607 682
- Due to banks and other financial institutions		1 163 129	117 975	1 163 129	117 975
Employee liabilities	17	214 024	193 076	214 024	193 076
Other liabilities	22	238 281	286 186	238 281	286 186
Tier 2 liabilities	23	402 770	402 774	402 770	402 774
Deferred tax	18	76 141	263 101	76 576	266 643
Total liabilities		37 843 284	40 907 892	37 843 357	40 907 706
Equity					
Ordinary shares	24	1	1	1	1
Share premium	24	1 142 791	1 142 791	1 142 791	1 142 791
Reserves		4 277 336	3 656 919	4 162 255	3 543 510
		5 420 128	4 799 711	5 305 047	4 686 302
Total Equity and Liabilities		43 263 412	45 707 603	43 148 404	45 594 008

Statements of changes in equity
for the year end 30 June 2021 continued

N$'000	Share capital	Share premium	Total share capital	Defined benefit post-employment reserve	Share based payment reserve	General risk reserve	Retained earnings	Total equity
GROUP								
Balance as at 1 July 2019	1	1 142 791	1 142 792	3 533	2 467	-	4 032 966	5 181 758
Profit for the year	-	-	-	-	-	-	864 864	864 864
Other comprehensive income	-	-	-	2 553	-	-	-	2 553
Total comprehensive income for the year	-	-	-	2 553	-	-	864 864	867 417
Transfer of vested equity options	-	-	-	-	280	-	-	280
Share-based payments	-	-	-	-	(2 747)	-	2 747	-
Ordinary dividends	-	-	-	-	-	-	(1 249 744)	(1 249 744)
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-	-	(2 467)	-	(1 246 997)	(1 246 997)
Balance at 01 July 2020	1	1 142 791	1 142 792	6 086	-	-	3 650 833	4 799 711
Profit for the year	-	-	-	-	-	-	981 855	981 855
Other comprehensive income	-	-	-	248	-	-	-	248
Total comprehensive income for the year	-	-	-	248	-	-	981 855	982 103
Transfer between reserves	-	-	-	-	-	95 423	(95 423)	-
Ordinary dividends	-	-	-	-	-	-	(361 687)	(361 687)
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-	-	-	95 423	(457 110)	(361 687)
Balance at 30 June 2021	1	1 142 791	1 142 792	6 334	-	95 423	4 175 579	5 420 128
Note(s)	24	24	24			25		

Statements of changes in equity continued
for the year end 30 June 2021

N$'000	Share capital	Share premium	Total share capital	Defined benefit post-employment reserve	Share based payment reserve	General risk reserve	Retained earnings	Total equity
COMPANY								
Balance at 01 July 2019	1	1 142 791	1 142 792	3 533	2 467	-	3 916 037	5 064 829
Profit for the year	-	-	-	-	-	-	868 384	868 384
Other comprehensive income	-	-	-	2 553	-	-	-	2 553
Total comprehensive income for the year	-	-	-	2 553	-	-	868 384	870 937
Transfer of vested equity options	-	-	-	-	280	-	-	280
Share-based payments	-	-	-	-	(2 747)	-	2 747	-
Ordinary dividends	-	-	-	-	-	-	(1 249 744)	(1 249 744)
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-	-	(2 467)	-	(1 246 997)	(1 246 997)
Balance at 01 July 2020	1	1 142 791	1 142 792	6 086	-	-	3 537 424	4 686 302
Profit for the year	-	-	-	-	-	-	980 183	980 183
Other comprehensive income	-	-	-	248	-	-	-	248
Total comprehensive income for the year	-	-	-	248	-	-	980 183	980 431
Transfer between reserves	-	-	-	-	-	95 423	(95 423)	-
Ordinary dividends	-	-	-	-	-	-	(361 687)	(361 687)
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-	-	-	95 423	(457 110)	(361 687)
Balance at 30 June 2021	1	1 142 791	1 142 792	6 334	-	95 423	4 060 498	5 305 047
Note(s)	24	24	24			25		

Statements of cash flows

for the year end 30 June

N$'000	Note(s)	Group 2021	Group 2020	Company 2021	Company 2020
Cash flows from operating activities					
Interest and commission receipts **		4 604 127	5 396 893	4 589 698	5 376 289
- Interest received		3 028 534	3 855 738	3 014 816	3 828 508
- Fee and commission income		1 765 358	1 711 577	1 764 646	1 722 899
- Fee and commission expense		(189 764)	(177 104)	(189 764)	(177 104)
Other non-interest income		191 978	215 163	190 781	227 288
Interest payments		(1 155 492)	(1 847 660)	(1 152 689)	(1 847 660)
Other operating expenditure		(1 748 499)	(1 749 658)	(1 742 742)	(1 759 504)
Cash flows from operation activities	27	1 892 115	2 014 741	1 885 050	1 996 413
Liquid assets and trading securities		2 824 328	(2 442 229)	2 824 328	(2 442 229)
Advances		(440 095)	(221 538)	(493 291)	(277 916)
Deposits		(2 709 347)	2 257 740	(2 709 145)	2 257 587
Other assets		(186 381)	(58 691)	(228 747)	(53 511)
Creditors		26 314	310 943	28 550	298 056
Employee liabilities		20 947	(44 511)	20 947	(44 511)
Other liablities		(47 899)	(209)	(47 899)	(209)
Taxation paid		(626 534)	(665 178)	(621 695)	(651 470)
Net cash flows from operating activities		753 448	1 151 069	658 096	1 082 212

N$'000	Note(s)	Group 2021	Group 2020	Company 2021	Company 2020
Cash flows from investing activities					
Acquisition of property and equipment		(167 651)	(149 737)	(133 177)	(147 136)
Reduction in loan to subsidiary		-	-	60 877	66 256
Proceeds from sale of property and equipment		11 759	720	11 760	720
Purchase of other intangible assets	16	(13 494)	-	(13 494)	-
Net cash flows from investing activities		(169 386)	(149 017)	(74 034)	(80 160)
Cash flows from financing activities					
Dividends paid		(361 687)	(1 249 744)	(361 687)	(1 249 744)
Principal payments on lease liabilities		(31 286)	(27 741)	(31 286)	(27 741)
Principal payments on other liabilities		(32 936)	-	(32 936)	-
Net cash flows from financing activities		(425 909)	(1 277 485)	(425 909)	(1 277 485)
Net increase/(decrease) in cash and cash equivalents		158 153	(275 433)	158 153	(275 433)
Cash and cash equivalents at the beginning of the year*		1 105 368	1 380 801	1 105 368	1 380 801
Total cash at end of the year	8	1 263 521	1 105 368	1 263 521	1 105 368

* *Includes mandatory reserve deposits with the central bank.*

** *Interest and fee commission receipts have been disaggregated into the material line items making up this balance. The presentation of the comparative information has also been updated. The total interest and fee commission receipts as previously reported has however not changed. The additional information provides users with a better understanding of the material components making up this balance.*

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

1. Interest and similar income

N$'000	Group 2021	Group 2020	Company 2021	Company 2020
Analysis of interest and similar income				
Instruments at amortised cost	3 025 761	3 852 376	3 012 043	3 833 490
Revenue other than from contracts with customers				
- Overdrafts and cash managed accounts	268 897	396 323	272 958	395 576
- Term loans	291 147	362 673	291 147	362 673
- Card loans	47 427	60 889	47 427	60 889
- Instalment sales and hire purchase agreements	242 638	309 671	242 640	309 673
- Lease payments receivable	8 142	15 292	8 142	15 292
- Homeloans	1 125 390	1 373 893	1 108 146	1 348 295
- Commercial property finance	150 683	214 413	150 146	213 526
- Personal loans	264 120	336 447	264 120	336 447
- Preference share agreements	54 221	71 810	54 221	71 810
- Investment bank term loans	-	48	-	48
- Other advances	14 533	34 445	14 533	42 789
- Invoice finance	10 369	14 115	10 369	14 115
	2 477 567	3 190 019	2 463 849	3 171 133
Cash and cash equivalents	47 470	108 649	47 470	108 649
Investment securities	497 952	550 344	497 952	550 344
Accrued on off-market advances	2 772	3 364	2 772	3 364
Interest and similar income	3 025 761	3 852 376	3 012 043	3 833 490

2. Interest expense and similar charges

N$'000	Group 2021	Group 2020	Company 2021	Company 2020
Instruments at amortised cost	1 155 492	1 847 660	1 152 689	1 847 660
Interest expense and similar charges	1 155 492	1 847 660	1 152 689	1 847 660
Deposits from customers				
- Current accounts	49 181	125 715	49 181	125 715
- Savings deposit	8 518	10 219	8 518	10 219
- Call deposit	242 299	329 925	242 299	329 925
- Fixed and notice deposits	472 245	618 006	472 245	618 006
	772 243	1 083 865	772 243	1 083 865
Debt securities				
- Negotiable certificates of deposit	288 163	611 153	288 163	611 153
- Fixed and floating rate notes	38 699	83 520	38 699	83 520
	326 862	694 673	326 862	694 673
Deposits from banks and other financial liabilities	12 943	8 461	10 140	8 461
Other funding liabilities				
- Other liabilities	10 546	17 536	10 546	17 536
- Lease liabilities	4 095	5 506	4 095	5 506
- Tier 2 Liabilities	28 803	37 619	28 803	37 619
	43 444	60 661	43 444	60 661
	1 155 492	1 847 660	1 152 689	1 847 660

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

3. Non-interest revenue

N$'000	Note(s)	Group 2021	Group 2020	Company 2021	Company 2020
Analysis of non-interest revenue					
Fee and commission income		1 788 403	1 737 441	1 787 283	1 735 736
Instruments at amortised cost		1 788 403	1 737 441	1 787 283	1 735 736
Fees incurred		(189 765)	(177 103)	(189 765)	(177 104)
Net fee and commission income	3.1	1 598 638	1 560 338	1 597 518	1 558 632
- Mandatory		131 803	122 875	131 803	122 875
- Designated		17 127	42 915	17 127	42 915
Fair value gains or losses	3.2	148 930	165 790	148 930	165 790
Instruments at fair value through other comprehensive income		11 009	18 516	11 009	31 555
Gains less losses from investing activities	3.3	11 009	18 516	11 009	31 555
Other non-interest revenue	3.4	21 402	27 793	20 205	26 879
Total non-interest revenue		1 779 979	1 772 437	1 777 662	1 782 856

3. Non-interest revenue continued

N$'000	Note(s)	Group 2021	Group 2020	Company 2021	Company 2020
3.1 Net fee and commission income					
Banking fee and commission income:					
- Card commissions		224 435	194 397	224 435	194 397
- Cash deposit fee		94 921	103 173	94 921	103 173
- Commissions: bills and drafts		98 856	137 136	99 136	137 422
- Bank charges		1 370 191	1 302 735	1 368 791	1 300 744
- Transaction and service fees		1 278 636	1 202 695	1 277 634	1 201 505
- Documentation and administration fees		43 553	39 115	43 155	38 314
- Cash handling fees		48 002	60 925	48 002	60 925
Fee and commission income		1 788 403	1 737 441	1 787 283	1 735 736
Fee and commission expense:					
Transaction processing fee		(124 707)	(120 184)	(124 707)	(120 185)
Cash sorting, handling and transportation charges		(27 101)	(26 993)	(27 101)	(26 993)
Customer loyalty programmes		(22 202)	(18 979)	(22 202)	(18 979)
ATM commission paid		(12 157)	(7 856)	(12 157)	(7 856)
Other		(3 598)	(3 091)	(3 598)	(3 091)
Fee and commission expenses		(189 765)	(177 103)	(189 765)	(177 104)
Net fees and commission income		1 598 638	1 560 338	1 597 518	1 558 632

Notes to the annual financial statements

for the year ended 30 June continued

3. Non-interest revenue continued

N$'000	Note(s)	Group 2021	Group 2020	Company 2021	Company 2020
3.2 Fair value gains or losses					
Foreign exchange		102 314	96 530	102 314	96 530
Other fair value gains		46 616	69 260	46 616	69 260
Total fair value gains		148 930	165 790	148 930	165 790
3.3 Gains less losses from investing activities					
Gains on investment securities designated at fair value through profit or loss (money market funds)		11 535	16 850	11 535	16 850
Dividends received (unlisted investments) (money market funds)		884	1 622	884	1 622
Loss allowance on investment securities		(1 410)	44	(1 410)	44
Dividend on derecognition of associate		-	-	-	13 039
Gains less losses from investing activities		11 009	18 516	11 009	31 555
3.4 Other non-interest revenue					
Gain/(loss) on disposal of property and equipment		(1 537)	3 063	(1 537)	3 063
Rental income		6 582	6 482	5 385	5 568
Other income		16 357	18 248	16 357	18 248
Other non-interest revenue		21 402	27 793	20 205	26 879

4. Operating expenses

N$'000	Group 2021	Group 2020	Company 2021	Company 2020
Auditor's remuneration - external				
- Audit fees	9 311	8 356	8 956	8 013
- Fees for other services	416	896	416	896
	9 727	9 252	9 372	8 909
Leases				
Operating lease charges				
- Short term leases	5 138	9 832	5 157	11 576
- Leases of low value assets	6 391	15 420	6 391	15 369
	11 529	25 252	11 548	26 945
Staff costs				
- Salaries, wages and allowances	886 020	863 352	886 020	863 352
- Contributions to employee benefit funds	183 749	177 988	183 749	177 988
- Defined contribution schemes: pension	91 467	89 637	91 467	89 637
- Defined contribution schemes: medical	92 282	88 351	92 282	88 351
- Severance pay provision: death in service	476	504	476	504
- Post-retirement medical expense	3 933	3 348	3 933	3 348
- Social security levies	1 921	1 995	1 921	1 995
- Training levies	8 270	9 122	8 270	9 122
- Share-based payments	17 631	29 428	17 631	29 428
- Other staff costs	1 406	1 234	1 406	1 234
	1 103 406	1 086 971	1 103 406	1 086 971

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

4. Operating expenses continued

N$'000	Group 2021	Group 2020	Company 2021	Company 2020
Other operating costs				
- Amortisation of intangible assets	13 245	11 446	13 245	11 446
- Property and equipment	120 895	122 194	119 824	121 846
- Insurance	10 723	9 207	10 604	9 135
- Advertising and marketing	47 239	43 619	47 239	43 619
- Donations	13 460	14 694	13 460	14 694
- Property and maintenance	77 329	79 275	74 199	77 002
- Computer expenses	319 717	350 474	319 684	350 448
- Stationery	4 208	6 626	4 208	6 626
- Telecommunications	21 435	20 285	21 434	20 281
- Legal fees	11 900	11 790	11 896	11 792
- Postage	3 450	3 461	3 450	3 461
- Professional fees	4 547	7 686	4 540	7 685
- Business travel	4 927	11 957	4 927	11 957
- Total directors' emoluments	15 732	12 807	15 732	12 807
- Other operating expenditure	157 832	114 567	155 703	112 400
	826 639	820 088	820 145	815 199
Total operating expenses	1 951 301	1 941 563	1 944 471	1 938 024
Directors' emoluments				
Executive directors	12 255	9 246	12 255	9 246
Non-Executive directors	3 477	3 562	3 477	3 562
Total directors' emoluments	15 732	12 808	15 732	12 808

Included in executive director remuneration is cash package, performance-related, retirement contributions and other allowances that reflect what was paid during the year ended 30 June 2021 although the remuneration cycle runs from 1 August to 31 July. Variable compensation paid in cash with respect to the year 30 June 2021 is paid (with an interest factor) in three tranches, during the following year ending on 30 June.

5. Directors' emoluments

N$'000	2021	2020
Non-executive - Group and company		
Zaamwani-Kamwii II	450	362
Moir SH (Retired 31 December 2020)	508	998
Daun JG	557	414
Gruttemeyer P (appointed 08 April 2020)	458	64
Haikali CLR	594	712
Hausiku JH	298	301
Hinda Adv GS (Resigned 02 November 2020)	100	316
Khethe JR	299	316
Nashandi IN	213	222
	3 477	3 562

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

5. Directors' emoluments continued

Executive – Group and company

N$'000	2021	2020
C. Dempsey (Appointed CEO 01 October 2020)** ^		
Cash packages paid during the year	1 422	-
Retirement contributions paid during the year	304	-
Other allowances	566	-
Guaranteed package	2 292	-
Total guaranteed pay	2 292	-
S.J. van Zyl (Former CEO retired 30 September 2020)**		
Cash packages paid during the year	660	2 633
Retirement contributions paid during the year	108	430
Other allowances	52	205
Guaranteed package	820	3 268
Performance related short-term incentive (STI): *		
Cash:		
- within 6 months	2 541	1 907
- Within 1 year	-	659
Variable pay	2 541	2 566
Compensation received in respect of loss of office	1 282	-
Total guaranteed and variable pay	4 643	5 834

5. Directors' emoluments continued

Executive – Group and company

N$'000	2021	2020
E Tjipuka [CEO FNB Franchise (R&C)] (Appointed 01 October 2020)** ^		
Cash packages paid during the year	1 801	-
Retirement contributions paid during the year	296	-
Other allowances	116	-
Guaranteed package	2 213	-
Performance related STI		
Cash:		
- within 6 months	172	-
Variable pay	172	-
Total guaranteed and variable pay	2 385	-

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

5. Directors' emoluments continued

N$'000	2021	2020
OLP Capelao – CFO		
Cash package paid during the year	1 663	1 656
Retirement contributions paid during the year	268	267
Other allowances	137	137
Guaranteed package	2 068	2 060
Performance related STI		
Cash:		
- within 6 months	794	1 108
- within 1 year	74	241
Variable pay	868	1 349
Total guaranteed and variable pay	2 935	3 409

* *Cash package, performance related, retirement contributions and other allowances reflect what was paid during the year ended 30 June 2021 although the remuneration cycle runs from 1 August to 31 July. Variable compensation paid in cash in respect of the year ended June, is paid (with an interest factor) in three tranches, during the following year ending on 30 June.*

** *Pro rata 2021 remuneration disclosed to reflect the period of the year he was director.*

^ *2020 Directors emoluments for E Tjipuka and C Dempsey not disclosed as they were not directors prior to October 2020.*

