FNB

First National Bank

2022

Integrated Report

The Bank of #TheChangeables

NAVIGATION ICONS:

Our capitals: Manufacturing, Financial, Human, Social, Natural, Intellectual

Our stakeholders: Customers, Regulators, Employees, Society, Investors, Suppliers

Other icons: Refer to, Download, Annual financial statements, Integrated annual report

Contents

1.

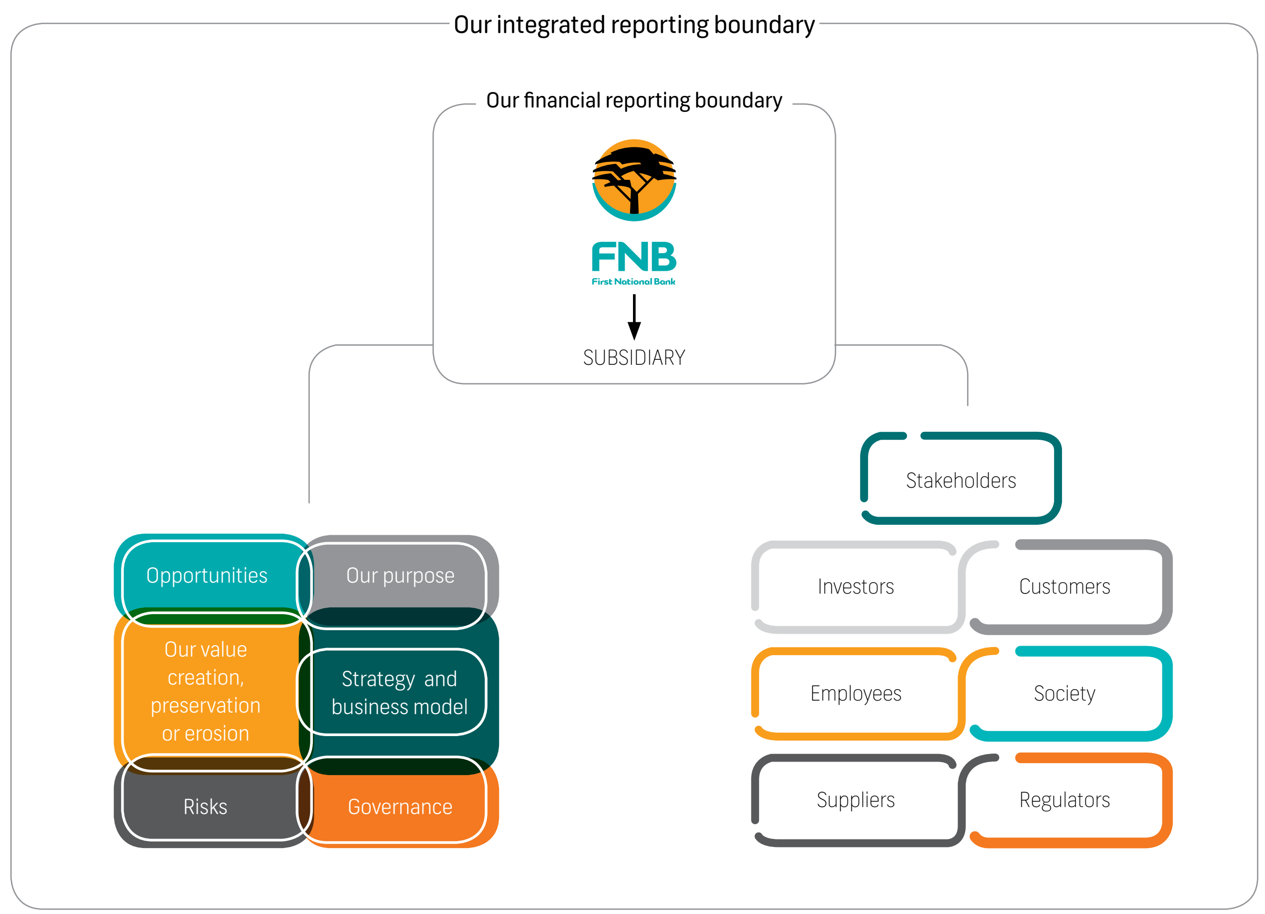
About this integrated report

About this integrated report

FNB Namibia endeavors to include the principle of integrated thinking into our business and into our reporting. The objective of this integrated report is to represent the effects of the reciprocal relationships between FNB Namibia'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 FNB Namibia Limited, its subsidiary (the Group) for the period 1 July 2021 to 30 June 2022. It contains relevant comparisons to previous periods and is consistent with information and performance indicators included in internal management.



About this integrated report continued

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.

REPORTING PRINCIPLES

A review of the group's strategy, material issues, risks and opportunities and our operational and financial performance for the period. This report includes our audit, risk and compliance committee reports.

The audited group and company annual financial statements for the FY22 financial year. The report includes our directors' reports.

Our report complies with the following reporting standards and frameworks:

	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 Institution Act, No 2 of 1998 as amended (Banking Act)		√
Companies Act of Namibia, of 2004 (Companies Act)		√
Namibia Stock Exchange (NSX) Listing Requirements	√	√

ASSURANCE

We apply a combined assurance model to assess and assure aspects of the group's operations, including the internal controls associated with elements of external reporting. We incorporate and optimise all assurance services and risk functions to enable an effective control environment that ensures the integrity of the information used in our decision-making and reporting. The assurance given to the board is underpinned by executive management (first line of defense), relevant functions (second line) and reviews performed by internal audit (third line).

While this report is not audited, it contains certain information that has been extracted from the group's audited consolidated annual financial statements, on which an unqualified audit opinion has been expressed by the group's external auditors, Deloitte.

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	Engagement survey.
All other non-financial performance information	Management has verified the processes for measuring all other non-financial information.

PROCESS DISCLOSURES

The following processes were employed in the preparation and approval of our reports:

The group leadership (executive committee) is accountable to the board for preparing the integrated report. It reviews the reporting suite prior to the submission of various reports to respective board sub-committees for review and discussion. The board subcommittees recommend the reports to the board for approval.

Information included in this report is sourced from various leadership and members of the board, internal and external sources of trusted information used for decision-making, purposes and from other reports in the reporting suite.

The enterprise risk identification process enables the determination of material matters which are foundational to the preparation of the integrated report. Issues that are material are reviewed, finalised and approved by the executive committee in a separate process.

Oversight and guidance of the processes, particularly in the reporting approach and content planning, is provided by executives and senior management across the group. The group's executive members oversee the respective process and controls are applied in the information gathering and drafting process.

About this integrated report continued

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, environmental and governance issues. It concentrates on items of both a qualitative and quantitative nature that are material to the FNB Namibia 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.

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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 Integrated Reporting Framework and approved for publication on 18 August 2022.

II Zaamwani-Kamwi

R Makanjee

C Dempsey

OLP Capelao

J Coetzee

P Grüttemeyer

IN Nashandi

E van Zyl

CLR Haikali

E Tjipuka

2.

At a glance

Who we are and what we do?

Established in 1907, FNB Namibia group is the largest financial services group in Namibia with an established presence across the country.

OUR PURPOSE AND VISION

To build a future of shared prosperity through enriching the lives of its customers. Building a globally competitive Namibia; providing access to opportunities.

OUR MISSION

Be the best employer in Namibia to the best people, who are passionate about stakeholder relations and innovative, client-centric value propositions delivered through efficient channels and processes in a sorted-out and sustainable manner.

OUR BRAND PROMISE

FNB - #Bank of the changeables
RMB - Traditional values. Innovative ideas

FNB | FirstRand NAMIBIA | RMB

FirstRand Namibia's promises

- Make a promise
- Build trust, not territory
- Be deeply invested
- Have courage
- Value our differences
- Always do the right thing
- Stay curious

Overview of performance

The FirstRand Namibia group is home to First National Bank of Namibia Limited that hosts the brands FNB Namibia, WesBank and RMB. FNB 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.

Deposits

N$ 37 billion

(2021: N$35 billion) ▲

Client savings entrusted to us

Advances

N$ 32 billion

(2021: N$30 billion) ▲

The credit we have extended to our clients.

Total assets

N$ 52 billion

(2021: N$43 billion) ▲

The economic value whose benefits can be derived in the future.

Return on equity

21.5 %

(2021: 19.2%) ▲

The return on capital that shareholders have invested into FNB Namibia

Credit loss ratio

0.29 %

(2021: 0.75%) ▲

Impairment losses on loans and advances

Earnings

N$ 3 895 million

(2021: N$3 412 million) ▲

Value created

Employees

1 972

(2021: 2 044) ▼

Our human capital

Tier 1

19.3 %

(2021: 17.1%) ▲

The strength of our balance sheet

Overview of performance continued

What differentiates us?

PURPOSE LED BUSINESS

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

EXPERIENCED FINANCIAL SERVICES MANAGEMENT

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

WORLD-CLASS TECHNOLOGY AND LEADING DIGITAL INNOVATIONS

TOP-TIER CLIENT SATISFACTION METRICS

NPS Retail - 44%
(2021: Retail - 36%)

Commercial - 0%
(2021: Commercial - 13%)

LARGEST BANKING NETWORK

Branches - **45** (2021: 45)

Point of sale devices **6 972** (2021: 6 668)

ATMs – **231** (2021: 239)

ADTs – **102** (2021: 80)

Cash@Till merchants – **177** (2021: 107)

BEST TREASURY & CASH MANAGEMENT AWARD 2022 GLOBAL FINANCE

BEST BANK AWARD 2021 GLOBAL FINANCE

BEST FX PROVIDER AWARD 2022 GLOBAL FINANCE

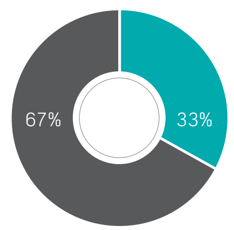
PMR Awards

FNB Namibia's group, a systematic economic contributor

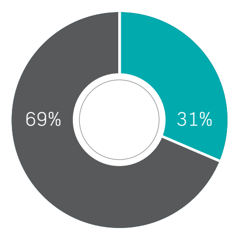
FNB Namibia is the largest bank in Namibia as measured by assets and capital.

The Namibian banking sector has N$107 billion in advances, of which FNB Namibia has a 31% share. We also have a 33% share of the N$116 billion Namibian deposit market, an important indicator of our franchise strength.

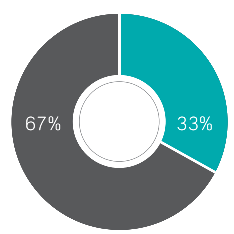
Total Assets



Total Advances



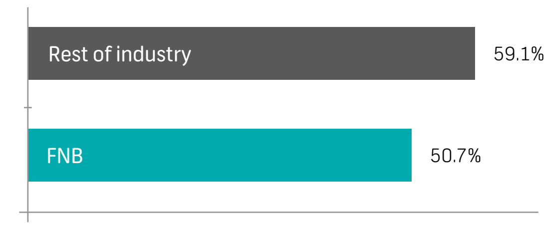
Total Deposits



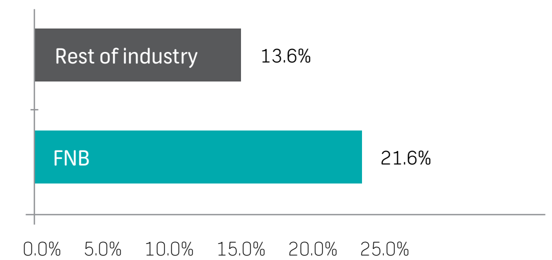
FNB* Rest of industry

* Banking Operations

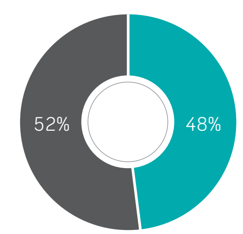
Cost-to-Income (CTI %)



Return on Equity (ROE %)



Profit after tax



FNB* Rest of industry

Source: Bank of Namibia Consolidated Returns, March 2022

Our organisational structure, products and services

FNB First National Bank

CLIENTS

Individuals; micro, small and medium enterprises; with revenues < N$7.5 million; financial institutions; non-governmental organisations and public sector institutions.

PRODUCTS AND SERVICES

Comprehensive suite of banking and insurance offerings, including transactional banking, card solutions, lending solutions, deposit-taking, risk management, investment products, and card-acquiring services.

AREAS OF STRENGTH AND DIFFERENTIATION

- One of the largest distribution networks in Namibia
- Full bank offering with integrated insurance products and a clear focus on customer value management
- Strong brand recognition
- Enhanced digital capabilities
- A stable and growing customer base with improving retention and cross-selling capabilities
- Robust credit and collections capability
- Strong secure lending capabilities
- An engaged and energised workforce

RMB

CLIENTS

Over 200 corporate relationships across a diversified mix of sectors including mining, energy, retail, manufacturing, business and financial services, public sector and telecoms.

PRODUCTS AND SERVICES

Full suite of wholesale banking solutions, including investment banking and corporate lending, global markets and treasury, deposit-taking, and transactional banking.

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 preserve high-quality intellectual capital
- Resourceful franchise with excellent service and operational efficiencies

Our business model for value creation

INPUTS

Financial Capital

Our resilient capital base, varied sources of deposits and funding from investors and clients are used to fund our clients, by the extension of credit and enabling payments and transactions, and to provide a return to shareholders for the capital invested.

Manufacture Capital

Aimed at enhanced service delivery through:

- Easy access to 45 retail branches and 7 305 self-service terminals
- Streamlining operational processes for greater efficiency through automation and digitalisation
- Strong internet and mobile banking platforms

Human Capital

Empowered by our PROMISES:

- Comprising a diversified workforce of over 1 900 employees across the country
- A distinguishable culture that is client- and people-focused, innovative, and strong in compliance and governance
- Spent N$10 million on training and skills development to support our strategy (2021: N$8.4million)

Social Capital

Our commitment to the communities we serve is underlined by:

- Channeling at least 1% of net profit towards our CSR.
- Constructive relationships and on-going dialogue with regulators, governments and other stakeholders

Intellectual Capital

Our intangible assets, including brand, value, innovation capacity, knowledge and expertise, as well as strategic partnerships that help us develop our business.

Natural Capital

The direct usage and effect we have on natural resources through our own operations, including energy, water and climate, and our influence through our business undertakings.

BUSINESS ACTIVITIES

OUTPUTS

Our full suite of conventional financial services includes:

Credit Extension	Deposit Taking
New loan payouts to N$5 830 million (2021: N$5 056 million)	N$1 123 million in interest paid to clients (2021: N$1 154 million)

Investment Banking	Treasury and Trading
IB Fee Income N$7 million (2021: N$17 million)	Trading revenue 9% to N$111 million (2021: N$102 million)

OUTPUTS

OUTCOMES

Financial Capital

+ Equity: N$5.9 billion (2021: N$5.3 billion)
+ Return On Equity: 21.5% (2021: 19.2%)

Manufacture Capital

+ Renegotiated lower branch rentals; shorter tenures
+ Omni-channel technology with multiple customer touchpoints on secure, convenient and resilient systems
+ Digital logins by retail customers up 45% year-on-year
+ Overall digital penetration up 20.6% year-on-year

Human Capital

+ N$1 145 million paid in salaries and benefits
+ N$10 million paid out in training levies
+ 51% women in senior management
+ 47% black senior management
– 55 employees accepted voluntary separation package
+ Hybrid work arrangement and an established Wellness Policy

Social Capital

+ N$612 million direct and indirect tax paid
+ 89% localised procurement in Namibia
– Number of customer complaints: 15 562 (2021: 14 736)
• Compliance with regulatory requirements

Intellectual Capital

+ Availability of internet and mobile banking
+ Innovative Global account product with linked debit card

Natural Capital

+ N$353 million funding raised for green loans
– Electricity spend: N$6.4 million

+ Value creation • Value preservation – Value erosion

Our stakeholders – their needs and expectations

MANAGING RISK, DELIVERING GROWTH

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. We will do this through helping to build a globally competitive Namibia that creates access to opportunities for growth for all.

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.

In the execution of its governance role and responsibilities, the group adopts a stakeholder inclusive approach that incorporates the legitimate needs, interests and expectations of material stakeholders.

OUR ROLE IN NATIONAL SUSTAINABILITY

FNB Namibia believes that the purpose of any 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 NAMIBIA'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 into strategy and operations was introduced as a strategic priority for the group already 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.

SUSTAINABILITY REQUIRES PARTNERSHIPS

The FNB Namibia group is cognizant of the significant role its stakeholders – employees, shareholders, customers, partners, suppliers, governments, civil society and communities – play in its continued success.

The executive team aims to understand the requirements of its stakeholders and duly considers their legitimate needs and interests in the performance of its duties. The management of stakeholders is proactive and allocated to the appropriate central functions or business units. The group's governance structures ensure that material stakeholder concerns are escalated to appropriate management or board committees to be addressed.

STAKEHOLDER CHANNELS USED TO MANAGE RELATIONSHIP KEY FOCUS AREAS

	Channels	Key focus areas
Government and regulators	- interviews and meetings; - reports and presentations; - conferences and round-table discussions; - website, media and Stock Exchange News Services (SENS); and - electronic correspondence.	- impact of Covid-19 on economy and FirstRand's response; - transformation, - regulatory compliance; - economic development; - IT risk and governance; and - regulatory announcements as required.
Investors and analysts	- investor presentations; - integrated reporting; - roadshows, shareholder and analyst meetings; and - website, media and SENS.	- Governance roadshow with key shareholders, covering climate change and executive remuneration; - impact of Covid-19 on business performance and continuity; - dividend payments, current and future; - strategy and growth opportunities; - sustainable finance opportunities; and - transformation and economic development.
Employees	- webinars; - internal newsletters and interactive videos; - information sessions; - training and development; - website and intranet; - performance reviews; - functions and awards; and - employee wellness.	- impact of Covid-19 on working arrangements, job security and well-being; - group performance and business news; - industry trends and strategy implementation; - training; - compliance and ethics matters; - professional development programmes; and - awards and recognition initiatives.
Customers	- service level agreements; - digital channels, website, advertising; - customer surveys; - branches/front office, call centres; and - relationship managers.	- impact of Covid-19 and unrest on customers and assistance provided; - customer service; - innovation and new products; - climate change risks and opportunities; - small business development; and - customer education.

Our stakeholders – their needs and expectations continued

STAKEHOLDER CHANNELS USED TO MANAGE RELATIONSHIP KEY FOCUS AREAS continued

	Channels	Key focus areas
Suppliers	- service level agreements; - relationship with applicable business unit; - meetings and service deliverables; and - website.	- code of conduct; - business continuity and opportunity; - technology trends and requirements; and - innovation.
Communities	- sponsorships; - social responsibility investments; - FirstRand Namibia Foundation; - FirstRand Namibia volunteers; and - website and advertising.	- job opportunities; - resource allocation; - FirstRand's response to Covid-19 impacts on broader society; - corporate social investment opportunities; - sponsorship and donations; and - education and skills development
Civil society	- webinars, meetings – ad hoc engagement; - collaborations; - FirstRand Foundation; - FirstRand Volunteers; and - website and advertising.	- impact of Covid-19 and assistance provided by FirstRand Namibia through the Health Optimisation in a Pandemic Emergency (HOPE) and it's Foundations; - climate change roadshow with NGOs; - sponsorship; - fundraising; and - corporate social responsibility

MEASURED SUSTAINABILITY IMPACT

Our sustainability activities aim to deliver:

- Improved quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital;
- A more cohesive and efficient approach to corporate reporting that draws on different reporting standards and communicates the full range of factors that materially affect the ability of an organisation to create value over time;
- Enhanced accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies; and
- Support integrated thinking, decision-making and actions that focus on the creation of shared value over the short, medium and long term.

MEASURED SUSTAINABILITY IMPACT continued

During the period under review, the group's sustainability initiatives included the following:

1. **Driving strategic change through systemic social investing:**

   a. CSI spend – FirstRand Namibia Foundation; and
   b. CSI spend – FNB Staff Assistance Trust.

2. **Providing capital for inclusive economic development:**

   a. Lending to affordable housing;
   b. Spend on consumer financial education;
   c. Deepening access to financial services through alternative channels;
   d. Transformational infrastructure;
   e. Lending to SMEs;
   f. Spending on enterprise development; and
   g. BEE procurement.

3. **Creating an environment that maximises the potential of the group's employees:**

   a. Workforce diversity engagement across all levels of work and roles; Diversity survey, and skills development spend across role bands.

4. **Doing business ethically, responsibly and sustainably:**

   a. Direct carbon footprint measures and climate change assessment protocols were established to provide insight into activities required over the next 3-5 years.

RESPONSIBLE CORPORATE CITIZENSHIP

The group's ability to create value for itself depends on its ability to create value for others. Robust governance processes exist to balance this relationship and to oversee the sustainability of this value creation. During the year, the board oversaw the creation of N$3 895 million in economic value for the group's stakeholders.

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Specific sustainability and nation-building activities for the period can be accessed at www.firstrandnamibia.com.na and www.fnbnamibia.com.na. Highlights for the period under review include the introduction of the FirstJob Intern programme to offer work experience to unemployed graduates, cashflow relief to businesses, credit guarantee partnerships with the Bank of Namibia and Development Bank of Namibia assisting SME's, the launch of the biggest green bond in Namibia and continued investment into affordable and entry-level housing to help address the national housing crisis, while strengthening financially inclusive platforms and financial education for customers through 24/7 access to financial services nationally.

Our stakeholders – their needs and expectations continued

As a financial services provider, we are integrally linked to the environment we function in and the communities we serve. Our capability to generate and safeguard value is reliant on our relations, our actions and the offerings we make to our stakeholders. By providing for their requests and delivering on their expectations, we create and protect value for our stakeholders and for FNB Namibia, while finding ways to eliminate value destruction.

EMPLOYEES

The quality of the relationship with our employees was assessed by considering, among other things, an employee inclusion score of 70%. To understand and cater to our employees' diverse needs, we engage with them via:

- Dialogue sessions with Group EXCO and other engagement initiatives;
- Regular electronic communication as well as virtual and social media channels; and
- Feedback platforms.

Their needs and expectations

- Stimulating work, with prospects to make a difference;
- A safe and healthy work setting, sustained by flexible work arrangements;
- Fair remuneration, effective performance management and recognition;
- Career growth and development opportunities; and
- An investing and supporting environment that embraces diversity and inclusivity.

Key objectives and metrics we track

- A culture that is people- and client-focused and innovative;
- Employee attrition;
- Employee satisfaction metrics; and
- A diverse and inclusive employee profile.

Relevant material matters

- Evolving ways of work;
- Health and safety; and
- Mental health and wellbeing.

Capitals impacted

Human Intellectual Social

CUSTOMERS

To provide solutions that suit their needs, we engage with customers via:

- Digital touchpoints, e.g. FNB App, FNB website, Mobile devices, branches, business centers, self-service terminals;
- Customer service centers, sales representatives, e.g. Client advisors, relationship managers, personal advisors and client coverage teams;
- Social media platforms; and
- Customer satisfaction surveys.

Their needs and expectations

- Quality products that provide value;
- Convenient access to products and services through their channel of choice;
- Better than expected service;
- A risk-free environment in which to transact;
- Simple and transparent banking;
- Useful information, financial education and advice that leads to financial wellness and peace of mind;
- Responsible and innovative banking services and solutions;
- Ethical and fair treatment; and
- Trusted retail banking relationship.

Key objectives and metrics we track

- Net promoter score (NPS) and client satisfaction ratings;
- Client complaints; and
- Impactful solutions that make a difference.

Relevant material matters

- Macroeconomic challenges;
- Financial stability; and
- Product and service evolution.

Capitals impacted

Intellectual Social Financial Manufacturing Natural

Our stakeholders – their needs and expectations continued

REGULATORS

The value of the relationship with our regulators was assessed by taking into account, among other things, our compliance with regulatory requirements and corrective actions where required.

Their needs and expectations

Local regulators:

- Compliance with all legal and regulatory requirements;
- Effective governance;
- Financial and operational stability;
- A responsible taxpayer;
- Transparent reporting and disclosure; and
- Active participation and contribution to industry and regulatory working groups.

International agencies and standard-setters:

- Sustainable and responsible banking practices.

Key objectives and metrics we track

- Financial and non-financial targets met;
- Timeous, regular and transparent reporting; and
- CAR 20.3% (FY21: 19.5%).

Relevant material matters

- Legal and regulatory requirements;
- Regulatory constraints related to digital transformation; and
- Financial crime prevention.

Capitals impacted

Financial Intellectual Social

SOCIETY

During 2022 we sustained good relationships with the communities that we operate. The quality of our relationship is measured by our contributions to a flourishing society and strong environment.

Their needs and expectations

- Providing access to expert financial advice, products and solutions that help to create positive impacts for individuals, their families, their businesses and their communities; and
- Using our resources to promote social and environmental issues as well as other common agendas to build a thriving society.

Key objectives and metrics we track

- Supporting inclusive growth by supporting national development objectives and policies; and
- CSI contributions aimed at alleviating the impact of COVID 19.

Relevant material matters

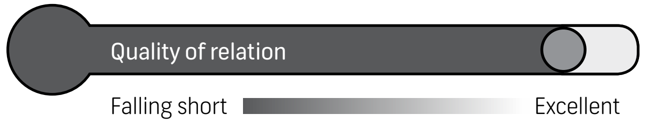
- Macroeconomic challenges;
- Competitiveness of our customer value proposition;
- Customer fair treatment;
- Covid-19 protocols; and
- Responsible and ethical banking practices.