5. Directors' emoluments continued

	Opening Balance	Granted during the year	Expiriy date	Forfeited this year	Taken this year (vested /sold)	Closing balance as at June 2021	Value on settlement (N$ 000)
C Dempsey							
FirstRand SA Ltd shares	16 750	-	-	(16 750)	-	-	-
FirstRand SA Ltd shares	17 262	-	-	(17 262)	-	-	-
FirstRand SA Ltd shares	2 927	-	-	-	(2 927)	-	-
FirstRand SA Ltd shares	18 405	-	Oct-22	-	-	18 405	532
FirstRand SA Ltd shares	3 681	-	Oct-21	-	-	3 681	196
FirstRand SA Ltd shares	-	60 950	Oct-23	-	-	60 950	691
FirstRand SA Ltd shares	-	9 981	Oct-21	-	-	9 981	527
	59 025	70 931	-	(34 012)	(2 927)	93 017	1 946
SJ van Zyl							
FirstRand SA Ltd shares	41 876	-		(41 876)	-	-	-
FirstRand SA Ltd shares	2 252	-		-	(2 252)	-	-
FirstRand SA Ltd shares	35 424	-		(35 424)	-	-	-
FirstRand SA Ltd shares	30 675	-	Oct-22	-	-	30 675	886
FirstRand SA Ltd shares	3 336	-	Oct-23	-	-	3 336	178
FirstRand SA Ltd shares	-	5 543	Oct-21	-	-	5 543	116
	113 563	5 543		(77 300)	(2 252)	39 554	1 180

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

5. Directors' emoluments continued

	Opening Balance	Granted during the year	Expiriy date	Forfeited this year	Taken this year (vested /sold)	Closing balance as at June 2021	Value on settlement (N$ 000)
E Tjipuka							
FirstRand SA Ltd shares	23 006	-	-	-	-	23 006	-
FirstRand SA Ltd shares	-	50 968	Oct-23	-	-	46 297	578
FirstRand SA Ltd shares	-	6 371	Oct-21	-	-	6 371	336
	23 006	57 339	-	-	-	75 674	914
OLP Capelao							
FirstRand SA Ltd shares	22 333	-		(22 333)	-	-	
FirstRand SA Ltd shares	18 763	-	-	(18 763)	-	-	-
FirstRand SA Ltd shares	19 172	-	Oct-22	-	-	19 172	554
FirstRand SA Ltd shares	-	46 297	Oct-23	-	-	46 297	525
FirstRand SA Ltd shares	-	10 618	Oct-21	-	-	10 618	560
	60 268	56 915	-	(41 096)	-	76 087	1 639

6. Taxation

	Group		Company	
N$'000	2021	2020	2021	2020
6.1 Indirect tax				
Stamp duties	7 252	12 346	7 252	12 346
Value-added tax (net)	30 241	31 293	29 946	30 905
	37 493	43 639	37 198	43 251
6.2 Direct tax				
Current				
Current year	628 844	500 476	628 844	495 343
Deferred				
Current year	(187 077)	(131 310)	(190 184)	(133 967)
Total income tax expense	441 767	369 166	438 660	361 376
Tax rate reconciliation – Namibian income tax				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	32,00%	32,00%	32,00%	32,00%
Total tax has been affected by:				
Dividend income	(1,24)%	(1,90)%	(1,24)%	(2,24)%
Other non-taxable income *	(0,40)%	(0,59)%	(0,52)%	(0,55)%
Disallowable expenditure **	0,67%	0,41%	0,68%	0,18%
Effective rate of tax	31,03%	29,92%	30,92%	29,39%

** Includes fair value income which are not-taxable.*
*** Includes donations*

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

7. Analysis of assets and liabilities

Group – 2021	Amortised cost	At fair value through profit or loss mandatory	At fair value through profit or loss designated	Non-financial instruments	Total carrying value	Current	Non-current and Non contractual
Assets							
Cash and cash equivalents	1 263 521	-	-	-	1 263 521	1 263 521	-
Due from banks and other financial institutions	2 958 109	-	-	-	2 958 109	2 958 109	-
Derivative financial instruments	-	314 626	-	-	314 626	314 626	-
Investment securities	6 673 704	78 987	288 621	-	7 041 312	3 706 585	3 334 727
Advances	30 041 968	-	241 294	-	30 283 262	7 848 474	22 434 788
Other assets	222 474	-	-	177 607	400 081	400 081	-
Non-financial assets	-	-	-	1 002 502	1 002 502	-	1 002 502
Total assets	41 159 776	393 613	529 915	1 180 109	43 263 413	16 491 396	26 772 017
Equity	-	-	-	-	5 420 128	-	5 420 128
Liabilities							
Short trading position	-	21 849	-	-	21 849	21 849	-
Derivative financial instruments	-	317 192	-	-	317 192	317 192	-
Creditors and accruals	66 349	-	-	467 533	533 882	533 882	-
Deposits	35 927 937	-	-	-	35 927 937	34 418 647	1 509 290
Other liabilities	188 457	-	-	49 824	238 281	39 947	198 334
Tier 2 liabilities	402 770	-	-	-	402 770	2 770	400 000
Non-financial liabilties	-	-	-	401 374	401 374	-	401 374
Total liabilities	36 585 513	339 041	-	918 731	37 843 285	35 334 286	2 508 998
Equity and liabilities	36 585 513	339 041	-	918 731	43 263 413	35 334 286	7 929 126

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

7. Analysis of assets and liabilities continued

Group – 2020	Amortised cost	At fair value through profit or loss mandatory	At fair value through profit or loss designated	Non-financial instruments	Total carrying value	Current	Non-current and Non contractual
Assets							
Cash and cash equivalents	1 105 368	-	-	-	1 105 368	1 105 368	-
Due from banks and other financial institutions	4 442 443	-	-	-	4 442 443	4 442 443	-
Derivative financial instruments	-	519 294	-	-	519 294	519 294	-
Investment securities	8 037 567	67 538	276 202	-	8 381 307	5 759 715	2 621 592
Advances	29 768 187	-	310 042	-	30 078 229	6 387 993	23 690 236
Other assets	16 462	-	-	197 246	213 708	213 708	-
Non-financial assets	-	-	-	967 254	967 254	-	967 254
Total assets	43 370 027	586 832	586 244	1 164 500	45 707 603	18 428 521	27 279 082
Equity	-	-	-	-	4 799 711	-	4 799 711
Liabilities							
Derivative financial instruments	-	534 035	-	-	534 035	534 035	-
Creditors and accruals	135 942	-	-	371 031	506 973	506 973	-
Deposits	38 659 136	-	-	-	38 659 136	36 602 925	2 056 211
Other liabilities	219 928	-	-	66 258	286 186	65 787	220 399
Tier 2 liabilities	402 774	-	-	-	402 774	2 774	400 000
Non-financial liabilties	-	-	-	518 788	518 788	-	518 788
Total liabilities	39 417 780	534 035	-	956 077	40 907 892	37 712 494	3 195 398
Equity and liabilities	39 417 780	534 035	-	956 077	45 707 603	37 712 494	7 995 109

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

7. Analysis of assets and liabilities continued

Company – 2021	Amortised cost	At fair value through profit or loss mandatory	At fair value through profit or loss designated	Non-financial instruments	Total carrying value	Current	Non-current and Non contractual
Assets							
Cash and cash equivalents	1 263 521	-	-	-	1 263 521	1 263 521	-
Due from banks and other financial institutions	2 958 109	-	-	-	2 958 109	2 958 109	-
Derivative financial instruments	-	314 626	-	-	314 626	314 626	-
Investment securities	6 673 704	78 987	288 621	-	7 041 312	3 706 585	3 334 727
Advances	29 879 209	-	219 568	-	30 098 777	7 663 988	22 434 788
Other assets	222 474	-	-	258 780	481 254	481 254	-
Non-financial assets	-	-	-	990 805	990 805	-	990 805
Total assets	40 997 017	393 613	508 189	1 249 585	43 148 404	16 388 083	26 760 321
Equity	-	-	-	-	5 305 047	-	5 305 047
Liabilities							
Short trading position	-	21 849	-	-	21 849	21 849	-
Derivative financial instruments	-	317 192	-	-	317 192	317 192	-
Creditors and accruals	66 349	-	-	468 174	534 523	534 523	-
Deposits	35 925 572	-	-	-	35 925 572	34 416 282	1 509 290
Other liabilities	188 456	-	-	49 824	238 281	39 947	198 334
Tier 2 liabilities	402 770	-	-	-	402 770	2 770	400 000
Non-financial liabilties	-	-	-	403 171	403 171	-	403 171
Total liabilities	36 583 147	339 041	-	921 170	37 843 358	35 332 563	2 510 795
Equity and liabilities	36 583 147	339 041	-	921 170	43 148 405	35 332 563	7 815 842

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

7. Analysis of assets and liabilities continued

Company – 2020	Amortised cost	At fair value through profit or loss mandatory	At fair value through profit or loss designated	Non-financial instruments	Total carrying value	Current	Non-current and Non contractual
Assets							
Cash and cash equivalents	1 105 368	-	-	-	1 105 368	1 105 368	-
Due from banks and other financial institutions	4 442 443	-	-	-	4 442 443	4 442 443	-
Derivative financial instruments	-	519 294	-	-	519 294	519 294	-
Investment securities	8 037 567	67 538	276 202	-	8 381 307	5 759 715	2 621 592
Advances	29 533 199	-	310 042	-	29 843 241	6 153 005	23 690 236
Other assets	16 462	-	-	236 053	252 515	252 515	-
Non-financial assets	-	-	-	1 049 840	1 049 840	-	1 049 840
Total assets	43 135 039	586 832	586 244	1 285 893	45 594 008	18 232 340	27 361 668
Equity	-	-	-	-	4 686 302	-	4 686 302
Liabilities							
Derivative financial instruments	-	534 035	-	-	534 035	534 035	-
Creditors and accruals	135 942	-	-	370 030	505 972	505 972	-
Deposits	38 656 569	-	-	-	38 656 569	36 604 358	2 052 211
Other liabilities	219 928	-	-	66 258	286 186	65 787	220 399
Tier 2 liabilities	402 774	-	-	-	402 774	2 774	400 000
Non-financial liabilties	-	-	-	522 170	522 170	-	522 170
Total liabilities	39 415 213	534 035	-	958 458	40 907 706	37 712 926	3 194 780
Equity and liabilities	39 415 213	534 035	-	958 458	45 594 008	37 712 926	7 881 082

Notes to the annual financial statements

for the year ended 30 June continued

8. Cash and cash equivalents

	Group		Company	
N$'000	2021	2020	2021	2020
Coins and bank notes	486 117	555 053	486 117	555 053
Balances with central bank	777 404	550 315	777 404	550 315
Total cash and cash equivalents	1 263 521	1 105 368	1 263 521	1 105 368
Mandatory reserve balance included in above	376 529	409 263	376 529	409 263

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

ECL for cash and cash equivalents are insignificant.

9. Derivative financial instruments

Use of derivatives

The group transacts in derivatives for two purposes: to create risk management solutions for clients and to manage and hedge the group's own risk. The group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels, with off-setting deals being utilised to achieve this where necessary.

For further notes on the valuation of derivaties refer to note 31.

Fair value hedges

The group's fair value hedges mainly consist of currency forwards and interest swaps used to hedge the fair value risk associated with changes in interest rates.

For further details on the group's approach to managing interest rate risk and market risk, refer to note 30.

By using derivative financial instruments to hedge exposures to changes in interest rates, the group also exposes itself to credit risk of the derivative counterparty, which is not offset by the hedged item. For information on how the group minimises counterparty risk in derivative instruments, refer to note 31.

9. Derivative financial instruments continued

Use of derivatives

Most of the group's derivative transactions relate to sale activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take on, transfer, modify or reduce current or expected risk.

The following tables reflect the notional and fair value of the derivatives that are held for trading:

	Group and company			
	2021			
N$'000	Assets notional	Fair value	Liabilities notional	Fair value
Held for trading				
- Currency derivatives	849 757	55 316	710 162	58 652
- Interest rate derivatives	2 030 399	114 813	2 030 399	114 043
- Commodity derivatives	1 322 440	139 167	1 322 440	139 167
- Energy derivatives	6 250	5 330	6 250	5 330
Total	4 208 846	314 626	4 069 251	317 192

	Group and company			
	2020			
N$'000	Assets notional	Fair value	Liabilities notional	Fair value
Held for trading				
- Currency derivatives	3 787 962	279 567	3 841 849	289 634
- Interest rate derivatives	1 763 936	187 977	2 054 640	192 651
- Commodity derivatives	1 322 440	48 815	1 322 440	48 815
- Energy derivatives	20 112	2 935	20 112	2 935
Total	6 894 450	519 294	7 239 041	534 035

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

10. Investment securities

N$'000	Group 2021	Group 2020	Company 2021	Company 2020
Treasury bills	3 131 140	5 336 654	3 131 140	5 336 654
Other government and government guaranteed stock	3 624 226	2 769 716	3 624 226	2 769 716
Other undated securities (money market funds)	288 621	276 202	288 621	276 202
Total gross carrying amount of investment securities	7 043 987	8 382 572	7 043 987	8 382 572
Loss allowance on investment securities	(2 675)	(1 265)	(2 675)	(1 265)
Total investment securities	7 041 312	8 381 307	7 041 312	8 381 307
Analysis of Investment securities				
Other securities - fair value through profit and loss	288 621	276 202	288 621	276 202
Debt instruments	6 752 691	8 105 105	6 752 691	8 105 105
- Amortised cost	6 673 704	8 037 567	6 673 704	8 037 567
- Fair value through profit or loss	78 987	67 538	78 987	67 538
Total investment securities	7 041 312	8 381 307	7 041 312	8 381 307

10. Investment securities continued

N$ 6 674 million (2020: N$ 8 037 million) of the financial instruments 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.

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.

The loss allowance on investment securities measured at amortised cost is N$ 2.7 million (2020: N$ 1.3 million).

Reconciliation of the loss allowance - investment securities at amortised cost. The directors' valuation of unlisted investments is considered to approximate fair value.

The loss allowance on investment securities designated at fair value through other comprehensive income is nil.

N$'000	Group and company 2021	Group and company 2020
Reconciliation of the loss allowance – investment securities at amortised cost		
Amount as at 1 July (IFRS 9)	1 265	1 309
Impairment for the periods: (Impairment charge in the income statement)		
- Stage 1	1 410	(44)
Amount as at 30 June (IFRS 9)	2 675	1 265

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

11. Advances

N$'000	Group 2021	Group 2020	Company 2021	Company 2020
Notional value of advances	31 647 603	31 319 497	31 457 535	31 077 570
Gross value of advances	31 647 603	31 319 497	31 457 535	31 077 570
Geographical analysis (based on credit risk)				
Namibia	30 283 263	30 078 229	30 098 777	29 843 241
Category analysis				
Overdrafts and cash managed accounts	3 132 789	3 321 710	3 132 789	3 321 710
Term loans	2 413 640	2 732 299	2 413 640	2 732 299
Card loans	472 452	464 275	472 452	464 275
Installment sales	2 941 332	3 010 522	2 941 356	3 010 544
Lease payments receivable	94 173	120 657	94 173	120 657
Home loans	14 840 906	14 074 847	14 657 355	13 841 598
Assets under agreement to resell	21 726	-	21 726	-
Commercial property finance	3 662 786	3 411 207	3 656 245	3 402 507
Personal loans	2 563 566	2 471 906	2 563 566	2 471 906
Preference share agreements	917 384	971 159	917 384	971 159
Investment bank term loans	219 568	310 042	219 568	310 042
Invoice finance	145 056	122 980	145 056	122 980
Other	222 225	307 895	222 225	307 895
Gross value of advances	31 647 603	31 319 499	31 457 535	31 077 572
Impairment and fair value of credit of advances (note 12)	(1 364 340)	(1 241 270)	(1 358 758)	(1 234 331)
Net advances	30 283 263	30 078 229	30 098 777	29 843 241
Portfolio analysis				
Designated at fair value through profit or loss	241 294	310 042	241 294	310 042
Amortised cost	30 041 969	29 768 187	29 857 483	29 533 199
Net advances	30 283 263	30 078 229	30 098 777	29 843 241

11. Advances

Analysis of hire purchase and lease payments receivable

N$'000	2021	2020*
Within 1 year	37 652	38 406
Between 1 and 2 years	27 212	29 302
Between 2 and 3 years	15 962	33 202
Between 3 and 4 years	12 031	23 952
Between 4 and 5 years	8 583	5 770
More than 5 years	2 687	2 103
Total gross amount	104 127	132 735
Unearned finance charges	(9 954)	(12 078)
Net amount	94 173	120 657

* *The prior year amounts have been adjusted. Previously the analysis included installment sales receivable of N$ 3.0 billion in error. The balances have been adjusted to only reflect the maturity analysis of hire purchase and lease payments receivable which meet the definition of a finance lease receivable. The maturity period between one and five years has been disaggregated in the current period to reflect the undiscounted lease payments receivable on an annual basis for each of the first five years.*

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

	2020 as previously reported					
	Gross cash flows			Unearned finance charges		
N$'000	Instalment sale, hire purchase and lease payments receivable	Instalment sale	Restated gross amount	Less: unearned finance charges	Instalment sale	Restated net amount
Within 1 year	1 339 367	(1 300 961)	38 406	(201 677)	198 182	(3 495)
Between 1 and 5 years	2 215 545	(2 121 216)	94 329	(210 818)	202 235	(8 583)
More than 5 years	2 065	(2 065)	-	(19)	19	-
Less: unearned finance charges	(13 284)	(13 284)	-	-	-	-
Total	3 543 693	(3 410 958)	132 735	(412 514)	403 436	(12 078)

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

11. Advances continued

Analysis of advances per class :

Group – 2021	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	14 850 389	-	(348 134)	14 502 255
Vehicle and asset finance	1 816 406	-	(78 427)	1 737 979
Total retail secured	16 666 795	-	(426 561)	16 240 234
Credit card	443 244	-	(23 350)	419 894
Personal loans	2 557 472	-	(218 678)	2 338 794
Other retail	533 898	-	(67 985)	465 913
Total Retail unsecured	3 534 614	-	(310 013)	3 224 601
FNB Commercial	6 079 606	-	(471 448)	5 608 158
Commercial vehicle and asset finance	1 361 097	-	(103 782)	1 257 315
Total FNB Commercial	7 440 703	-	(575 230)	6 865 473
RMB Corporate and Investment banking	3 764 197	241 294	(52 536)	3 952 955
Total Corporate and Commercial	11 204 900	241 294	(627 766)	10 818 428
Total advances	31 406 309	241 294	(1 364 340)	30 283 263

11. Advances continued

Group – 2020	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	14 124 707	-	(309 943)	13 814 764
Vehicle and asset finance	1 856 543	-	(101 383)	1 755 160
Total retail secured	15 981 250	-	(411 326)	15 569 924
Credit card	433 254	-	(29 063)	404 191
Personal loans	2 468 297	-	(164 603)	2 303 694
Other retail	556 904	-	(76 594)	480 310
Total Retail unsecured	3 458 455	-	(270 260)	3 188 195
FNB Commercial	6 326 956	-	(431 046)	5 895 910
Commercial vehicle and asset finance	1 481 700	-	(79 192)	1 402 508
Total FNB Commercial	7 808 656	-	(510 238)	7 298 418
RMB Corporate and Investment banking	3 761 096	310 042	(49 446)	4 021 692
Total Corporate and Commercial	11 569 752	310 042	(559 684)	11 320 110
Total advances	31 009 457	310 042	(1 241 270)	30 078 229

The group has not sold or pledged any advances to third parties.

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

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

11. Advances continued

Company – 2021	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	14 660 321	–	(342 552)	14 317 769
Vehicle and asset finance	1 816 406	–	(78 426)	1 737 980
Total retail secured	16 476 727	–	(420 978)	16 055 749
Credit card	443 244	–	(23 350)	419 894
Personal loans	2 557 472	–	(218 678)	2 338 794
Other retail	533 898	–	(67 986)	465 913
Total Retail unsecured	3 534 614	–	(310 013)	3 224 601
FNB Commercial	6 079 606	–	(471 448)	5 608 158
Commercial vehicle and asset finance	1 361 097	–	(103 782)	1 257 315
Total FNB Commercial	7 440 703	–	(575 230)	6 865 473
RMB Corporate and Investment banking	3 764 197	241 294	(52 536)	3 952 955
Total Corporate and Commercial	11 204 900	241 294	(627 766)	10 818 428
	31 216 241	241 294	(1 358 758)	30 098 777

11. Advances continued

Company – 2020	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	13 882 777	–	(303 004)	13 579 773
Vehicle and asset finance	1 856 543	–	(101 383)	1 755 160
Total retail secured	15 739 320	–	(404 387)	15 334 933
Credit card	433 254	–	(29 063)	404 191
Personal loans	2 468 297	–	(164 603)	2 303 694
Other retail	556 904	–	(76 594)	480 310
Total Retail unsecured	3 458 455	–	(270 260)	3 188 195
FNB Commercial	6 326 959	–	(431 046)	5 895 913
Commercial vehicle and asset finance	1 481 700	–	(79 192)	1 402 508
Total FNB Commercial	7 808 659	–	(510 238)	7 298 421
RMB Corporate and Investment banking	3 761 096	310 042	(49 446)	4 021 692
Total Corporate and Commercial	11 569 755	310 042	(559 684)	11 320 113
	30 767 530	310 042	(1 234 331)	29 843 241

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

11. Advances continued

Reconciliation of the gross carrying amount of advances and loss allowance on total advances measured at amortised cost.

Group – 2021	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amortised cost	27 816 355	1 823 762	1 369 340	31 009 457	368 301	263 527	607 863	1 239 691
Fair value	310 042	-	-	310 042	1 579	-	-	1 579
Amount as at 1 July 2020	28 126 397	1 823 762	1 369 340	31 319 499	369 880	263 527	607 863	1 241 270
Transfer from stage 1 to stage 2	(1 435 643)	1 435 643	-	-	(8 910)	8 910	-	-
Transfer from stage 1 to stage 3	(70 446)	-	70 446	-	(1 312)	-	1 312	-
Transfer from stage 2 to stage 3	-	(65 302)	65 302	-	-	(12 276)	12 276	-
Transfer from stage 2 to stage 1	364 720	(364 720)	-	-	26 355	(26 355)	-	-
Transfer from stage 3 to stage 1	2	-	(2)	-	1	-	(1)	-
Opening balance after transfer	26 985 030	2 829 383	1 505 086	31 319 499	386 014	233 806	621 451	1 241 270
Current period provision created / (released)	-	-	-	-	(38 283)	110 709	224 444	296 869
Change in exposure of back book in the current year	-	-	-	-	-	-	-	-
- Attributable to change in measurement basis	-	-	-	-	-	36 146	-	36 146
- Attributable to change in risk parameter	-	-	-	-	(74 333)	40 774	220 161	186 601
Change in exposure due to new business in the current year	(908 602)	1 096 698	313 808	501 904	36 049	33 789	4 283	74 122
Bad debts written off	-	-	(173 800)	(173 800)	-	-	(173 800)	(173 800)
Amount as at 30 June 2021	26 076 428	3 926 081	1 645 094	31 647 603	347 730	344 515	672 095	1 364 340
Amortised cost	25 835 134	3 926 081	1 645 094	31 406 309	346 605	344 515	672 095	1 363 215
Fair value	241 294	-	-	241 294	1 125	-	-	1 125

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

11. Advances continued

Reconciliation of the gross carrying amount of advances and loss allowance on total advances measured at amortised cost.

Group – 2020

	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amortised cost	28 595 865	1 324 617	828 405	30 748 887	187 058	166 650	349 255	702 963
Fair value	368 932	-	-	368 932	2 116	-	-	2 116
Amount as at 1 July 2019	28 964 797	1 324 617	828 405	31 117 819	189 174	166 650	349 255	705 079
Transfer from stage 1 to stage 2	(1 807 817)	1 807 817	-	-	(20 386)	20 386	-	-
Transfer from stage 1 to stage 3	(40 333)	-	40 333	-	(436)	-	436	-
Transfer from stage 2 to stage 3	-	(16 851)	16 851	-	-	(1 853)	1 853	-
Transfer from stage 2 to stage 1	470 901	(470 901)	-	-	40 643	(40 643)	-	-
Opening balance after transfer	27 587 548	2 644 682	885 589	31 117 819	208 995	144 540	351 544	705 079
Current period provision created/(released)	538 849	(820 920)	553 068	270 997	160 885	118 987	325 636	605 508
Change in exposure of back book in the current year	-	-	-	-	90 254	35 469	323 135	448 858
- Attributable to change in measurement basis	-	-	-	-	-	72 623	-	72 623
- Attributable to change in risk parameter	-	-	-	-	90 254	(37 154)	323 135	376 235
Total new book exposure								
Change in exposure due to new business in the current year	538 849	(820 920)	553 068	270 997	70 631	83 518	2 501	156 650
Bad debts written off	-	-	(69 317)	(69 317)	-	-	(69 317)	(69 317)
Amount as at 30 June 2020	28 126 397	1 823 762	1 369 340	31 319 499	369 880	263 527	607 863	1 241 270
Amortised cost	27 816 355	1 823 762	1 369 340	31 009 457	368 301	263 527	607 863	1 239 691
Fair value	310 042	-	-	310 042	1 579	-	-	1 579

* *The group transfers opening balances (back book), at the value as at 1 July, based on the impairment stage at the end of the reporting period. Any change in exposure and additional ECL raised or released is included in the impairment stage as at the end of the reporting period. Exposures that are in the back book can move directly from stage 3 to stage 1 if the curing requirements have been met in a reporting period. The opening balances as at 1 July is transferred to the impairment stage at 30 June in the transfers section and the current year movements in the back book (changes in exposure and net movement on GCA and ECL provided/(released) are reflected separately in the reconciliation. The current year movement for stage 2 advances is split between exposure where there has been a change in the measurement basis from 12 months to lifetime ECL and changes in other risk parameters.*

** *Decrease in the advance as a result of write-off is equal to the decrease in ECL, as exposures are 100% provided for before being written off. The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is N$ 173.6 m (2020: N$ 41.8 m).*

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

11. Advances continued

Company - 2021	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amortised cost	27 593 583	1 823 762	1 350 185	30 767 530	363 575	262 982	606 195	1 232 752
Fair value	310 042	-	-	310 042	1 579	-	-	1 579
Amount as at 1 July 2020	27 903 625	1 823 762	1 350 185	31 077 572	365 154	262 982	606 195	1 234 331
Transfer from stage 1 to stage 2	(1 435 643)	1 435 643	-	-	(8 910)	8 910	-	-
Transfer from stage 1 to stage 3	(70 442)	-	70 442	-	(1 312)	-	1 312	-
Transfer from stage 2 to stage 3	-	(65 302)	65 302	-	-	(12 276)	12 276	-
Transfer from stage 2 to stage 1	364 720	(364 720)	-	-	26 355	(26 355)	-	-
Transfer from stage 3 to stage 1	2	-	(2)	-	1	-	(1)	-
Opening balance after transfer	26 762 262	2 829 383	1 485 927	31 077 572	381 287	233 261	619 783	1 234 331
Current period provision created / (released)	-	-	-	-	-	-	-	-
Change in exposure of back book in the current year								
- Attributable to change in measurement basis	-	-	-	-	-	35 014	-	35 014
- Attributable to change in risk parameter	-	-	-	-	(74 071)	40 774	219 462	186 165
Change in exposure due to new business in the current year	(856 069)	1 096 697	313 134	553 762	35 788	33 789	4 777	74 354
Acquisition/(disposal) of advances**	-	-	-	-	-	-	-	-
Modifications that did not give rise to derecognition	-	-	-	-	-	-	-	-
Exchange rate differences	-	-	-	-	-	-	-	-
Bad debts written off	-	-	(173 800)	(173 800)	-	-	(173 800)	(173 800)
Amount as at 30 June 2021	25 906 193	3 926 080	1 625 262	31 457 535	344 570	342 462	671 726	1 358 758
Amortised cost	25 664 899	3 926 080	1 625 262	31 216 241	343 445	342 462	671 726	1 357 633
Fair value	241 294	-	-	241 294	1 125	-	-	1 125

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

11. Advances continued

Company – 2020	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amortised cost	28 298 138	1 324 617	828 405	30 451 160	184 671	166 105	347 587	698 363
Fair value	368 932	-	-	368 932	2 116	-	-	2 116
Amount as at 1 July 2019	28 667 070	1 324 617	828 405	30 820 092	186 787	166 105	347 587	700 479
Transfer from stage 1 to stage 2	(1 807 817)	1 807 817	-	-	(20 386)	20 386	-	-
Transfer from stage 1 to stage 3	(40 333)	-	40 333	-	(436)	-	436	-
Transfer from stage 2 to stage 3	-	(16 851)	16 851	-	-	(1 853)	1 853	-
Transfer from stage 2 to stage 1	470 901	(470 901)	-	-	40 643	(40 643)	-	-
Deterioration of credit exposure								
Opening balance after transfer *	27 289 821	2 644 682	885 589	30 820 092	206 608	143 995	349 876	700 479
Current period provision created / (released)	613 804	(820 920)	533 913	326 797	158 546	118 987	325 636	603 169
Change in exposure of back book in the current year	-	-	-	-	90 254	35 469	323 135	448 858
- Attributable to change in measurement basis	-	-	-	-	-	72 623	-	72 623
- Attributable to change in risk parameter	-	-	-	-	90 254	(37 154)	323 135	376 235
Change in exposure due to new business in the current year	613 804	(820 920)	533 913	326 797	68 292	83 518	2 501	154 311
Bad debts written off **	-	-	(69 317)	(69 317)	-	-	(69 317)	(69 317)
Amount as at 30 June 2020	27 903 625	1 823 762	1 350 185	31 077 572	365 154	262 982	606 195	1 234 331
Amortised cost	27 593 583	1 823 762	1 350 185	30 767 530	363 575	262 982	606 195	1 232 752
Fair value	310 042	-	-	310 042	1 579	-	-	1 579

* *The group transfers opening balances (back book), at the value as at 1 July, based on the impairment stage at the end of the reporting period. Any change in exposure and additional ECL raised or released is included in the impairment stage as at the end of the reporting period. Exposures that are in the back book can move directly from stage 3 to stage 1 if the curing requirements have been met in a reporting period. The opening balances as at 1 July is transferred to the impairment stage at 30 June in the transfers section and the current year movements in the back book (changes in exposure and net movement on GCA and ECL provided/(released) are reflected separately in the reconciliation. The current year movement for stage 2 advances is split between exposure where there has been a change in the measurement basis from 12 months to lifetime ECL and changes in other risk parameters.*

** *Decrease in the advance as a result of write-off is equal to the decrease in ECL, as exposures are 100% provided for before being written off. The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is N$ 173.6 m (2020: N$ 41.8 m).*

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

11. Advances continued

Analysis of the gross advances and loss allowance on total advances as at 30 June 2021 per class:

Group – 2021

N$'000	Gross advances				Loss allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Total Retail	16 936 986	2 194 786	1 069 636	20 201 408	195 941	136 617	404 016	736 574
FNB Commercial	4 888 601	665 036	525 968	6 079 605	101 292	146 721	223 435	471 448
Commercial vehicle finance	1 205 131	106 394	49 573	1 361 098	35 628	23 510	44 643	103 782
RMB Corporate and Investment banking	3 045 628	959 864	-	4 005 492	14 870	37 667	-	52 537
	26 076 346	3 926 080	1 645 177	31 647 603	347 731	344 515	672 094	1 364 340

Company – 2021

N$'000	Gross advances				Loss allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Total Retail	16 766 834	2 194 786	1 049 720	20 011 340	195 513	136 128	408 304	739 945
FNB Commercial	4 888 601	665 036	525 969	6 079 605	101 292	146 721	223 435	471 448
Commercial vehicle finance	1 205 131	106 394	49 573	1 361 098	35 628	23 510	35 690	94 828
RMB Corporate and Investment banking	3 045 628	959 864	-	4 005 492	14 870	37 667	-	52 537
	25 906 195	3 926 080	1 625 262	31 457 535	347 303	344 026	667 429	1 358 758

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

11. Advances continued

Analysis of the gross advances and loss allowance on total advances as at 30 June 2021 per class:

Group – 2020

	Gross advances					Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total		Stage 1	Stage 2	Stage 3	Total
Total Retail	17 815 099	773 353	851 251	19 439 703		210 502	99 393	371 691	681 586
FNB Commercial	4 981 940	867 652	477 364	6 326 956		106 029	126 417	198 600	431 046
Commercial vehicle finance	1 349 770	91 206	40 725	1 481 701		37 828	3 792	37 572	79 192
RMB Corporate and Investment banking	3 979 588	91 551	-	4 071 139		15 523	33 923	-	49 446
	28 126 397	1 823 762	1 369 340	31 319 499		369 882	263 525	607 863	1 241 270

Company – 2020

	Gross advances					Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total		Stage 1	Stage 2	Stage 3	Total
Total Retail	17 592 327	773 353	832 096	19 197 776		208 814	99 393	366 440	674 647
FNB Commercial	4 981 940	867 652	477 364	6 326 956		106 029	126 417	198 600	431 046
Commercial vehicle finance	1 349 770	91 206	40 725	1 481 701		37 828	3 792	37 572	79 192
RMB Corporate and Investment banking	3 979 588	91 551	-	4 071 139		15 523	33 923	-	49 446
	27 903 625	1 823 762	1 350 185	31 077 572		368 194	263 525	602 612	1 234 331

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

12. Impairment of advances

Analysis of the loss allowance closing balance:

Group	2021				2020			
	Loss allowance				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Included in the total loss allowance	347 732	344 514	672 094	1 364 340	369 882	263 525	607 863	1 241 270
On and off balance sheet exposure*	344 790	344 514	672 094	1 361 398	367 530	261 955	607 863	1 237 348
Letters of credit and guarantees	2 942	-	-	2 942	2 352	1 570	-	3 922
Significant components of total loss allowance								
- Forward looking information	7 311	8 293	645	16 249	50 931	11 798	-	67 729
- Changes in models	-	-	-	-	(275)	1 311	-	1 036
- Interest on stage 3 advances**	-	-	199 759	199 759	-	-	39 264	39 264

Company	2021				2020			
	Loss allowance				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Included in the total loss allowance	347 303	344 026	667 429	1 358 758	368 194	263 525	602 612	1 234 331
On and off balance sheet exposure*	344 361	344 026	667 429	1 355 816	365 842	261 955	602 612	1 230 409
Letters of credit and guarantees	2 942	-	-	2 942	2 352	1 570	-	3 922
Significant components of total loss allowance								
- Forward looking information**	7 311	8 293	645	16 249	50 931	11 798	-	62 729
- Changes in models^	-	-	-	-	(275)	1 311	-	1 036
- Interest on stage 3 advances"	-	-	199 759	199 759	-	-	39 264	39 264

* *Includes committed undrawn facilities as the credit risk of the undrawn component is managed and monitored with the drawn component as a single EAD. The EAD on the entire facility is used to calculate the ECL and is therefore included in the ECL allowance.*

** *This represents the total ECL closing balance as at 30 June that is attributable to incorporating FLI macro information into the ECL calculations. For more detail on the process of incorporating FLI into the ECL calculation refer to the accounting policy note 9.4.*

^ *This represents the total ECL closing balance as at 30 June that is attributable to significant model changes, such as model recalibrations or changes in the impairment methodology used that has been approved by a governance body. The amount reflected is the additional ECL recognised at the point/date that the model change was implemented.*

" *Cumulative balance as at 30 June.*

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

12. Impairment of advances continued

Breakdown of impairment charge recognised during the year:

Group	2021			2020		
N$'000	Amortised cost	Fair value	Total	Amortised cost	Fair value	Total
Increase in loss allowance	245 818	(454)	245 364	565 690	537	566 227
Recoveries of bad debts	(7 532)	-	(7 532)	(6 814)	-	(6 814)
Subtotal	238 286	(454)	237 832	558 876	537	559 413
Impairment of advances recognised during the period	238 286	(454)	237 832	558 876	537	559 413

Company	2021			2020		
N$'000	Amortised cost	Fair value	Total	Amortised cost	Fair value	Total
Increase in loss allowance	244 490	(454)	244 036	563 928	537	564 465
Recoveries of bad debts	(7 532)	-	(7 532)	(6 814)	-	(6 814)
Subtotal	236 958	(454)	236 504	557 114	537	557 651
Impairment of advances recognised during the period	236 958	(454)	236 504	557 114)	537	557 651

12. Impairment of advances continued

Reconciliation of the loss allowance on total advances per class:

Group– 2021

N$ 000's	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other Retail	FNB Commercial	Wesbank Commercial	RMB Corporate and investment banking	Total
Amount as at 30 July 2020	309 943	101 383	29 063	164 603	76 594	431 046	79 191	49 445	1 241 270
Transfers to stage 1	83 384	48 040	13 712	46 276	19 088	106 029	37 827	15 522	369 882
Transfers to stage 2	41 824	3 575	15 209	37 160	1 626	126 417	3 792	33 923	263 526
Transfers to stage 3	184 735	49 767	142	81 167	55 880	198 600	37 572	-	607 863
Bad debts written off	(54 558)	-	(3 431)	(23 637)	(15 476)	(75 233)	(1 464)	-	(173 800)
Provision created/ (released) for current reporting period	92 749	(22 956)	28 863	77 711	(24 277)	115 635	26 054	3 090	296 870
Stage 1	(8 040)	(6 286)	(547)	(1 983)	(19 871)	176	(3 151)	1 157	(38 546)
Stage 2	26 092	(12 306)	17 761	(4 000)	31 173	15 391	34 666	1 933	110 710
Stage 3	74 696	(4 364)	11 649	83 695	(35 579)	100 068	(5 461)	-	224 706
Amount as at 30 June 2021	348 134	78 427	54 494	218 678	36 840	471 448	103 782	52 537	1 364 340
Stage 1	103 588	27 043	13 189	46 666	5 455	101 292	35 628	14 870	347 731
Stage 2	83 386	6 047	4 628	28 094	14 460	146 721	23 511	37 667	344 515
Stage 3	161 159	45 337	36 677	143 918	16 925	223 435	44 643	-	672 094