Capitals impacted

Human Intellectual Social Natural

Our stakeholders – their needs and expectations continued

INVESTORS



The quality of the relationship with our investor community was assessed by considering, the total shareholders return. We engage with our financial capital providers via:

- Roadshows, deal and non deal;
- Biannual analyst briefings;
- Meetings with group CEO, CFO and other exco members;
- AGM; and
- Annual integrated reports.

Their needs and expectations

- Share price increases and a lucrative dividend stream;
- Maintainable growth in earnings and NAV, and ROE above COE;
- Strong balance sheet to guard against downside risk;
- Strong and experienced management, providing sound risk management; and
- Transparent reporting and disclosure.

Key objectives and metrics we track

- ROE and cost-to-income ratios; and
- NIACC

Relevant material matters

- Resourcing for ESG risk management;
- Operational and financial resilience/ Fitness to execute our strategy;
- Partnerships and acquisitions for future growth;
- Product and service evolution; and
- Digital transformation.

Capitals impacted

Financial Human Intellectual Social

3.

Value created and preserved through strong governance

Message from our Chairperson

During the period under review, the FNB Namibia group continued its shared value activities into the country's third year of pandemic. An extremely difficult operating environment prevailed as a backdrop to the resilient optimism that typically drives the Namibian nation. Key macro indicators remained sluggish, while rising inflation and decreasing employment figures negatively impacted business growth and individual living standards alike.

Equitable access to opportunities requires a common vision and shared goals, and our clear purpose as a group, speaks to how every FNB Namibia employee shows up daily to personally contribute to our group's local vision of building a globally competitive Namibia. Building a globally competitive Namibia is our meaningful route to providing access to opportunities for Namibians and remains aligned to the vision of a shared future of prosperity for all stakeholders.

To ensure we remain future fit as an organisation with such an ambitious goal, the Board made various structural changes over the past year to establish a stronger, supportive Governance framework, including a new Board appointment to add key skills to the Board's IT Governance Sub-committee. At the same time, the group's Talent Development Framework remained a top priority, and investment in Namibian talent has meant actual localisation of core skills to create growth enablement and local capacity.

With an actionable ESG Framework and dashboard in progress, and ongoing internal assessments conducted regarding evidencing of shared value activities across the group's Franchises, I am optimistic about the future.

As an enabling business in Namibia, there seems to be renewed energy and confidence around what is possible – and we are forging ahead with our high performing, digitally focused, and future ready vision. All of this on a bedrock of strong internal teams, and an optimistic business culture.

The FNB Namibia franchise did not disappoint, holding true to its strategy of customer-led digitalisation, and platform optimisation for Retail and Commercial asset growth and service delivery across all channels. While RMB and Ashburton Investment's collaboration to form a consolidated C&I business is showing great promise as the corporate and institutional side of the business. The focus on growing clients and delivering above expectations is bearing fruit as RMB and Ashburton Investment's experts drive for clear market leadership in CIB.

We continue to invest in areas of the business that are well-positioned for growth, the technologies that enable them, and the people who deliver our market-leading advice, and we understand that the legacy we leave for future generations is determined by how we operate today.

The pandemic has clearly illustrated why public-private partnership must be at the core of Namibia's national policy responses to the many socio-economic challenges of our time. Government cannot deliver in isolation. The role of Government is to create a conducive business environment while the business community must conduct business and create shared-value. For a systemic financial services group like FirstRand Namibia, an economic recovery is vital to our ability to grow earnings and deliver returns to our shareholders and stakeholders alike. Elsewhere in this report and throughout all our engagements, we evidence our understanding that to be a successful corporate citizen, an organisation needs to be grounded in being a credible community citizen.

For the last 19 years, I have been proud to be associated with FirstRand Namibia, the corporate entity, the community citizen, and this year, with each employee that worked to build our competitiveness as a country over the past year. I pay tribute also to our customers, clients, partners, vendors, and institutions who loyally continue to choose us as their financial services partner, helping us deliver a better living environment for all.

I commend the executive team for outperforming the strategic targets set for the year, and specifically note the introduction of the FirstJob initiative, taking on Namibian graduates for 12 months, and providing them with work experience, income, and possibilities in a constrained market environment. I am encouraged by the partnerships built with the Ministry of Finance and the Bank of Namibia with regard to credit guarantee support to SME's, delighted at the customer satisfaction and respect and recognition awards received through independent research and panels globally. I therefore commend also the efforts by our teams in introducing the largest green bond offer into the market. Beyond the HOPE corporate social responsibility initiative with our Foundation and other local corporates, we have gone above and beyond throughout the pandemic, adapting our way of work to support our customers and our people.

My optimism extends into the year ahead. The group has committed to further opening up affordable housing opportunities to customers, increasing FNBApp functionality for even more convenience, and in July 2022, prepared to deliver the country's first fully digital account - DigiPlus - a USSD-based transactional account with no monthly fees, and no branch engagement, incorporating all basic transactions for customers to bank from anywhere across the country on a basic mobile phone.

Financial inclusion is the cornerstone of sustainability. I am particularly proud of how the group has assisted our communities and local business with business recovery strategies, focusing specifically on SMEs. Through deliberate interventions we are helping business customers regain momentum and make real financial progress.

Economic activity in Namibia starting to rebound from the pandemic, signalling the start of a recovery. We believe that private sector capability and skills can be added to government's capacity. The group is committed to playing its part in facilitating this recovery. Looking beyond the fallout from the pandemic, we believe that our unique investment proposition is intact and ready for collaboration across most sectors.

We expect FirstRand Namibia to continue building a portfolio of multi-branded businesses providing a broad range of market leading financial services. We have to put all our energy into maintaining our market leadership in Namibia - differentiated by a long-standing culture of innovative thinking.

Going forward, the Board expects to see a disciplined approach to the allocation of scarce financial resources. As well as a continued focus on SME management education providing plans to help small business owners meet the challenges brought by COVID-19. And most importantly, across the group, we encourage the commitment to continue providing our customers with outstanding service, putting the customer first, and building trust and loyalty.

Inge Zaamwani-Kamwi
Chairperson

Board profiles, responsibilities and oversight areas

INGE ZAAMWANI-KAMWI
(Chairperson)

Appointed: April 2003
Qualifications: LLB (Honours); LLM
Age: 63

CONRAD DEMPSEY
(Chief Executive Officer)

Appointed: October 2020
Qualifications: CA (NAM) (SA), CGMA (UK), AMCT (UK), M.Phil (future studies)
Age:46

OSCAR CAPELAO
(Chief Financial Officer)

Appointed: March 2016
Qualifications: BCom Hons (Accounting); CA (NAM) (SA), Global MBA in Digital Business
Age: 43

ERWIN TJIPUKA
(Executive Director)

Appointed: October 2020
Qualifications: B.Com, PGDA, MBA, CA (NAM)
Age: 47

RAJENDRA MAKANJEE
(Non-Executive Director)

Appointed: August 2022
Qualifications: BCom (Hons), CA (SA)
Age: 58

I-BEN NASHANDI
(Non-Executive Director)

Appointed: January 2019
Qualifications: Bachelor of Commerce; Master of Science in Financial Economics; Master's in development Finance
Age: 51

PETER GRÜTTEMEYER
(Independent Non-Executive Director)

Appointed: April 2020
Qualifications: BCom (Hons), CA (NAM) (SA)
Age: 68

JANTJE DAUN
(Independent Non-Executive Director)

Appointed: March 2017
Qualifications: B.Comm (Hons), CA (SA)
Age: 55
Resigned: 31 December 2021

EMILE VAN ZYL
(Independent Non-Executive Director)

Appointed: March 2022
Qualifications: B.Comm, B.Comm (Hons), M.Comm
Age: 60

CHRISTIAAN RANGA HAIKALI
(Independent Non-Executive Director)

Appointed: February 2006
Qualifications: BBA (Entrepreneurship)
Age: 53

JABULANI KHETHE
(Independent Non-Executive Director)

Appointed: August 2006
Qualifications: B.Comm (Banking), MBA
Age: 59
Resigned: 31 December 2021

JUSTUS HAUSIKU
(Independent Non-Executive Director)

Appointed: April 2017
Qualifications: Hons (Accounting)/ CTA; B.Acc.
Age: 43
Resigned: 30 June 2022

JAN COETZEE
(Independent Non-Executive Director)

Appointed: October 2021
Qualifications: Certificate in Concepts of Data Processing, Diploma in Computer Literacy, Microsoft Certified Systems Engineer, COBIT®5 Implementation Approved Trainer, ITIL® Foundation Approved Trainer, Resilia Cyber Security Foundation, Service Desk Institute (SDI)
Age: 47

Board profiles, responsibilities and oversight areas continued

DECLARATIONS OF INTEREST(S)

1

INGE ZAAMWANI-KAMWI
Namibian
(Chairperson)

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

Other significant directorships, trusteeships and memberships: Swakop Uranium (Pty) Ltd, Tungeni Africa Investments (Pty) Ltd, Zantang Investments (Pty) Ltd, Farm Rimini, Feist Investments CC, Namdeb Holdings (Pty) Ltd, Debmarine Namibia

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CONRAD DEMPSEY
South African with
Namibian Permanent Residence
(Chief Executive Officer)

FirstRand Namibia group directorships, trusteeships and memberships: 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

Other significant directorships, trusteeships and memberships: Erf Four Nil Nine One Vogelstrand CC, Phillips, Robinson and Associates CC, African Wanderer Tours and Safaris

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OSCAR CAPELAO
Namibian
(Chief Financial Officer)

FirstRand Namibia group directorships, trusteeships and memberships: FirstRand Namibia Ltd, 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, OUTsurance Insurance Company of Namibia Ltd, FNB Staff Assistance Trust

Other significant directorships, trusteeships and memberships: National Housing Enterprise, Namibian Stock Exchange, Member of the Public Office Bearers (Remuneration and Benefits) Commission (POBC)

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ERWIN TJIPUKA
Namibian
(Executive Director)

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

Other significant directorships, trusteeships and memberships: Koi International Worship Centre

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RAJENDRA MAKANJEE
South African
(Non-Executive Director)

FirstRand Namibia group directorships, trusteeships and memberships: First National Bank of Namibia Ltd, FirstRand Namibia Ltd

Other significant directorships, trusteeships and memberships: Visa Cemea Business Council

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I-BEN NASHANDI
Namibian
(Non-Executive Director)

FirstRand Namibia group directorships, trusteeships and memberships: FirstRand Namibia Ltd, First National Bank of Namibia Limited, FNB Fiduciary (Namibia) (Pty) Ltd

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PETER GRÜTTEMEYER
Namibian
(Independent
Non-Executive Director)

FirstRand Namibia group directorships, trusteeships and memberships: FirstRand Namibia Limited, First National Bank of Namibia Limited, Audit Committee, Risk, Capital and Compliance Committee, Talent and Remuneration Committee

Other significant directorships, trusteeships and memberships: Ohlthaver & List Group of Companies, Namibia Breweries Limited, Goreangab Trust, Namibian Lloyds representative

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JANTJE DAUN
Namibian
(Independent
Non-Executive Director)

FirstRand Namibia group directorships, trusteeships and memberships: 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

Other significant directorships, trusteeships and memberships: Motor Vehicle Accident Fund of Namibia

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EMILE VAN ZYL
Namibian
(Independent
Non-Executive Director)

FirstRand Namibia group directorships, trusteeships and memberships: First National Bank of Namibia Ltd, FirstRand Namibia Ltd, Talent and Remuneration Committee, Audit Committee

Other significant directorships, trusteeships and memberships: Emla Trust, Nammed Investment Committee, SMM Strauss family, LI Roans Farming CC

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CHRISTIAAN RANGA HAIKALI
Namibian
(Independent Non-Executive Director)

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

Other significant directorships, trusteeships and memberships: 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

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JABULANI KHETHE
South African
(Independent
Non-Executive Director)

FirstRand Namibia group directorships, trusteeships and memberships: 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.

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JUSTUS HAUSIKU
Namibian
(Independent
Non-Executive Director)

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

Other significant directorships, trusteeships and memberships: Quanta Holdings, Arch Group of Companies, MMI Short Term Insurance Ltd, InoHarith Capital (Pty) Ltd, Namibia Desert Diamonds (Pty) Ltd, Momentum Insurance Ltd

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JAN COETZEE
Namibian
(Independent
Non-Executive Director)

FirstRand Namibia group directorships, trusteeships and memberships: First National Bank of Namibia Ltd, FirstRand Namibia Ltd, Information Technology Risk and Governance Committee, Risk, Capital and Compliance Committee

Other significant directorships, trusteeships and memberships: Headway Business Consultants CC, Headway Business Systems CC, Headway Corporate Training CC, Headway Consulting (Pty) Ltd, ISACA Windhoek Chapter

Corporate governance report

CHIEF EXECUTIVE OFFICER

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, where he also serves on the two boards as an Executive Director. He is responsible for leading the implementation and execution of approved strategy, policies, and operational planning and is the direct link between management and the Board.

COMPOSITION OF BOARD AND DEMOGRAPHICS

As at 30 June 2022, First National Bank of Namibia Limited has 10 Directors. In complying with good corporate governance principles, First National Bank of Namibia Ltd ensures that the Chairperson of the Board is an independent non-executive director and that the role of the Chief Executive Officer is separate from the role of the Chairperson as required by the NamCode and the relevant Banking Determination. First National Bank of Namibia obtained approval from the regulator for the appointment of three executive directors.

Director name	Independence status	Employed by group	Resident in Namibia	Previously disadvantaged
II Zaamwani-Kamwi	Independent non-executive	No	Yes	Yes
J Coetzee	Independent non-executive	No	Yes	Yes
CLR Haikali	Independent non-executive	No	Yes	Yes
E van Zyl	Independent non-executive	No	Yes	No
JH Hausiku	Independent non-executive	No	Yes	Yes
P Grüttemeyer	Independent non-executive	No	Yes	No
R Makanjee	Non-executive	Yes	No	Yes
IN Nashandi*	Non-executive	No	Yes	Yes
C Dempsey	Executive	Yes	Yes	No
OLP Capelao	Executive	Yes	Yes	Yes
E Tjipuka	Executive	Yes	Yes	Yes

* IN Nashandi was nominated and represents the Government Institutions Pension Fund and as such has a direct or indirect interest in the Company which exceeds 5% of the group's total number of shares in the issue.

CHANGES TO THE BOARD COMPOSITION

During the period under review the following changes to the board of directors took place in respect of FNB Namibia:

Director name	Independence status	Effective date
	Resignations/ Retirements	
JG Daun	Independent non-executive	31 December 2021
JR Khethe	Independent non-executive	31 December 2021
JH Hausiku	Independent non-executive	30 June 2022
	Appointments	
J Coetzee	Independent non-executive	1 October 2021
E van Zyl	Independent non-executive	1 March 2022
R Makanjee	Non-executive	1 August 2022

Corporate governance report continued

Board

Record of Attendance

Director Name	First National Bank Namibia Ltd Board		Board Strategy session		Directors training		Director induction	
Number of Meetings/ Training Sessions	4	%	1	%	5	%	1	%
Independent Non-Executive Directors								
II Zaamwani-Kamwi	4/4	100%	1/1	100%	5/5	75%	N/A	N/A
CLR Haikali	4/4	100%	1/1	100%	5/5	100%	N/A	N/A
P Grüttemeyer	4/4	100%	1/1	100%	5/5	100%	N/A	N/A
JH Hausiku [1]	3/4	75%	0/1	0%	0/5	0%	N/A	N/A
J Coetzee [2]	3/3	100%	1/1	100%	5/5	100%	1/1	100%
E van Zyl [3]	1/1	100%	1/1	100%	5/5	100%	1/1	100%
JG Daun [4]	2/2	100%	1/1	100%	N/A	N/A	N/A	N/A
JR Khethe [5]	2/2	100%	1/1	100%	N/A	N/A	N/A	N/A
Non-executive directors								
IN Nashandi	4/4	80%	1/1	100%	5/5	100%	N/A	N/A
Executive directors								
C Dempsey	4/4	100%	1/1	100%	5/5	100%	N/A	N/A
OLP Capelao	4/4	100%	1/1	100%	5/5	100%	N/A	N/A
E Tjipuka	4/4	100%	1/1	100%	5/5	100%	N/A	N/A

[1] Resigned 30 June 2022
[2] Appointed 1 October 2021
[3] Appointed 1 March 2022
[4] Resigned 31 December 2021
[5] Resigned 31 December 2021

Board discussion areas

Besides the regular agenda items, such as detailed feedback from the Chief Executive, from the Chairs of board committee on the committee deliberations, comprehensive submissions were received from the segment heads, the items listed notes and overview of the board discussions. In addition, the Chief Financial Officer presented the financial results at regular intervals.

August 2021	October 2021	November 2021	February 2022	April 2022

- **Approved** the Integrated Annual Report 2021.
- **Approved** the Annual Financial Statements 30 June 2021.
- **Approved** the Consolidated Financial Results for Interim Period 31 December 2021.
- **Resolved** to declare a final and interim dividend.
- **Approved** the release of the Stock Exchange News Service announcements relating to the availability of the interim and annual financial results.
- **Considered** and **approved** the release of Trading Statements in compliance with the Namibian Stock Exchange Listing Requirements.
- **Noted** the quarterly Intragroup Return in terms of Consolidated Supervision BCR 009.
- **Approved** Board Sub-Committee Charters.
- **Reviewed** the proposed amendment of articles of Association for approval by shareholders.
- **Noted** the results of the annual Independence Assessment of non-executive directors.
- **Approved** Board Sub-Committee Charter(s).
- **Noted** the retirement and resignation of Directors.
- **Discussed** the Annual FirstRand Namibia Foundation Corporate Social Investment Report.
- **Approved** the suitability of Deloitte and the audit partner having due regard to, amongst others the outcome of the external quality assurance assessment(s).
- **Noted** the director recruitment and Board succession update.
- **Approved** the Internal Capital Adequacy Assessment (ICAAP).
- **Interrogated** and **discussed** the Bank of Namibia Examination overview.
- **Noted** various frameworks, policies, standards, and related documents, which were approved at the relevant governance forums.
- **Approved** the re-election of the Board Chairperson for the 2022 calendar year.
- **Approved** the appointment of Directors.
- **Approved** the Macroeconomic Scenarios.
- **Interrogated** and **approved** the Budget and Strategy.

Audit committee report

The Audit Committee assists the Board in fulfilling its oversight responsibilities in areas such as financial reporting, internal control systems, internal and external audit functions. The Committee works closely with the Risk, Capital, and Compliance Committee to identify common risks, control themes and achieve synergy between combined assurance processes. This ensures 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 are detailed in its Charter.

The independence of the Audit Committee is paramount and thus is comprised of independent directors. The committee is satisfied that the individual members of the committee possess appropriate qualifications and a balance of skills and experience to discharge their responsibilities. The committee composition and the period for which the respective members have served is as follows:

Member	Meeting attendance		Appointment / resignation date
Number of meetings (% attendance)	4	%	
P Grüttemeyer (Chair)	4/4	100%	Appointed 19 August 2020
CLR Haikali	3/4	75%	Appointed 13 April 2016
E van Zyl	1/1	100%	Appointed 01 March 2022
J Daun	2/2	100%	Resigned 31 December 2021

Expertise and Adequacy of Finance Function

The Committee received and deliberated on the expertise, resources, and experience of the group's finance function. The Committee confirmed satisfaction 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, possesses the appropriate expertise and experience to perform his duties as the Chief Financial Officer.

Expertise and Adequacy of the Internal Audit Function

The group has an independent in-house internal audit function which operates in terms of an approved Charter that spans across FirstRand Namibia Limited and its subsidiaries. Group Internal Audit's purpose is to be a proactive business partner, providing integrated, risk-based, objective assurance, insight and related advisory services. The Internal Audit scope includes providing independent assurance over the internal control systems and the bank's regulatory and economic capital models, regulatory reporting, capital management, stress testing and the internal capital adequacy assessment process (ICAAP).

Group Internal Audit provides risk-based and objective assurance, advice, and insight to enhance and protect organisational value with a mandate that spans across FirstRand Namibia Ltd and its subsidiaries. Group Internal Audit's approach to audit engagements requires agile risk assessments to ensure focus on key risks. Involvement in key projects and entity-wide areas of risk exposure are incorporated into the audit plans, together with ad hoc requests for independent assurance.

Group Internal Audit continually engages with combined assurance role players to obtain insights into business strategies and to ensure integration, coordination and alignment of assurance activities to maintain sufficient coverage of high-risk areas over the three lines of defence.

Group Internal Audit is headed by the Chief Audit Executive C Simasiku who reports administratively to the Chief Executive Officer and has unrestricted access to the Audit Committee Chairperson. The Committee has assessed and is satisfied with the arrangements of the internal audit function and are further satisfied that the internal audit function is independent and appropriately resourced, and that the audit executive has fulfilled the obligations of that position. The internal audit function continues to provide assurance to the Board on the adequacy and effectiveness of the Group's internal control and risk management practices, and the integrity of financial reporting systems. Internal audit duly assisted management by making recommendations for improvements to the control and risk management environment during the year. The Committee received regular reports from Group Internal Audit on weaknesses in controls that were identified, including financial controls, and considered corrective actions to be implemented by management.

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 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. This approval is valid until the 2022 Annual General Meeting. The audit firm Deloitte & Touche will be proposed to the shareholders at the upcoming Annual General Meeting for approval to be the group's auditor for the 2023 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, 2004, International Financial Reporting Standards (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 about the going concern status of the company and accordingly confirmed to the Board that the company and group is expected to be a going concern for the foreseeable future. The Audit Committee has recommended the entire Integrated 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, 2004 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.

Audit committee report continued

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

August 2021	October 2021	February 2022	April 2022

- 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 from 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 Chief Financial Officer 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, sustains its conclusion reached for the 2022 financial year end.

Peter Grüttemeyer
Chairperson

Risk, Capital & Compliance Committee (RCCC) report

The Risk, Capital, & Compliance Committee's overall functions are to assist the FirstRand Namibia group with discharging its responsibilities in terms of the management of risk, capital and compliance across FirstRand Namibia group and subsidiaries. The committee oversees compliance of existing applicable legislative instruments and the global best practice guidelines applicable to the industry in which it operates.

The composition and attendance of the Committee is as follows:

Member	Meeting attendance		Appointment / resignation date
Number of Meetings / % Attendance	4	%	
P Grüttemeyer (Chair)	4/4	100%	Appointed 19 August 2020
J Coetzee	2/2	100%	Appointed 9 February 2022
J Hausiku	3/4	75%	Resigned 30 June 2022

The committee discharged its duties during the financial year by:

August 2021	October 2021	February 2022	April 2022

- Approving group frameworks, policies and process documents;
- Continuously reviewing the risk management progress and maturity of the company, the effectiveness of risk management activities, the key risks facing the company, and the responses to address key risks this included monitoring the risk management process;
- Monitoring, on an ongoing basis, and approving the overall effectiveness of the processes relating to corporate governance, internal controls, risk management, capital management and capital adequacy, capital targets, market risk and trading limits, and thresholds;
- Ensuring that the various risk types are adequately addressed through the risk management, monitoring and assurance processes;
- Reviewing the environmental and social risks, potential impact thereof and ensuring the group aligns to on-going international best standards;
- Aligning the group's strategy to the risk appetite of the group to ensure adequate performance and sustainability of the group, the Committee ensures that business plans and the risks are thoroughly examined before decisions are made;
- Executing the requirements as provided in the Business Performance and Risk Management Framework, the Regulatory Risk Management Framework, the Internal Capital Adequacy Assessment Process (ICAAP), Liquidity Management and all related Frameworks by the Committee;
- Monitoring the implementation of Tax Framework and the management of tax risks across the group by monitoring the risk exposures and the effectiveness of Tax Risk Management;
- Discussing the Internal Financial Control Assessment which ensures that management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide assurance regarding the reliability of the financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act; and
- Approving, including monitoring the progress of the Regulatory and Conduct Risk Management Monitoring Plan and the Regulatory Risk Universe and Monitoring Plan.

Peter Grüttemeyer
Chairman

Talent and Remuneration Committee report

1. SCOPE

The Talent and Remuneration Committee is charged with overseeing group remuneration and ensuring that remuneration practices aligns employees and shareholders. The Talent and Remuneration Committee 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 AND ATTENDANCE

The Talent and Remuneration Committee is chaired by an independent non executive director and committee members are all independent. The Chief Executive Officer, the Chief Financial 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.