Notes to the annual financial statements

for the year ended 30 June continued

12. Impairment of advances continued

Group – 2020

N$'000	Total Retail	FNB Commercial	Commercial vehicle asset finance	RMB Corporate and Investment banking	Total
Amount as at 1 July 2019	379 326	250 504	34 919	40 330	705 079
Transfers to stage 1	23 604	106	1 407	(5 296)	19 821
Transfers to stage 2	(24 927)	(447)	(2 031)	5 296	(22 109)
Transfers to stage 3	1 323	341	624	-	2 288
Bad debts written off	(51 510)	(14 582)	(3 223)	-	(69 315)
Provision created/(released) for current period	353 771	195 124	47 495	9 116	605 506
Stage 1	104 506	31 900	29 993	(5 512)	160 887
Stage 2	41 386	63 127	(154)	14 628	118 987
Stage 3	207 879	100 097	17 656	-	325 632
Amount as at 30 June 2020	681 587	431 046	79 191	49 446	1 241 270
Stage 1	210 504	106 029	37 827	15 522	369 882
Stage 2	99 393	126 417	3 792	33 923	263 525
Stage 3	371 691	198 600	37 572	-	607 863

12. Impairment of advances continued

Reconciliation of the loss allowance on total advances per class:

Company – 2021

N$ 000's	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other Retail	FNB Commercial	Wesbank Commercial	RMB Corporate and investment banking	Total
Amount as at 30 July 2020	303 005	101 383	29 063	164 603	76 594	431 046	79 191	49 445	1 241 270
Transfers to stage 1	81 698	48 040	13 712	46 276	19 088	106 029	37 827	15 522	368 194
Transfers to stage 2	41 824	3 575	15 209	37 160	55 880	126 417	3 792	33 923	263 526
Transfers to stage 3	179 483	49 767	142	81 167	55 880	198 600	37 572	-	602 611
Bad debts written off	(54 558)	-	(3 431)	(23 637)	(15 476)	(75 233)	(1 464)	-	(173 800)
Provision created/(released) for current reporting period	94 104	(22 956)	28 863	77 711	(24 277)	115 635	26 054	3 090	298 226
Stage 1	(8 040)	(6 286)	(547)	(1 983)	(19 871)	176	(3 151)	1 157	(38 546)
Stage 2	26 092	(12 306)	17 761	(4 000)	31 173	15 391	34 666	1 933	110 710
Stage 3	76 052	(4 364)	11 649	83 695	(35 579)	100 068	(5 461)	-	226 062
Amount as at 30 June 2021	342 552	78 427	54 494	218 678	36 840	471 448	103 782	52 537	1 358 758
Stage 1	103 160	27 043	13 189	46 666	5 455	101 292	35 628	14 870	347 303
Stage 2	82 897	6 047	4 628	28 094	14 460	146 721	23 511	37 667	344 026
Stage 3	156 495	45 337	36 677	143 918	16 925	223 435	44 643	-	667 429

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

12. Impairment of advances continued

Company – 2020

N$'000	Total Retail	FNB Commercial	Commercial vehicle asset finance	RMB Corporate and Investment banking	Total
Amount as at 1 July 2019	374 726	250 504	34 919	40 330	700 479
Transfers to stage 1	23 604	106	1 407	(5 296)	19 821
Transfers to stage 2	(24 927)	(447)	(2 031)	5 296	(22 109)
Transfers to stage 3	1 323	341	624	-	2 288
Bad debts written off	(51 510)	(14 582)	(3 223)	-	(69 315)
Provision created/(released) for current period	351 432	195 124	47 495	9 116	603 167
Stage 1	102 167	31 900	29 993	(5 512)	158 548
Stage 2	41 386	63 127	(154)	14 628	118 987
Stage 3	207 879	100 097	17 656	-	325 632
Amount as at 30 June 2020	674 648	431 046	79 191	49 446	1 234 331
Stage 1	208 815	106 029	37 828	15 522	368 194
Stage 2	99 393	126 417	3 792	33 923	263 525
Stage 3	366 440	198 600	37 572	-	602 612

13. Other assets

	Group		Company	
N$'000	2021	2020	2021	2020
Items in transit	129 718	33 913	211 028	72 799
Deferred staff costs	29 218	43 457	29 218	43 457
Property in possession	73 844	51 425	73 844	51 425
Prepayments	39 545	56 301	39 487	56 301
Other accounts receivable	133 079	28 854	132 975	28 750
Loss allowance	(5 324)	(242)	(5 299)	(217)
	400 080	213 708	481 253	252 515
Financial instrument and non-financial instrument component of other assets				
Financial	222 474	16 462	222 474	16 462
Non-financial	177 606	197 246	258 779	236 053
Total	400 080	213 708	481 253	252 515

Information about the credit quality of the financial portion of other assets balances is set out in the risk management note 28.

The carrying value of accounts receivable approximates the fair value.

ECL of other assets is N$ 5.3 million (2020: N$242 thousand).

ECL for other assets are under stage 3.

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

14. Investment in subsidiary

Significant subsidiary

	Nature of business	Date of acquisition	Country of incorporation	Listed/ unlisted	% 2021	% 2020
Swabou Investments (Pty) Ltd	Property finance	1-Jul-03	Namibia	Unlisted	100	100

Swabou Investments (Pty) Ltd

	Company	
N$'000	2021	2020
Aggregate income of subsidiary (before tax)	8 842	7 938
Total indebtedness	43 731	104 608
Total investment	43 731	104 608

Interest paid by Swabou Investments (Pty) Ltd to First National Bank of Namibia Ltd totalled N$2.8 million (2020: N$8.3 million).

15. Property and equipment

Group	2021			2020		
N$'000	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Property						
Freehold land and buildings	702 198	(51 882)	650 316	668 616	(43 148)	625 468
Leasehold property	74 171	(60 059)	14 112	79 015	(61 299)	17 716
Right of use asset	98 819	(54 229)	44 590	88 829	(29 009)	59 820
	875 188	(166 170)	709 018	836 460	(133 456)	703 004
Equipment						
Capitalised lease equipment	12 289	(12 289)	-	12 289	(12 289)	-
Computer equipment	333 473	(229 798)	103 675	261 942	(206 748)	55 194
Furniture and fittings	246 423	(156 198)	90 225	252 418	(146 487)	105 931
Motor vehicles	7 860	(4 680)	3 180	8 202	(4 922)	3 280
Office equipment	126 080	(111 277)	14 803	122 474	(103 979)	18 495
	726 125	(514 242)	211 883	657 325	(474 425)	182 900
Total	1 601 313	(680 412)	920 901	1 493 785	(607 881)	885 904

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

15. Property and equipment continued

Company	2021			2020		
N$'000	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Property						
Leasehold land and buildings	633 534	(38 529)	595 005	634 413	(30 566)	603 847
Leasehold property	74 171	(60 059)	14 112	77 696	(61 299)	16 397
Right of use asset	98 819	(54 229)	44 590	88 829	(29 009)	59 820
	806 524	(152 817)	653 707	800 938	(120 874)	680 064
Equipment						
Capitalised lease equipment	12 289	(12 289)	-	12 289	(12 289)	-
Computer equipment	333 463	(229 788)	103 675	261 932	(206 738)	55 194
Furniture and fixtures	245 418	(155 252)	90 166	251 413	(145 570)	105 843
Motor vehicles	7 860	(4 680)	3 180	8 202	(4 922)	3 280
Office equipment	123 738	(108 990)	14 748	121 450	(101 948)	19 502
	722 768	(510 999)	211 769	655 286	(471 467)	183 819
Total	1 529 292	(663 816)	865 476	1 456 224	(592 341)	863 883

15. Property and equipment continued

Reconciliation of property and equipment: **Group – 2021**

N$'000	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Freehold land and buildings	625 468	34 650	(3 559)	2 660	(8 903)	650 316
Leasehold property	17 716	2 662	(201)	(1 041)	(5 024)	14 112
Right of use asset	59 820	19 352	(2 963)	-	(31 619)	44 590
Capitalised lease equipment	-	-	-	-	-	-
Computer equipment	55 194	97 334	(1 639)	(6 902)	(40 312)	103 675
Furniture and fittings	105 931	9 516	(2 967)	-	(22 255)	90 225
Motor vehicles	3 280	488	(260)	-	(328)	3 180
Office equipment	18 495	3 649	(170)	5 283	(12 454)	14 803
	885 904	167 651	(11 759)	-	(120 895)	920 901

Reconciliation of property and equipment: **Group – 2020**

N$'000	Opening balance	Additions	Disposals	Depreciation	Total
Freehold land and buildings	613 289	19 284	(190)	(6 915)	625 468
Leasehold property	12 958	11 666	(38)	(6 870)	17 716
Right of use asset	-	89 698	-	(29 878)	59 820
Capitalised lease equipment	-	-	-	-	-
Computer equipment	73 156	18 527	(63)	(36 426)	55 194
Furniture and fittings	121 766	7 745	(395)	(23 185)	105 931
Motor vehicles	3 741	-	-	(461)	3 280
Office equipment	34 171	2 817	(34)	(18 459)	18 495
	859 081	149 737	(720)	(124 194)	885 904

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

15. Property and equipment continued

Reconciliation of property and equipment: Company – 2021

N$'000	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Freehold land and buildings	603 847	175	(3 559)	2 659	(8 117)	595 005
Leasehold property	16 397	2 662	(201)	278	(5 024)	14 112
Right of use asset	59 820	19 352	(2 963)	-	(31 619)	44 590
Computer equipment	55 194	97 334	(1 639)	(6 902)	(40 312)	103 675
Furniture and fittings	105 843	9 516	(2 967)	-	(22 226)	90 166
Motor vehicles	3 280	488	(260)	-	(328)	3 180
Office equipment	19 502	3 650	(171)	3 965	(12 198)	14 748
	863 883	133 177	(11 760)	-	(119 824)	865 476

Reconciliation of property and equipment: Company – 2020

N$'000	Opening balance	Additions	Disposals	Depreciation	Total
Freehold land and buildings	594 255	16 692	(190)	(6 910)	603 847
Leasehold property	11 643	11 661	(38)	(6 869)	16 397
Other property, plant and equipment	-	89 698	-	(29 878)	59 820
Computer equipment	73 157	18 526	(63)	(36 426)	55 194
Furniture and fittings	121 644	7 742	(395)	(23 148)	105 843
Motor vehicles	3 742	-	-	(462)	3 280
Office equipment	34 872	2 817	(34)	(18 153)	19 502
	839 313	147 136	(720)	(121 846)	863 883

The useful life of each asset is assessed individually. The information on the benchmarks used when assessing the useful life of the individual assets refer to the accounting policy 5.1.

Property and equipment are not pledged as security against any liabilities. There are no restrictions or liens on property and equipment.

16. Intangible assets

Group	2021			2020		
N$'000	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Trademarks	380 713	(358 775)	21 938	380 713	(347 330)	33 383
Software	60 010	(48 315)	11 695	46 512	(46 512)	-
Goodwill	47 967	-	47 967	47 967	-	47 967
Total	488 690	(407 090)	81 600	475 192	(393 842)	81 350

Company	2021			2020		
N$'000	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Trademarks	354 099	(332 162)	21 937	354 099	(320 717)	33 382
Software	60 010	(48 315)	11 695	46 512	(46 512)	-
Goodwill	47 967	-	47 967	47 967	-	47 967
Total	462 076	(380 477)	81 599	448 582	(367 229)	81 349

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

16. Intangible assets continued

Reconciliation of intangible assets: **Group – 2021**

N$'000	Opening balance	Additions	Amortisation	Total
Trademarks	33 383	-	(11 445)	21 938
Software	-	13 494	(1 799)	11 695
Goodwill	47 967	-	-	47 967
	81 350	13 494	(13 244)	81 600

Reconciliation of intangible assets: **Group – 2020**

N$'000	Opening balance	Amortisation	Total
Trademarks	44 829	(11 446)	33 383
Software	3	(3)	-
Goodwill	47 967	-	47 967
	92 799	(11 449)	81 350

16. Intangible assets continued

Reconciliation of intangible assets: **Company – 2021**

N$'000	Opening balance	Additions	Amortisation	Total
Trademarks	33 382	-	(11 445)	21 937
Software	-	13 494	(1 799)	11 695
Goodwill	47 967	-	-	47 967
	81 349	13 494	(13 244)	81 599

Reconciliation of intangible assets: **Company – 2020**

N$'000	Opening balance	Amortisation	Total
Trademarks	44 828	(11 446)	33 382
Software	3	(3)	-
Goodwill	47 967	-	47 967
	92 798	(11 449)	81 349

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.

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 of the CGU. The growth rate does not exceed the long-term average past growth rate for the business in which the CGU operates.

The discount rate used is the weighted average cost of capital for the specific segment, adjusted for specific risks relating to the segment. Some of the other assumptions include investment returns, expense inflation rates, tax rates and new business growth. Discount rate 15.8% (2020: 16.3%) and growth rate 4.1% (2020:5.6%)

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

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

17. Employee liabilities

N$'000	Group and company 2021	Group and company 2020
Liability for short-term employee liabilities	174 217	154 877
Defined contribution post-employment benefit liabilities	39 807	38 199
	214 024	193 076

Refer to note 26 (remuneration schemes) for more detail on the cash settled share-based payment schemes.

Defined contribution 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 prescribed by IAS 19 Employee Benefits. The liability is measured as the present value of the group's share of contributions to the medical scheme. Continuing member contributions are projected into the future year using the assumption rate of health care cost inflation and are then discounted back using the discount rate. The group subsidises medical aid contributions for all eligible members at various rates.

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

3. The medical plan is regulated by Namfisa. The medical fund is governed by a board of trustees independent of the group. An external auditor performs an audit of the fund on an annual basis.

The employer contributed N$ 2.4 million (2020: N$ 2.3 million) to the post-retirement medical benefit.

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.

	Group and company					
	2021			2020		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Present value of unfunded liabilities	33 203	6 604	39 807	32 445	5 754	38 199

17. Employee liabilities continued

The amount recognised in the statement of comprehensive income are as follows:

	Group and company					
	2021			2020		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Current service cost	201	535	736	187	468	655
Interest cost	3 324	794	4 118	3 161	772	3 933
Included in staff cost	3 525	1 329	4 854	3 348	1 240	4 588
Recognised in other comprehensive income						
Actuarial (gains) / loss recognised	231	(479)	(248)	(2 500)	(1 618)	-
Total	3 756	850	4 606	848	(378)	4 588

Movement in post-employment liabilities

	Group and company					
	2021			2020		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Present value at beginning of the year	32 445	5 754	38 199	34 290	6 132	40 422
Current service cost	201	535	736	187	468	655
Interest cost	3 324	794	4 118	3 161	772	3 933
Benefits paid	(2 998)	-	(2 998)	(2 693)	-	(2 693)
Actuarial (gains) / loss from changes in financial assumptions	231	(479)	(248)	(2 500)	(1 618)	(4 118)
Present value at end of the year	33 203	6 604	39 807	32 445	5 754	38 199

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

17. Employee liabilities continued

The sensitivity analysis illustrates how the value of the liability would change in response to certain changes in actuarial assumptions

N$'000	2021	2020
Effect of 1% change in medical aid inflation assumptions as follows		
1% increase - effect in current service cost and interest cost	3 932	4 153
1% decrease - effect in current service cost and interest cost	3 179	3 357
Effect of 1% change in normal salary inflation assumptions as follows		
1% increase - effect in current service cost and interest cost	1 557	1 459
1% decrease - effect in current service cost and interest cost	1 304	1 234

The principal actuarial assumptions used for accounting purposes were:

	2021		2020	
	Medical	Severance	Medical	Severance
Discount rate (%)	10.38%	13.82%	11.33%	13.82%
Medical aid inflation (%)	7.73%	-	7.69%	-
Salary inflation (%)	-	9.61%	-	9.61%
Employees covered	95	1 946	101	2 060

18. Deferred tax

Deferred tax liability

	Group		Company	
N$'000	2021	2020	2021	2020
Opening balance	263 101	393 209	266 643	399 408
Release to profit or loss	(187 077)	(131 310)	(190 184)	(133 967)
Deferred tax on amounts charged directly to other comprehensive income	117	1 202	117	1 202
Total deferred tax liability	76 141	263 101	76 576	266 643
Reconciliation of deferred tax liability				
Deferred income tax assets and liabilities and deferred tax charge/(credit) in the statement of comprehensive income are attributable to the following items:				
Deductible/taxable temporary differences				
Provision for loan impairment	(166 001)	(151 595)	(165 919)	(151 161)
Provision for post-employement benefits	(12 738)	(12 224)	(12 738)	(12 224)
Other provisions	120 126	162 727	115 235	161 814
Financial instruments	(20 509)	(16 304)	(20 509)	(16 304)
Instalment credit assets	61 931	88 524	61 931	88 524
Accruals	102 366	201 551	102 366	201 551
Financial instruments at fair value through other comprehensive income	117	1 202	117	1 202
Share-based payments	(3 906)	(6 758)	(3 907)	(6 758)
Other (Assessed loss)	(5 245)	(4 022)	-	-
Total deferred liability	76 141	263 101	76 576	266 644
Release through profit and loss	(187 077)	(131 310)	(190 184)	(133 967)
Deferred tax on other comprehensive income	(117)	(1 202)	(117)	(1 202)
Total	(187 194)	(132 512)	(190 301)	(132 512)

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

19. Creditors and accruals

	Group		Company	
N$'000	2021	2020	2021	2020
Items in transit	103 361	159 373	103 348	159 369
Audit fees accrued	4 005	5 774	3 650	5 431
Accrued expenses	43 974	60 512	43 957	60 512
Other accounts payable	382 542	281 315	383 568	280 661
Total creditors and accruals	533 881	506 974	534 522	505 973

All amounts are expected to be settled within twelve months.

The carrying value of creditors and accruals approximates fair value.