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

Member	Meeting attendance		Appointment / resignation date
Number of meetings/ % attendance	3	%	
CLR Haikali (Chair)	3/3	100%	Appointed 22 March 2006
P Grüttemeyer	3/3	100%	Appointed 07 April 2021
JR Khethe	1/1	100%	Resigned 31 December 2021
E van Zyl	1/1	100%	Appointed 01 March 2022

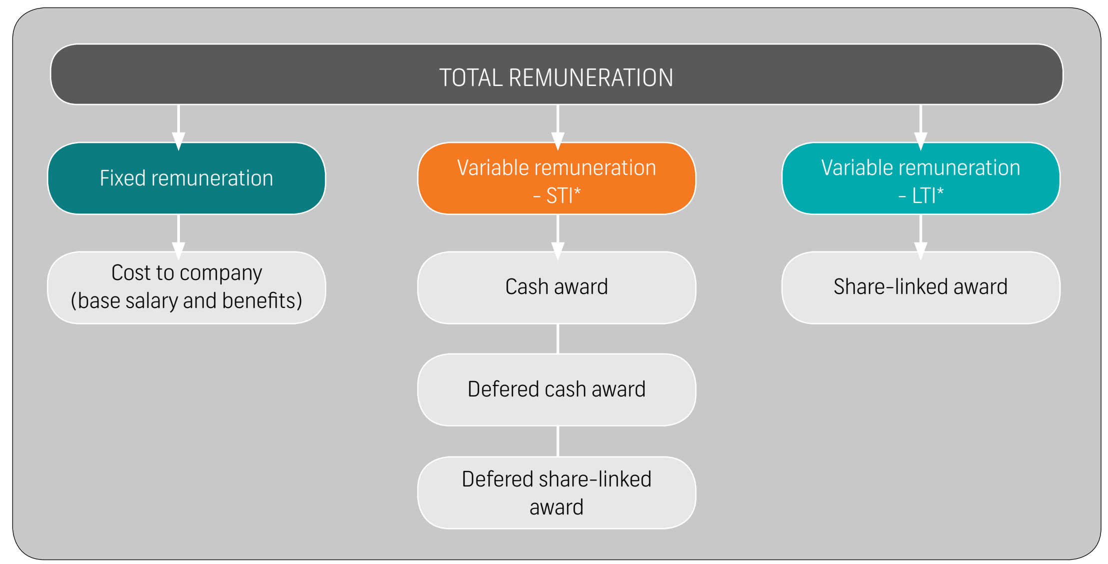
3. REMUNERATION PHILOSOPHY

The group's remuneration philosophy is based on FirstRand Namibia 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 Namibia 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 the Committee when determining and assessing remuneration so that sustainable long-term growth for the benefit of all stakeholders is achieved; and
- The Talent and Remuneration Committee considers total remuneration across fixed salaries, STIs and LTIs as encapsulated in the table below:



* Variable remuneration is subject to malus and clawback provisions.

Talent and Remuneration Committee report continued

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.

FNB Namibia engages independent service providers to benchmark market data pertaining to guaranteed remuneration. The PwC Remchannel® and Emergence salary surveys are 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 Namibia. The results of these ad-hoc surveys serve to either validate existing data or provide intelligence for the business to make decisions.

As regard 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 the Talent and Remuneration Committee 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 to and has been tasked to improve retirement outcomes by maximizing investment returns and minimizing costs.

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. REMUNERATION POLICY AND STRUCTURES continued

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 FNB Namibia is determined by FirstRand SA Remuneration Committee by using a combination of both financial and nonfinancial 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.

The Talent and Remuneration Committee 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. The Committee 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 reduces or disappears 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 is 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.

Talent and Remuneration Committee report continued

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 seek 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 utilized 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 the Talent and Remuneration Committee 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 SA 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.

The Talent and Remuneration Committee has changed the vesting conditions for the 2021 Share Scheme Structure. A distinction has been made between professionals, senior leadership and executives.

The award for professionals is 100% de-risk individual performance required to be rated a 3 or above. For senior leadership, 50% company and individual performance conditions. For executives (country chief executives), 100% of vesting subject on company and individual performance.

Other LTI considerations

Outstanding LTIs

The group has a "good leaver" policy covering remuneration already awarded that has not fully vested. The Talent and Remuneration Committee 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, The Talent and Remuneration Committee 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.

Talent and Remuneration Committee report continued

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

Expired schemes

2019 (Will not vest at the expected vesting date of September 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 with the group and the remaining 50% of the award remains 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 correlated to normalised earnings per share growth between targets. If the minimum ROE and normalised earnings per share growth conditions are met, vesting will commence at 70% and if these are not met the award will lapse.

Vesting level*	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	120.1 to 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 calculation is based on net asset value (NAV) taking into consideration adjustments resulting from, for example, dividend policy changes, regulatory changes, IFRS changes or changes in volatile reserves. Under the new structure, Remco cannot apply upward vesting judgement if performance criteria are not met.

During the current year, it was determined that the group failed to achieve the minimum ROE requirement over the performance period, and Remco notified qualifying employees that the awards with market vesting conditions would consequently not vest. For employees with 50% of the award subject only to continued employment, that portion of the award would vest if the employee is still in the employment of the group.

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

Currently open

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 of the group. 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 correlated to normalised earnings per share growth 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 group's businesses, including its reputation, material enterprise-wide risk and control issues, as recommended to it by the risk, capital management and compliance committee (RCCC); and concerns regarding 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, a normalised earnings per share growth target and an ROE target. The table below further stipulates the performance conditions to be fulfilled by the company 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 are 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 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.

Talent and Remuneration Committee report continued

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

Currently open

2021 (Vesting date in 2024) – From 2021, all CIP awards have performance conditions applied to 100% of the award. The group implemented a DIP without performance conditions for certain employees and no longer issues CIP awards with only employment as a condition for vesting. Graded vesting applies to all CIP awards. 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 correlated to normalised earnings per share growth between targets. If the minimum conditions are met, vesting will commence at 50% and if these are not met, the award will lapse. Remco has the right to adjust the vesting level downwards 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 group's businesses, including its reputation, material enterprise-wide risk and control issues, as recommended to it by the RCCC, as well as concerns regarding the adherence to the liquidity and capital management strategies in place. Lack of compliance with the group's climate roadmap over the three-year period was included as an additional potential downwards adjustment item relating to non-financial measures for the 2021 awards.

Vesting level*	Performance conditions		
	Vesting level should both conditions be met	ROE target (30 June 2024)*	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 three-year performance period from the base year end, being 30 June 2021, as set out for each vesting level indicated below:
Minimum vesting, below which the award lapses	50%	≥ 17%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 1% or CPI where real GDP growth is negative
On target performance	100%	≥ 18%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 3%
Stretch	120%	≥ 20%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 5%
Super stretch**	150%	≥ 20%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 8%

* The ROE target is measured at 30 June 2024. The ROE calculation is based on NAV taking into consideration adjustments (if required) resulting from, for example, dividend policy changes, regulatory changes, IFRS changes or changes in volatile reserves. In the event that the ROE target is not met, the outcome will be constrained to the ROE target even if the earnings growth measured could result in higher vesting outcomes.

** For vesting at 120% or above, ROE ≥ 20% is required. The vesting level between 120% and 150% will be determined through linear grading linked to the earnings growth CAGR, with the maximum vesting at 150% at a level of real GDP growth plus CPI plus 8% over the three-year period.

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

The group understands that CIPs are a valuable long-term incentive tool for retaining its best and most promising talent and acknowledges that the reason the performance conditions were not met is completely outside of the control of the group. Therefore, similar to the retention measures implemented in 2021, the remuneration committee has approved that discretionary payments for eligible employees will be considered during the annual salary review. Employees who are allocated a retention payment this will be confirmed and communicated in the 2022 annual salary review letter.

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 Namibia's 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).

Talent and Remuneration Committee report continued

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 and prescribed officers have a notice period of one month. Executives have no guaranteed termination payments.

FNB Namibia's was able to deliver earnings growth of 25% and ROE of 21.4%, back within the target range of 16% to 26%, reflecting the underlying quality of the group's earnings. The group produced N$413 million of economic profit which we measure as net income after cost of capital (NIACC), which is our key performance measure.

We took an appropriate stance to meet the weaker economic environment and particular challenges presented by switching most of our employees to working from home, as well as in many cases the way we do business with our
customers. We focused on financial resource management (FRM) principles as the anchor of our strategy, in particular:

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

For the most part, the group delivered on this strategy. Earnings recovered faster than expected, with ROE and NIACC improving strongly. The group's Tier 1 ratio increased to 20.2% (2021: 17.1%) and the group is in a position to pay a full-year dividend at the bottom end of its cover range.

A key focus for the group has been restoring the previous high watermark of earnings achieved in 2019. The progress in this period has taken us closer to it than we expected at the start. This reflects the quality of FirstRand's portfolio, the strength of its customer franchise and its ability to benefit from the economic rebound that is taking place.

DIRECTORS REMUNERATION continued

Executive Directors continued

Key financial performance metrics for the year ended 30 June 2022 and the executive directors' remuneration. The committee believes that this increase and the underlying remuneration mix detailed in this report, is consistent with the group's remuneration governance framework.

	Normalised earnings growth (%)	ROE (%)	NIACC (N$m)	NAV growth (%)	Dividends per share growth (%)	Headline earnings growth (%)
2022	28.3%	21.40%	N$413	10.30%	100%	24.01%
2021	(1.10%)	19.40%	N$191	13.10%	37.70%	17.90%

Remuneration Conrad Dempsey FNB Namibia CEO

Growth in reward and awards for 2022

N$ 000	2022	2021*	% growth#
Cost to company	3 243	2 292	41%
STI	2 382	-	-
- Cash within 6 months	1 792	-	-
- Cash within 1 year	590	-	-
LTI award	864	-	-
Total reward including LTIs	6 489	2 292	41%
Total guaranteed and variable pay (excluding LTIs)	5 625	2 292	100%

Remuneration Oscar Capelao FNB Namibia CFO

Growth in reward and awards for 2022

N$ 000	2022	2021	% growth
Cost to company	2 122	2 067	2.60%
STI	945	868	8.90%
- Cash within 6 months	845	794	6.40%
- Cash within 1 year	100	74	35.10%
LTI award	654	-	100%
Total reward	3 721	2 935	26.80%
Total guaranteed and variable pay (Excluding LTIs)	3 067	2 935	4.50%

1. 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.
2. 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.

Talent and Remuneration Committee report continued

DIRECTORS REMUNERATION continued

Remuneration Erwin Tjipuka FNB Franchise CEO

Growth in reward and awards for 2022

N$ 000	2022	2021*	% growth **
Cost to company	3 032	1 801	68%
STI	1 312	296	100%
- Cash within 6 months	1 086	172	100%
- Cash within 1 year	226	116	94%
LTI award	393	-	100%
Total reward including LTIs	4 737	2 385	82%
Total guaranteed and variable pay (excluding LTIs)	4 344	2 385	99%

* Pro rata 2021 remuneration disclosed to reflect the period of the year he was executive director.
# Actual increase granted for 2022 was at 6.12%.
** Actual increase granted for 2022 was at 3%.

OTHER MATTERS

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.

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

FirstRand Namibia's Staff Assistance Trust

The FNB Staff Assistance Trust's mandate is to assist non-managerial racially disadvantaged employees as well as their immediate families, with their tertiary education and healthcare needs. For the 2022 school cycle the trust assisted employees to the value of N$2 million.

Annual General Meeting (AGM)

In line with NamCode, King IV and the NSX Listings Requirements, the 2021 remuneration policy and implementation report were tabled at the AGM for separate non-binding advisory votes by shareholders. The group's remuneration policy and report received an endorsement of 86%.

The Committee is comfortable that it has rewarded FirstRand Namibia's 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 Governance Committee report

DIRECTORS GOVERNANCE COMMITTEE

The purpose of the Directors Governance Committee (DGC) 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 governance, Board continuity and Board succession planning.

Committee Composition and Attendance

Member	Meeting Attendance		Director Interviews		Appointment/ Resignation Date
Number of Meetings	4	%	3	%	
II Zaamwani-Kamwi (Chair)	4/4	100%	2/3	67%	Appointed April 2016
CLR Haikali	4/4	100%	3/3	100%	Appointed August 2007
JR Khethe	2/2	100%	N/A	N/A	Resigned 31 December 2021

Induction and ongoing board development programme

New directors were subject to an appropriate induction programme to assist the new directors to make the maximum contribution as quickly as possible. Other ongoing training and education courses allow directors to familiarise themselves with FirstRand Namibia's operations, its business environment, fiduciary duties and responsibilities, and the board's expectations in respect of a director's commitment, ethical behaviour and keeping abreast of regulatory changes and trends. The Directors Governance Committee oversaw directors' induction and ongoing training programmes, and will continue to make the professional development of its members a priority. 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.

Director Succession

The committee ensures that a formal process for the appointment of directors, including the identification of suitable board members is followed, taking cognizance of its need for appropriate skills and diversity, while maintaining a balance between non-executive and executive directors and independent non-executive directors.

Tenure principles and the need for refreshing the board have come to the fore as part of succession planning. The committee continued to identify a sufficiently broad population of candidates to be nominated as potential board members, focusing on targeted skills, diversity and gender inclusion.

Director Attendance

The Committee is satisfied that board members duly attended at least 75% of the board meetings of a banking institution or controlling company in any particular year. This is to ensure that they will discharge their duties and responsibilities effectively.

Board Evaluation Outcome

The committee conducted annual 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, which results will be reviewed by the committee in due course.

Directors Governance Committee report continued

The Committee discharged its duties during the financial year by:

August 2021	October 2021	February 2022	April 2022

- Discussing and monitoring the progress in resolving any audit or compliance findings relating to governance.
- Advising the Board on the ongoing director succession planning and board continuity.
- Monitoring any adverse media in relation to any of the Directors.
- Overseeing and considering the outcome of the annual assessments of the group processes relating to Corporate Governance structures and practices.
- Overseeing the board induction training and development programme. Considering and opining on group nominations, group committee changes, including appointments and retirements.
- Considering and assessing the independence of the non-executive directors.
- Overseeing the establishment of new committees as required, and approving committee mandates and charters.
- Conducting annual board evaluations in order to review the effectiveness of the board and board committees; the performance and independence of the board chair, individual non-executive directors and the company secretary.
- Monitoring compliance with applicable laws relating to governance, including the Banking Institutions Determination 1 (BID-1).
- Monitoring the re-election of directors retiring by rotation in terms of the articles of association and the Companies Act.

The Directors Governance Committee will continue to focus on the following areas:

- Board effectiveness, continuity and succession planning.
- Ongoing Board training and induction.
- Review of the governance structures within the group.

Inge Zaamwani-Kamwi
Chairperson

4.

Our strategy to create value

Reflections from our Chief Executive Officer

FNB Namibia has a long history of enabling economic growth through up and down cycles in Namibia for well over 100 years. As the world gradually emerges from the Covid19 pandemic the FirstRand Namibia group will continue to meaningfully respond to our responsibility as an agent for change and development.

The post-pandemic era is turning out to be more challenging than initially anticipated; marked by the war in Ukraine, rapid global inflation, a rise in protectionist national economic agendas in the developed world, and the top of a debt cycle in Namibia. Local economic recovery will be a factor of how these challenges are managed, affecting the pace of structural reform and Namibia's ability to attract investment and skills. As a group we have committed to purposefully and intentionally drive an agenda to help the transition to a more globally competitive Namibia.

We believe that through solving for societal constraints within our mandate and improving the financial wellbeing of our customers, we will naturally also be successful and by extension achieve sustainable bottom-line growth as an outcome. Dedicated to delivering shared value to all stakeholders, FNB Namibia has intentionally enhanced its core business activities to deliver a blend of financial and social outcomes to its broad stakeholder groups.

The group's results for the 2021/22 financial year comes on the back of a clear and focused national engagement strategy and disciplined financial resource management. Through tilting the group's balance sheet to manage earnings volatility, we have been able to present an investment case to our investors that provides more than merely geared exposure to the broader economy, while delivering a sound risk–return profile for all our shareholders.

Rebuilding the Namibian economy requires us to take a broader scope view than the solutions in traditional banking models. Within FNB we established focused business-rescue capacity to assist businesses under financial strain and have seen sustainable outcomes where viable businesses could be assisted. Through partnership with early-stage business incubation and angel investment initiatives FNB is also able to indirectly support business formation from the idea stage through to bankable stage, creating both a customer pipeline and broad economic entry for smaller businesses.

Financial inclusion has always been entrenched in the bank's approach through truly inclusive solutions such as the FNB e-wallet. The FNB DigiPlus account, launching in July 2022, will further increase ease of access to the group's enabling digital platforms. Digital transition in banking, as with other financial services, should enhance financial inclusion and not leave anyone behind in the journey. It is important for us that all customers across all our businesses continued to be served in a cost effective and efficient manner that's secure and comfortable for them. The investment in our platforms will continue to improve the client experience as market leaders in the years to come.

Increasing emphasis on demonstrating visible and sustainable ESG activities, allowed for a group-wide review to harvest activities and processes already in place, and enabled robust discussion about where to next, in the market and beyond. While ESG is very topical globally, we take a pragmatic locally relevant approach to 'do what matters' for Namibia. The construct of broader integrated thinking is embedded in our group for more than a decade with a deliberate approach to consider all six capitals, while keeping our Planet, Partnerships, People and Profit emphasis, equally important in our debates. Within our ESG frameworks we do not only look internally at our activity but recognise we have a role to play to enhance governance, across private and public institutions for better shared value outcomes on the capital and time invested across our economy. In partnership with institutions like the young, but vibrant Namibia Institute for Corporate Governance, I'm convinced that Namibia can set the benchmark for good governance in the region.

We are particularly proud of the RMB partnership with FNB franchise that launched a N$353 million green bond making it the first for FirstRand Namibia group and the largest publicly traded green bond in Namibia. The proceeds of the green bond will be dedicated to eligible green loans applied towards Namibian green buildings, renewable energy-generation projects, and other sustainability investments. Sustainability is key to the group's vision of a globally competitive Namibia, and green bonds issuance marks a major milestone for the country and the bank. Through the issuance, FNB Namibia will ensure appropriate financial resource allocation to support the "greening" of the Namibian economy and drive stronger issuance volumes while enabling the growth of the local green bond market. The market response was very encouraging with the bond six times oversubscribed; signally strong institutional appetite for more such paper in future.

Leveraging the new RMB positioning of 'Talent is how we do both', I am excited regarding the potential of our people philosophy across the group. Talent, job creation, localisation of jobs, internships, and leadership development featured regularly over the past year as the group assessed talent requirements to ensure future-of-work readiness. Building a stronger, diversified talent pool, promoting and equipping employees professionally for growth, as well as noting the aspirational pull of our businesses for top talent in the market, is an ongoing driver of the depth of our employee value proposition.

The group's earnings this year continues to be generated by its large lending and transactional franchises, resulting in continued deep and loyal customer bases. These domestic banking operations are mature and systemically important. Notwithstanding a backdrop of weak macroeconomic growth, the key growth imperative in our franchises is to grow customers, do more business with customers, and to do this more efficiently and conveniently. Sector competition is fierce, so customer value propositions need to resonate deeply, particularly as we intend to partner businesses and individuals towards a globally competitive Namibia. The group is also heavily invested in building capital-light revenues in adjacent activities such as insurance, and wealth and asset management.

Our ongoing CSI investment and the pandemic HOPE coalition with industry partners, evidences our commitment to the health and growth in capability of the nation. At the same time, our employee investment and support, and talent retention programs, continue to empower and drive innovation. However, it is where our customers are daily that matters. With so many businesses and individuals at the distress point of the debt cycle over the reported period and going forward, we are acutely aware of our professional duty to create shared value at all the points of the cycle. In all of our pillars of support to the nation, transact, lend, invest, and insure, the sustainability of our relationships, their potential and their value creation outputs matter. If we are to be true to ensuring a future of shared prosperity for all in Namibia, FNB's mantra over the past year – 'we are the bank of the #changeables', specifically inspires us to embrace change for good. Finding the right way to grow is a feature of the innovation we celebrate.

As I write, the slow demand for credit, in a rising interest and inflation environment, poses challenges for accelerated economic growth. However, we are clear on our role and responsibility to Namibians, experienced in our expertise; and we not only remain ready to facilitate economic growth, but we also continue to actively seek it out. Irrespective of the point in the business cycle, there's always opportunity for our clients and business to grow through deeply understanding the nuances of the current business environment.

To be successful throughout the cycle we remain focused on a very clear people and talent philosophy. Our competitive position in the market is a factor of investment in our people, an environment of continuous learning and a culture of staying curious about the world around us. We celebrate high performance, and our brands remain aspirational for top talent in the market. This is a clear indicator of our culture being recognised positively, and for this and so much more, I'd like to thank each and every member of the FirstRand Namibia family for their tireless efforts to help our customers, partners, business, and the broader economy, through this challenging time.

For this owner-manager mindset, and values-based application, I extend my thanks to the FNB Namibia Board of Directors for their guidance, to all of FNB Namibia's Executives and their teams for their strong contribution and teamwork, and to our customers, without whom we would not exist.

Conrad Dempsey
CEO: FNB Namibia

Material matters

OUR MATERIALITY THEMES AND TOP RISKS

In determining our materiality themes for the reporting period, our Executive Committee evaluated the top risks and opportunities and material matters in relation to our strategy. Our materiality themes and top risks and opportunities are reassessed on a regular basis to take account of an ever-evolving external environment. Our materiality themes, the detailed materiality determination approach and our risk and opportunity management process are outlined in this report. We also explain how the materiality themes influenced our group strategy review process, informed adjustments to our business model and our short- and medium-term targets.

OUR MATERIALITY DETERMINATION PROCESS

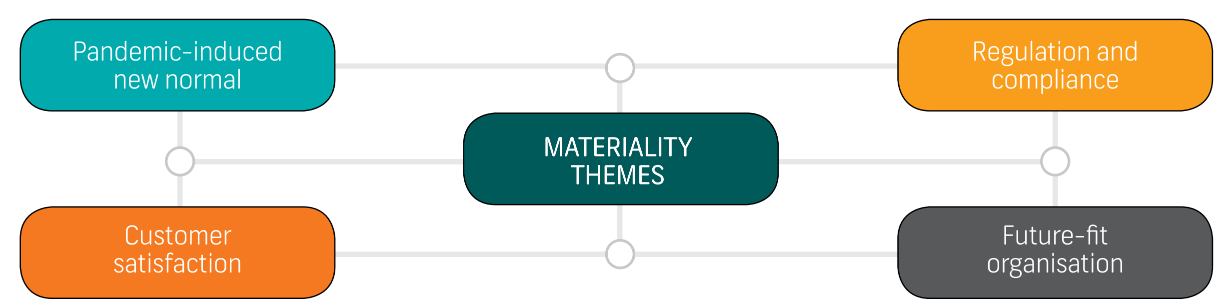
Our materiality determination process is undertaken on a regular basis as part of a multi-functional review, which evaluates those risks, opportunities and challenges, which could significantly affect our ability to achieve our organisational purpose and strategy and hamper our ability to create and/or preserve value over the short, medium and long term.

Our material matters are shaped by our internal and external context, the expectations and concerns of our stakeholders, as well as the social, economic, governance and environmental conditions in which we operate.

Our material matters are then categorised into materiality themes. Our Group Executive Committee assesses the material matters and the proposed materiality themes and recommends these to our Board for approval.

Our materiality determination process is summarised in this infographic:

	PROCESS	METHOD	STAKEHOLDER ENGAGEMENT
Identify	Scan the internal and external operating environment	Identify strengths, weaknesses, opportunities and threats and evaluate political, economic, social, governance and technological factors which could threaten sustainability	Stakeholders are engaged in a range of engagements to determine the issues which matter the most to them
Prioritise	Formulate the strategic risks and opportunities and list the material matters	Assess materiality of matters and identify those that could threaten the ability of the organisation to deliver value	The material matters are comprehensively assessed, monitored and updated as appropriate by the Board and Group Executive Committee as part of the strategic management process
INFORMS CHANGES TO STRATEGIC DIRECTION AND BUSINESS MODEL			
Define strategy and targets	Targets are set to define performance measures through KPIs, which are linked to the group strategic targets	Segment and BU goals are incorporated into balanced scorecards which align to the overarching organisational scorecard	The Group Executive Committee and Board group the material matters into materiality themes and ensure they remain pertinent in the rapidly changing operating environment



Material matters continued

Pandemic-induced new normal

WHY IS THIS MATERIALITY THEME IMPORTANT FOR US?

The Covid-19 pandemic has affected how business is steered, what customers and employees anticipate and where and how personnel work, calling for business operations and people practices to be adaptive.

Material matters related to this theme

- Macroeconomic challenges
- Financial stability
- Evolving ways of work
- Health and safety
- Mental health and wellbeing

Our responses

- Introduced health and safety standards to ensure appropriate protection;
- Continued to be customer-centred by ensuring uninterrupted and efficient banking services;
- Redeployed skills and capabilities where needed in the organisation;
- Supported customers with retail banking products, support services and financial wellbeing advice;
- Enhanced our extensive digital capability;
- Enabled our people to work remotely;
- Maximised the use of digital platforms to deliver training for our people;
- Continued engagement with our people through our extensive range of communication media including social media and other platforms;
- Supplemented our employee well-being initiatives to ensure ongoing care and support; and
- Retained strong capital and liquidity levels - enabling us to proactively pursue synergistic acquisition opportunities and partnerships.

Key performance indicators

- Increase of interactions fulfilled via digital channels
- Staff engagement score
- Retention, talent management, succession
- CSI spent
- Successfully maintain work-from-home capability and productivity

Medium to longer-term actions

- Enhancing business continuity management
- Developing training related to new skills, including managing remote teams and improving work-from-home productivity levels
- Embracing digital ways of working
- Prioritising wellbeing to ensure high levels of engagement of staff
- Being ready to adapt if required by further waves of the pandemic
- Renegotiating lease terms for branch network
- Aligning CSI initiatives to address societal needs as these evolve

Regulation and compliance

WHY IS THIS MATERIALITY THEME IMPORTANT FOR US?

The importance of vigorous governance, compliance and risk management processes are at a historic high, together with the need to respond to emergency regulations and protocols to contain further outbreaks of Covid-19.

Material matters related to this theme

- Legal and regulatory requirements
- Covid-19 protocols
- Regulatory constraints related to digital transformation
- Privacy
- Financial crime prevention
- Responsible and ethical banking practices
- Customer fair treatment
- Reputation management

Our responses

- Supported government, regulators to mitigate the risks of Covid-19 and the associated lockdowns on the economy, contributing to the safety and soundness of the Namibian banking system through good liquidity management, payment relief for qualifying customers and a focus on capital management
- Implemented measures in compliance with the Disaster Management Act and related Covid-19 protocols
- Reinforced cybersecurity protocols
- Enhanced protection of personal information with changes to systems and policies
- Ensured responsible banking practices
- Addressed conduct standards relating to treating customers fairly
- Implemented additional measures to combat financial crime
- Interacted regularly with our regulators to assess and comment on emerging legislation
- Contributed through industry bodies during regulation formulation
- Conducted regulatory impact assessments and surveys

Key performance indicators

- Ensuring there are no sanctions or fines applied or any incarcerations
- Implementing regulated business processes to meet regulatory effective dates and deadlines
- Ensuring that all compliance reports to regulators continue to be satisfactory
- Implementing ongoing compliance training and awareness programmes
- Improving early identification management processes around compliance risks
- Further enhancing relationships with regulators

Medium to longer-term actions

- Managing the regulatory cost of doing business with adequate specialist resources and fit-for-purpose processes
- Ensuring ongoing compliance with improved systems and training
- Mitigating possible breaches of information security and identity theft through technology and early warning mechanisms
- Driving anti-money laundering training and processes

Material matters continued

Customer satisfaction

WHY IS THIS MATERIALITY THEME IMPORTANT FOR US?

With greater than before competition in the banking sector, customers are better educated and have a wide-ranging choices requiring us to successfully adapt to moving market trends and evolving customer needs.

Material matters related to this theme

- Customer experience
- Digital transformation
- Data as a differentiator
- Product and service evolution
- Security and fraud awareness
- Competitiveness of our customer value proposition
- Customer complaints' resolution

Our responses

- Operationalised a hybrid of at work and work-from home capabilities;
- Leveraged data scientists as a key strategic differentiator for real-time insights and analytics to inform decision-making, process efficiencies, customer retention and enhanced customer credit-risk differentiation;
- Improved customer interactions;
- Used robust data metrics;
- Evolved product and services (overdraft facility, credit card relaunch, digitised loan applications and security features);
- Launched ongoing security, cybersecurity and fraud awareness campaigns;
- Implemented process optimisation projects to remove pain-points and reduce customer friction across the digital channel including document management system enhancements; and
- Achieved stability of systems

Key performance indicators

- NPS score: continuous improvement;
- Progress individualised digital interactions;
- Fulfil real-time interactions;
- Consumer financial education programmes;
- Develop a small, medium and micro enterprise (SMME) customer base;
- 30% growth in customers by FY25; and
- Minimise customer fraud.

Medium to longer-term actions

- Keeping pace with the accelerated digital revolution to remain competitive;
- Enhancing new digital ways of working;
- Working with product designers to remove friction points for better customer experience;
- Integrating effectively with fintechs and other partners;
- Addressing cybersecurity concerns; and
- Expanding range of distribution points to maximise customer convenience.

Future-fit organisation

WHY IS THIS MATERIALITY THEME IMPORTANT FOR US?

Given the faster and exceptional change to the way we live, work and interact fundamentally brought about by the effects of the Covid-19 pandemic, we re-evaluated our strategy, strategic objectives and business model, taking account of the evolving requirements of our current and prospect customers and the capitals, skills and abilities vital to be resilient and effective within the banking sector.

Material matters related to this theme

- Operational and financial resilience;
- Skills development and competencies required in the future;
- Partnerships and acquisitions for future growth;
- Improved customer insights through enhanced data science and data analytics;
- Integrated strategy, which is people-led and digitally enabled; and
- Transformation imperatives.

Our responses

- Reassessed our strategy through extensive engagement;
- Ensuring organisation-wide buy-in and alignment as to what a future-fit Bank entails and how we are to work together to achieve it;
- Ensured organisational and financial sustainability and building resilience post-Covid-19; exploring acquisition and partnership opportunities to serve as a springboard for future growth, aligned to our strategy;
- Adopted our sustainability levers as part of our organisational strategy, which balances financial and non-financial targets;
- Continued to place our customers at the center of everything we do;
- Using data analytics to better understand their needs and wants, looking to 2025 and beyond;
- Defined future skills and capabilities required to continue to excel; and
- Continued to prioritise transformation imperatives. (within the organisation and the board)

Key performance indicators

- NIACC
- ROE range 16% - 26%
- Cost to income ratio of below 50%

Medium to longer-term actions

- Driving growth and ensuring competitive advantage;
- Promoting adaptability to achieve scale and to expand;
- Embedding digital ways of working;
- Ongoing evaluation of our strategy, purpose and vision;
- Leveraging opportunities;
- Mitigating macroeconomic threats; and
- Aligning the new operating model to deliver the FY25 strategy

Our operating environment: FNB

INTRODUCTION

FNB Namibia's activities in the retail and commercial market segments ranging from unbanked individuals through to midsize corporates, are represented by the FNB, WesBank, OUTsurance and PointBreak Wealth brands. The diverse range of solutions across transactional banking, lending, investment and insurance pillars, as well as wealth advisory allow for the delivery of value propositions for retail and commercial customers across all income and turnover levels, that are designed to meet their needs and exceed expectations, which is at the core of our strategy.

During the year under review, we continued our focus on making a meaningful difference in our customers' lives and businesses against a landscape that remained challenging. In addition to pressures from prolonged COVID-19 impacts, the environment was marked by macro and microeconomic factors such as increasing inflation and rising interest rates.

Increasing pressures on disposable income of customers as well uncertainty in the operating environment resulted in lower customer demand for credit, whilst regulatory pressure on non-interest revenue as well as rising costs associated with regulatory compliance remained a priority for us to manage. These factors have required the business to continuously find innovative ways to ensure delivery of value to our various stakeholders in particular, our customers, staff, shareholders and the broader society.

Despite the challenges, the retail and commercial business remained resilient and has continued to focus on progressing on its strategic focus areas of delighting customers, providing contextual solutions and platform, cultivating a high-performance culture and managing the business with a sustainability mindset.

The excellent set of results could not have been achieved without our people. They too have been as affected by the environment as anyone in Namibia and beyond. We remain highly appreciative of their endless commitment and contribution to the 2022 results.

FINANCIAL PERFORMANCE

When interpreting the results for the year ended 30 June 2022, the comparative period still represents a portion with a low base given the prevailing impact of the Covid-19 pandemic. FNB's profit before tax (which represent 77% of FirstRand Namibia Group profit) grew by 19.0%, delivered a robust pre-provision operating profit growth of 6% year on year and pleasingly, normalized ROE increased to 33.7% up from 29.5% in the previous year. Net interest income increased by 21.6% off higher average balances and improved margins on prime linked products which benefited from a combination of principled pricing and rate hikes in the second half of the financial year.

Impairment losses were lower than prior year due to the unwinding of credit provisions on the back of emerging economy recovery. The increase in non-interest revenue by 6.8% (up from flat growth in prior year) was mainly driven by an increase in volumes as there continued to be regulatory pressures on fees. Normalised operating expenses increased by 5.9% year on year, however cost to income remained flat year on year signifying adequate cost efficiency. The increase in costs was attributed to investment in staff and increased spend in IT as the group continued to invest in platform and regulatory projects.

FNB's credit performance continues to reflect positive underlying trends supported by the improving macroeconomic forward-looking outlook, compared to 30 June 2021. Advances grew by 4.2% for the year ended 30 June 2022. This growth was driven by the residential mortgage, personal loans and commercial vehicle and asset finance portfolios. Retail vehicle asset finance, commercial term loans and overdraft's growth, however, remained subdued.

Deposit growth of 8.5% was bolstered by ongoing momentum in savings and investment products, with particularly good growth from the commercial segment observed.

STRATEGY AND RESOURCE ALLOCATION

Delighted customers

Our total customer base grew by 2.8% to 670 590 as at June 2022 from 652 580 at 30 June 2021. The active transaction base grew by 2.0% to 608 848 as at 30 June 2022 from 597 156 at 30 June 2021. Our mobile wallet, eWallet users have grown by 5% from 1.2 million at the end of June 2021 users to 1.3 million users as at 30 June 2022, signifying the reach and popularity of eWallet.

Governed by formally mandated structures, the business continuously evolved customer value propositions based on customer feedback, informing which touchpoints in the customer journey were prioritised to remove friction from and where further solutions enhancements took place.

Encouraging continuous customer feedback through market research, ongoing customer satisfaction surveys, as well as compliments and complaints, positive or negative alike, has allowed for the business to continuously improve on strategic intent to delight customers. As a result, customer complaint volumes increased by 6.4%, representing 0.24% of our customer base. The main contributor to complaints related to ATM and ADT disputes, for which process improvements have been identified and are being addressed. Our concerted efforts have however resulted in positive customer sentiment, reflected in the Net Promoter Score which grew by 8.8% from 34% to 37%, as well as customer compliments, which increased by 26.4%. Efficiencies around complaints management have also improved our complaints turnaround times.

STRATEGY AND RESOURCE ALLOCATION continued

Delighted customers continued

Queues remain part of the prominent customer friction points identified that cause great angst in the customer experience. As a result, FNB introduced a queuing ticket system called Q-Man that enabled the tracking of average queuing time, average waiting times on transactions, as well as interaction minutes per transaction buckets at a branch and individual level. The goal is to improve the time spent in a queue by a customer before they are serviced, improve efficiencies on processes to reduce waiting time, increase frontline staff productivity and overall create a delightful customer experience at a branch level. FNB ran a pilot across two (2) branches between December 2021 and April 2022 and are now able to roll-out this service to an additional 14 branches in the new financial year. The system will also assist in identifying the branch activities that can still be migrated to self-service channels or call center to ensure more convenience for customers.

In addition to value proposition improvement, significant focus was placed on increasing alternative points of presence beyond traditional branches. We also improved contact centre skills and capacity to support the increased usage of unassisted channels by customers.

We continued to provide real help to our customers through the extension of contextual lending solutions. The commercial segment extended new credit to the value of N$1.3 billion to our business customers. In addition to medium-to-large company value-adds, SME guarantee schemes and a free business toolkits were rolled out during the current financial year. The guarantee schemes enables the bank to provide credit to SME's that would not have qualified for affordable credit without the guarantee whilst the business toolkits contains important business resources to assist business owners.

We worked to support our clients within parameters to weather the adverse trading conditions through covid relief loans, moratoriums, debt restructures and business rescue initiatives, which have supported in abating cashflow constraints for businesses that have not seen their cashflows rebound after the pandemic. These support initiatives have been rolled out through various instruments both internally designed and through external partnerships. A dedicated business rescue unit was created to assist businesses that are in financial distress.

Contextual solutions and platform

The journey towards platform continued, largely evident in the continued customer migration towards alternative and more digitally enabled self-service channels. In addition to accessing the FNB network of 6 927 POS devices and 318 ATM/ADTs, customers have significantly increased their usage of the various cash in store solutions offered across the country. Volumes of CashPlus deposits and withdrawals increased by 313% and 271% respectively, whilst Cash@till and Ewallet@till volumes grew by 96% and 95% year on year. Digital penetration for our retail base grew a phenomenal 20.6% year on year (from 66.9% to 80.7%), and similarly our business segment digital penetration grew by 3.6% (from 79.1% to 82.0%). Customer Incentive rewards paid to customers increased year on year by 19.8%, from N$22 million in 2021 to N$27 million in 2022.

Decisions to close certain branches or reduce others in physical size have been made in line with the growth in alternative channels' footprint and customer usage. These considerations continue to be based on scientific insights into dynamic customer needs and behaviour and have also informed the locations we select for ATM and ATM lobby placement.

Considerable contextual solutions and platform development took place during the year in order to enhance and improve our value proposition to our clients, with a few notable highlights:

- DigiPlus, launching in July 2022, a disruptive and market-leading fully digital bank account that attracts zero monthly fees, and is aimed at significantly increasing financial inclusion;
- Self-service Credit card maintenance on App;
- FX on App, which removes significant friction for customers conducting forex transactions;
- Compliance of platform, a solution that allows for customers to upload their compliance-related documents at their convenience, at any time and from anywhere; and
- The pilot phase for credit scoring for SME was successfully completed during the year and it will now go live in the new financial year. This credit scoring is aimed at enabling quick and more accurate credit decisions which in turn will improve client experience.

Our operating environment: FNB continued

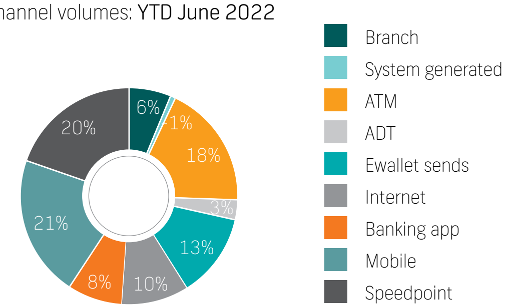
STRATEGY AND RESOURCE ALLOCATION continued

Contextual solutions and platform continued

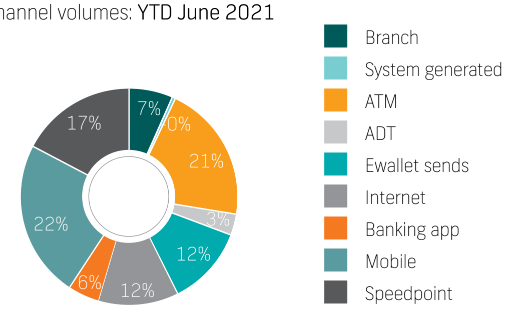
Despite some initial customer pain, the move to a new state of the art national payments system, NAMPAY was completed and rapidly stabilised.

Strides were made in our efforts to enhance the insurance offering with the conclusion of a transaction that will see the OUTsurance Namibia business evolving to a fully locally owned entity that offers a broadened product offering. The integration of PointBreak Wealth into the retail value proposition has allowed us to further increase the breadth of the solutions we offer to our affluent customers.

Channel volumes: YTD June 2022



Channel volumes: YTD June 2021



High performance culture

People are the cornerstone of our business and we continued to invest significant resources in a number of initiatives. The business reviewed its talent management framework and succession planning, with a particular focus on capabilities for the future being considered in various leadership and staff development interventions such as individual and team coaching, formal leadership development programmes and ongoing reskilling. The First Job initiative was also rolled out, comprising a graduate development programme, internship programme and experiential learning programme.

Similar to the approach we take with actionable customer insights, employee feedback is continuously sought and informs how improvements or changes are prioritised and executed upon. Such feedback has also been used to shape the extent and nature of employee engagement activities, large or small. Two major surveys – the FirstRand Organisational Assessment (FOA) and Diversity and Inclusion (DEI) – were concluded, with subsequent management actions being identified and tracked accordingly.

We continued to remain agile and responsive as far as pandemic responses required, maintaining our hybrid work location model which allows for work hour and physical location flexibility within a set of agreed parameters. The wellness initiatives available to staff were expanded upon – in particular, COVID-19 related interventions included Covid Care hamper deliveries and provision of oxygen concentrators when required, as well as emotional support and counselling.

The FirstRand Namibia's Promises remain the primary lever of the organisation's culture and good progress has been made in aligning and enhancing the organisation culture.

Sustainability mindset

Aligned to our intention of being a good ancestor and delivering meaningful value to our stakeholders, our business strategy at its core incorporated shared value principles and ESG measures.

We have progressed our digital transformation agenda, continuously modernizing the business to ensure that it remains relevant to customers, shareholders, society and other stakeholders, not only in present times but also in future.

The bank's total impact on society extends from the CSI spend by its foundations to how it manages its operations and, most importantly, how it deploys its balance sheet and core business activities.

The business has strong Financial Resource Management principles the outcomes of which are evident in the financial and non-financial results for the year. These include:

- Sound margin management through appropriate pricing
- Appropriate credit risk appetite that supports assets growth
- Revenue diversification and enhancement
- Reduction of legacy costs through customer migration, process optimisation and automation
- Investment in platform to create efficiencies.

The FNB segment further contributes to economic development and employment creation through providing innovative funding solutions for small to medium sized enterprises (SMEs) - the growth engines of the economy. We believe that financial inclusion for individuals and small and medium-sized enterprises is vital to transform and scale the informal economy. Through our innovative electronic channels and platforms, the bank is able to reach previously unbanked and under-banked segments of the population.

In line with our commitment to increasing financial inclusion, we finalised development of a disruptive, fully digital bank account, DigiPlus, which is aimed at increasing financial inclusion. The cardless bank account is self-acquired and serviced, attracts zero monthly fees, enhancing options for relevant, affordable and accessible banking. DigiPlus addresses unmet needs of our unbanked population, allowing for deposits, withdrawals and payments.

OUTLOOK

The operating environment remains fragile but we are cautiously optimistic with expectations for emerging economic recovery, opportunities to add further value to our various customer segments, and the pipeline to expand our platform-based offerings that we have in place.

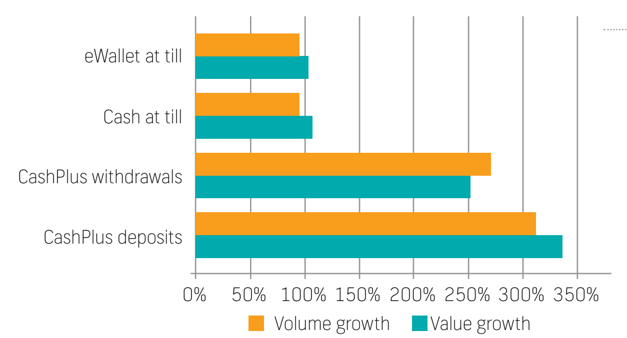
Although costs associated with meeting continually evolving compliance requirements are a factor that the business needs to manage, our focus on efficiencies and keen cost discipline remains, to ensure we continue to bring affordable and value-adding solutions to our customers.

We remain steadfast in our commitment to our customers, employees, shareholders, regulators and broader Namibian society. Providing #realhelp for impactful change and playing a meaningful role in the country's economic recovery will remain paramount. Our robust approach to sustainably growing the business with the resources allocated to it, places the retail and commercial business in a sound position to keep delivering strong value to all stakeholders.

Our operating environment: FNB continued

	June 2022	June 2021	YOY
eWallet users	1.25 million	1.19 million	5.0%
Points of presence (Branch, ATM / ADT, POS)	7 334	7 033	4.3%
CashPlus agents	177	107	65.4%
Retail Digital penetration	80.7%	66.9%	20.6%
Business Digital penetration	82.0%	79.1%	3.6%

Alternative channels



N$'millions	June 2022	June 2021*	YOY
Income statement			
Net Interest after impairments	1 584	1 304	21.6%
Non Interest revenue	1 813	1 698	6.8%
Operating expenses	1 933	1 767	9.4%
Profit before tax	1 434	1 205	19.0%
Balance sheet			
Advances	27 342	26 250	4.2%
Deposits	21 404	19 717	8.5%

* The group has made structural changes to better serve clients and as of this year, Ashburton has been segmented into FNB and RMB. Comparative information have not been restated with the change.

Erwin Tjipuka
CEO: FNB franchise

Our operating environment: RMB

RMB OPERATIONAL REVIEW

The year under review has seen new green shoots emerge in the broader economy and within RMB Namibia. The green shoots did however come with an elevation in inflation and a resultant increase in interest rates both locally and globally. During these turbulent times the role of banks is again emphasised and in line with that RMB Namibia continues to take up its rightful role as a distinguished corporate and investment bank in Namibia.

It is of strategic importance for RMB to continue building a business of scale and relevance in the Namibian market, as it allows us to realize our ambitious goals and help build a long-term sustainable Namibia. In line with this, RMB made significant investments to change the bank, to remain resilient and future-fit and continue delivering innovative solution for our clients. RMB has been at the forefront of embracing the group's platform journey. More so, this financial year also witnessed the evolution to become more client-centric, delivering into our clients' expectations. The premise of such a construct is to create value for all stakeholders (shareholders, employees, and clients). This evolution allows us to fully entrench ourselves into client ecosystem to better provide them with innovative solutions that meet their needs. At the same time, these innovative solutions also facilitate the investments, that Namibia requires for its economic development.

RMB attained the top net promotor score, amongst banks surveyed, and ranked high on indices, including being a market leader, being innovative, solutionist thinkers, complex problem solving and talented teams. RMB Namibia was awarded the Global Finance Best Trade Finance providers three times in a row, Best Cash Management and Treasury Solutions twice times in a row, and a country first was the Best FX provider. These have been great endorsements and accolades, truly echoing our leadership in the Namibian market.

We are committed and are intentionally building out a sustainable business, minimising key business risks while simultaneously building a future-fit business, meaning that we are continuously building out capabilities and embracing market trends and we remain convicted the pay-off for our efforts will come into fruition. RMB continues to drive delivery on its purpose statement of liberating diverse talent to partner and innovate for a sustainable Namibia. We believe that profitability remains an outcome of this and a measure of how successful we are in delivering on our purpose. Our unique talent and skills are what provides us a competitive advantage in the market, and we continuously invest in our people and culture to ensure we have a globally competitive workforce. Our key wins are a testament to our focus areas in terms of providing bespoke solutions, increasing share of wallet, and becoming trusted advisor, all underpinned by our client-centric approach. This is supported by deep sector expertise, strong partnerships as well as effective cross-sell and up-sell strategies. These wins prove our delivery on our purpose of creating a sustainable Namibia.

The team set out to protect and balance a portfolio of strong businesses. Since the pandemic, profitability has been under pressure as result of gradual rate cuts. This was compensated for by growing the portfolio across the various product houses as well as the roll-out of alternative channels.

The lending business has done exceptionally well on deal origination in a rather tight economic cycle, with the team working tirelessly with our clients to solve for their needs in this process. The team has also been intentionally building the bank's track record in ancillary advisory and debt capital markets. Most notably as well is the ESG credential, having arranged the FNB Green Bond, the largest and second issuance in Namibia to date.

The Markets business has embraced another year of volatility. The team has focused on building annuity income streams and building out solution capabilities that truly position us as first to market and market leading in the Namibian economy.

The success of RMB is further entrenched in the ability to leverage off the wider FirstRand ecosystem, both locally and internationally, and to partner with FNB. 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, as our teams were able to prove resilience and fully embrace the Solutionist Thinking ethos to solve for our clients and Namibia, to rebuild our economy.

Philip Chapman
CEO: RMB franchise

Human capital strategy

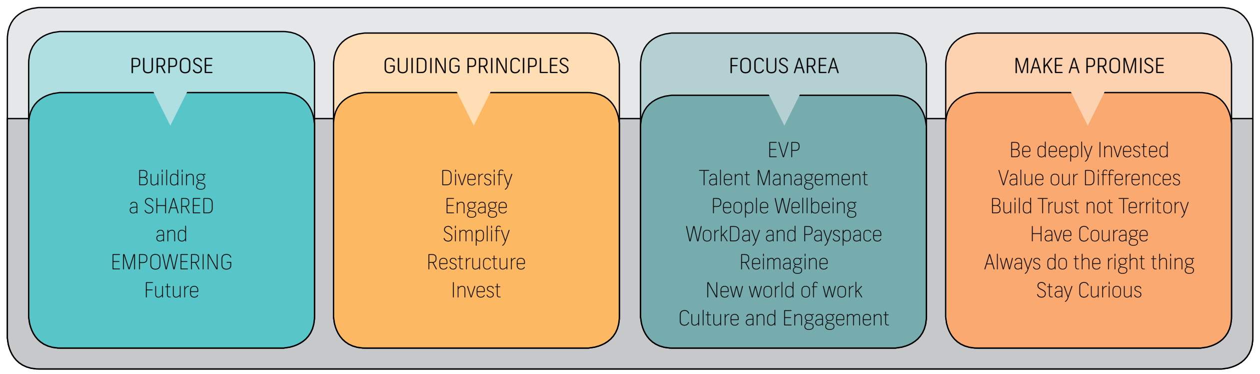
The global impact of the COVID-19 pandemic was not only felt economically, but significantly at a social and emotional level as well. Employee burnout, isolation and lack of connection has escalated and incidents of mental and physical wellbeing have been reported. To ensure we keep putting the health, wellbeing, and wealth of our employees at the forefront, the group launched an Organizational Assessment Survey in September 2021 to fully understand the well-being of its employees and the effect the pandemic had on them. The survey measured workplace climate and energy to perform. The results provided us with valuable information and guide the development of focused initiatives to address concerns identified.

To concretise our intent, Human Capital verbalise its purpose, principles, and key focus areas with our Promises as the building block.

1. CULTURE AND ENGAGEMENT

Mission: As Namibia's Best Employer to the Best People, FirstRand Namibia continuously strives to create an inclusive workplace where everyone feels valued and respected – a place where everyone of our people are treated as individuals and inspired to achieve personal potential and business objectives. As an Employer of choice to the Best People, through our Employee Value Proposition we can "create an emotional response to the set of attributes that people perceive as the value they gain in their life of employment at the Organisation" (Gartner). The group unpacked our culture through launching a second survey during February 2022 to gain an in-depth understanding of our current state of Diversity, Equity, and Inclusion. The overall participation rate for this survey was 75%, with an overall Diversity score of 73% and an inclusion score of 70%.

Survey findings have been assessed and are being addressed by conducting workshops with the respective teams throughout the organisation to identify actions or initiatives to resolve challenges identified. The progress is being tracked with the implementation of an action tracker within all segments.



Campaigns aligned to the outcomes of these survey were rolled out throughout the year to create awareness and instill behaviors linked to our Promises in an effort to create the culture FirstRand Namibia strives to build. The Promises campaigns conducted in this financial year focuses on the following:

#ISEEYOU
The purpose of this campaign was to promote inclusion by creating awareness around our hidden biases. This campaign was aligned to the VALUING OUR DIFFERENCES promises. Teams across the organisation engaged in conversations around the topic.