20. Short trading position

	Group		Company	
N$'000	2021	2020	2021	2020
Government and government guaranteed stock	21 849	-	21 849	-

21. Deposits

	Group		Company	
N$'000	2021	2020	2021	2020
Deposits from customers				
Current accounts	11 983 033	12 276 853	11 980 668	12 274 286
Call deposits	7 712 911	6 831 443	7 712 911	6 831 443
Savings account	450 484	400 252	450 484	400 252
Fixed and notice deposits	10 001 199	11 424 931	10 001 199	11 424 931
	30 147 627	30 933 479	30 145 262	30 930 912
Debt securities				
Negotiable certificates of deposit	4 073 570	7 064 014	4 073 570	7 064 014
Fixed and floating rate notes	543 611	543 668	543 611	543 668
	4 617 181	7 607 682	4 617 181	7 607 682
Geographical analysis (based on counterparty risk)				
Namibia	34 764 808	38 541 161	34 762 443	38 538 594
Due to banks and other financial instruments				
In the normal course of business	1 163 129	117 975	1 163 129	117 975
Geographical analysis (based on counterparty risk)				
Namibia	1 163 129	117 975	1 163 129	117 975
Total deposits	35 927 937	38 659 136	35 925 572	38 656 569

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

22. Other liabilities

N$'000	Group 2021	Group 2020	Company 2021	Company 2020
Other funding liabilities	188 457	219 928	188 457	219 928
Lease liabilities	49 824	66 258	49 824	66 258
	238 281	286 186	238 281	286 186

* *The group elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis.*

Other liabilities reconciliation

N$'000	Group and company 2021	Group and company 2020
Opening balance	286 186	220 486
IFRS 16 adjustment**	-	65 878
Cash flow movements		
- Principal payments towards other liabilities	(31 286)	-
- Principal payments towards lease liabilities	(32 936)	(27 741)
- Interest paid on other liabilities	(10 107)	-
- Interest paid on lease liabilities	(4 095)	(22 995)
	(78 424)	(50 736)
Non-cash flow movements		
- New leases issued during the year	19 774	28 162
- Interest accrued	14 017	22 396
- Early termination of leases	(3 272)	-
	30 519	50 558
Total other liabilities	238 281	286 186

23. Tier 2 liabilities

Subordinated debt instruments	Interest rate	Final maturity date	Note	2021	2020
FNB X27 fixed rate notes	Three-month JIBAR + 2.50%	Monday, 29 March 2027	(i)	100 000	100 000
FNB J27 floating rate notes	10.36%	Monday, 29 March 2027	(ii)	300 000	300 000
Accrued interest				2 770	2 774
				402 770	402 774

(i) The FNB X27 fixed rate notes may be redeemed in full at the option of the group on 29 March 2022. Interest paid quarterly in arrears on 29 March and 29 September of each year.

(ii) The FNB J27 floating rate notes may be redeemed in full at the option of the group on 29 March 2022. Interest is paid quarterly on 29 March, 29 June, 29 September and 29 December each year.

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

The notes listed above qualify as Tier 2 capital for First National Bank of Namibia Limited.

Refer to note 30, fair value of financial instruments for the methodologies used to determine the fair value of the tier 2 liabilities.

Tier 2 liabilities reconciliation

N$'000	2021	2020
Opening balance	402 774	402 804
Cash flow movement	(28 806)	(37 649)
- Proceeds on the issue of Tier 2 liabilities	-	-
- Interest paid	(28 806)	(37 649)
Non-cash flow movement	28 802	37 619
- Interest accrued	28 802	37 619
Total Tier 2 liabilities	402 770	402 774

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

24. Share capital

N$'000	Group 2021	Group 2020	Company 2021	Company 2020
Authorised				
4000 (2020: 4000) Ordinary shares with a par value of N$1 per share	4	4	4	4
Issued				
1200 (2020: 1200) Ordinary shares with a par value of N$1 per share	1	1	1	1
Share premium	1 142 791	1 142 791	1 142 791	1 142 791
Total issued share capital attributable to ordinary equityholders	1 142 792	1 142 792	1 142 792	1 142 792

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

25. General risk reserve

N$'000	Group and Company 2021	Group and Company 2020
Credit risk reserve	95 423	-

The credit risk reserve is in compliance with the Bank of Namibia requirement of BID-33: Determination on Policy Changes In Response To Economic And Financial Stability Challenges following the fallout of the Covid-19 Pandemic.

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

26. Remuneration schemes

N$'000	Group and company 2021	Group and company 2020
The charge to profit or loss for share-based payments is as follows:		
FirstRand Namibia Share options	-	292
FirstRand conditional share plan	17 631	29 136
Charge against staff costs	17 631	29 428

The purpose of these schemes is to appropriately attract, incentivise and retain managers and employees within the group. The performance vesting conditions attached to the 2017 scheme were not met and any credit due is included in the current year.

The performance vesting conditions attached to the 2018 scheme were not met. Due to the nature of the transaction, any credit due will only be affected at the original vesting date, i.e. September 2021.

Share option schemes

Description of the scheme and vesting conditions:

Conditional incentive plan		
IFRS 2 treatment	Cash settled	Equity settled
Description	The conditional award is a notional share based on the FirstRand Limited share price.	The conditional award is a notional share based on the FirstRand Limited share price, which must be settled in FirstRand Limited shares.
Vesting conditions	These awards vest after three years. The awards vest if the employment and, where applicable, performance conditions are met. Conditional awards are issued annually and vesting is subject to specified financial performance targets set annually by the group's remuneration committee. These corporate performance targets (CPTs) are set out below.	
Valuation methodology	The conditional incentive plan (CIP) is valued using the Black Scholes option pricing model. The scheme is cash settled and is therefore repriced at each reporting date.	The conditional incentive plan CIP is valued using the Black Scholes option pricing model. The scheme is equity settled and is the price at grant date.
Valuation assumptions		
Dividend data	Management's estimates of future discrete dividends.	
Market related	Interest rate is the risk-free rate of return as recorded on the last day of the financial year, on a funding curve of a term equal to the remaining expected life of the plan.	
Employee related	The weighted average forfeiture rate used is based on historical forfeiture data observed over all schemes.	

26. Remuneration schemes continued

Corporate performance targets:

The FirstRand Limited group remuneration committee sets the CPTs for each award based on the expected macroeconomic conditions and group earnings and returns forecasts over the performance period. These criteria vary from year to year, depending on the expectations for each of the aforementioned variables. For vesting to occur, the criteria must be met or exceeded. For the 2018 award schemes, the scheme rules allowed the remuneration committee the discretion to determine whether the conditional awards would vest, in full or partially, in circumstances where the performance conditions were not fulfilled. The application of this discretion is limited. For the 2019 award, this discretion is removed and if the performance conditions are not met the award fails. The 2019 and 2020 schemes have a structure of graded vesting, the level of vesting is correlated to the earnings growth achieved relative to macroeconomic variables and minimum return on equity (ROE) requirements. The vesting outcome is based on the delivery of the performance conditions and this level is finally determined and calculated by the group remuneration committee.

In terms of the scheme rules, participants are not entitled to dividends on their conditional share awards during the vesting period. For certain non-senior employees eligible for a CIP, a portion of the award is not subject to the performance conditions, and only requires continued employment.

The criteria for the expired and currently open schemes are as follows:

Expired schemes

2017 (Did not vest at the expected vesting date of September 2020) – FirstRand Limited must achieve growth in normalised earnings per share (EPS), adjusted for consumer price index (CPI), which equals or exceeds the South African real GDP growth, on a cumulative basis, over the performance period from the base year-end, being 30 June 2017, to the year-end immediately preceding the vesting date, and the bank must deliver a ROE of at least 18% over the performance period. Real GDP and CPI are advised by the Group Treasury's macro strategy unit. For vesting to occur, the criteria must be met or exceeded. However, the scheme rules allow the remuneration committee the discretion to determine whether the conditional awards will vest in full or partially in circumstances where the performance conditions were not fulfilled. During the performance period 1 July 2017 to June 2020 the bank failed to achieve the targets set for the cumulative growth in normalised earnings per share and Remco notified qualifying employees that the scheme would consequently not vest.

Currently open

2018 (Not vesting at the expected vesting date of September 2021) – FirstRand Limited must achieve growth in normalised earnings per share which equals or exceeds the South African CPI plus GDP growth, on a cumulative basis, over the performance period from the base year-end, being 30 June 2018, to the year-end immediately preceding the vesting date, and the group must deliver a ROE of at least 18% over the performance period. If real gross domestic product is negative, then growth in normalised earnings should equal or exceed CPI over the same period. Real GDP and CPI are advised by the Treasury's macro strategy unit. For vesting to occur, the criteria must be met or exceeded. However, the scheme rules allow the remuneration committee the discretion to determine whether the conditional awards will vest in full or partially in circumstances where the performance conditions were not fulfilled. During the current year, it was determined that the bank failed to achieve the targets over the performance period set for the cumulative growth in normalised earnings per share and ROE, and Remco notified qualifying employees that the scheme would consequently not vest.

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

26. Remuneration schemes continued

Currently open

2019 (Vesting date in 2022) – The vesting conditions of the 2019 award are set out below with the apportionment to vesting without conditions described below. The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment and the remaining 50% of the awards remain subject to performance conditions. For the awards subject to performance conditions, graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a super stretch target with linear grading between targets. If the minimum ROE and earnings growth conditions are met, vesting will commence at 70% and if these are not met, the award will lapse.

	Performance conditions		
	Vesting level should both conditions be met	ROE target (average over the 3-year performance period)	Normalised earnings per share growth requirement (3-year compound annual growth rate)
			FirstRand Limited must achieve growth in normalised earnings per share relative to the South African CPI plus real GDP growth on a cumulative basis over the performance period from the base year-end, being 30 June 2019, as set out for each vesting level indicated below:
Minimum vesting, below which the award lapses	70%	=/> 20%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >0% or CPI where real GDP growth is negative.
On target performance	100%	=/> 20.5%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 1.5% to 3%.
Stretch target	120%	= /> 21%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >5% to 7%.
Super stretch target	150% (maximum vesting)	=/> 22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >7% to 10%.

Linear vesting applies between each vesting level based on the achieved normalised earnings per share growth rate. The ROE is based on net asset value (NAV) without material adjustments resulting from dividend policy changes, regulatory changes, IFRS changes or volatile reserves. Under the new structure, Remco cannot apply upward vesting judgement if performance criteria are not met.

26. Remuneration schemes continued

2020 (Vesting date in 2023) –The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment. The remaining 50% of the award is subject to performance conditions. For the awards subject to performance conditions, graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a maximum target with linear grading between targets. If the minimum conditions are met, vesting will commence at 70% and if these are not met, the award will lapse.

Remco has the right to adjust the vesting level down by up to 20% if material negative outcomes for the business occur that are within management control. Examples would include issues that materially damaged the bank's businesses, including its reputation, material enterprise-wide risk and control issues, as recommended to it by the risk, capital management and compliance (RCC) committee; and concerns regarding the adherence to the liquidity and capital management strategies in place.

The performance conditions for the 2020 award include prudential targets relating to liquidity and capital ratios, an earnings growth target and a ROE target. The table below further stipulates the performance conditions to be fulfilled by the Group and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. To achieve minimum vesting of 70%, the group must exceed the liquidity and capital targets set by the board and measured at 31 March 2023. If the conditions set for 70% vesting are not met, the award lapses and none of the other conditions described below is assessed.

Vesting level *	Performance conditions	
	Minimum ROE requirement at 30 June 2023 **	Normalised earnings per share growth requirement (3-year compound annual growth rate)
70.1% to 99.9%	For grading above 95%, ROE must be more than cost of equity as at issue date of award, i.e. net income after cost of capital charge (NIACC) positive	Grading based on minimum compound annual growth rate of 4.3% up to <13.4%
100%	ROE must be more than cost of equity as at issue date of award, i.e. NIACC positive	Minimum compound annual growth rate of 13.4% up to <17.5% (100% vesting only for all growth outcomes in the range above)
100.1% and 119.9%	ROE of at least 18%	Minimum compound annual growth rate of 17.5% up to <22%
120%	ROE of at least 20%	Minimum compound annual growth rate of 22%
120.1% and 150%. (Maximum vesting of 150%)	ROE of at least 22%	Minimum compound annual growth rate above 22% and up to 28.2% to calculate linear grading up to 150% vesting.

* *Linear grading between these vesting levels based on the growth achieved.*

** *In the event that the ROE target is not met, the outcome will be constrained to the ROE target even if the growth measured could result in higher vesting outcomes.*

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

26. Remuneration schemes continued

Impact of COVID-19 on existing schemes

As noted, due to the impact of COVID-19, the 2018 scheme has failed and will not vest.

	FirstRand Namibia share incentive scheme		FirstRand Ltd conditional share plan	
	2021	**2020**	**2021**	**2020**
Weighted average share price (cents)	-	1 180 - 2 452	-	-
Expected volatility (%)	-	402 - 16	-	-
Expected option life (years)	-	5	2 - 4	2 - 3
Expected credit free rate (%)	-	-	367 - 574	391 - 532
Share option schemes				
Number of options in force at the beginning of the year (N$'000)	-	548	1 830	1 788
Granted prices ranging between (cents)	-	1 180 - 2 452	-	
Number of options granted during the year (N$'000)	-	-	1 229	620
Granted at prices ranging between (cents)	-	-	-	-
Number of options exercised during the year (N$'000)	-	(548)	(23)	(573)
Market value range at the date of exercise/release (cents)	-	3 178 - 3 500	3 924 - 3 924	5 105 - 6 520
Number of options cancelled / lapsed during the year (N$'000)	-	-	(1 208)	(5)
Granted at prices ranging between (cents)	-	-	-	-
Number of options in force at the end of the year (N$'000)	-	-	1 828	1 830

26. Remuneration schemes continued

Conditional share plan (FirstRand shares)

	Conditional share plan (FirstRand shares)			
	2021		**2020**	
Share awards outstanding**	Weighted average remaining life (years)	Outstanding awards (millions)	Weighted average remaining life (years)	Outstanding awards (millions)
Vesting during 2020 #	0.31	0.034	0.30	0.654
Vesting during 2021 #	1.30	0.628	1.30	0.564
Vesting during 2022	2.31	1.166	2.29	0.612
Total conditional awards	-	1.828	-	1.830
Number of participants	-	155	-	159

* *Market values indicated above include those instances where a probability of vesting is applied to accelerated share award vesting prices due to a no-fault termination, as per the rules of the scheme.*

** *Years referenced in the rows relate to calendar years and not financial years.*

\# *Scheme vesting during 2020 and 2021 failed to vest due to not achieving the performance conditions attached to the scheme.*

Notes to the annual financial statements

for the year ended 30 June continued

27. Cash generated from operations

	Group		Company	
N$'000	2021	2020	2021	2020
Profit before taxation	1 423 622	1 234 030	1 418 843	1 229 760
Adjusted for:				
Depreciation, amortisation and impairment losses	134 140	133 640	133 069	133 292
Impairment charge on advances	237 832	559 413	236 504	557 651
Provision for post employment benefit obligations	4 408	3 852	4 408	3 852
Other employment accruals	60 034	38 093	60 034	38 093
Creation and revaluation of derivative financial instruments	(12 175)	(6 678)	(12 175)	(6 678)
Profit/ (Loss) on disposal of property and equipment	1 537	(3 063)	1 537	(3 063)
Share-based payment	17 631	29 428	17 631	29 428
Accrued on off-market advances	2 772	3 364	2 772	3 364
Net release of deferred fees and expenses	(12 407)	(16 121)	(11 999)	(16 134)
Off-market staff loans amortisation	(2 772)	(3 364)	(2 772)	(3 364)
Share (profit) from associate company	-	(1 492)	-	-
Indirect tax	37 493	43 639	37 198	43 251
Dividend on derecognition of associate	-	-	-	(13 039)
	1 892 115	2 014 741	1 885 050	1 996 413

28. Contingencies and commitments

	Group and company	
N$'000	2021	2020
Contingencies		
Guarantees *	1 094 086	1 222 282
Letters of credit	18 675	16 775
Total contingencies	1 112 761	1 239 057
Irrevocable unutilised facilities	2 493 125	2 122 750
Committed capital expenditure	152 336	190 723
Total contingencies and commitments	3 758 222	3 552 530

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

Legal proceedings

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

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

Commitments in respect of capital expenditure and long-term investments are approved by the directors.

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

29. Related parties

First National Bank of Namibia Limited is 100% (2020: 100%) owned by FirstRand Namibia Limited.

FirstRand Namibia Limited is listed on the Namibian Stock Exchange and is 58.4% (2020: 58.4%) owned by FirstRand EMA Holdings Proprietary Limited, with its ultimate holding company FirstRand Limited, which is incorporated in South Africa, listed on the JSE Limited and on the NSX. Refer to section 2.2 of the accounting policies.

Details of transactions with relevant related parties appear below:

Related party balances

	Group and company	
N$'000	2021	2020
Advances		
Entities that have significant influence over the group and its subsidiaries	2 102 036	2 332 216
Fellow subsidiary to banking group	75 365	103 814
Key managment personnel	12 744	36 021
Derivative assets		
Entities that have significant influence over the group and its subsidiaries	199 086	139 793
Deposits		
Entities that have significant influence over the group and its subsidiaries	120 595	14 193
Fellow subsidiaries to banking group	147 236	71 791
Key management personnel	13 010	20 530
Derivative liabilities		
Entities that have significant influence over the group and its subsidiaries	121 130	407 275

29. Related parties continued

	Group and company	
N$'000	2021	2020
Related party transactions		
Interest received		
Entities that have significant influence over the group and its subsidiaries	32 012	64 412
Fellow subsidiaries to banking group	3 363	6 437
Associate	-	533
Key management personnel	-	57
Interest paid		
Entities that have significant influence over the group and its subsidiaries	2 569	4 156
Associates	-	1 253
Non-interest revenue		
Fellow subsidiaries to banking group	4 214	5 428
Administration fees paid to (received from) related parties		
Entities that have significant influence over the group and its subsidiaries	328 792	347 552
Associate	-	17 780
Dividends paid		
Entities that have significant influence over the group and its subsidiaries	361 687	1 249 744
Details of transactions with relevant related parties appear below		
Key management personnel		
- Cash package	26 411	27 766
- Retirement contributions	3 786	4 231
- Performance-related benefits	10 638	14 531
- Retirement benefit paid	3 487	-
	44 322	46 528

During the financial year, no contracts were entered into which directors or officers of the company had an interest and which significantly affected the business of the group.

Related party transactions between the company and its subsidiary is disclosed in note 14.

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

30. Risk management

The financial instruments recognised on the group's statement of financial position expose the group to various financial risks. The COVID-19 pandemic has far-reaching impacts on the group's operations and impacts each of the financial risks managed by the group. The impact on each of the financial risks is decribed in the sub-section below.

The risk report of the group appears on pages 88 to 113 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. The report includes the disclosures required by IFRS 7 related to the management of credit markets, liquidity and interest rate risks. Capital management is dealt with in the Capital Management report. 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 following assets and off-balance sheet amounts expose the group to credit risk. For all on-balance sheet exposures, the carrying amount recognised in the statement of financial position represents the maximum exposure to credit risk, before taking into account collateral and other credit.

Credit risk

Objective

Credit risk managment objectives are two-fold:

- **Risk control:** Appropriate limits are placed on the assumption of credit risk and steps are taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfill this task.

- **Management:** Credit risk is taken within the constraints of the risk appetite framework. The credit portolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions, overseen by the group's credit risk management function in ERM and relevant board committees, fulfill this role.

Based on the group's credit risk appetite, as measured on the ROE, NIACC and volatility-of-earnings basis, credit risk management principles include holding the appropriate level of capital and pricing for risk on an individual and portfolio basis. The scope of credit risk identification and management practices across the group, therefore, spans the credit value chain, including risk appetite, credit origination strategy, risk quantification and measurement, as well as collection and recovery of delinquent accounts.

30. Risk management continued

Assessment and management

Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure. Credit risk management across the group is split into three distinct portfolios: retail, commercial and corporate, and are aligned to customer profiles.

The assessment of credit risk across the group relies on internally developed quantitative models for addressing regulatory and business needs. The models are used for the internal assessment of the three primary credit risk components:

- Probability of default (PD);
- Exposure at default (EAD); and
- Loss given default (LGD).

Management of the credit portfolio is reliant on these three credit risk measures. PD, EAD and LGD are inputs into the portfolio and group-level credit risk assessment where the measures are combined with estimates of correlations between individual counterparties, industries and portfolios to reflect diversification benefits across the group.

The group employs a granular, 100-point master rating scale, which has been mapped to the continum of default probabilities, as illustrated in the following table. FirstRand (FR)1 is the lowest PD and FR100 the highest. External ratings have also been mapped to the master rating scale for reporting purposes. These mappings are reviewed and updated on a regular basis. Mapping of FR grades to rating agency scales:

Firstrand rating	Midpoint	RMB rating based on S&P)*
FR 1 - 14	0.06%	AAA, AA+, AA, AA-, A, A-
FR 15 - 25	0.29%	BB+, BBB(upper), BBB, BBB-(upper), BBB-, BB+(upper)
FR 26 - 32	0.77%	BB+, BB(upper), BB, BB-(upper)
FR 33 - 39	1.44%	BB-, B+(upper)
FR 40 - 53	2.52%	B+
FR 54 - 83	6.18%	B(upper), B, B-(upper)
FR 84 - 90	13.68%	B-
FR 91 - 99	59.11%	CCC
FR 100	100%	D (Defaulted)

Credit assets

The following assets and off-balance sheet amounts expose the group to credit risk .For all on-balance sheet exposures, the gross amount disclosed represents the maximum exposure to credit risk, before taking into account collateral and other credit enhancements.

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

30. Risk management continued

N$'000	Group 2021	Group 2020	Company 2021	Company 2020
Total exposure (items where credit risk exposure exist)				
Unsecured bank overdraft facility, reviewed annually and payable on call:				
Cash and cash equivalents				
Balances with central bank	777 404	550 315	777 404	550 315
Total cash and cash equivalents	777 404	550 315	777 404	550 315
Due from banks and other financial institutions	2 958 109	4 442 443	2 958 109	4 442 443
Unsecured bill acceptance facility, reviewed annually:				
Residential mortgages	14 502 255	13 814 764	14 317 769	13 579 773
Vehicle and asset finance	1 737 979	1 755 160	1 737 979	1 755 160
Credit card	419 894	404 191	419 894	404 191
Personal loans	2 338 794	2 303 694	2 338 794	2 303 694
Other retail	465 913	480 310	465 913	480 310
FNB Commercial	5 608 158	5 895 910	5 608 158	5 895 913
Commercial vehicle finance	1 257 315	1 402 508	1 257 315	1 402 508
RMB Corporate and Investment banking	3 952 955	4 021 692	3 952 955	4 021 692
Total advances	30 283 263	30 078 229	30 098 777	29 843 241
Derivative financial instruments	314 626	519 294	314 626	519 294

30. Risk management continued

N$'000	Group 2021	Group 2020	Company 2021	Company 2020
Debt investment securities				
Listed investment securities	3 624 226	2 769 716	3 624 226	2 769 716
Unlisted investment securities	3 417 086	5 611 591	3 417 086	5 611 591
Total debt investment securities	7 041 312	8 381 307	7 041 312	8 381 307
Other assets	400 081	170 493	481 254	209 275
Guarantees	1 094 086	1 222 282	1 094 086	1 222 282
Letters of credit	18 675	16 775	18 675	16 775
Irrevocable commitments	2 493 125	2 122 750	2 493 125	2 122 750

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

30. Risk management continued

The table below sets out the maximum exposure to credit risk for financial assets at amortised cost and fair value through profit or loss debt instruments.

	Group			Group			
	2021			2021			
N$'000	Carrying amount	Loss allowance	Maxium exposure to credit risk	Netting and financial collateral	Net exposure to credit risk	Unsecured	Secured
Total exposure (items where credit exposure exists)							
Cash and cash equivalents							
Balances with central bank	777 404	-	777 404	-	777 404	777 404	-
Total cash and cash equivalents	777 404	-	777 404	-	777 404	777 404	-
Due from banks and other financial institutions	2 958 109	-	2 958 109	-	2 958 109	2 958 109	-
Advances							
Residential mortgages	14 850 389	(348 134)	14 502 255	821 830	13 680 425	-	13 680 425
Vehicle and asset finance	1 816 406	(78 427)	1 737 979	26 626	1 711 353	-	1 711 353
Credit card	443 244	(23 350)	419 894	-	419 894	419 894	-
Personal loans	2 557 472	(218 678)	2 338 794	-	2 338 794	2 338 794	-
Other retail	533 898	(67 985)	465 913	-	465 913	465 913	-
FNB Commercial	6 079 606	(471 448)	5 608 158	30 196	5 577 962	3 650 853	1 927 109
Commercial vehicle finance	1 361 097	(103 782)	1 257 315	11 996	1 245 320	-	1 245 320
RMB Corporate and Investment banking	4 005 491	(52 536)	3 952 955	439 300	3 513 655	869 893	2 643 762
Total advances	31 647 603	(1 364 340)	30 283 263	1 329 948	28 953 315	7 745 346	21 207 969
Investment securities	7 043 987	(2 675)	7 041 312	-	7 041 312	7 041 312	-
Derivatives	314 626	-	314 626	-	314 626	300 055	14 571
Other assets	400 080	-	400 080	-	400 080	400 080	-
Off balance sheet exposures							
Guarantees	1 094 086	-	1 094 086	-	1 094 086	870 860	223 226
Letters of credit	18 675	-	18 675	-	18 675	18 675	-
Irrevocable commitments	2 493 125	-	2 493 125	-	2 493 125	2 493 125	-

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

30. Risk management continued

	Group			Group			
	2020			2020			
N$'000	Carrying amount	Loss allowance	Maximum exposure to credit risk	Netting and financial collateral	Net exposure to credit risk	Unsecured	Secured
Total exposure (items where credit exposure exists)							
Cash and cash equivalents							
Balances with central bank	550 315	-	550 315	-	550 315	550 315	-
Total cash and cash equivalents	550 315	-	550 315	-	550 315	550 315	-
Due from banks and other financial institutions	4 442 443	-	4 442 443	-	4 442 443	4 442 443	-
Advances							
Residential mortgages	14 124 707	(309 943)	13 814 764	350 790	13 463 974	-	13 463 974
Vehicle and asset finance	1 856 543	(101 383)	1 755 160	20 095	1 735 065	-	1 735 065
Credit card	433 254	(29 063)	404 191	-	404 191	404 191	-
Personal loans	2 468 297	(164 603)	2 303 694	-	2 303 694	2 303 694	-
Other retail	556 904	(76 594)	480 310	-	480 310	480 310	-
FNB Commercial	6 326 956	(431 046)	5 895 910	38 329	5 857 581	3 782 712	2 074 869
Commercial vehicle finance	1 481 700	(79 192)	1 402 508	14 552	1 387 956	-	1 387 956
RMB Corporate and investment banking	4 071 138	(49 446)	4 021 692	251 456	3 770 236	1 518 705	2 251 531
Total advances	31 319 499	(1 241 270)	30 078 229	675 222	29 403 007	8 489 612	20 913 395
Investment securities	8 382 572	(1 265)	8 381 307	-	8 381 307	8 381 307	-
Derivatives	519 294	-	519 294	-	519 294	402 957	116 337
Accounts receivable	213 708	-	213 708	-	213 708	213 708	-
Off-balance sheet exposures							
Guarantees	1 222 282	-	1 222 282	-	1 222 282	1 056 306	168 977
Letters of credit	16 775	-	16 775	-	16 775	16 775	-
Irrevocable commitments	2 122 750	-	2 122 750	-	2 122 750	2 122 750	-

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

30. Risk management continued

	Company			Company			
	2021			2021			
N$'000	Carrying amount	Loss allowance	Maxium exposure to credit risk	Netting and financial collateral	Net exposure to credit risk	Unsecured	Secured
Total exposure (items where credit exposure exists)							
Cash and cash equivalents							
Balances with central bank	777 404	-	777 404	-	777 404	777 404	-
Total cash and cash equivalents	777 404	-	777 404	-	777 404	777 404	-
Due from banks and other financial institutions	2 958 109	-	2 958 109	-	2 958 109	2 958 109	-
Advances							
Residential mortgages	14 660 321	(342 553)	14 317 768	821 830	13 495 939	-	13 495 939
Vehicle and asset finance	1 816 406	(78 426)	1 737 980	26 626	1 711 353	-	1 711 353
Credit card	443 244	(23 350)	419 894	-	419 894	419 894	-
Personal loans	2 557 472	(218 678)	2 338 794	-	2 338 794	2 338 794	-
Other retail	533 898	(67 985)	465 913	-	465 913	465 913	-
FNB Commercial	6 079 606	(471 448)	5 608 158	30 196	5 577 962	3 650 853	1 927 109
Commercial vehicle finance	1 361 097	(103 782)	1 257 315	11 996	1 245 320	-	1 245 320
RMB Corporate and Investment banking	4 005 491	(52 536)	3 952 955	439 300	3 513 655	869 893	2 643 762
Total advances	31 457 535	(1 358 758)	30 098 777	1 329 948	28 768 829	7 745 346	21 023 483
Investment securities	7 043 987	(2 675)	7 041 312	-	7 041 312	7 041 312	-
Derivatives	314 626	-	314 626	-	314 626	300 055	14 571
Other assets	481 253	-	481 253	-	481 253	481 253	-
Off balance sheet exposures							
Guarantees	1 094 086	-	1 094 086	-	1 094 086	870 860	223 226
Letters of credit	18 675	-	18 675	-	18 675	18 675	-
Irrevocable commitments	2 493 125	-	2 493 125	-	2 493 125	2 493 125	-

Notes to the annual financial statements

for the year ended 30 June continued

30. Risk management continued

	Company			Company			
	2020			2020			
N$'000	Carrying amount	Loss allowance	Maxium exposure to credit risk	Financial collateral	Net exposure to credit risk	Unsecured	Secured
Total exposure (items where credit exposure exists)							
Cash and cash equivalents							
Balances with central bank	550 315	-	550 315	-	550 315	550 315	-
Total cash and cash equivalents	550 315	-	550 315	-	550 315	550 315	-
Due from banks and other financial institutions	4 442 443	-	4 442 443	-	4 442 443	4 442 443	-
Advances							
Residential mortgages	13 882 777	(303 004)	13 579 773	350 790	13 228 983	-	13 228 983
Vehicle and asset finance	1 856 543	(101 383)	1 755 160	20 095	1 735 065	-	1 735 065
Credit card	433 254	(29 063)	404 191	-	404 191	404 191	-
Personal loans	2 468 297	(164 603)	2 303 694	-	2 303 694	2 303 694	-
Other retail	556 904	(76 594)	480 310	-	480 310	480 310	-
FNB Commercial	6 326 959	(431 046)	5 895 913	38 329	5 857 584	3 782 715	2 074 869
Commercial vehicle finance	1 481 700	(79 192)	1 402 508	14 552	1 387 956	-	1 387 956
RMB Corporate and Investment banking	4 071 138	(49 446)	4 021 692	251 456	3 770 236	1 518 705	2 251 531
Total advances	31 077 572	(1 234 331)	29 843 241	675 222	29 168 019	8 489 615	20 678 404
Investment securities	8 382 572	(1 265)	8 381 307	-	8 381 307	8 381 307	-
Derivatives	519 294	-	519 294	-	519 294	402 957	116 337
Other assets	252 515	-	252 515	-	252 515	252 515	-
Off balance sheet exposures							
Guarantees	1 222 282	-	1 222 282	-	1 222 282	1 053 306	168 977
Letters of credit	16 775	-	16 775	-	16 775	16 775	-
Irrevocable commitments	2 122 750	-	2 122 750	-	2 122 750	2 122 750	-

There are no assets and liabilities that have been offset.

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

30. Risk management continued

Quality of credit assets
The following table shows the gross carrying amount of advances carried at amortised cost and the fair value of advances measured at fair value through profit or loss, as well as the exposure to credit risk of loan commitments and financial guarantee per class of advances and per internal credit rating.

The amount in stage 3 that do not have a rating of FR 91 - 100 relates to technical cures (performing accounts that have previously defaulted but don't meet the 12-month curing definition remains in stage 3) and paying debt-review customers as the PD's on these customers are lower than operational stage 3 advances and the PD drives the FR rating. In addition, where the groip holds a guarantee against a stage 3 advance, the FR rating would reflect same.

Group – 2021

	FR 26 - 90		FR 91 - 100	
N$'000	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
FNB Retail				
Stage 1	16 893 836	2 051 727	43 150	-
Stage 2	720 694	-	1 474 092	-
Stage 3	53 581	-	1 016 055	-
Total retail	17 668 111	2 051 727	2 533 297	-
FNB Commercial				
Stage 1	5 964 209	820 678	129 523	-
Stage 2	505 171	-	266 259	-
Stage 3	90 531	-	485 011	-
Total Commercial	6 559 911	820 678	880 793	-
RMB Corporate banking				
Stage 1	837 667	540 803	531	300
Stage 2	8 756	20 493	617	13 899
Stage 3	-	-	-	-
Total RMB Corporate banking	846 423	561 296	1 148	14 199
RMB Investment banking				
Stage 1	2 189 217	80 804	-	-
Stage 2	950 490	77 182	-	-
Fair value through profit or loss	241 294	-	-	-
Total RMB Investment banking	3 381 001	157 986	-	-

30. Risk management continued

Company – 2021

	FR 26 - 90		FR 91 - 100	
N$'000	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
FNB Retail				
Stage 1	16 723 684	2 051 727	43 150	-
Stage 2	720 694	-	1 474 092	-
Stage 3	33 665	-	1 016 055	-
Total retail	17 478 043	2 051 727	2 533 297	-
FNB Commercial				
Stage 1	5 964 209	820 678	129 523	-
Stage 2	505 171	-	266 259	-
Stage 3	90 531	-	485 011	-
Total Commercial	6 559 911	820 678	880 793	-
RMB Corporate banking				
Stage 1	837 667	540 803	531	300
Stage 2	8 756	20 493	617	13 899
Stage 3	-	-	-	-
Total RMB Corporate banking	846 423	561 296	1 148	14 199
RMB Investment banking				
Stage 1	2 189 217	80 804	-	-
Stage 2	950 490	77 182	-	-
Fair value through profit or loss	241 294	-	-	-
Total RMB Investment banking	3 381 001	157 986	-	-

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

30. Risk management continued

Group –2020

N$'000	FR 26 - 90		FR 91 - 100	
	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
FNB Retail				
Stage 1	18 991 992	1 678 202	110 003	85 569
Stage 2	493 344	-	388 746	-
Stage 3	79 183	-	812 794	-
Total retail	19 564 519	1 678 202	1 311 543	85 569
FNB Commercial	-	-	-	-
Stage 1	4 814 033	1 042 549	146 543	14 131
Stage 2	464 048	-	403 605	-
Stage 3	3 791	-	473 573	-
Total Commercial	5 281 872	1 042 549	1 023 721	14 131
RMB Corporate banking				
Stage 1	977 258	-	972	340 071
Stage 2	-	-	-	277
Stage 3	-	-	-	-
Total RMB Corporate banking	977 258	-	972	340 348
RMB Investment banking	-	-	-	-
Stage 1	2 765 335	201 007	-	-
Stage 2	17 531	-	-	-
Fair value through profit or loss	310 042	-	-	-
Total RMB Investment banking	3 092 908	201 007	-	-

30. Risk management continued

Company –2020

N$'000	FR 26 - 90		FR 91 - 100	
	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
FNB Retail				
Stage 1	18 991 992	1 678 202	110 003	85 596
Stage 2	493 344	-	388 746	-
Stage 3	79 183	-	812 794	-
Total retail	19 564 519	1 678 202	1 311 543	85 596
FNB Commercial	-	-	-	-
Stage 1	4 814 033	1 042 549	146 543	14 131
Stage 2	466 048	-	403 605	-
Stage 3	3 791	-	473 573	-
Total Commercial	5 283 872	1 042 549	1 023 721	14 131
RMB Corporate banking				
Stage 1	977 258	-	972	340 071
Stage 2	-	-	-	277
Stage 3	-	-	-	-
Total RMB Corporate banking	977 258	-	972	340 348
RMB Investment banking	-	-	-	-
Stage 1	2 765 335	201 007	-	-
Stage 2	17 531	-	-	-
Fair value through profit or loss	310 042	-	-	-
Total RMB Investment banking	3 092 908	201 007	-	-

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

30. Risk management continued

Analysis of impaired advances (stage 3)
The table represents an analysis of impaired advances for financial assets measured at amortised cost, and debt instruments measured both at fair value through other comprehensive income and fair value through profit or loss, in line with the manner the group manages credit risk.