UNCONSCIOUS BIAS
The campaign focused on creating further awareness around the promise of VALUING OUR DIFFERENCES. This campaign aimed to spark the curiosity one needs to really see another person for their worth, unique contributions, and value they bring to the organisation to create a more inclusive environment. Daily publications were shared via the Newsflash channel for the duration of 2 months. Employees had the opportunity to recognize colleagues via the Promises Recognition platform for their efforts in creating an inclusive environment. All employees were also enrolled for unconscious bias training.

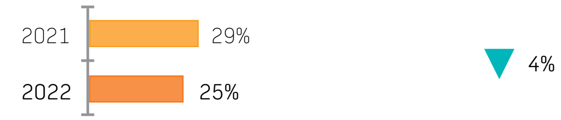
RECOGNITION PLATFORM
Our philosophy is the core foundation for building an Owner-Manager, High Performance and Values-driven Culture and therefore the aim of the promises nomination platform is to reward and recognize employees who actively live and embed the promises through their behaviors. It is also focused at embedding and driving the desired behaviour expected from all employees within FirstRand Namibia and in so doing achieving our mission of being the BEST EMPLOYER TO THE BEST PEOPLE.

ATTITUDE CHANGES EVERYTHING! MY DESTINY JOURNEY
This campaign was aimed to encourage staff to believe in themselves and their abilities, as well as the abilities of others they work with and to invest in lifelong learning. The initiative took employees on a journey of personal discovery and mastery through activities, tools, assessments, and practical advice that that can apply in your everyday life and work, to achieve their personal goals and aspirations. Daily publications shared with the organisation to create awareness around the future of work, and how employees need to prepare themselves by ultimately managing their own careers.

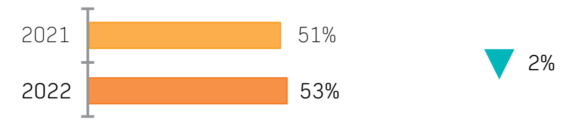
We are committed to employment equity and transformation as depicted through the approval of our three year further affirmative action plan and consistently achieve employment equity certification status year-on-year. Our focus remains to increase representation of disabled persons as well as women and previously disadvantaged person at executive and senior management levels.

Gender Equity: Representation of Women

Women as a percentage of the Executive Team:

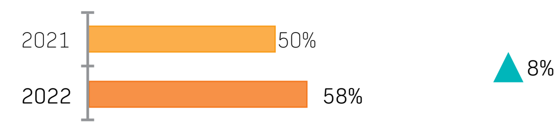


Women as a percentage of the Senior Management Team

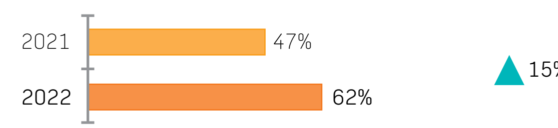


Racial Equity:
Representation of Previously Disadvantaged Employees

Previously Disadvantaged Employees
as a percentage of the Executive team

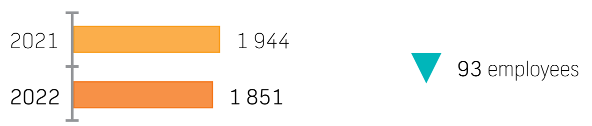


Previously Disadvantaged Employees
as a percentage of the Senior Management team

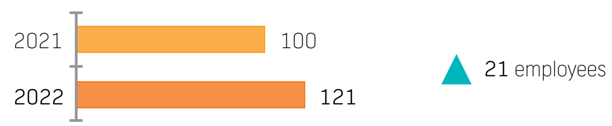


Human capital strategy continued

Employee Permanent Headcount



Number of Non-Permanent Employees



2. TALENT MANAGEMENT

Our group's success is significantly dependent 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.

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.

2.1 Management, executive and leadership development

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. In addition to this programme, we also introduced a Senior Leadership Development Programme as well as an Executive Leadership Development Programme. The objective of these programmes 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. During this past financial year, 17 Senior Leaders and 9 Executive Leaders attended the above 2 programmes with a total investment of N$565 429.

2.2 Targeted development pipeline interventions

To ensure a sustainable supply and availability of talent to the group as and when required, the group has targeted development interventions in place. The programme is underpinned by several schemes, namely; the Graduate Development Programme, FirstJob, the Bursary schemes, Staff Study Loans, and the Staff Assistance Trust. We invested a total of N$1 million on last mentioned Trust.

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 million training budget spent this past year, the group also contributed N$9 million to the skills development fund of the National Training Authority during this financial year.

FirstJob is another Talent Development initiative we introduced in 2022. FirstJob aims to assist unemployed youth by providing them with the skills, mentoring and experience they will need to thrive in the workplace and prepare them for entry into the job market and world of work. This initiative consists of 3 pillars:

2.2.1. Graduate development programme

Purpose: To source talented highly qualified Namibian Graduates for the purpose of developing them in critical and scarce skills required to drive the business strategy.

2.2.2. Internships

Purpose: To onboard and develop graduates in order to gain experience within their general fields of study to be released back into the Namibian Labour Market upon completion of the development programme

2.2.3. Experiential learning

Purpose: To onboard and develop students from tertiary learning institutions in need of Work Integrated Learning for graduation purposes.

The targeted Graduate Development Programme has been active since 2016 and has delivered exceptional talent that are now occupying critical roles within the business. The aim of the FirstJob initiative is to expand our programme by adding Internships and Experiential Learning to our offering.

During the 2021/2022 financial year we onboarded 2 Graduates, 15 Interns and 4 Experiential Learners.

During the past financial year we had to create a redeployment register consisting of redundant manpower as a result of Transformation, Digitisation, Automation and changes in operating models. This redeployment register started off with 191 employees and has decreased to an exceptional number of 28 employees as a result of retooling, upskilling and repurpose of skills. In addition to this, we also designed and implemented a Redeployment Development Programme assisting employees on this register to development themselves towards future critical skills to improve their chances of permanent uptake within the group and/or to improve their employability in the Namibian Labour Market.

3. EMPLOYEE WELLBEING

The physical and emotional wellbeing of our employees remains a priority for the group and the pandemic once again highlighted the importance of a healthy and happy workforce. A decision was made to enlarge our Wellness department, to further ensure the delivery of a variety of programmes and initiatives to sustain employee wellness and work-life balance. LifeAssist, our external EWP service provider, continued to offer 24/7 wellness services to staff and their next of kin. Staff have the choice between telephonic, electronic, and face-to-face assistance, through self-referrals or management referrals. The programme also provides debriefing sessions to assist our employees in copying with traumatic events.

Our on-site clinic @Parkside is manned by a qualified occupational health and medical practitioner and continued to be available to our employees. A total of 293 employees made use of the clinic since July 2021.

To combat Covid-19 and assist our employees with safe recovery we purchased ten (10) oxygen concentrators and distributed to employees in need across our areas of presence. Various trauma debriefing sessions were held at a number of branches after a loss of an employee and live online Covid-19 sessions were held to assist employees with various Covid related topics. Seven (7) vaccination clinics were arranged to date @Parkside with a total of 318 employees receiving their Covid vaccinations.

A total of 21 live online team sessions were conducted on a variety of topics, for example navigating grief and loss, navigating through trauma, mental health awareness month, etc. to name a few in order to create awareness amongst our employees. We also invested in eight (8) employee wellbeing managers training to equip our management to effectively assist their employees with wellbeing concerns.

FirstRand Namibia has as a key strategic focus area to give back to society at large. We have therefore arranged and successfully implemented four blood donation clinics @Parkside with a total of 241 employees donating blood. This resulted in NAMBTS awarding the group with a Gold Award for the Top Corporate Clinic as well as the Top Clinic Contact.

In addition to the above we concluded our Health Lifestyle campaign and launched our Rise Up Campaign during May 2022 which will focus on various topics to assist employees with burnout, sleep patterns, and other wellness concerns identified in the Organisational Assessment Survey.

Executive health

The health and wellbeing of the executive leadership team is of cardinal importance. To this effect, group has initiated a voluntary medical surveillance for executive and senior managers. The initiative is well received and a total of 16 executives have enlisted themselves for medical assessments to date.

Managing risk strategically

Our risks and opportunities

Managing risk and opportunities in a dynamic operating context

RISK MANAGEMENT APPROACH

The group believes a strong balance sheet and resilient earnings streams are key to growth, particularly during periods of uncertainty. The group's 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: - AA allocate capital appropriately; - AA 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; • strong risk governance through the application of financial and risk management disciplines through frameworks; and • 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 organizational decision making and is aligned with the group's strategic objectives.

RISK MANAGEMENT APPROACH continued

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 in light of 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.

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.

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.

RISK CULTURE

The Social, Ethics and Transformation 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.

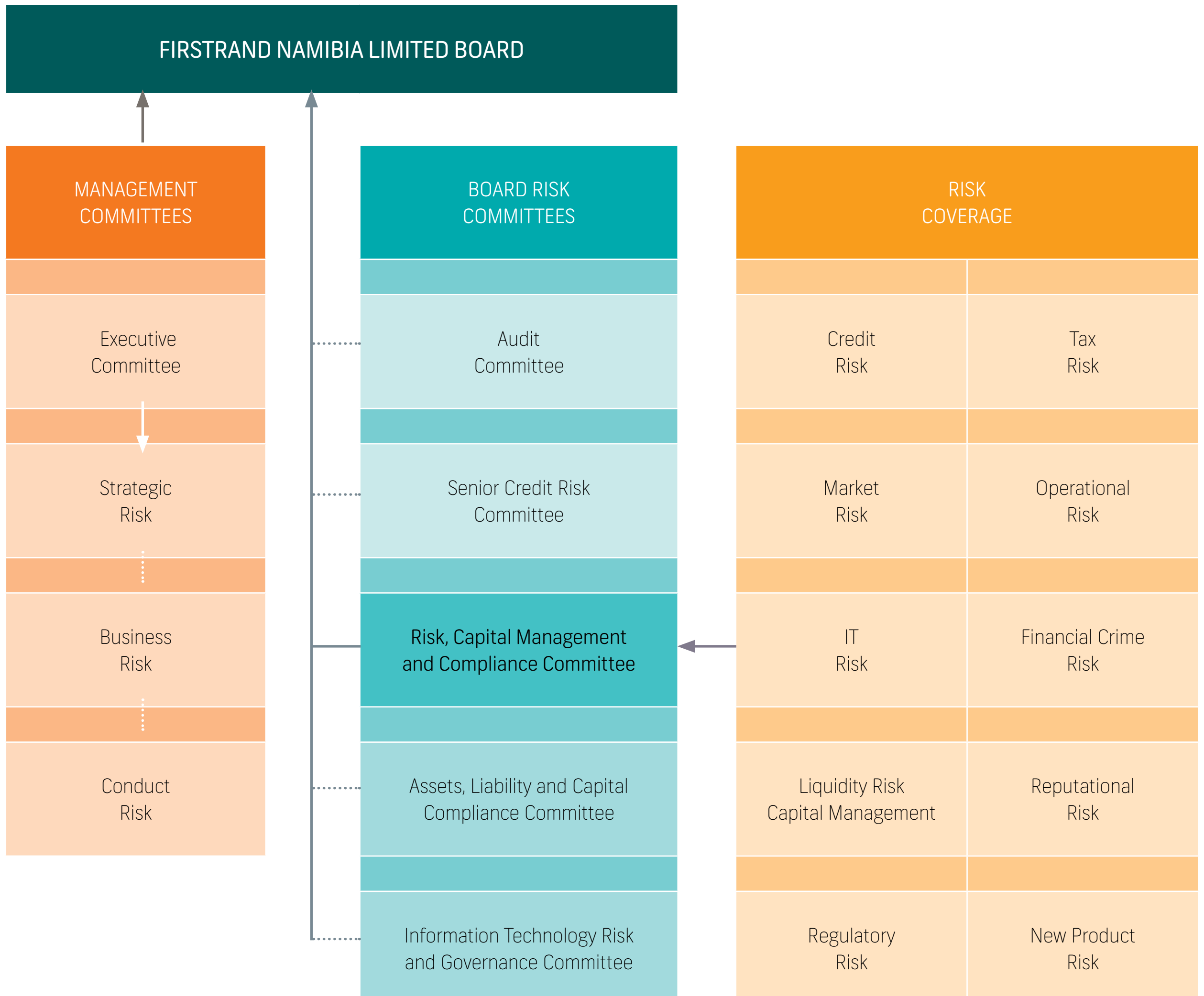
Leadership	Flow of information	Customers
Active promotion of the FirstRand Namibia's philosophy	Legitimising candor especially across hierarchies	Increased customer centricity embedded in strategy
Leadership development/ impact through others	Safe and effective reporting mechanisms	Strong customer centric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

Managing risk strategically continued

RISK MANAGEMENT STRUCTURE continued

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

Responsibilities of the board risk committees

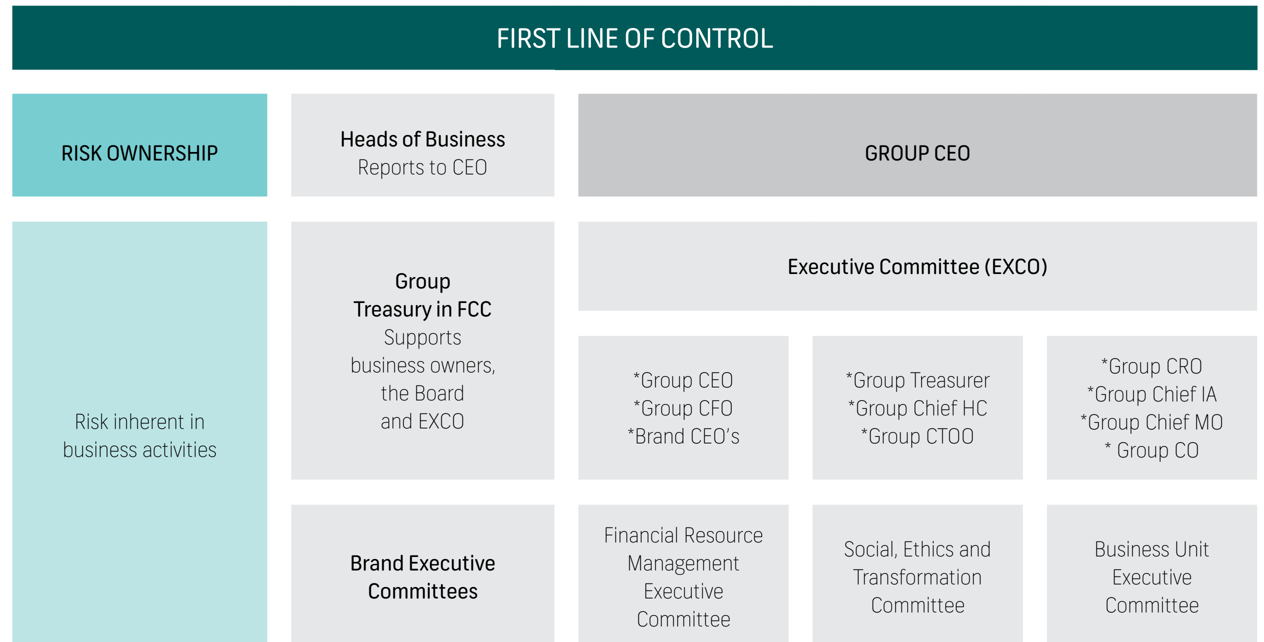


THREE LINES OF CONTROL continued

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

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

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



Managing risk strategically continued

THREE LINES OF CONTROL continued

SECOND LINE OF CONTROL		
RISK CONTROL	**Enterprise Risk Management (ERM)** Headed by Group CRO, Specialised Risk Managers for: IT Risk, Market Risk, People Risk, Legal Risk and Conduct Risk.	BOARD
Risk identification, measurement, control and independent oversight and monitoring	**Regulatory Risk Management (RRM)** RRM head represented on platform and Executive Committees	RCC Committee
	Insurance Control Functions Heads report to FNB Namibia CEO, ERM and RRM	Specialised Risk Committees
	Deployed Business unit risk managers *Involved in all business decisions *Represented at Business Unit Committees	**Deployed Risk Managers** Report to franchise CEOs and group CRO

THIRD LINE OF CONTROL		
INDEPENDENT ASSURANCE	**Group Internal Audit (GIA)** Headed by chief audit executive with direct, unrestricted access to audit committee chairman, group CEO, business units, records, property and personnel	Audit Committee
Adequacy and effectiveness of internal control, governance and risk management	External Auditors	Combined Assurance Forum

RISK PROFILE MANAGEMENT

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

- Strong earnings resilience through diversification, growth in client franchise, appropriate risk appetite and positive operating margins.
- Quality of returns with a focus on ROA (not gearing) and discipline in deployment of capital.
- Maintain balance sheet strength through:
  - managing non-performing loans and coverage ratios;
  - growing the deposit franchise and improving liquidity profile; and
  - maintaining a strong capital position.

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

RISK UNIVERSE

The group recognised that the following major risk categories and build risk frameworks to monitor and report on the impact of these risks within the group.

RISK UNIVERSE			
Capital Risk	Liquidity Risk	Market Risk	Information Technology Risk
Operational Risk	Compliance Risk	People Risk	Reputation Risk
Credit Risk	New Business Risk	Strategic Risk	Accounting and Taxation Risk

Managing risk strategically continued

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.

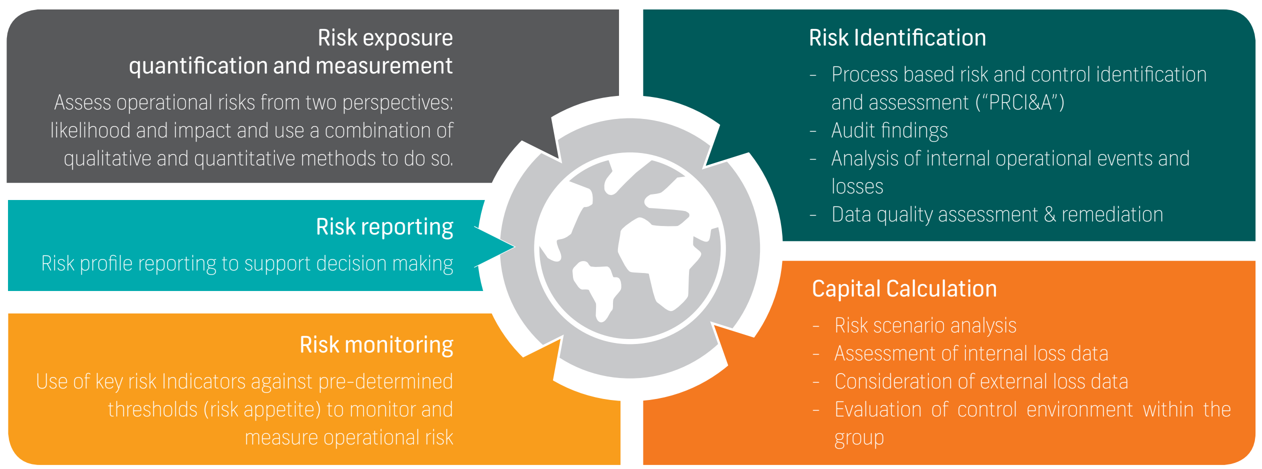
As part of the reporting, challenge, debate and control process, ERM drives the implementation of more sophisticated risk assessment methodologies through the design of appropriate policies and processes, including the deployment of skilled risk management personnel in each of the franchises.

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

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external factors. Operational Risk includes any event that disrupts the normal flow of business processes, and which generates financial loss or damage to the image of the group. This includes:

- fraud and criminal activity (internal and external),
- project risk,
- legal risk,
- business continuity,
- information and IT risk,
- process and human resources risk; and
- Strategic, business, and reputational risks are excluded from the definition.



OPERATIONAL RISK continued

Operational risk management framework

Key Risk Management principles and practices fundamental to the effective management of operational risk are outlined in the Group Operational Risk Management Framework (ORMF).

The key principles provided in this framework specifically focus on what must be implemented with respect to the risk management philosophy, methodology and strategic objectives of operational risk. It specifically focuses on the following:

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.

FirstRand 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 risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal and IT risk but excludes reputational and strategic risk. Strategic and reputational risks are covered in the "Hard to quantify" section of this document.

Unlike other major risk types, operational risk is inherent in the pursuit of a commensurate return. It exists, to a varying degree, in all organisational activities.

The scope and coverage of operational risk are defined by Basel event types. These event types are:

- Internal fraud
- External fraud
- Employment practices and workplace safety
- Clients, products and business practices
- Damage to physical assets
- Business disruption and system failure
- Execution, delivery and process management

The definition and scope of operational risk includes Information Technology (IT) risk, as demonstrated by the inclusion of "Business disruption and system failure" as a separate event type. More specifically, IT risk can be defined as the risk of losses as a result of a compromise of confidentiality, integrity or availability of IT systems due to inadequate and failed internal processes, people, and systems or from external events.

Operational risk is governed in terms of the Operational Risk Management Framework (ORMF), which is a sub-framework of the Group Risk Framework. IT risk is governed by the IT Risk Management Framework (ITRMF), which is a sub-framework of the ORMF.

Managing risk strategically continued

OPERATIONAL RISK continued

Risk management and measurement

Scope for the approach

First National Bank of Namibia Limited (FNBN) follows the Standardised Approach (TSA) for operational risk and received approval from BON to apply TSA.

Methodology

Under TSA there are various regulatory requirements regarding risk measurement, management and governance. Minimum regulatory requirements are detailed in BON regulations. FNBN implementation of these minimum standards is described in the ORMF, with supporting policies for individual risk measurement tools.

TSA capital is calculated as specified by BON in Regulation BID5. All business activities are mapped to Basel business lines and a three-year average gross income is calculated per business line. Each business line's average gross income is multiplied by a predefined beta factor to arrive at a capital requirement for a specific business line.

Regulatory and economic capital

There are currently no economic capital models for Operational Risk. Capital is calculated as a function of gross income, and economic capital is set equal to regulatory capital. Capital calculated as per BON regulations is assumed to be 10% of RWA (Basel Pillar 1 minimum capital requirement).

Further supplementary risk measures

Risk measurement tools that are implemented for FNBN include:

Risk Tool	Tool purpose
Loss data collection and Loss Threshold reporting	• Centralised data base recording all Loss Event and Loss Impacts (OpenPages); • Designated as trusted source of risk reporting data (BCBS 239 controls implemented); • Enables risk reporting of actual losses verses loss appetite for tracking purposes; and • Root cause and corrective action are captured which also serves as learning points for improving the control environment.
Key Risk Indicators (KRI)	• Centralised data base enabling recording of KRI values, and measurement against pre-determined thresholds.
Risk Register (PRCIA)	• Enable transparency of risk and control universe by documenting risk registers.
Business Continuity Planning (ContinuityFirst)	• Centralised recording system of business continuity plans; • Minimum requirements of BCP to be captured on system generated templates; and • Tracking of compliance against renew / update deadlines.
Business Continuity Planning (ContinuityFirst)	• Results from control monitoring (from GIA, Operational Risk, External Audit and/or regulators) - to feed back into PRCIA to enhance risk and control universe.

A process and product-based approach to risk assessment is implemented, whereby risks and controls are identified and assessed per process, product and business unit. This process-based risk and control identification and assessment (PRCIA) is further used as basis for risk assessments. Scenario analysis for capital calculations is not currently performed for FNBN.

Further supplementary risk measures continued

Loss data, KRI and PRCIA are exclusively used for risk measurement, management and reporting. These measures are not used for capital calculations, stress testing or risk appetite setting.

All operational risk exposures in FNBN are monitored by these measurement tools and processes, including IT risk.

Conservatism applied in the approach

TSA capital calculation is formula based, using gross income as sole data source. As these calculations are specified by the regulator, limited opportunity for the application of additional elements of conservatism is available. However, the following principles are always applied:

- Business activities are mapped to business lines on the lowest level in the organisational structure; and
- Where there's uncertainty about the business line mapping of an activity, it is mapped to the business line with the highest beta factor.

From a general risk measurement and management perspective, conservatism is implied by the implementation of various risk measurement and management structures and tools. The following contributes to a conservative approach to risk management in TSA entities:

- Risk measures are implemented on a process level, particularly the risk register and KRI;
- Policies require prudent quantification of risk measures, particularly the reporting of realised and potential losses;
- A low reporting threshold for losses has been implemented. All losses above N$5 000 have to be recorded on the operational risk system; and
- Proactive reporting of risks and losses to various stakeholders.

Operational risk measurement and management policies are more conservative than required by regulation and, in many cases, Basel guidelines and best practices

Operational losses

	% Change Year on Year	FY 2022	FY 2021
Total Operational Losses as a % of Gross Income	(0.86%)	0.34%	1.2%

Summarised commentary on operational risk events

As per the BCBS 239 Risk Data Aggregation Reporting project, operational losses are reported from a centralised internal operational loss data base in line with our approved methodology.

INFORMATION GOVERNANCE

Information, whether the groups own or that entrusted into its care by customers, staff or business partners, is a valuable and strategic asset and essential to its business.

The board is ultimately responsible for the effective governance of information within the group. The Information Governance Framework is a policy of the board and prescribes the governance and monitoring structures, key roles, responsibilities and principles which must be implemented and adhered to in order for the board to discharge its obligations in this regard.