	Group					
	2021			2020		
N$'000	Gross carrying amount	Stage 3 impairment	Loss allowance	Gross carrying amount	Stage 3 impairment	Loss allowance
Total retail secured	824 670	618 174	206 496	695 037	474 789	220 248
- Residential mortgages	756 212	595 053	161 159	641 707	470 660	171 047
- Vehicle asset finance	68 458	23 121	45 337	53 330	4 129	49 201
Total retail unsecured	244 965	35 632	209 333	153 305	4 545	148 760
- Credit card	36 677	-	36 677	25 718	(87)	25 805
- Personal loans	176 571	32 653	143 918	106 847	2 531	104 316
- Other retail	31 717	2 979	28 738	20 740	2 101	18 639
Total corporate and commercial	575 542	319 277	256 265	520 998	282 143	238 855
- FNB commercial	525 969	302 534	223 435	477 364	278 764	198 600
- Commercial vehicle finance	49 573	16 743	32 830	43 634	3 379	40 255
- RMB corporate banking	-	-	-	-	-	-
Total stage 3	1 645 177	973 083	672 094	1 369 340	761 477	607 863
Stage 3 by category						
Overdrafts and cash management	227 410	104 620	122 790	190 689	71 689	119 000
Term loans	206 895	108 771	98 124	205 045	138 709	66 336
Card loans	37 955	588	37 366	25 718	(787)	26 505
Instalment sales and hire purchase agreements	110 069	38 966	71 102	90 446	2 737	87 709
Lease payments receivable	7 962	898	7 065	6 518	4 771	1 747
Property finance	878 316	686 588	191 728	743 956	541 827	202 129
Personal loans	176 571	32 652	143 919	106 968	2 531	104 437
Total stage 3	1 645 177	973 083	672 094	1 369 340	761 477	607 863

30. Risk management continued

	Company					
	2021			2020		
N$'000	Gross carrying amount	Stage 3 impairment	Loss allowance	Gross carrying amount	Stage 3 impairment	Loss allowance
Total retail secured	804 755	602 923	201 832	675 882	460 885	214 997
- Residential mortgages	736 297	579 802	156 495	641 827	456 756	165 796
- Vehicle asset finance	68 458	23 121	45 337	53 330	4 129	49 201
Total retail unsecured	244 965	35 632	209 333	153 305	4 545	148 760
- Credit card	36 677	-	36 677	25 718	(87)	25 805
- Personal loans	176 571	32 653	143 918	106 847	2 531	104 316
- Other retail	31 717	2 979	28 738	20 740	2 101	18 639
Total corporate and commercial	575 542	319 277	256 265	520 998	282 143	238 855
- FNB commercial	525 969	302 534	223 435	477 364	278 764	198 600
- Commercial vehicle finance	49 573	16 743	32 830	43 634	3 379	40 255
- RMB corporate banking	-	-	-	-	-	-
Total stage 3	1 625 262	957 832	667 430	1 350 185	747 573	602 612
Stage 3 by category						
Overdrafts and cash management	227 410	104 620	122 790	190 689	71 689	119 000
Term loans	206 895	108 771	98 124	205 045	138 709	66 336
Card loans	37 955	588	37 366	25 718	(787)	26 505
Instalment sales and hire purchase agreements	110 069	38 966	71 102	90 446	2 737	87 709
Lease payments receivable	7 962	898	7 065	6 518	4 771	1 747
Property finance	858 401	671 337	187 064	724 801	527 920	196 881
Personal loans	176 571	32 652	143 918	106 968	2 531	104 437
Total stage 3	1 625 262	957 832	667 429	1 350 185	747 573	602 612

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

30. Risk management continued

Quality of credit assets - non-advances

	Group		Company	
	2021	2020	2021	2020
N$'000	BB+ to B-	BB+ to B-	BB+ to B-	BB+ to B-
Investment securities				
Stage 1	6 673 704	7 957 242	6 673 704	7 957 242
Investment securities at fair value through profit or loss				
Stage 1	367 608	343 740	367 608	343 740
Total investment securities	7 041 312	8 300 982	7 041 312	8 300 982
Other financial assets				
Stage 1	222 474	16 462	222 474	16 462
Cash and cash equivalents				
Stage 1	1 263 521	1 105 367	1 263 521	1 105 367
Derivative assets				
Stage 1	314 626	519 294	314 626	519 294
Due from banks and other financial institutions				
Stage 1	2 958 109	4 442 443	2 958 109	4 442 443

30. Risk management continued

Sector analysis concentration of advances

	Group				
	2021				
	Stage 3/NPLs				
N$'000	Total advances	Credit impaired advances	Security held and expected recoveries	Specific impairment	Off-balance sheet
Sector analysis					
Agriculture	1 520 288	196 242	116 038	80 204	41 570
Banks and Financial institutions	1 457 354	11 635	3 331	8 304	243 982
Building and property development	3 697 687	178 161	95 520	82 641	361 400
Individuals	20 218 725	1 057 017	655 451	401 567	1 750 103
Manufacturing and commerce	2 133 010	139 055	76 554	62 501	238 021
Mining	85 743	5 258	1 823	3 435	214 035
Transportation and communication	388 276	20 183	3 252	16 931	103 314
Other services	1 370 084	37 626	21 114	16 512	423 165
Government, Land Bank and public authorities	776 436	-	-	-	230 295
Total	31 647 603	1 645 177	973 083	672 095	3 605 885

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

30. Risk management continued

N$'000	Group 2020 Stage 3/NPLs Total advances	Credit impaired advances	Security held and expected recoveries	Specific impairment	Off-balance sheet
Sector analysis					
Agriculture	1 516 157	156 136	115 984	40 152	55 342
Financial institutions	1 536 988	10 675	-	10 675	175 906
Building and property development	3 821 930	186 504	102 161	84 343	386 232
Individuals	19 365 995	843 658	476 708	366 950	1 379 455
Manufacturing and commerce	2 054 933	120 685	51 434	69 252	242 416
Mining	88 371	4 340	768	3 572	228 947
Transportation and communication	462 116	20 262	3 625	16 637	112 233
Other services	1 505 249	28 104	11 821	16 283	664 624
Government, Land Bank and public authorities	967 760	-	-	-	116 652
Total	31 319 499	1 369 340	761 477	607 863	3 361 807

30. Risk management continued

N$'000	Company 2021 Stage 3/NPLs Total advances	Credit impaired advances	Security held and expected recoveries	Specific impairment	Off-balance sheet
Sector analysis					
Agriculture	1 519 522	196 242	116 038	80 204	41 570
Banks and Financial institutions	1 457 354	11 635	3 331	8 304	243 982
Building and property development	3 692 753	178 161	95 861	77 977	361 400
Individuals	20 050 744	1 037 759	639 019	401 567	1 750 103
Manufacturing and commerce	2 128 647	139 055	76 554	62 501	238 021
Mining	85 743	5 258	1 823	3 435	214 035
Transportation and communication	388 276	20 183	3 252	16 931	103 314
Other services	1 358 061	36 970	21 954	16 512	423 165
Government, Land Bank and public authorities	776 436	-	-	-	230 295
Total	31 457 535	1 625 262	957 833	667 430	3 605 885

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

30. Risk management continued

N$'000	Company 2020 Stage 3/NPLs Total advances	Credit impaired advances	Security held and expected recoveries	Specific impairment	Off-balance sheet
Sector analysis					
Agriculture	1 516 157	156 136	115 984	40 152	55 342
Financial institutions	1 536 988	11 434	501	10 933	175 906
Building and property development	3 821 930	184 841	100 759	84 082	386 232
Individuals	19 100 761	824 383	462 681	361 701	1 379 455
Manufacturing and commerce	2 078 240	120 685	51 434	69 252	242 416
Mining	88 371	4 340	768	3 572	228 947
Transportation and communication	462 116	20 262	3 625	16 637	112 233
Other services	1 505 249	28 104	11 821	16 283	664 624
Government, Land Bank and public authorities	967 760	-	-	-	116 652
Total	31 077 572	1 350 185	747 573	602 612	3 361 807

30. Risk management continued

Concentration analysis of deposits

N$'000	Group 2021	Group 2020	Company 2021	Company 2020
Sector analysis				
Deposit current accounts and other loans				
Sovereigns, including central banks	2 115 784	518 872	2 115 784	518 872
Public sector entities	3 496 812	3 744 179	3 496 812	3 744 179
Local authorities	474 893	707 781	474 893	707 781
Banks	152 134	345 747	152 134	345 747
Corporate customers	17 898 579	22 176 712	17 898 579	22 176 712
Retail customers	11 789 736	11 165 845	11 789 736	11 163 278
Total deposits	35 927 937	38 659 136	35 927 937	38 656 569
Geographical analysis				
Namibia	35 927 937	38 659 136	35 927 937	38 656 569

Concentration risk

Credit concentration risk is the risk of loss to the group arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, or maturity. This concentration typically exists when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Concentration risk is managed based on the nature of the credit concentration in each portfolio. The group's credit portfolio is well diversified, which is achieved through setting maximum exposure guidelines to individual counterparties. The group constantly reviews its concentration levels and sets maximum exposure guidelines for these.

The group seeks to establish a balanced portfolio profile and closely monitors credit concentrations.

Geographical risk is all is Namibian counter parties.

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

30. Risk management continued

Credit risk mitigation and collateral held

Since taking and managing credit risk is core to its business, the group aims to optimise the amount of credit risk it takes to achieve its return objectives. Mitigation of credit risk is an important component of this, beginning with the structuring and approval of facilities only for those clients and within those parameters that fall within risk appetite.

Although, in principle, credit assessment focuses on the counterparty's ability to repay the debt, credit mitigation instruments are used where appropriate to reduced the group's lending risk, resulting in security against the majority of exposures. These include financial or other collateral, netting agreements, guarantees or credit derivatives. The collateral types are driven by portfolio, product and counterparty type.

Credit risk mitigation instruments:

- Mortgage and instalment sale finance portfolios in FNB and WesBank are secured by the underlying assets financed;
- FNB Commercial credit exposures are secured by the assets of the SME counterparties and commercial property finance deals are secured by the underlying property and associated cash flows;
- Structured facilities in RMB are secured as part of the structure through financial or other collateral, including guarantees, credit derivative instruments and assets;
- Counterparty credit risk in RMB is mitigated through the use of netting agreements and financial collateral. For additional information relating to the use of the netting agreements;
- Personal loans, overdrafts and credit card exposures are generally unsecured or secured by guarantees and securities;
- Invoice finance is secured by the underlying receivables (trade invoices); and
- Working capital facilities in RMB corporate banking are secured.

The group employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally to ensure that title is retained over collateral taken over the life of the transaction. Collateral is valued at inception of the credit agreement and subsequently where necessary through physcial inspection or index valuation methods. For corporate and commercial counterparties, collateral is reassessed during the annual review of the counterparty's creditworthiness to ensure that proper title is retained. For mortgage portfolios, collateral is revalued on an ongoing basis using an index model and physical inspection, which is performed at the beginning of the recovery process. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

30. Risk management continued

Credit risk mitigation and collateral held continued

Concentrations in credit risk mitigation types, such as property, are monitored and managed at a product and credit segment level, in line with the requirements of the group's credit risk appetite framework.

Collateral is taken into account for capital calculation purposes through the determination of LGD. Collateral reduces LGD, and LGD levels are determined through statistical modelling techniques based on historical experience of the recovery processes as well as incorporating forward looking information.

The financial effect of collateral and other credit enhancements has been calculated separately per class of advance for the performing book (IBNR and portfolio specific impairments) and the non-performing book. The amounts disclosed above repesents the difference between the impairment recognised on the statement of financial position using the actual LGD and a proxy LGD for all secured portfolios. The proxy LGD is based on the LGD used to determine the impairment recognised on the statement of financial position for unsecured portfolios.

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

Offsetting of financial assets and financial liabilities

Where appropriate, various instruments are used to mitigate the potential exposure to certain counterparties. These include financial or other collateral in line with common credit risk practices, as well as netting agreements, guarantees and credit derivatives. In addition, the group has set up a function to clear OTC derivatives centrally as part of risk mitigation.

The group uses the International Swaps and derivatives association (ISA) and international securities Market Association agreements for the purpose of netting derivative transactions and repurchase transactions respectively. These master agreements as well as associated credit support annexes (CSA) set internationally accepted valuation and default covenant, which are evaluated and applied daily including daily margin calls based on the approved CSA threshholds.

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

30. Risk management continued

Liquidity risk

Objective

The group strives to fund its activities in a sustainable, diversified, efficient and flexible manner, underpinned by strong counterparty relationships within prudential limits and minimum requirements. The objective is to maintain natural market share, but also to outperform at the margin, which will provide the group with a natural liquidity buffer.

Given the liquidity risk introduced by its business activities, the group's objective is to optimise its funding profile within structural and regulatory constraints to enable its franchises to operate in an efficient and sustainable manner.

Compliance with the Basel III LCR influences the group's funding strategy, in particular as it seeks to restore the correct risk-adjusted pricing of liquidity. The group is actively building its deposit franchise through innovative and competitive product and pricing, while also improving the risk profile of its institutional funding. This continues to improve the funding and liquidity profile of the group.

Given market conditions and the regulatory environment, the group increased its holdings of available liquidity over the year in line with risk appetite. The group utilised new market structures, platforms and regulatory programmes to efficiently increase the available liquidity holdings.

Liquidity risk arises from all assets and liabilities with differing maturity profiles.

Assessment and management

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

Mitigation of market and funding liquidity risks is achieved via contingent liquidity risk management. Buffer stocks of high quality, highly liquid assets are held, either to be sold into the market or to provide collateral for loans to cover any unforeseen cash shortfall that may arise.

The group's approach to liquidity risk management distinguishes between structural, daily and contingency liquidity risk management across all currencies, and various approaches are employed in the assessment and management of these on a daily, weekly and monthly basis.

Regular and rigorous stress tests are conducted on the funding profile and liquidity position as part of the overall stress testing framework with a focus on:

- quantifying the potential exposure to future liquidity stresses;
- analysing the possible impact of economic and event risks on cash flows, liquidity, profitability and solvency position; and
- proactively evaluating the potential secondary and tertiary effects of other risks on the group.

30. Risk management continued

Impact of Covid-19

The Group entered the crisis in a strong liquidity position. The group has remained well funded, and within prudential liquidity requirements and internal risk appetite levels through the stress period. The interventions introduced by global regulators have ensured that markets continue to operate smoothly through the crisis. The Group remains in a strong funding and liquidity position; however, the crisis has not yet come to an end and key risk metrics and early warning indicators continue to be closely monitored. The Group regularly forecasts its liquidity position and uses scenario analysis to inform decision making. The Group has appropriate liquidity buffers and access to funding to withstand the anticipated liquidity risks in the near term.

Undiscounted cash flows

The following table presents the group's undiscounted cash flows of financial liabilities and off-balance sheet amounts and includes all cash outflows related to principal amounts, as well as future payments. These balances will not reconcile to the statement of financial position for the following reasons:

- balances are undiscounted amounts whereas the statement of financial position is prepared using discounted amounts;
- the table includes cash flows not recognised on the statement of financial position; and
- all instruments held for trading purposes are included in the call to three-month bucket and not by maturity, as trading instruments are typically held for short periods of time.

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

30. Risk management continued

Group

N$'000	2021 Term to maturity Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	36 132 334	29 967 678	4 340 992	1 823 665
Derivative financial instruments	317 192	317 192	-	-
Creditors and accruals	543 604	475 638	3 879	64 087
Tier 2 liabilities	569 353	9 898	19 011	540 444
Other liabilities	217 104	2 278	37 669	177 157
Lease liabilities	51 556	5 060	18 802	27 694
Financial liabilities	37 831 143	30 777 743	4 420 353	2 633 047
Off-balance sheet exposures				
Financial and other guarantees	1 112 760	1 106 149	6 611	-
Facilities not drawn	2 493 125	2 493 125	-	-

Company

N$'000	2021 Term to maturity Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	36 129 970	29 965 313	4 340 992	1 823 665
Derivative financial instruments	317 192	317 192	-	-
Creditors and accruals	543 604	475 638	3 879	64 087
Tier 2 liabilities	569 353	9 898	19 011	540 444
Other liabilities	217 104	2 278	37 669	177 157
Lease liabilities	51 556	5 060	18 802	27 694
Financial liabilities	37 828 779	30 775 379	4 420 353	2 633 047
Off-balance sheet exposures				
Financial and other guarantees	1 112 760	1 106 149	6 611	-
Facilities not drawn	2 493 125	2 493 125	-	-

30. Risk management continued

Group

N$'000	2020 Term to maturity Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	40 164 974	26 641 611	9 873 940	3 649 423
Derivative financial instruments	534 035	534 035	-	-
Creditors and accruals	456 130	456 130	-	-
Tier 2 liabilities	595 969	10 046	19 565	566 358
Other liabilities	261 367	2 846	39 329	219 192
Financial liabilities	42 012 475	27 644 668	9 932 834	4 434 973
Off-balance sheet exposures				
Financial and other guarantees	1 239 057	1 222 282	16 775	-
Facilities not drawn	2 122 750	2 122 750	-	-

Company

N$'000	2020 Term to maturity Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	40 164 974	26 641 611	9 873 940	3 649 423
Derivative financial instruments	534 035	534 035	-	-
Creditors and accruals	456 130	456 130	-	-
Tier 2 liabilities	595 969	10 046	19 565	566 358
Other liabilities	261 367	2 846	39 329	219 192
Financial liabilities	42 012 475	27 644 668	9 932 834	4 434 973
Off-balance sheet exposures				
Financial and other guarantees	1 239 057	1 222 282	16 775	-
Facilities not drawn	2 122 750	2 122 750	-	-

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

30. Risk management continued

Discounted cash flows

The following table represents the group's contractual discounted cash flows of total assets, liabilities and equity for the group. Relying solely on the liquidity mismatch when assessing a bank's maturity analysis would overstate risk, since this represents an absolute worst case assessment of cash flows at maturity.

Due to South Africa's structural liquidity position, banks tend to have a particularly pronounced negative gap in the shorter term due to short-term institutional funds which represent a significant proportion of banks' liabilities. These are used to fund long-term assets, e.g. mortgages.

Discounted cash flow analysis – maturity analysis of total assets, liabilities and equity based on the present value of the expected payment

Group

	2021			
	Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 months and non-contractual
Total financial assets	42 083 304	9 897 305	6 416 484	25 769 515
Total financial liabilities	36 924 554	30 396 577	4 420 353	2 107 624
Net liquidity gap	-	(20 499 272)	1 996 131	23 661 891
Cumulative liquidity gap	-	(20 499 272)	(18 503 141)	5 158 750

Company

	2021			
	Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 months and non-contractual
Total financial assets	41 898 820	9 712 821	6 416 484	25 769 515
Total financial liabilities	36 922 188	30 394 211	4 420 353	2 107 624
Net liquidity gap	-	(20 681 390)	1 996 131	23 661 891
Cumulative liquidity gap	-	(20 681 390)	(18 685 259)	4 976 632

30. Risk management continued

Group

	2020			
	Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 months and non-contractual
Total Assets	45 707 602	14 037 753	5 506 636	26 163 213
Total equity and liabilities	45 707 602	27 796 738	10 000 901	7 909 963
Net liquidity gap	-	(13 758 985)	(4 494 265)	18 253 250
Cumulative liquidity gap	-	(13 758 985)	(18 253 250)	-

Company

	2020			
	Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 months and non-contractual
Total Assets	45 594 007	13 924 158	5 506 636	26 163 213
Total equity and liabilities	45 594 007	27 683 143	10 000 901	7 909 963
Net liquidity gap	-	(13 758 985)	(4 494 265)	18 253 250
Cumulative liquidity gap	-	(13 758 985)	(18 253 250)	-

As illustrated in the table above, the negative liquidity short-term gap increased slightly in the short end on a cumulative basis. This is aligned to the funding strategy to grow the deposit franchise via transactional deposit accounts. Management continues to align stress-funding buffers, taking into account prevailing economic and market conditions.

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

30. Risk management continued

Market risk

Non-traded market risk

Interest rate risk in the banking book

Interest rate risk in the banking book originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in banking book products.

Assessment and management

Sensitivity analysis

A change in interest rates impacts both the earnings potential of the banking book (as underlying assets and liabilities reprice to new rates), as well as in the economic value/PV01 of an entity (as a result of a change in the fair value of any open risk portfolios used to manage the earnings risk). The role of management is to protect both the financial performance as a result of a change in earnings and to protect the long-term economic value. To achieve this, both earnings sensitivity and economic sensitivity measures are monitored and managed within appropriate risk limits and appetite levels, considering the macroeconomic environment and factors which would cause a change in rates.