Managing risk strategically continued

INFORMATION GOVERNANCE continued

Information Governance is the group's co-ordinated, inter-disciplinary approach to satisfying information compliance requirements and managing information risks while optimising information value. Information governance is a corporate governance responsibility, focusing on and directing the management of information by helping to ensure that:

- Information principles, policy and standards are set;
- Information ownership and accountability are clearly defined and allocated;
- Governance structures are in place to set information strategy, information management maturity levels and to monitor key information risks and root causes specific to the data itself;
- Legal and regulatory requirements are identified and met;
- Sufficient independence from any particular segment / brand / department is maintained and that proactive and co-ordinated decisions about information are made for the benefit of the group;
- Data literacy and an information management aware culture is promoted to support effective and ethical use of information;
- Material data sources are identified and managed as information assets;
- Key metrics and key data elements (KDE) are defined clearly and consistently throughout the group;
- Data flows for material risk data processes are documented, maintained and authoritative and trusted data sources identified;
- Information is appropriately classified;
- Fit-for-purpose information controls are identified and embedded in business and IT processes;
- Vital records are identified and retained in line with regulatory and business requirements;
- Material data quality issues are identified, root causes assessed and remediated timeously and sustainably;
- Master and reference data are appropriately managed to support effective consolidation, aggregation and integration of shared data across the group; and
- Information security, data privacy and records management requirements are embedded in all processes.

As data and analytics become a core part of digital business and data is more and more recognised as an asset, new roles are required and executives and employees' ability to communicate and understand conversations about data, in short, the ability to "speak data", is becoming an integral aspect of most day-to-day jobs. The successful implementation of information governance is therefore underpinned by data literacy, executive commitment, and directed and enabled by data strategy, sustainable governance structures and supporting processes, information management roles, principles, policies and supporting standards.

Deliberate competency development in the field of data literacy is required in support of digital dexterity strategies to improve business outcomes and employee engagement. This, together with the requirement that boards of directors be held accountable for the governance of information, the use of information as a strategic enabler by competitors and the increased focus on information from a regulatory perspective, necessitates the need to further formalise and embed the governance and management of information.

KEY OUTCOMES:

The outcomes of the governance and management of information must ultimately be in line with the business and data strategies of the group and cannot be achieved in isolation. These outcomes must be aligned and driven in conjunction with other important business imperatives. Outcomes are not limited to what is mentioned in the Information Governance Framework, but key expected outcomes include optimised information value, accountability for information, managed information related risks and the ethical use of information. Once implemented, a successful information governance and data management approach, which builds trust and meets legal requirements, must also lead to improved decision-making, operational efficiency, understanding of data and regulatory compliance.

However, implementing information governance and information management requirements is a journey and executive management in all entities must oversee senior management's accountability in respect of assessing and implementing the prioritised information management principles within an agreed timeframe.

CREDIT RISK

RISK DESCRIPTION AND CONTEXT

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.

HOW WE ADDRESS THIS RISK

- 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 ratings (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 arises primarily from advances and certain debt investment securities. Other sources of credit risk include cash and cash equivalents, accounts receivable, off-balance sheet exposures and derivative balances. FNB Namibia's lending and trading businesses are subject to inherent risks relating to the credit quality of its counterparties and the recoverability of loans and advances due from these counterparties. Changes in the credit quality of the lending and trading counterparties or arising from systemic risk in the financial sector could reduce the value of the assets of FNB Namibia, resulting in increased credit impairments. Many factors affect the ability of FNB Namibia's clients to repay their loans, including adverse changes in consumer confidence levels due to local, national and global factors, levels of consumer spending, bankruptcy rates, and increased market volatility. These factors might be difficult to predict and are completely outside of the control of FNB Namibia. The group performs regular reviews on its credit portfolios to identify the key factors impacting the credit risk profile, to anticipate possible future outcomes, and to implement necessary actions to constrain risk.

Managing risk strategically continued

CREDIT RISK continued

FNB Namibia continues to apply origination strategies which are aligned to its broader financial resource management processes and macroeconomic outlook. Based on the approved credit risk appetite, as measured on 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 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 appetite measures are set in line with overall risk appetite. The aim is to deliver an earnings profile that will perform within acceptable levels of volatility determined by the issuer's overall risk appetite.

Persistent political and policy uncertainty, ongoing governance issues at state-owned enterprises and continued erosion of confidence in institutional strength and independence all continue to have a negative impact on confidence, which in turn constrains private sector investment, places pressure on employment and ultimately undermines gross domestic product (GDP) growth. Such a macroeconomic environment will be characterised by low domestic demand growth (consumption, investment and government spending), downward pressure on personal income and further rating downgrades. This could result in increased levels of impairment for FNB Namibia and have an adverse impact on the ability to grow revenues as well as credit impairments and, therefore, on its financial condition.

Credit risk is the most significant risk type in terms of regulatory and economic capital requirements. Credit risk is managed through comprehensive policies and processes, which ensure adequate identification, measurement, monitoring and control as well as reporting of credit risk exposure. The objectives of the policies and processes are to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement and monitoring through the implementation of adequate risk management controls.

For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in ratings and LGD's. Credit exposures are classified as direct, contingent, pre-settlement or settlement risk while the definition of credit risk also includes concentration risk.

CREDIT RISK continued

Differences between regulatory and economic capital measurement (All historic numbers are based on Basel as applicable on 30 June 2021):

	Basel requirement	Economic capital (models for FSR NAMIBIA maintained at FirstRand SA)
Credit parameters	Basel II Standardised approach rules	Similar, e.g. through-the-cycle probability-of-default (PD); downturn loss given default (LGD) and Exposure at Default (EAD) as per IRB approach.
Retail maturity	Not relevant	Downturn effective maturity, as per AIRB of Basel RWA formula.
Estimate horizon	Capital as at certain date	1 year
Credit correlation	None, only standard risk weights per exposure as prescribed	No correlations between assets classes, therefore no diversification benefit under pillar 1.
Credit concentration	Considered under Pillar 2	Refer to annexure F – Aggregation and diversification.
Retail, Commercial and Corporate inter-risk correlation	None, only standard risk weights per exposure as prescribed	No correlations and no diversification benefit aside from what was explained above.
Loss distribution	None, only standard risk weights per exposure as prescribed	Not applicable
Confidence level	None, only standard risk weights per exposure as prescribed	Not applicable

(Although the economic models are maintained by the expert team in SA, Namibia owns the full process including the data extraction, data submission, data analytics, approval of the models, approval of the output from the models, etc.)

Credit risk appetite and limits

The group's credit portfolio needs to deliver an appropriate earnings profile that will contribute towards achievement of the overall FirstRand Namibia group targeted earnings profile.

To achieve this objective, the group leverages off existing credit portfolio analysis to enable consistent measurement of the financial performance of the different credit business units of the group at a segment, portfolio and ultimately on a diversified group wide basis.

Managing risk strategically continued

CREDIT RISK continued

2.3.1 Principles and process for setting risk appetite and risk limits

A credit risk appetite statement is articulated which describes acceptable downside risk, i.e. definition of acceptable performance outcomes under different economic cycles. The key performance measures are NPL ratios, impairments and loss appetite per client or sector. These measures are forward-looking and stressed assessments corresponds to macroeconomic scenarios (and severities) applied in FirstRand Namibia's stress testing exercise.

To achieve outcomes within these constraints, risk limits are articulated. This is done to manage concentrations in credit segments contributing to high and/or volatile credit losses.

FNB Namibia Credit Risk Appetite Statement

Risk appetite statement	Measure/limits
• Maintain a credit health ratio in line with the NPL ratio approved per business unit; and • No expected loss to a single customer greater 10% of the single counterparty limit.	• NPL ratio and overdue reviews conversion rate of NPL's too bad debts; and • Credit ratings by external agencies.

The approved Risk Appetite statement for FNB Namibia summarises the acceptable losses per the following segments and applicable products within the segments:

- Consumer
- Business
- Corporate
- WesBank
- Home Loans

The risk limits set by business units need to represent an adequate level of coverage in terms of the 4 C's of credit risk appetite, namely counterparty, collateral, concentration and capacity.

Credit Risk Appetite Limits

The principles for coverage of the 4 C's in risk limit setting are described in the following table:

Coverage	Principles
Counterparty	Maximum credit loss appetite per client.
Collateral	Secured lending risk limits are set based on the collateral profile of new originations, i.e. LTV bands.
Concentration	All credit units need to assess concentrations that it may be exposed to as well as industry and geographical concentrations that may exist in the business.
Capacity	Credit business units are required, as part of the annual review of risk limits, to perform credit capacity calculations based on expected risk limit utilisation for a forward-looking 12-month period for each of their credit products and the highest risk segments.

CREDIT RISK continued

Risk limits

In setting risk limits, cognisance is taken of the volatility of credit losses associated with the risk segment, product pricing strategy, the product cost structure, and capital (including all risk types) requirements. A risk limit therefore includes a description of the risk segment to be constrained and the associated thresholds/limits related to the risk segment. These limits form the maximum credit risk profile to be taken by the business unit.

The risk limits set for each of the major credit risk segments considers concentration factors including counterparty based on FR ratings, collateral loan-to-value (LTV) bands, gearing, industry and geography. Limits are set of existing and new business.

The Credit risk control monitoring strategy is to adopt the combine assurance approach where risk managers will be conducting the control monitoring in the business units and credit risk manager will perform the analysis to determine the compliance to credit policies.

Credit risk profiles and credit performance are monitored monthly and assessed against stated risk limits and the risk appetite statement respectively.

Limits are monitored and managed on a proactive basis by business units and relevant policy committees are approached when increased risk taking ability is required before the annual renewal of its credit risk limits. Monitoring is included in the business unit and portfolio level Credit Committee reports as standing agenda item. Reporting include at a minimum:

- Historical performance against approved in-cycle risk appetite limits (including all four macro cycles), given the business units view of the state of its credit market, inclusive a motivation for believing to be in that particular cycle. This will be revised at the portfolio committee on an ongoing basis and risk appetite limits adjusted;
- Explanation of the reasons behind any breaches that may have occurred;
- A description of how the breach will be rectified; and
- A commitment of when the breach will be rectified by.

Breaches are reported to:

Committee	Head	Frequency of reporting
Business Unit Credit and Executive Committee	Business unit head of credit	As breaches occur
Credit Portfolio Committee (CCIB)	Credit portfolio head	Quarterly
Senior Credit Risk Committee	Credit portfolio head and ERM	Quarterly
Risk, Capital and Compliance Committee	CRO and ERM	Quarterly

Amendments to limits

Based on the performance of the portfolio, changes to the portfolio risk limits may be proposed by the credit head from time to time. These changes are tabled at the FirstRand credit policy, risk appetite and mandate committee. The motivation for any limit expansion is generally driven by improved portfolio performance that arises from improved collections actions, improved credit rating model or general improvements in the macro-economy.

No significant changes were made to the credit limits during the year under review.

Managing risk strategically continued

CREDIT RISK continued

Credit value chain

Credit origination strategy

The outcome of defining business unit specific risk limits is the formulation of the business unit's credit origination strategy to ensure credit profiles are maintained within the stated risk limits. Credit strategies can be refined on an ongoing basis to optimise performance, considering market trends, changes to economic outlook and Group strategic objectives.

Origination strategies are refined on on-going basis to ensure credit profiles are maintained within these risk limits.

These are articulated below:

Accountability for assuming credit risk starts with the origination (sales) function, but the decision to grant credit facilities or not, ultimately vests with the independent credit function.

A quality credit decision is based on the principle that counterparty passes a four-tiered test before a credit facility is granted.

Counter party Credit Risk

Counterparty credit risk ("CCR") is taken from the Bank's trading businesses emanating predominantly from RMB Global Markets business. CCR arises mainly from over the counter ("OTC") derivatives i.e. swaps, options, forwards transacted by the RMB Global Markets business.

Counter party Credit risk measures a counterpart's ability to satisfy its obligations under a contract that has positive economic value to a Bank at any point during the life of the contract. It differs from normal credit risk in that the economic value of the transaction is uncertain and dependent on market factors that are typically not under the control of the Group or the client.

FNB applies the Basel II formulae under the Current Exposure Method (CEM) for calculating economic capital:

$$EAD = (RC + add\_on) - CA$$

where

RC = the current replacement cost (mark-to-market or variation margin that has to be paid by CM)

add_on = the amount for potential future exposure ("PFE"). This term will include netting if it is allowed

CA = the volatility adjusted collateral amount

CREDIT RISK continued

Counter party Credit Risk continued

In terms of the Current Exposure Method ("CEM") the Exposure at Default ("EAD") for a portfolio of instruments is determined using the replacement cost of all marked to market contracts currently in the money, plus the credit exposure risk of potential changes in future prices or volatility of the underlying asset. The EAD is then used in determining the hypothetical capital.

The current replacement cost is calculated by marking contracts to market, thus capturing the current exposure without any need for estimation, and then adding a factor (the "add-on") to reflect the potential future exposure over the remaining life of the contract. the Current Exposure ("CE") which is the current mark-to-market ("MTM") value and a Potential Future Exposure ("PFE") that is the maximum amount of exposure expected to occur on a future date, with a high degree of statistical confidence. The PFE is derived by multiplying the notional value of each contract with its Credit Conversion Factor ("CCF"), which are fixed and specified in the Basel II Accord. The CCF is dependent on the asset class and on the remaining maturity of the contract, and collateral.

FNB Namibia is currently not taking any cash or non-cash collateral (subjected to a type-dependent haircut) into consideration for the CEM calculation. CCR is calculated on a monthly basis using the open trades from the BaNCS trading system and weighted as per above using respective client credit ratings on a gross basis (no netting of exposures is currently applied).

The CCR management process align with the credit risk management practices and involves amongst others, the setting of credit risk limits, quantifying the potential credit exposure over the life of the product, monitoring of limit utilisation, collateral management and ongoing portfolio risk management. CCR limits are managed within the wholesale prudential limit framework. Portfolio limits, single name limits (nominal and Loss in Event of Default [LIED]) and sub-portfolio limits are approved by the RMB FRM Board and the FirstRand Wholesale Credit Committee. Absolute maximum single name Board limits are also approved by the Large Exposure Committee (LEC).

CCR limits are subject to an annual review and approval process. The review considers growth in earnings, change in portfolio size and mix as well as actual and expected portfolio earnings volatility

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 as of 29 February 2020. 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. The demand for relief has decreased substantially and has now formed part of business as usual. Total relief given since the start of the relief program is approximately N$2.4 billion in capital (5 132 accounts).

STAKEHOLDERS IMPACTED

Customers | Suppliers | Investors

CAPITALS IMPACTED

Financial | Intellectual | Social

Managing risk strategically continued

MARKET RISK

RISK DESCRIPTION AND CONTEXT

Market risk in the banking book mainly consists of interest rate risk (IRRBB), that is the effect that movements in interest rate will have on our financial position 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 group.

HOW WE ADDRESS THIS RISK

Causes of Interest rate risk in the banking book (IRRBB):

- Repricing Risk - Repricing Risk is presented by assets and liabilities that, reprices or reset at different dates
- 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.

The measurement techniques used to monitor interest rate risk in the banking book include NII sensitivity and PV01 sensitivity analysis which is monitored regularly and reported quarterly to ALCCO. 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.

Management of the ALM risk position is achieved by balance sheet optimisation or through the use of derivative transactions. Derivative instruments used are mainly interest rate swaps, for which a liquid market exists. Where possible, hedge accounting is used to minimise any accounting mismatches that may arise. Interest rate risk from the fixed-rate book is managed to low levels with remaining risk stemming from timing and basis risk. FNB Namibia entered in a series of fully collateralized repo/reverse trade to protect and enhance earnings on a through the cycle basis whilst strengthening the Balance Sheet.

Interest rate risk in the Banking Book (IRRBB) is the sensitivity of the banks' financial position (Balance Sheet) and earnings (Income Statement) to unexpected, adverse movements in interest rates. IRRBB originates from the differing re-pricing characteristics of balance sheet transactions, yield curve risk, basis risk and client optionality embedded in banking book products.

MARKET RISK continued

In market risk the group distinguishes between traded and non-traded market risk. The following diagram describes the risk associated with traded and non-traded risks, the risk measure and governance bodies responsible for management of these risks. This also indicates that the IRRBB (remaining banking book) is described in this section.

Trading book	Non-trading book
Quantified and managed using stress loss Methodology	Non-interest rate items, prime linked products and non-rate sensitive portfolios
Refer to Market Risk Section of this Report	Managed by treasury, oversight by ERM and RCCC

Risk appetite

Treasury manages IRRBB on behalf of FNBN. Treasury monitors the effect of changes in market rates on the net interest margin of the Bank and enters into appropriate agreement to mitigate the effect of such risk, if above certain threshold. A change in interest rates impacts both the earnings potential of the banking book as well as the economic/net asset value of the Bank. The role of Treasury's management of IRRBB is to protect both the financial performance as a result of a change in earnings and the long-term economic value. The risk appetite is set based on the PV01 measure, which indicates the loss in balance sheet value for every 1bp change in the repo rate. Management of IRRBB appetite is dependent on the Bank's economic view, market rates and perceived volatility.

There are many factors which affect IRRBB. These include:

- Changes in the level of the nominal and real yield curve;
- Changes in the shape of the nominal yield curve;
- Changes in the spread between nominal curves with different bases, e.g. government and swap;
- Changes in interest rate volatility; and
- Changes in the structure of the balance sheet.

Within FNBN, IRRBB continues to be managed from an earnings approach, with the aim to protect and enhance the Bank's earnings and economic value within approved risk limit and appetite levels. With regards to economic capital, all open positions in Treasury have been included in the calculation for economic capital.

Methodology

Regulatory capital and economic capital methodology:

Regulatory requirement	FirstRand Namibia framework for economic capital
Measured as part of the BIR631 (BON) and the BA330 (SARB), though none of the measurements are used to calculate regulatory capital. For banking book portfolios, the following is calculated as part of the return: • a repricing gap; • an earnings sensitivity measure; and • an economic value of equity measure (EVE).	• Economic sensitivity measure. • All positions within Treasury are stressed using an instantaneous parallel shock of 200 bps. Change in the value is used as the economic capital measure.

Managing risk strategically continued

MARKET RISK continued

Methodology

The endowment impact acts both as a source of value to the Bank with increased margins in a hiking cycle, and also as a source of margin compression in a cutting cycle where margins are squeezed. Hedges transacted to manage this endowment risk introduces economic risk onto the balance sheet as these hedges result in an opportunity cost/ benefit to the group's margins in a hiking/ cutting cycle. The risk limit methodology for IRRBB is currently set using a stress scenario within accepted appetite. This is done in relation to the opportunity cost. The calculation of economic capital is therefore based on an EVE measurement.

Unlike in the trading book where a change in rates impact the fair value income and the reportable earnings of an entity, the realisation of a rate move in the banking book impacts the distributable and non-distributable reserves to varying degrees. This impact in the banking book is reflected in the NII margin more as an opportunity cost/benefit over the life of the underlying transactions. As a result, a purely forward-looking EVE measure is applied to the banking book, be it a 1 bps shock or a full stress shock. This is monitored relative to total risk limit and appetite levels.

The EVE shock is based on regulatory guidelines and is a sustained and instantaneous parallel 200 bps shock to interest rates applied to the banking book risk portfolios as managed by Treasury which captures open risk portfolios within the banking book.

Risk mitigation

The internal FTP process which is used to transfer interest rate risk from the business unit to Treasury allows for risk to be managed holistically in line with the Bank's macroeconomic outlook. This is achieved through balance sheet optimisation, or alternatively through the use of derivative transactions:

- derivative instruments used are mainly interest rate swaps and forward rate agreements, for which there are a liquid market;
- hedge accounting is used where possible to minimise accounting mismatches, thus ensuring that amounts deferred in equity are released to the income statement at the same time as movements attributable to the underlying hedged asset/liability; and
- economic capital provided is on the resultant open risk position run within Treasury to manage interest rate risk.

In the past, only the interest rate risk associated with fixed rates quoted on client products were transferred to Treasury. As from 1 July 2017, the risk of changes to liquidity premium has also been transferred to Treasury – called immunisation of liquidity premium to business units.

POTENTIAL OPPORTUNITY

- Updating operating model accelerating growth and diversification.

STAKEHOLDERS IMPACTED

Customers Suppliers Investors

CAPITALS IMPACTED

Financial Intellectual

LIQUIDITY RISK

RISK DESCRIPTION AND CONTEXT

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 unfavorable 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.

HOW WE ADDRESS THIS RISK

The banks 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, stress test and reports that are primarily based on contractual maturities with behavioural adjustments as appropriate. Daily monitoring and forecasts 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; and
- 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.

The Bank of Namibia is are also in ongoing consultations with the industry on the implementation of the Basel III liquidity ratios. In order to show market readiness, the bank already started tracking these liquidity requirements.

POTENTIAL OPPORTUNITY

- Improve balance sheet strength; and
- Grow deposit base.

STAKEHOLDERS IMPACTED

Regulators Investors

CAPITALS IMPACTED

Financial Intellectual

Managing risk strategically continued

COMPLIANCE AND REGULATORY RISK

RISK DESCRIPTION AND CONTEXT

Compliance refers to FirstRand Namibia group's adherence to applicable laws, regulations, regulatory requirements/ expectations, rules, directives, guidelines and other applicable specifications such as codes of conduct relevant to specific businesses. The FirstRand Namibia Group Board is ultimately responsible for overseeing the effective implementation of the FirstRand Namibia compliance risk management framework.

HOW WE ADDRESS THIS RISK

- Strengthening partnerships
  - Embed new Compliance Target Operating Model, revised compliance structure and updated job profiles (CBP); and
  - Execute on approved Combined Assurance Plan & Strengthen relationship with other assurance providers.
- Enhancing Regulatory Engagement
  - Manage regulatory inspections, progress reports, issue remediation and repository of regulatory correspondence, artifacts; and
  - Provide substantive inputs on emerging/draft legislation and new draft national policies.
- Risk Based Approach
  - Update and maintain FCRA;
  - Conduct Culture Risk Assessment and Anti Bribery and Corruption risk assessment; and
  - Refine Compliance Risk Register per legal entity within the FirstRand Namibia group.
- Digital Enablement
  - Digitise Compliance Risk Management Plans (CRMPs);
  - Move Financial Crime Operations onto Platform; and
  - Migrate all regulatory reporting onto platform.

POTENTIAL OPPORTUNITY

- Embed information management including data privacy and protection, data quality management, and data analytics within the group will be a key focus area;
- Automation of key regulatory reporting processes;
- Establishing a ESG reporting process and hub to provide all stakeholders with appropriate additional disclosures on the group's ESG related activities; and
- Enhance programmes to proactively mitigate any culture or ethical risks throughout the group.

STAKEHOLDERS IMPACTED

Customers | Employees | Regulators | Investors

CAPITALS IMPACTED

Financial | Intellectual

FRAUD RISK

RISK DESCRIPTION AND CONTEXT

The risk of loss arising from fraudulent activities emanating from an external or internal source. A Fraud Risk Management framework 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 & being reviewed periodically. The focus remains to improve our ability to proactively identify all criminal activity, and syndicated/organised criminal activity targeting the group, by establishing & enhancing detection and prevention strategies that enable this.

HOW WE ADDRESS THIS RISK

Fraud Risk profile remains within appetite with a stable outlook.

Internal Fraud:

- The loss numbers suggest it is under control as no losses are recorded year-to-date; and
- Some of the largest losses experienced over the years have been because of internal fraud as such, it remains a key focus area and periodic control testing exercises are being deployed in detecting and preventing further losses and establishing if material gaps exist which could promote internal fraud risks.

External Fraud:

- The group continues to be on alert for account takeovers which is becoming a more predominant modus operandi. Year-to-date losses incurred are much lower that experienced in 2021; and
- We are seeing a tremendous increase in different scams with most of such fraudulent payments being done cross border as well as eWallet product being used as access mechanism to defraud customers.

Controls and Initiatives to Manage Fraud:

- Enhanced & ongoing training and awareness to both staff & clients to current trends and Modus Operandi's;
- Fraud Risk Assessment/s performed at all business units that suffer medium to high fraud incidents;
- Several Data Analytics tools which aim to assist with proactive fraud detection and prevention have been developed to manage fraud proactively. The below provides a view of these projects:
  - Mule Account Fraud Model
  - Account Take Over Model
  - Procurement Fraud Model
  - Internal Office Accounts Fraud Model
- As well as other capabilities such as the Blacklisting of devices & OTP auto read to remedy the vishing fraud.

POTENTIAL OPPORTUNITY

- Improve staff and customer awareness of cybercrime
- Build an integrated cybercrime framework

STAKEHOLDERS IMPACTED

Customers | Employees | Society

CAPITALS IMPACTED

Financial | Human | Social

Managing risk strategically continued

INFORMATION TECHNOLOGY (IT) RISK

RISK DESCRIPTION AND CONTEXT

Financial loss, disruption or reputational damage caused by failure of people, processes or technology leading to cyberattack on critical systems and/ or unavailability of critical technology components. The information technology risk and governance committee (ITRGC) is a board-delegated committee responsible for information technology governance in accordance with Banking Institutions Determinations and NamCode. This committee reviews and receives assurance from management on the effectiveness and efficiency of the group's information technology systems.

HOW WE ADDRESS THIS RISK

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 Namibia 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; and
- monitors implementation of IT strategies and key IT projects across business units.

IT RISK AND SECURITY FUTURE ENHANCEMENTS

Continued focus on:

- the group's IT, cloud, data and digitisation 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 to controls to gear the group towards Payment Card Industry Data Security Standard (PCI DSS);
- enhancing and embedding the data privacy initiatives across the group; and
- enhancing risk and governance over the use of digital tools (e.g. robotics and artificial intelligence).

POTENTIAL OPPORTUNITY

- Offer better and more efficient services to our customers by investing in our IT infrastructure, thereby lowering the cost of services while maintaining quality; and
- Appropriate and effective IT infrastructure and systems are in place to support growth initiatives and performance expectations, allowing us the opportunity to be more competitive.

STAKEHOLDERS IMPACTED

Customers Employees Suppliers

CAPITALS IMPACTED

Financial Intellectual Manufacturing Natural

LEGAL RISK

RISK DESCRIPTION AND CONTEXT

Legal Risk is generally defined as the risk of harm which arises through:

- Agreements entered or to be entered into and the content of the resultant written documents embodying the arrangements captured in these agreements;
- Potential and actual disputes and or litigation, once such is manifest;
- The protection of assets, including intellectual property, through registration as permitted by law and enforcement of rights; and
- Non-compliance with the law or failure to account for the impact of the law or changes in the law brought about by legislation or judgments.

HOW WE ADDRESS THIS RISK

- Enabling business to continue operations with the implementation of a third-party service provider platform to conclude agreements and respective documents electronically;
- Effectively manage a group wide service level agreement sharepoint point repository for all the service level agreements within the group;
- Ensure that all the divisions within the group are kept abreast of all legislative developments that have or may potentially have an impact on business operations. To proactively assist business in interpreting and understanding the impact that new pieces of legislation (inclusive of amendments) may have on the business operations. The following are key pieces of legislation that are currently under review:
  - Rule 108 of the Rules of the High Court;
  - Amendments to the Deeds Registries Act of 1937; and
  - Amendments to the Administration of Estates Act of 1965.
- Defend the group in litigation, lawsuits and other proceedings against the group by ensuring adequate representation and effective management of these proceedings by the Group Legal Service;
- Reduce the group exposure to legal risks by managing potential risks and resolving existing risks amicably; and
- Maintaining valuable stakeholder relationships that play a key role within the industry and ensuring that the group is represented at the respective and applicable forums.

POTENTIAL OPPORTUNITY

- Use of technology to efficiently manage risk.

STAKEHOLDERS IMPACTED

Customers Employees Suppliers

CAPITALS IMPACTED

Financial Intellectual Manufacturing Natural

5.

Delivering promises and creating value

Reflections from our Chief Financial Officer

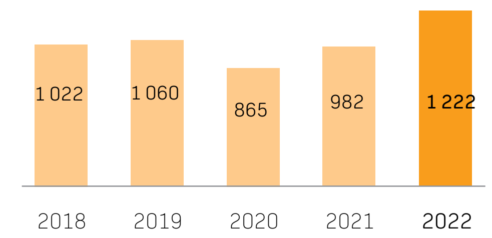
The 2022 financial year was another extraordinary year for our business. The Namibian economy started to emerge from the shadow of the pandemic as seen in the rest of the globe. The COVID-19 pandemic provided a rigorous test of our business model.

Highlighting the strength and potential of our franchises, FNB Namibia delivered a good set of financial results in 2022, with record revenue of N$3 895 million, net income after cost of capital of N$413 million and a return on equity of 21.5%.

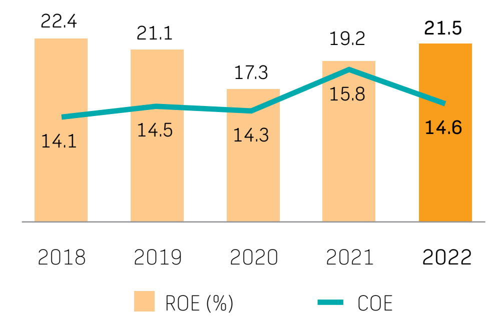
We earned N$1 890 million in pre-provision profits versus N$1 661 million in 2021, reflecting strong underlying performance across our businesses. Even though the impairment charges are lower in 2022 by 143 million Namibian dollars, impairments are volatile given compliance with the current expected credit loss accounting standard and further driven by probability-weighted scenarios.

We entered the 2022 financial year with careful confidence not knowing if the economic recovery would be constant and lasting across markets. The emergence of new variants, the lengthy third wave of Covid-19 infections, a spike in infections with the fourth wave, also bringing back movement restrictions and other containment measures, resulted in the early recovery momentum slowing down. Recognising the need to endure in our commitment to support our customers, we remained dedicated in providing financial backing and solutions to ensure they could withstand the stress of the continued pandemic and its resulting impact. While doing so, we continually prioritised capital and liquidity strength to keep funding available to customers whereas ensuring we had adequate provision buffers to address possible asset quality erosion that could place pressure on our capital levels and shareholder returns. With this sensible view, we managed to deliver a strong performance for June 2022.

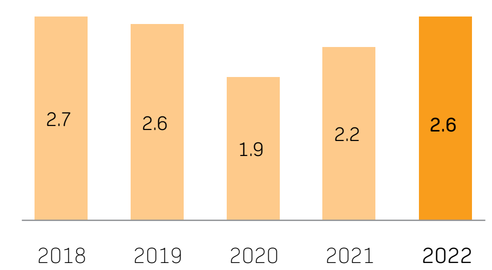
Earnings (N$million)



ROE and cost of equity



ROA (%)



Reflections from our Chief Financial Officer continued

The year also saw customer transactional activity returning and market unpredictability coming back to more normalised levels, while corporate activity remained subdued across all sectors. Long-term investor confidence is still lagging even though quite a few sectors saw their performance coming back to pre-Covid-19 growth levels. As at the end of our 2022 financial year with GDP recovering gradually, there is still considerable disparity in performance between sectors.

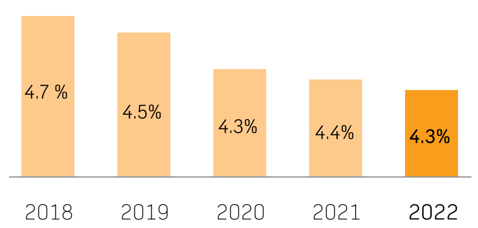
Our results for the period are mostly driven by the positive credit performance but the underlying franchise drive and positive client transactional activity uptake resulted in a resilient pre-provision profit growth of 14% year-on-year. Profit before tax increased by 26% to N$1 795 million (2021: N$1 424 million) for the period under review. Cost to income ratio decreased to 51.7% (2021: 54.6%).

Pre provisioning profit increase, was driven primarily by the following: net interest income up 17%, and cost marginally increasing with 6%. Earnings increased by 14%, this was impacted largely by a significant decrease in impairments mainly related to improvements in the customer risk profiles, collections as clients benefited from the rate cuts in the prior year and forward-looking assumptions.

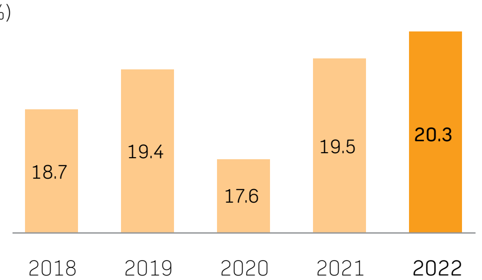
ROE and ROA improved to 21.5% and 2.6% respectively.

We remain well capitalised, with our Tier 1 ratio increasing to 19.3% from 17.1%, given strong capital creation and lower risk-weighted assets. This is still within our Board target of 14% and exceeds regulatory requirements. We remain capital generative, with current profits adding 2% to the Tier 1 ratio over the year. The strong Tier 1 ratio enabled the group to continue with dividend payments.

Opex as to assets (%)



CAR (%)



Statement of comprehensive income

INTEREST INCOME

Net interest income (NII) grew by 17% off higher average balances and slightly higher margins driven by the three rate hikes for the second half of the financial year. Interest expense decreased by 3% while interest income increased by 10%.

This NII growth was driven by positive levels of capital, an improved liability mix and active balance sheet management. Interest income performance is mostly driven by the increase of, and are in line, with average advance growth of 6%. As Namibia entered a rising interest rate cycle for the first time in three years, we are expecting to gain an additional c. N$160 million NII (pre-tax) for each 100-bps increase in interest rates over a 12-month period. The movements on our interest expense is reflective of the low repo rate being in effect for the three quarters of the reporting period

IMPAIRMENT LOSSES

The total impairment charge was lower year-on-year at N$95 million (2021: N$238 million). The impairment charge is 0.29% (2021: 0.75%) of gross advances.

The economic outlook is more uncertain than it was six months ago, and risks are skewed to the downside, particularly for emerging-market economies. As required under IFRS 9, FNB Namibia revised its macroeconomic forward-looking outlook, with positive revisions to key economic variables compared to the prior year given the rebound in the economy.

With the outbreak of the coronavirus in March 2020, we raised an initial Covid-19-specific charge factoring in management's best estimate at that time of the expected short- to medium-term impact of the pandemic on our existing customer base.

Subsequently, as collections' data relating to the effects of the pandemic became available, we recalibrated our impairment models to take it into account.

The group remains prudently provided, with portfolio impairments as a percentage of the performing book at 261 bps, exceeding the annual credit charge.

The ratio of non-performing loans (NPLs) to gross advances as at period end was 0.2% up from the 5.2% in 2021 and in Namibian dollar terms deteriorated from N$1 645 million to N$1 788 million.

Reflections from our Chief Financial Officer continued

Statement of comprehensive income continued

NON-INTEREST REVENUE

Operational Non-interest revenue (NIR) benefited from the economic rebound. NIR is flat year-on-year at 1%, following pricing reviews of certain transactions in FNB Retail and FNB Commercial, the pricing reviews waived N$102 million of bank charges. Total transaction volumes amounted to 153 million (2021: 134 million), an increase of 12% from prior year. The continued growth in our active client base and the optimisation of existing clients were the primary drivers behind the increase. Total number of customers were 671 596 as at June 2022 up 2.7% from last year.

Consumer behaviour changed at the onset of the pandemic, largely driven by necessity. Thanks to our investments in technology and digital product capabilities, we were in a strong position to rapidly pivot our operating model to support our customers' needs.

In the course of our digitalisation journey and drive to make banking accessible to the greater Namibia, we continue to expand our digital offering, and preparing our FNB DigiPlus account offering for launch in July 2022. The robust digital take-up experienced during the prior years because of the lockdown measures carried on into the current year and brought about a digital transaction increase of 18% from 97 million to 114 million.

Branch, cash, and self-service transactions, which attract a higher fee from our clients, comprise 21% (2021: 24%) of the total transaction income.

Our leading rewards program continues to produce meaningful results for our clients, with cash rewards paid out to the customers savings pockets of N$27 million, a growth of 19.8% on 2021.

Net fee and commission income are up 3% to N$1.6 billion, this was largely impacted by fees waived due to the PSD 5 and 10 introduced in the second half of last year. Fee and commission income make up 91.8% (2021: 89.8%) of total NIR.

OPERATING EXPENSES

The group continued to maintain its cost discipline which resulted in controlled growth in expenses of 6% year-on-year. This was attributed to higher staff costs, IT expenses and marketing costs, in line with the pick-up in activity seen this year.

Staff expenditure accounts for 56% (2021:57%) of the group's total cost base and increased 3.6%, due to growth in variable remuneration as earnings recovered. Annual salary increases averaged 3.4%, with a 2.4% decrease in staff complement across the group mainly through natural attrition and the voluntary separation packages offered to staff. These packages were accepted by 55 employees.

Our executives, other senior management and board members received increases of 3% and 3.5% on average respectively in their guaranteed pay for 2021.

The 2018 long-term incentive (LTI) awards did not vest in the current year; however, the prior year release was lower due to the Covid-19 LTI award retention scheme issued for some of the 2017 LTI awards not vesting. No Covid-19 LTI awards were issued in the current period.

Total IT spend amounts to N$437 million which is an increase of 6%, including computer expenses growing by 7%, reflecting continued investment in technology and platform projects across the group and regulatory projects such as NamPay.We will continue to optimize our distribution network as customer needs evolve. Our goal is not to have the most branches - but to have the right points of presence, in more communities, serving the financial needs of our customers.

Additional voluntary contribution was made to the FirstRand HOPE fund amounting to N$5 million. We believe this contribution continues to do greater good to the Namibian nation.

TAX

FNB Namibia's total current tax charge amounted to N$572 million (2021: N$442 million) and indirect taxes incurred at N$39 million. The increase is in line with the growth in taxable profits. Indirect taxes are made up of VAT and stamp duties on long term deposits. FirstRand Namibia remains as significant taxpayer in Namibia. We ensure that all taxes are paid in accordance with the legislative requirements.

Statement of financial position

ADVANCES

The group's total assets increased by 21% to N$52 billion (2021: N$43 billion). Net advances, making up 61% (2021: 70%) of the balance sheet, reflected a year-on-year increase of 6% to N$31 936 million. Growth in private sector credit extension is recorded at 3.4%.

When assessing the underlying risk in the balance sheet, the group's asset profile is dominated by a diversified advances portfolio. The composition of the gross advances' portfolio consists of FNB retail secured (52%), FNB retail unsecured (11%), FNB commercial (23%), and RMB Corporate (14%).

Mortgage loans increased year on year by 5% to N$16 billion and constitute 47% (2021: 47%) of net advances. Through providing credit to individuals, FNB Namibia continues to enable home ownership across all social spectrums. Our exposure to home loans is reflective of the Namibian banking industry where home loans tend to average 40% of credit extended in the local market.

The FNB Namibia residential property report for Q1 2022 indicated that the house price index grew by 4.7% at the end of the first quarter of this year, down from 7.1% at the end of 2021, but unchanged compared to Q1 2021.

The tough environment, which was characterised by low consumer confidence, declining vehicle sales, a lengthening replacement cycle and certain risk cutbacks resulted in muted advances growth at WesBank, ending the year at 3.5%. In the face of increasing competition, WesBank focused on protecting its origination franchise and return profile through disciplined risk appetite.

The 1.6% growth in FNB commercial's advances reflects the difficult macro-economic environment, characterised by low business confidence and stress in certain sectors.

RMB was able to lift the business by continuing to deliver landmark and innovatively structured deals, which translated into solid growth in advances and lending income.

DEPOSITS AND FUNDING

Deposit growth being more positive than prior year, growing by 4% to N$37 billion. The FNB franchise was a significant contributor to the deposit's growth as 8% increase was experienced, aided by the increased demand for savings and investment products as individuals tighten their purse-strings on continued product innovation, improved utilisation of channels and cross-sell to existing customers.

Term deposits decreasing by 3% year on year whilst NCDs are up year on year by 25%.

CAPITAL AND REGULATION

The subordinated debt related to the FNB 27 bond, was redeemed early and settled on 29 March 2022. This instrument qualified as tier two capital at the Bank level and has not been replaced. Total group equity amounted to N$5.9 billion (2021: N$5.4 billion) and has increased by 9% due to the profits generated during the current period.

The group has remained well capitalised throughout the period, with industry leading levels well above the minimum regulatory requirements. Capital adequacy ratio was 20.3% (2021: 19.5%) and Tier 1 capital 19.3% (2021: 17.1%).

2023 OUTLOOK

Foremost, 2023 is expected to be a greater year for us all than what 2022 was, and in turn, was a better year than 2021 because we're settling in on how to live with Covid-19, undoubtedly in terms of circumventing the kind of restrictions we've seen the past two years. The economy should start returning to usual terms, with interest rates rising. We are gearing the whole group to deliver on our strategy and become a purpose driven organisation. FNB Namibia has the ability and the talent to do that. Over the next few years, we'll be showing how we're enhancing service for our clients, how we're managing costs and how we're rationalising our product offering.

CONCLUSION

The road ahead may continue to be shaky in the near future but thanks to our flexibility and strategic decision-making, FNB Namibia is now changing our focus resolutely to the outlook for the near-term and beyond. It is pertinent to highlight that the steady global and local GDP growth, if it continues as expected, will promote investor confidence for Namibia.

Oscar Capelao
CFO

Value for stakeholders

In fulfilling our promise to our stakeholders, FNB Namibia Group allocates the value created in appropriate and meaningful ways – and for some stakeholders, beyond financial means. Stakeholders receive intangible benefits extending from employee development programmes to various community initiatives, in our effort to support a more sustainable future in Namibia.

Net interest income
N$ 2 194 million

–

Impairment losses on loans and advances
N$ 95 million

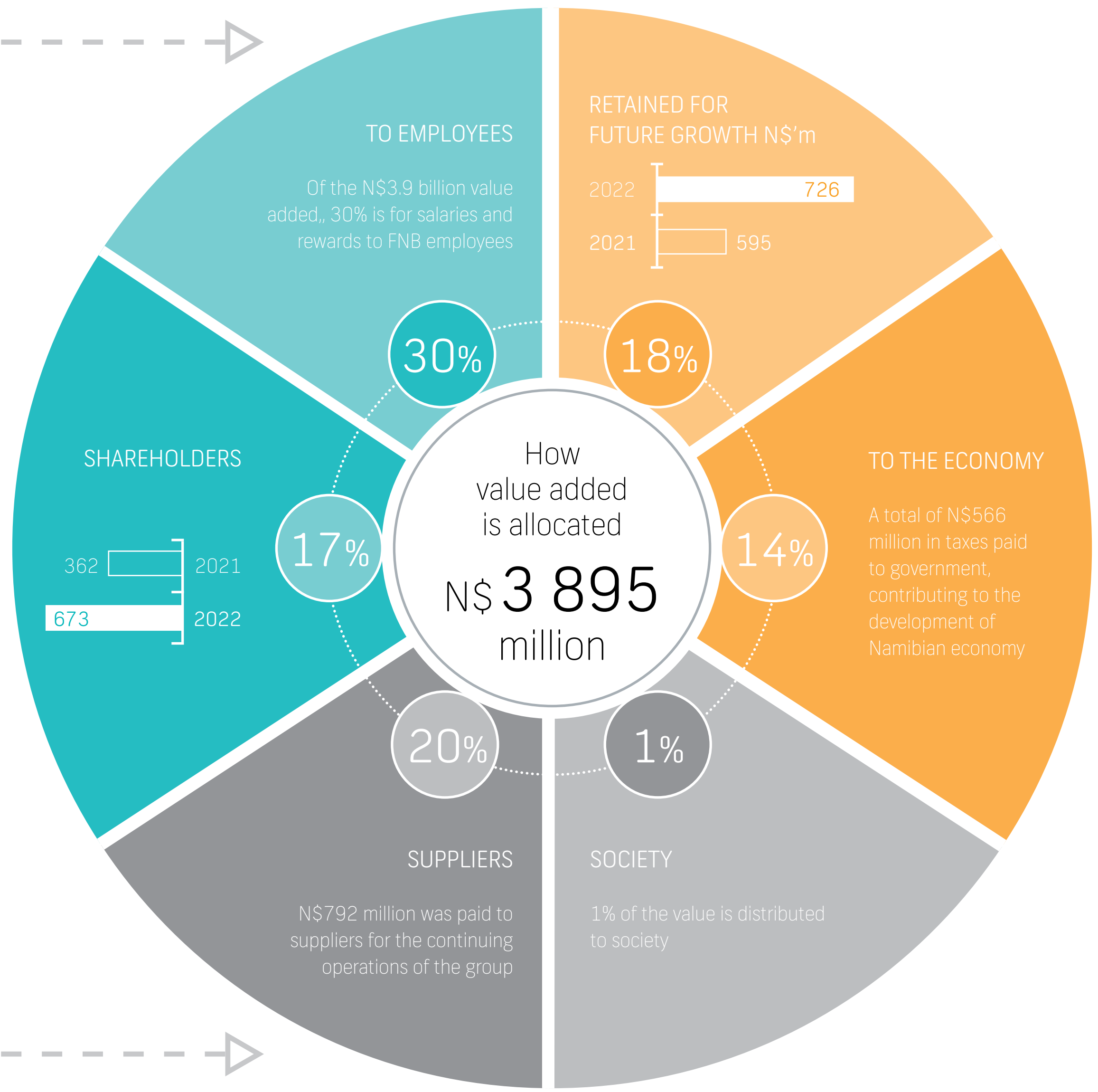
+

Other revenue
N$ 1 796 million

=

Value added
N$ 3 895 million

How value created for stakeholders is distributed



Capital management

FNB Namibia has maintained a sound capital position with the highest capital adequacy ratio (CAR) in the market, despite the current COVID19 epidemic and the impact that it had on the Namibian economy. The group continues 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 Group's long-term strategy is to increase balance sheet resilience, diversify advances exposures, improve market liquidity and increase non institutional funding. 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 rating.

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 III 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 capitalisation.

The Risk, Capital and Compliance Committee (RCCC), a board designated committee, 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.

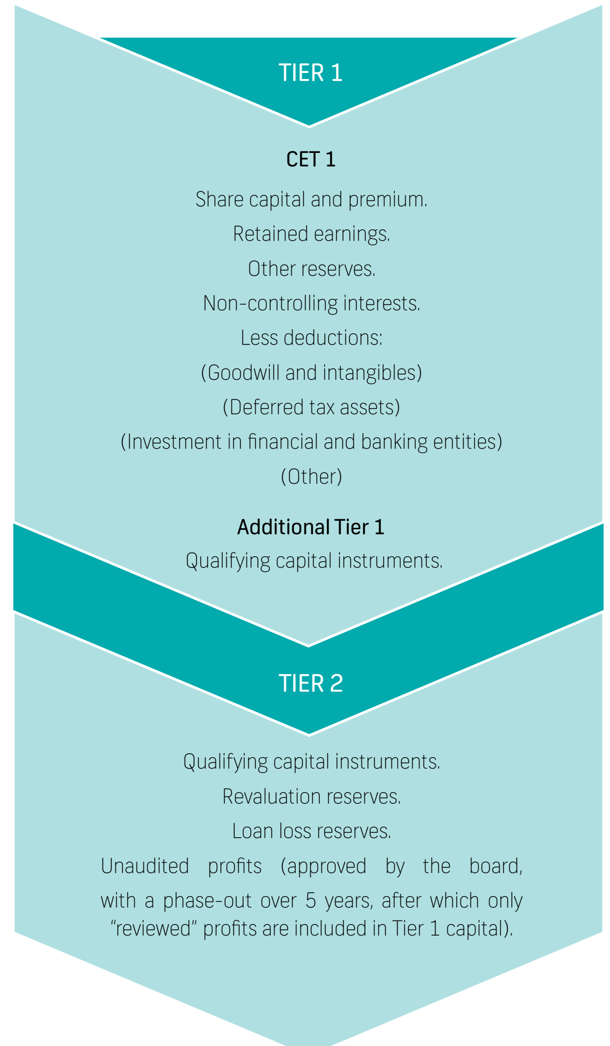
Dividend Policy

The dividend policy plays a pivotal role in the management of the group's CET1 position. The long-term dividend cover range changed to 1.5x - 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 instruments:

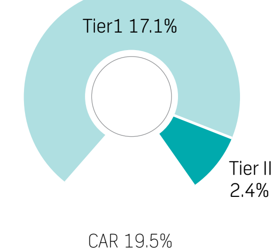


The group continues to maintain a position of strength and remained well capitalised with a CET1 ratio of 19.3%, above the end state requirement of 12.5% (excluding the temporary reduction of the Capital Conservation Buffer to 0% from 1.5%) The actual capital adequacy ratio for Bank and group exceeds the Board set targets.

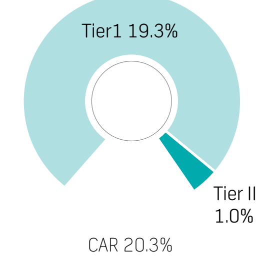
The group took the option to early redeem the Tier 2 capital comprising of FNBJ27 and FNBX27 on the 29th March 2022. The group also settled on maturity date 22 March 2022 the note FBJ22Z which was listed on the JSE.

The group replaced the above-mentioned notes with FNBJ25S and FNBJ27S using a new NSX MTN programme. The two senior debt notes (Green Bonds) which are N$241 million due 23 March 2025 and N$112 million due 23 March 2027. The notes attracted a subscription amount of N$1.9 billion and as a result were oversubscribed by 6 times over.

June 2021



June 2022



Capital management continued

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%. The Bank of Namibia extended the Covid-19 relief measures in the Directive BID 33A issued on 21 October 2021, applicable to 1 April 2023 whereby the minimum requirement target will remain at 10%.