Earnings sensitivity

Earnings models are run on a monthly basis to provide a measure of the NII sensitivity of the existing banking book balance sheet to shocks in interest rates. Underlying transactions are modelled on a contractual basis and behavioural adjustments are applied where relevant. The calculation assumes a constant balance sheet size and product mix over the forecast horizon. Behavioural assumption is applied in relation to non-maturing deposits, which reprice on a discretionary basis. This assumption is based on historical product behaviour.

The following tables show the 12-month NII sensitivity for a sustained, instantaneous parallel 200 bps downward and upward shock to interest rates.

Most of the NII sensitivity relates to the inability to cut interest rates on certain funding and capital components to the same extent as the cut of the MPC rate. The size of this portfolio is approximately N$ 7.8 billion. (2020: N$ 10.8 billion).

Assuming no change in the balance sheet and no management action in response to interest rate movements, an instantaneous, sustained parallel 200 bps decrease in interest rates would result in a reduction in projected 12–month NII of N$ 261 million (2020: N$ 287 million).

A similar increase in interest rates would result in an increase in projected 12-month NII of N$ 257 million (2020: N$ 283 million).

Banking book NAV sensitivity to interest rate movement as a percentage of total group capital

	Group and company	
	2021	2020
%	Change in period 12-month NII	Change in period 12-month NII
Downward 200 bps	(14.55%)	(17.30%)
Upward 200 bps	14.34%	17.00%

30. Risk management continued

Effect of IBOR reform

The reform and replacement of benchmark interest rates such as interbank offered rates (IBORs) with alternative risk-free rates (ARRs) has become a priority for global regulators. These reforms are at various stages globally. On 5 March 2021, the ICE Benchmark Administration Limited (IBA) confirmed the intention to cease the publication of EUR, CHF, JPY and GBP LIBOR for all tenors after 31 December 2021 and USD LIBOR after 30 June 2023. The Group is exposed to all LIBOR reforms with majority of its exposure relating to USD and GBP. At present, the SONIA (Sterling Overnight Index Average) and the SOFR (Secured Overnight Financing Rate) are set to replace the GBP/USD LIBOR. Due to the differences in the manner in which the GBP/USD LIBOR rate and the SONIA/SOFR are determined, adjustments may have to be applied to contracts that reference to the GBP/USD IBOR when the SONIA/SOFR becomes the official reference rate, so as to ensure economic equivalence on transition. Currently the Financial Conduct Authority in the UK and industry working groups are reviewing various methodologies for calculating these adjustments, to ensure an orderly transition to SONIA/SOFR and to minimise the risks arising from transition. The following ARRS are currently set to replace the following LIBORs:

- USD – SOFR
- GBP – SONIA
- EUR – Euro Short-Term Rate (ESTR)
- JPY – Tokyo Overnight Average Rate (TONA)
- CHF – Swiss Average Rate Overnight (SARON)

The group currently has a number of contracts, including derivatives which reference GBP/USD LIBOR which extend beyond 2021. The group has established a steering committee, consisting of key finance, risk, IT, treasury, legal and compliance personnel and external advisors, to oversee the group's IBOR reform transition plan. This steering committee has put in place a transition project for affected contracts with the aim of minimising the potential disruption to business and mitigating operational and conduct risks and possible financial losses. With respect to derivative contracts, the ISDA is currently reviewing its definitions in light of the global IBOR reforms and the group expects it to issue standardised amendments to all impacted derivative contracts at a future date.

The table below shows the financial instruments that are subject to IBOR Reforms which have not yet transitioned to the replacement rates as at 30 June 2021 and which will not have matured by the LIBOR cession date. The LIBOR cessation date is 31 December 2021 for GBP, EUR, JPY and CHF, and 30 June 2023 for USD LIBOR.

No financial liabilities in the group are subject to LIBOR

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

30. Risk management continued

Financial assets subject to LIBOR reform that have not transitioned to replacement rates at 30 June 2021.

	Group and company	
N$'000	USD LIBOR	Total
Financial Asset line item		
Advances	181 546	181 546
Subtotal	181 546	181 546
	181 546	181 546

31. 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 respresents 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 liabilties 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 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 won 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.

Notes to the annual financial statements
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31. Fair value measurements continued

Valuation methodology 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, IAS 36 impairments of assets where fair value less costs to sell is the recoverable amount. These fair value measurements are determined on case by case basis as they occur within each reporting period.

Financial instruments not measured at fair value

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 availble, 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 vlaue.

When determining the fair value of a non-financial asset, a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use, is taken into account. This includes the use of the asset that is physically possible, legally permissible and financially feasible. In determining the fair value of the group's investment properties and commodities, the highest and best use of the assets was their current use.

31. Fair value measurements continued

Valuation methodology continued

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 minises 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 active market, adjusted prices from recent arm's length transactions, option pricing models and discounted cash flow techniques.

Where a valuation model is applied and the group cannot participate in the 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 been bench-marked, 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 ins 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.

Notes to the annual financial statements
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31. Fair value measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable	Significant unobservable inputs of Level 3 items
Investment banking book	Level 3	Discounted cash flows	Certain of the group's investment banking advances do not meet the requirements to be carried at amortised cost and are measured at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances. As such, these advances are classified as level 3 on the fair value hierarchy. Future cash flows are discounted using a market related interest rate, adjusted for credit inputs.	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	Price earnings ("P/E" model	Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate.	Market transactions	Not applicable
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	JSE debt market	The BESA bond pricing model uses the BESA mark to market bond yield.	Market interest rates and curves	Not applicable

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable	Significant unobservable 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
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	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
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 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 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 model 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 assets or liabilities measured at fair value on a non-recurring basis in the current and prior year.

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

31. Fair value 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:

	Group and company - 2021			
N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Advances	-	-	241 294	241 294
Derivative financial instruments	-	314 626	-	314 626
Investment securities	-	367 608	-	367 608
Total financial assets	-	682 234	241 294	923 528
Liabilities				
Recurring fair value measurement				
Short trading position	-	21 849	-	21 849
Derivative financial instruments	-	317 192	-	317 192
	-	339 041	-	339 041

31. Fair value measurements continued

	Group and company - 2020			
N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Advances	-	-	310 042	310 042
Derivative financial instruments	-	519 294	-	519 294
Investment securities	-	343 740	-	343 740
Total financial assets	-	863 034	310 042	1 173 076
Liabilities				
Recurring fair value measurements				
Derivative financial instruments	-	534 035	-	534 035
	-	534 035	-	534 035

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

31. 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 the 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.

Changes in the gorup's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on the statement of financial postion and the movement in fair values recognised in the statement of comprehensive income. However, changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N$ 365 miilion (2020: N$ 365 million) and using more negative reasonable possible assumptions to N$ 299 million (2019: N$ 299 million). These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

Changes in level 3 instruments with recurring fair value measurements

31. Fair value measurements continued

	Group and Company - **2021**					
N$'000	Fair value as at June 2019	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income	Purchases / (sales) / issues / (instruments)	IFRS 9 adjustment	Fair value as at June 2020
Advances	310 042	17 522	-	(86 270)	-	241 294
Total financial assets at fair value	310 042	17 522	-	(86 270)	-	241 294

	Group and company - **2020**					
N$'000	Fair value at June 2019	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income	Purchases / (sales) / issues / (settlements)	IFRS 9 adjustment	Fair value at June 2020
Advances	368 932	43 408	-	(102 298)	-	310 042
Total financial assets at fair value	368 932	43 408	-	(102 298)	-	310 042

Unrealised gains or losses on level 3 instruments with recurring fair value measurements.

The valuation model for level 3 assets or liabilities typically relies 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 unobservabel inputs. The table below presents the total gains relating to financial instruments classified as level 3 that are still held on 30 June. With the exception of interest on funding instruments all of these gains are recognised in non-interest revenue .

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

31. Fair value measurements continued

Company – 2021

Valuation techniques used to derive level 2 fair values

N$'000	2021 Gains or losses recognised in profit or loss	2021 Gains or losses recognised in other comprehensive income	2020 Gains or losses recognised in profit or loss	2020 Gains or losses recognised in other comprehensive income
Advances	17 522	-	43 408	-
	17 522	-	43 408	-

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

31. Fair value measurements continued

N$'000	2021 Carrying value	2021 Fair value hierarchy level 2	2021 Fair value hierarchy level 3	2020 Carrying value	2020 Fair value hierarchy level 2	2020 Fair value hierarchy level 3
Assets						
Advances	30 041 969	-	30 017 844	29 768 187	-	29 753 793
Total investment securities at amortised cost	6 673 704	6 654 060	-	8 037 567	8 097 623	-
	36 715 673	6 654 060	30 017 844	37 805 754	8 097 623	29 753 793
Liabilities						
Total liabilities at amortised cost	38 563 728	38 550 908	-	38 795 078	38 797 060	-
Tier 2 liabilities	402 770	402 774	-	402 774	405 282	-
Other liabilities	286 186	286 186	-	219 928	219 928	-
	39 252 684	39 239 868	-	39 417 780	39 422 270	-

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

31. Fair value measurements continued

Loans and receivables designated at fair value through profit or loss.

The group has designated certain financial assets at fair value through profit or loss that would be otherwise have been measured at amortised cost or fair value through other comprehensive income.

The table below contains details on the change in credit risk attributable to these financial assets.

	2021			2020		
		Change in fair value due to credit risk	Change in fair value due to credit risk		Change in fair value due to credit risk	Change in fair value due to credit risk
N$'000	Fair value	Current period	Cumulative	Fair value	Current period	Cumulative
Advances	241 294	(454)	1 125	310 042	(537)	1 579
Investment Securities	288 621	-	-	276 202	-	-
Total	529 915	(454)	1 125	586 244	(537)	1 579

The change in the fair value of these liabilities due to own credit risk is not material.

Effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonably possible alternatives.

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

Asset/liability	Significant unobservable inputs	Unobservable input to which reasonably possible changes are applied	Reasonably possible changes applied
Advances	Credit	Scenario analysis	A range of scenarios are run as part of the group's credit risk managment process for advances measured at fair value through profit or loss to determine credit losses and change in credit spread in various economic conditions. The probability of default is adjusted either upwards or downwards versus the base case.

31. Fair value measurements continued

Other

Other assets and liabilities approach.

The key unobservable inputs, together with the weighted average range of probabilities, are as follows:

Effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonably possible alternatives

	2021			2020		
		Reasonably possible alternative fair value			Reasonably possible alternative fair value	
N$'000	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
Assets						
Advances	241 294	265 423	217 165	310 042	341 046	279 038
Total financial assets measured at fair value in level 3	241 294	265 423	217 165	310 042	341 046	279 038

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

32. Financial instruments designated at fair value through profit or loss

Certain instruments designated at fair value through profit or loss would meet the definition for classification as financial assets in terms of IFRS 9 were it not for the fair value designation i.e. unquoted debt instruments. The table below contains details on the carrying value of the advance designated as fair value through profit or loss.

N$'000	2021	2020
Included in advances	241 294	310 042

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.

33. Segment information

Segment reporting	
Group's chief operating decision maker	Chief executive officer
Identification and measurement of operating segments	Aligned with the internal reporting provided to the CEO and 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 all the segments' revenue, profit or loss or total assets, are reported separately.
Major customers	The group has no major customer as defined (i.e. revenue from the customer exceeds 10% of total revenue) and is, therefore, not reliant on revenue from one or more major customers.
Reportable segments	
RETAIL AND COMMERCIAL	
	Products and services
FNB	FNB represents the group's activities in the retail and commercial segments. FNB offers a diverse set of financial products and services to market segments including consumer, small business, agricultural, medium corporate, parastatals and government entities. FNB's products cover the entire spectrum of financial services – transactional, lending, insurance, investment and savings – and include mortgage loans, credit and debit cards, personal loans, funeral, credit life, life and other insurance policies, and savings and investment products. Services include transactional and deposit taking, card acquiring, credit facilities, insurance and FNB distribution channels (branch network, ATMs, call centres, cellphone and online). WesBank represents the group's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments of Namibia.
CORPORATE AND INSTITUTIONAL	
RMB	RMB represents the group's activities in the corporate and investment banking segments in Namibia.
FCC AND OTHER	
FCC and other	FCC represents group-wide functions, including group treasury (capital, funding and liquidity and financial resource management), group finance, group tax, enterprise risk management,CC regulatory and conduct risk management and group internal audit. FCC has a custodianship mandate which includes managing relationships on behalf of the group with key external stakeholders (e.g. shareholders, debt holders, regulators) and the ownership of key group strategic frameworks (e.g. performance measurement, risk/reward). Its objective is to ensure the group delivers on its commitments to stakeholders. The reportable segment includes all management accounting and consolidated entries.

Notes to the annual financial statements

for the year ended 30 June continued

33. Segment information continued

	FNB		RMB		FCC and other		Total Group	
'N$'000	2021	2020	2021	2020	2021	2020	2021	2020
Net interest income	1 532 891	1 723 578	285 850	264 180	51 528	16 958	1 870 269	2 004 716
Impairment and fair value of credit advances	(234 737)	(550 295)	(3 095)	(9 118)	-	-	(237 832)	(559 413)
Net interest income after impairment of advance	1 298 154	1 173 283	282 755	255 062	51 528	16 958	1 632 437	1 445 303
Non-interest revenue	1 573 043	1 556 327	216 071	218 553	(9 135)	(2 443)	1 779 979	1 772 437
Net income from operations	2 871 197	2 729 610	498 826	473 615	42 392	14 515	3 412 416	3 217 740
Operating expenses	(1 704 018)	(1 731 394)	(223 031)	(206 140)	(24 252)	(4 029)	(1 951 301)	(1 941 563)
Share of profit of associate after tax	-	1 492	-	-	-	-	-	1 492
Income before tax	1 167 179	999 708	275 795	267 475	18 140	10 486	1 461 115	1 277 669
Indirect tax	(29 075)	(31 418)	(3 834)	(4 430)	(4 583)	(7 791)	(37 493)	(43 639)
Profit for the year before tax	1 138 104	968 290	271 961	263 045	13 557	2 695	1 423 622	1 234 030
Income tax expense	(353 861)	(284 130)	(83 568)	(84 174)	(4 338)	(862)	(441 767)	(369 166)
	784 242	684 160	188 393	178 871	9 219	1 833	981 855	864 864
The income statement includes:								
Depreciation	(120 553)	(122 044)	(220)	(129)	(122)	(18)	(120 895)	(122 191)
Amortisation	(13 245)	(11 449)	-	-	-	-	(13 245)	(11 449)
Net impairment charges	(234 737)	(550 296)	(3 095)	(9 118)	-	-	(237 832)	(559 414)
Statement of financial position inlcudes:								
Advances	26 107 226	26 056 537	4 176 037	4 021 692	-	-	30 283 263	30 078 229
Investment securities	-	-	80 341	147 863	6 960 971	8 233 444	7 041 312	8 381 307
Total assets	24 105 022	24 278 519	7 751 317	8 453 097	11 407 074	12 975 986	43 263 413	45 707 603
Deposits	19 881 384	19 678 155	9 018 406	9 112 263	7 028 147	9 868 718	35 927 937	38 659 136
Total liabilities	23 943 927	23 489 497	7 751 740	8 223 845	6 147 618	9 194 549	37 843 285	40 907 892

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

34. Standards and Interpretations issued but not yet effective

The following new and revised standards and interpretations are applicable to the business of the group. The group will comply with these from the stated effective date.

Standard	Impact assessment	Effective date
Annual improvements 2016 - 2018	**Improvements to IFRS** The IASB issued the Annual improvements to IFRS standards 2016-2018 cycle. These annual improvements include amendments to the following standards. **IFRS 9** – The amendment clarifies that fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
Annual improvements 2018 - 2020	**Improvements to IFRS** Fees in the per test for derecognition of financial liabilities. • The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the behalf. • There is no similar amendment proposed for IAS 39. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. **Lease incentives** • The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16. This amendment is not expected to have a significant impact on the group.	Annual periods commencing on or after 1 January 2022

34. Standards and Interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IFRS 3	**Reference to the Conceptual Framework – Amendment to IFRS 3** The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
IAS 16	**Property, plant and equipment: Proceeds before intended use – Amendment to IAS 16** The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
IAS 37	**Onerous contracts – cost of fulfilling a contract. Amendment to IAS 37** The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022

Notes to the annual financial statements

for the year ended 30 June continued

34. Standards and Interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IAS 1	**Amendments to classification of liabilities as current or non-current** The IAS 1 amendments clarify the requirements for classifying liabilities as current or non-current. More specifically: • The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. • Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. • The amendments clarify the situations that are considered settlement of a liability. The group presents its assets and liabilities in order of liquidity in the statement of financial position. The impact of this amendment would impact the disclosure of current versus non-current liabilities in the notes to the financial statements. The group does not expect this amendment to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2023
IAS 1	**Disclosure of accounting policies amendments to IAS 1 and IFRS Practice Statement 2** The IASB issued amendments to IAS 1 and an update to IFRS Practice Statement 2 *Making Materiality Judgements* to help prepares provide useful accounting policy disclosures. The key amendments to IAS 1 include: • Requiring companies to disclose their material accounting policies rather than their significant accounting policies; • Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and • Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a financial statements.	Annual periods commencing on or after 1 January 2023
IAS 8	**Definition of accounting estimates** The amendments to IAS 8 introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	Annual periods commencing on or after 1 January 2023
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result a deferred tax asset and a deferred tax liability will need to be recognised for temporary differences arising on initial recognition of a lease and decommissioning provision.	Annual periods commencing on or after 1 January 2023

34. Standards and Interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IFRS 17	**Insurance contracts** IFRS 17 is the new standard that prescribes the accounting for insurance contracts and will replace the current insurance contracts standard, IFRS 4. IFRS 17 aims to provide more transparency and comparability between insurance companies and other industries by providing a prescriptive approach to determining policyholder liabilities, as well as the release of profits on these contracts to the income statement. The recognition of insurance revenue will be consistent with that of IFRS 15. Insurance revenue is derived from the movement in liability for the remaining insurance coverage period. The insurance contract liability is initially made up of: • fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policyholders; and • the contractual service margin (CSM), which represents the unearned profit the entity will recognise as it provides services over the coverage period. Subsequently, the liability will comprise two components, namely the liability for remaining coverage (fulfilment cash flows and the CSM) and the liability for incurred claims (fulfilment cash flows for claims and expenses incurred but not yet paid).	Annual periods commencing on or after 1 January 2022
IFRS 1	**Amendments to classification of liabilities as current or non-current** The IAS 1 amendments clarify the requirements for classifying liabilities as current or non-current. More specifically: • The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. • Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. • The amendments clarify the situations that are considered settlement of a liability. The group presents its assets and liabilities in order of liquidity in its statement of financial position. This amendment will only affect the disclosures and the group does not expect this amendment to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2023

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