	Phased-in 2020	Phased-in 2021	End-state 2022	Covid relief	Board limits
Core equity	6.0%	6.0%	6.0%	6.0%	0.0%
Capital conservation buffer	1.5%	2.0%	2.5%	0.0%	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%	0.0%
Tier 1 (minimum)	9.0%	9.5%	10.0%	7.5%	0.0%
Tier 2 (maximum)	2.5%	2.5%	2.5%	2.5%	0.0%
Total CAR minimum	11.5%	12.0%	12.5%	10.0%	>14.0%

Regulatory developments and proposals continued

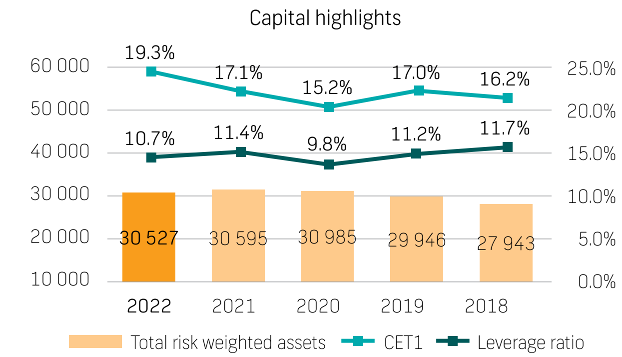
During 2018 BoN published BID-5A, an updated determination on the measurement and calculation of capital charges for credit risk, operational risk and market risk for domestic systemically important banks, that came into effect on 01 September 2018. The updated determination introduced major adjustments 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 to 1 April 2023 or until revoked. The following measures were introduced:

- Loan repayment moratorium/holiday ranging from 1 months, but not exceeding 24 months. 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 three 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 zero percent, 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 commends the Bank of Namibia for extending the Covid-19 relief measures to 1 April 2023 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 management continued

N$'000	Banking operations year end 30 June		Regulated consolidated group year end 30 June	
	2022	2021	2022	2021
Risk weighted assets				
Credit risk	25 308 970	25 572 607	25 457 697	25 703 956
Market risk	61 931	51 134	61 931	51 134
Operational risk	5 155 755	4 972 202	5 307 437	5 093 106
Total risk weighted assets	30 526 656	30 595 943	30 827 065	30 848 196
Regulatory capital				
Share capital and share premium	1 142 792	1 142 792	282 148	282 148
Retained profits	4 821 003	4 175 579	6 033 954	5 291 707
Other disclosure reserves	4 893	6 334	-	-
Capital impairments*	(67 454)	(81 599)	(95 562)	(110 097)
Total tier 1	5 901 234	5 243 106	6 220 540	5 463 758
Eligible subordinated debt	-	400 000	-	400 000
General risk reserve, including portfolio impairment	316 362	320 059	316 384	319 958
Capital impairments*	-	-	(19 945)	(19 945)
Total tier 2	316 362	720 059	296 439	700 013
Total tier 1 and tier 2 capital	6 217 596	5 963 165	6 516 979	6 163 771
Consolidated group				
Capital adequacy ratios				
Tier 1	19.3%	17.1%	20.2%	17.7%
Tier 2	1.0%	2.4%	1.0%	2.3%
Total	20.3%	19.5%	21.2%	20.0%
Tier 1 leverage ratio	10.7%	11.4%	11.8%	12.5%

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

6.

FNB Namibia 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 and its subsidiary (the group) are responsible for the preparation of the consolidated and separate annual financial statements comprising the consolidated and separate statements of financial position, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and cash flows, and the notes to the consolidated and separate annual financial statements. These annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and 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, Global MBA, B Com Hons, CA (Nam) (SA), supervised the preparation of the annual financial statements for the year.

In preparing the consolidated and separate annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by management. The consolidated and separate 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 130 to 170.

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 consolidated and separate annual financial statements.

The group's external auditors, Deloitte & Touche, have audited the consolidated and separate financial statements and their report appears on pages 122 to 126.

Approval of financial statements

The consolidated and separate annual financial statements of the group and company, which appear on pages 127 to 307 were approved by the board of directors on 18 August 2022 and signed on its behalf by:

I I Zaamwani-Kamwi
Chairperson

C Dempsey
Chief Executive Officer

Windhoek
18 August 2022

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 of Namibia Limited set out on pages 114 to 118 and 127 to 307, which comprise consolidated and separate statements of financial position as at 30 June 2022 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 2022 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 of 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	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 characterised by the continued impact of the Covid-19 pandemic, its economic impact, the tightening of monetary policy, and the economic impact of the war in Ukraine. 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 expected credit loss (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; and • 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.

Independent auditor's report continued

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. There remains significant uncertainty around the recovery path which has a significant impact on ECLs.	**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.
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 relates to industries significantly impacted by the current and expected economic conditions. 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.	**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; • We assessed the need for any other overlays not considered by management based on our expert judgement and widely available information; and • We 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 advances to be within a reasonable range.

Other Information

The directors are responsible for the other information. The other information comprises the about our integrated report and at a glance section, the value creation and preserved through strong governance, our strategy to create value, delivering on our promises and creating value and the Directors' Responsibility Statement, 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, 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.

Independent auditor's report continued

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

- 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 Julius Nghikevali
Partner
Windhoek
28 September 2022

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.

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 (2021: 4 000) ordinary shares of N$1 each.

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

Dividends

During the current year cash dividends of N$673 million (2021: N$362 million) were declared and paid out by the company.

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.

Group and company results

The financial statements on pages 172 to 307 set out fully the financial position, results of operations and cash flows of the company and the group.

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 First National Bank of Namibia Limited 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 2018, where she was duly re-elected after consideration of her independence. The Chairperson continues to provide the First National Bank of Namibia Limited the direction necessary for an effective board.

Directors' report continued

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

II Zaamwani-Kamwi (Chairperson)
C Dempsey* (Chief Executive Officer)
OLP Capelao (Chief Financial Officer)
E Tjipuka
P Grüttemeyer
CLR Haikali
IN Nashandi
J Coetzee
E van Zyl
R Makanjee**

* South African with permanent residence
** South African

Changes to the board composition

During the period under review the following changes to the board of directors took place in respect of First National Bank of Namibia Limited:

Directors	Designation	Effective date
	Resignations/ Retirements	
JG Daun	Independent non-executive	31 December 2021
JR Khethe	Independent non-executive	31 December 2021
JH Hausiku	Independent non-executive	30 June 2022
	Appointments	
J Coetzee	Independent non-executive	01 October 2021
E van Zyl	Independent non-executive	01 March 2022
R Makanjee	Non-executive	01 August 2022

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 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 and its ultimate holding company is FirstRand EMA (Pty) Holdings Limited and its ultimate holding company is FirstRand Limited, both of which are incorporated in the Republic of South Africa.

Subsidiary

Interest in and aggregate profits of subsidiary 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 after 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.

Accounting policies

The group's consolidated and separate annual financial statements have been prepared in accordance with IFRS, including interpretations issued by the IFRS Interpretations Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, NSX Listings Requirements, the Banks Institutions Act and requirements of the Companies Act of Namibia.

These financial statements comprise the consolidated and separate statements of financial position (also referred to as the balance sheet) as at 30 June 2022, the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year ended; as well as the notes, which comprise 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 FNB Namibia and it subsidiary. 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.

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

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 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 Namibia 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 it is a monetary item (in which case the closing spot rate is applied) or non-monetary items. For non-monetary items measured at cost the rate applied is the rate on transaction date. For non-monetary items measured at fair value the rate at the date the fair value is determined (reporting date) is applied. Foreign exchange gains or losses are recognised in profit or loss in fair value gains or losses. To the extent that foreign exchange gains or losses relate to financial assets held at fair value through other comprehensive income (FVOCI) the following applies: Equity instruments are recognised in other comprehensive income as part of the fair value movement. Debt instruments are allocated between profit or loss (those that relate to changes in amortised cost) and other comprehensive income (those that relate to changes in the fair value).

Accounting policies continued

1. INTRODUCTION AND BASIS OF PREPARATION continued

1.1 Persistent global and local economic uncertainty

The impact of the coronavirus (Covid-19) epidemic and Russia's invasion of Ukraine required management to apply significant judgements and estimates to quantify the impact on the annual financial statements.

The transition of Covid-19 from a global pandemic to an epidemic in the past financial year due to the successful rollout of vaccines globally has resulted in stabilisation of the global economy, with growth being noted early in the financial year due to the gradual resumption of economic activity within various affected sectors. Russia's invasion of Ukraine, however, dampened these positive gains, as evidenced by inflation increasing globally, mostly attributable to high food and energy prices. As such, interest rates are expected to increase to bring inflation back to target levels across the globe after a prolonged period of support from central banks during the Covid-19 pandemic. Commodity prices are expected to remain at elevated levels with some associated volatility.

Increasing inflation poses material risk to the global economy's recovery. As such, management judgement has been applied to quantify the impact of inflation and Russia's invasion of Ukraine on the existing and developing stressors on the global and local economy.

For more details refer to accounting policy note 8.4.

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) calculation, 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, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.	Refer to accounting policy note 8.4 Impairment of financial assets - Forward-looking information.
Significant increase in credit risk	
The group has not followed an overall blanket approach to the ECL impact of COVID-19 (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, 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 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	
Overall application of the going concern principle	
The directors reviewed the group and company's budgets and flow of funds forecasts for the next three years 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 liquidity requirements, all of which have remained within internal targets and above regulatory requirements. As part of this assessment, the directors 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 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.	Directors' responsibility statement on page 120.

Accounting policies continued

1. INTRODUCTION AND BASIS OF PREPARATION continued

1.2 Significant estimates, judgements and assumptions continued

The group adopts the following significant accounting policies in preparing its financial statements. These policies have been consistently applied to all years presented.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES				
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	Classification and measurement (section 4.1)	Impairment (section 4.2)	Derivatives and hedge accounting (section 4.5)
		Transfers, modifications and de-recognition (section 4.3)	Offset and collateral (section 4.4)	
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	Other reserves		
7	Transactions with employees	Employee liabilities (section 7.1)	Share-based payment transactions (section 7.2)	
8	Critical judgements	Introduction (section 8.1)	Subsidiaries (section 8.2)	Taxation (section 8.3)
		Impairment of financial assets (section 8.4)	Provisions (section 8.5)	Transactions with employees (section 8.6)

1.3 New standards adopted in the current year

New standards adopted in the current year

There were no new or amended IFRS standards which became effective for the year ended 30 June 2022 that impacted the group's reported earnings, financial position or reserves, or the accounting policies.

2. SUBSIDIARIES

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 are 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.
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.

Accounting policies continued

2. SUBSIDIARIES continued

2.1 Basis of consolidation continued

Consolidated financial statements continued	
	Consolidation
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.

2.2 Related party transactions

Related parties of the group, as defined, include:

Subsidiary	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 KMP 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 and debt instruments measured at fair value through other comprehensive income, including the effect of qualifying hedges for interest rate risk.
• 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 funding or insurance operations.
• Interest income is calculated using the effective interest rate, which includes origination fees. 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.
 	
Interest expense includes:
 	
• interest on financial liabilities measured at amortised cost;
• interest on financial liabilities measured at fair value through profit or loss that are held by and managed as part of the group's funding or insurance operations;
• interest on capitalised leases where the group is the lessee; and
• the difference between the purchase and resale price in repurchase and reverse repurchase agreements where the related advances or deposit is measured at amortised cost, because the amount is in substance interest.
 	
The total interest expense is reduced by the amount of interest incurred in respect of liabilities used to fund the group's fair value activities. This amount is reported in fair value income within non-interest revenue.

Accounting policies continued

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 required to be 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. 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; and • fee and commission income from service providers. The bulk 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, is 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. • 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 continued	
Non-interest revenue from contracts with customers continued	
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 and electricity paid through FNB channels, as well as insurance commission. 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. Expenses relating to the provision of the customer loyalty reward credits are recognised as fee and commission expenses as incurred. 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.

Accounting policies continued

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Fair value gains or losses
Fair value gains or losses of the group recognised in non-interest revenue include 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 net 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 is 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; • ordinary and preference dividends on equity instruments at fair value through profit or loss; • any difference between the carrying amount of the liability and the consideration paid, when the group repurchases debt instruments that it has issued; and • fair value gains or losses on commodities acquired for short-term trading purposes including commodities acquired with the intention of resell in the short term or if they form part of the trading operations of the group and certain commodities subject to option agreements whereby the counterparty may acquire the commodity at a future date where the risk and rewards of ownership are deemed to have transferred to the group in terms of IFRS 15.
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; • any gains or losses on the sale of financial assets measured at amortised cost; 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.

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Dividend income	
The group recognises dividend income when the group's right to receive payment is established.	
Expenses	
Expenses of the group, apart from certain fee and commission expenses included in net fee and commission income, are recognised and measured in terms of the accrual principle and presented as operating expenses in profit or loss.	
Indirect tax expense	Indirect tax includes other taxes paid to central and local governments and also includes value-added tax. Indirect tax is disclosed separately from income tax and operating expenses in the statement of comprehensive income.

3.2 Taxation

Income tax includes Namibian corporate 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, in each particular jurisdiction within which the group operates.	
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 (including ECL movements) of certain financial assets and liabilities, including derivative contracts; and • Remeasurements of defined benefit post employment plans.

Accounting policies continued

3. INCOME, EXPENSES AND TAXATION continued

3.2 Taxation continued

Income tax includes Namibian and foreign corporate tax payable and where applicable, includes capital gains tax.

Deferred income tax	
Measurement	The liability method under IAS 12 is used, which means applying tax rates and laws applicable at the reporting date which 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 in 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: • 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, based on management's review of the budget and forecast information. 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.
Substantially enacted tax rates	Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 subsequent measurement of financial assets and liabilities

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 subportfolio level, depending on the manner in which groups of financial assets are managed in each franchise.

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets and liabilities continued

Classification and subsequent measurement of financial assets
Business model
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 repurchase 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 because 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. If sales of financial assets are infrequent, the significance of these sales is 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 number of sales relatives to the total assets in the business model to determine whether it is significant. A change in business model only occurs on the rare occasion when the group changes the way in which it manages financial assets. Any change in business models would result in a reclassification of the relevant financial assets from the start of the next reporting period.

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets and liabilities continued

Classification and subsequent measurement of financial assets
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.
Amortised cost
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 principal 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.
Cash and cash equivalents
Cash and cash equivalents comprise coins and bank notes, money at call and short notice, and balances with the central bank. All balances included in cash and cash equivalents have a maturity 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.

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets and liabilities continued

Classification and subsequent measurement of financial assets		
Retail advances		
	Business model	Cash flow characteristics
Retail advances	The FNB and WesBank businesses 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 cards; and • other retail products such as overdrafts.	Transactions with other shareholders are not equity transactions and the effects thereof are recognised in profit or loss as part of gains less losses from investing activities in non-interest revenue.
Corporate and commercial advances		
	Business model	Cash flow characteristics
Corporate and commercial advances	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 include: • 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.	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.

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets and liabilities continued

Classification and subsequent measurement of financial assets		
Corporate and commercial advances		
	Business model	Cash flow characteristics
Corporate and commercial advances	Within RMB's Investment Banking Division (IBD), debt for large corporates and institutions is 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.	The cash flows on these advances are considered to be solely payments of principal and interest if the loan contract does not contain equity 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.
Investment securities		
	Business model	Cash flow characteristics
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 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.

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets and liabilities continued

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 either 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.
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;
- Debt instruments measured at fair value through other comprehensive income;
- Loan commitments;
- Financial guarantees; and
- Finance lease debtors where the group is the lessor.

Refer to accounting policy note 8.4 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
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 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. Where a change in terms is significant and is deemed to be a substantial modification, it 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 small and medium-sized enterprise (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 standard minimum period for transition from stage 2 back to stage 1 is applied across all advances, 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.		

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

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

Advances continued	
Low credit risk	The group does not use the low credit risk assumption.
Credit impaired financial assets	Advances are considered credit-impaired if they meet the definition of default. The group's definition of default applied to calculating provisions under IFRS 9 has been aligned to the definition applied to 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, are more than three instalments in arrears. 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 Regulation 67 of the Banks Act. Examples include application for bankruptcy or obligor insolvency. 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 judgementally through a committee process.

4. FINANCIAL INSTRUMENTS continued

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

Advances continued	
Write-offs	Write-offs 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 secured loans are written off on perfection of collateral, and retail unsecured loans are written off when observation of post-default payment behaviour indicates that further material recoveries are unlikely. Write-off points within retail unsecured portfolios are defined on a per-portfolio basis with reference to cumulative delinquency and/or payment recency; • Within wholesale portfolios, a judgemental approach to write-off is followed, based on case-by-case assessment by a credit committee; and • Partial write-offs are not performed within credit portfolios except in limited circumstances within the wholesale portfolio where it is assessed on a case-by-case basis. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur.
Collection and enforcement activities post write-off	For unsecured advances, post write-off collection strategies include outsourcing of the account to external debt collections (EDCs). In addition, settlement campaigns are run to encourage clients to settle their outstanding debt. For secured advances, any residual balance post the realisation of collateral and post write-off is outsourced to EDCs.
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 is zero. ECL for cash equivalents is calculated using the loss rate approach.
Other assets	ECL for other assets, i.e. financial 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 Probability of Default ("PD"), Loss Given Default ("LGD"), 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 exemption for investment securities, including government bonds.

Accounting policies continued

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.

A modification of a financial asset is substantial and will thus result in derecognition of the original financial asset where the modified contractual terms are priced to reflect current conditions on the date of modification, and are not merely an attempt to recover outstanding amounts. Where the modification does not result in an accounting derecognition the original asset continues to be recognised.

Derecognition of financial liabilities includes a situation of substantial modification of the terms and conditions of an existing financial liability. A substantial modification of the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

4. FINANCIAL INSTRUMENTS continued

4.3 Transfers, modifications and derecognition continued

The following transactions are entered into by the group in the normal course of business, in terms of which it transfers financial assets directly to third parties or structured entities, or modifies the contractual terms of the asset and either achieves derecognition or continues to recognise the asset:

Transaction type	Description	Accounting treatment
Transfers without derecognition		
Repurchase agreements	Investment securities and advances are sold to an external counterparty in exchange for cash and the group agrees to repurchase the assets at a specified price at a specified future date. The counterparty's only recourse is to the transferred investment securities and advances that are subject to the repurchase agreement. The group remains exposed to all the underlying risks on the assets including counterparty, interest rate, currency, prepayment and other price risks.	The transferred assets continue to be recognised by the group in full. Such advances and investment securities are disclosed separately in the relevant notes. The group recognises an associated liability for the obligation for the cash received as a separate category of deposits.
Securities lending	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.	
Modification without derecognition		
Modification of contractual cash flows	Debt restructuring is a process that is applied to accounts whereby 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.

Accounting policies continued

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 (MNAs) 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 Swaps and Derivatives Association (ISDA) MNAs. 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.
Repurchase and reverse repurchase agreements, and securities lending and borrowing transactions	These transactions by the group are covered by master agreements with netting terms similar to those of the ISDA MNAs. Where the group has entered into a repurchase and reverse repurchase or 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's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, 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 yield 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.

4.5 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 through profit or loss with movements in fair value 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)	
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 recognised on the straight-line basis over the useful life of the asset, except for assets capitalised under leases where the group is the lessee, in which case it is depreciated per the leases accounting 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 - Motor vehicle 5 years - Sundries 3 - 5 years - IT equipment 3 - 5 years - Other equipment: various 3 - 10 years - Furniture and fixtures 5 - 10 years
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 to 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 development costs 3 years - Trademarks 10 - 20 years - Other 3 - 10 years - Customer related intangibles 10 years
Goodwill arising from business combinations is recognised as an intangible asset.	Tested for impairment annually.

Accounting policies continued

5. OTHER ASSETS AND LIABILITIES continued

5.1 Classification and measurement continued

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.

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.

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, as well as provisions for intellectual property fees that arise because of the use of dealer platforms, databases, systems, brands and trademarks when marketing and promoting motor warranty products as part of the motor value-added products and services business. The group recognises a provision when a reliable estimate of the outflow required can be made and the outflow is probable (i.e. more likely than not).

5. OTHER ASSETS AND LIABILITIES continued

5.2 Leases

The 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, ROUA's 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 of 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.	The group recognises assets sold under a finance lease as finance lease receivables included in 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 the general model under IFRS 9 is used for impairment calculations on lease receivables.

Accounting policies continued

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 (stage 3), 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 ROUAs are not presented as a separate line in the consolidated statement of financial position, but rather disclosed as ROUA in the property and equipment note.	Finance lease receivables are presented as part of advances 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 vehicle leases, the lease payments are recognised as an 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 shares 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, capital redemption reserve funds and insurance contingency reserves. These reserves are required by legislation governing these subsidiaries and are calculated based on the requirements outlined in the relevant legislation applicable.

Accounting policies continued

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.

7. TRANSACTIONS WITH EMPLOYEES

7.1 Employee benefits

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.

7.2 Share-based payment transactions

The group operates a cash-settled and an immaterial equity-settled share-based incentive plan for employees.

Options and awards granted under cash-setteled plans result in a liability being recognised and measured at fair value until settlement. An expense is recognised in profit or loss for employee services received over the vesting period of the plans.

Accounting policies continued

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 31.

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; and • 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	
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, 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.	

Accounting policies continued

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 for uncertain tax positions in accordance with the criteria defined within IAS 12 and IFRIC 23, based on objective estimates of the amount of tax that may be due, which is calculated, where relevant, with reference to expert advice received. Where payment is determined to be possible but not probable, the tax exposure is disclosed as a contingent liability. The group recognises probable 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 adopts the PD/LGD approach to calculate ECL for advances. The ECL is based on a weighted average of the macroeconomic scenarios selected, 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.

Forward-looking information (FLI)

Forward-looking information has been incorporated into expected loss estimates through the application of quantitative modelling and expert judgement-based post-model adjustments. Both quantitative models and expert judgment-based adjustments consider a range of forecast macroeconomic scenarios as inputs.

The macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for various scenarios. Development of these scenarios is overseen by the FirstRand macro forum, which is responsible for oversight and is independent from credit and modelling functions.

To arrive at the macroeconomic forecasts teams of economists, both locally and within the various subsidiaries, assess the micro- and macroeconomic developments to formulate the macroeconomic forecasts. A number of internal and external economists are then requested to assign a probability to each scenario.

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Forward-looking information (FLI)

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 2022:

Scenario	Probability	Description
Baseline regime	55.5% (2021:58.0%)	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 2021 and meaningful economic reform remains absent.
Upside regime	13.3% (2021: 13.0%)	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	31.2% (2021:29.0%)	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 Namibia's growth lower.

Namibia

The Namibian economy continues to recover from its pandemic lows, with Q1-2022 GDP recorded at 5.3%. This growth was driven by a low base in 2021, diamond mining production and to a lesser extent a recovery in agriculture, manufacturing, hotels and restaurants and transport sectors. Diamond mining will continue to be buoyed by strong production combined with elevated global diamond prices, while uranium and gold production are also expected to improve. We therefore maintain our view that mining activity will drive growth over the forecast horizon with GDP growth forecasted at 2.8% year on year ("y/y"). Over the short term, growth will average 3.2% y/y with further support from a tourism recovery, investments in renewable energy infrastructure projects, and higher SACU revenues.

While mining has historically made a large contribution to headline GDP, its spillovers to consumer demand have been limited given that mining accounts for less than 2% of overall employment. We therefore believe that consumer demand will remain weak despite the higher growth forecasts. Consumption is already constrained by job losses, below-inflation wage increases, low credit uptake and high levels of indebtedness. Further headwinds will come from rising food, fuel and utility prices. Inflation is expected to average 6.2% in 2022, significantly higher than the 2021 average of 3.6%.

Higher interest rates will add further pressure on consumers as monetary policy flexibility is constrained, given the currency peg to the Rand. Interest rate hikes will follow those in South Africa, in line with Namibia's official monetary policy framework which requires rates to be on par or above those of South Africa's. We note that Namibia's private sector credit extension (PSCE) slowed to 3.4% y/y during June 2022, with households' PSCE at 2.0% y/y and corporates at 5.3% y/y.

Accounting policies continued

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 forward-looking information relating to ECL provisions.

2022

	Upside scenario			Baseline scenario			Downside scenario		
(%)	2023	2024	2025	2023	2024	2025	2023	2024	2025
Real GDP growth	4.80	5.50	5.50	3.00	3.50	3.50	(0.50)	(0.50)	(0.50)
CPI inflation	4.60	4.20	4.20	5.00	4.90	4.70	7.30	7.20	7.20
Repo rate	5.50	5.25	5.25	5.75	5.75	5.75	10.00	8.00	7.00

2021*

	Upside scenario			Baseline scenario			Downside scenario		
(%)	2023	2024	2025	2023	2024	2025	2023	2024	2025
Real GDP growth	3.25	3.75	4.50	1.40	2.30	2.00	(3.00)	(1.50)	(1.00)
CPI inflation	3.00	3.00	3.00	3.80	4.00	4.10	5.92	6.75	7.00
Repo rate	2.75	2.50	2.50	3.75	4.00	4.00	6.25	6.50	6.50

* In the prior year, the disclosures were provided on the overall level per macroeconomic factor. In the current year, the information per macroeconomic factor has been disaggregated to reflect information forecasted for each of the three years.

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%.

IFRS 9 impairment provision at 30 June 2022	N$'000	% change on total IFRS 9 provision
Scenarios		
Baseline	1 316 833	(0.5%)
Upside	1 294 508	(2.1%)
Downside*	1 347 485	1.9%

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

* Applicable to the secured portfolio.

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.

Accounting policies continued

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Judgement	Retail and retail SME	Wholesale and commercial SME
Measurement of the 12-month and lifetime ECL	Parameters are determined on a pooled basis, with exposures pooled on a portfolio level at a minimum. Where appropriate, more granular pooling is applied. The inputs used to determine parameter values include historically observed behaviour, as well as behavioural and demographic information related to individual exposures currently on book. PD parameters are determined through assessment of the influence that various risk drivers have had on historical default rates. EAD parameter estimates are based on product characteristics and historical drawdown and payment behaviour. LGDs are determined by estimating expected future cash flows and are adjusted for forward-looking information such as the house price index, prime lending rate and GDP. These cash flows include direct costs and proceeds from the sale of collateral. Collateral recovery rates are based on historically observed outcomes. The statistical models applied implicitly assume that risk drivers that influence default risk, payment behaviour and recovery expectations within the historical data will continue to be relevant in the future.	Parameters are determined based on the application of statistical models that produce estimates based on counterparty-specific financial information and transaction characteristics. These characteristics include the nature of available collateral. Due to the specialised nature of these exposures, parameters produced by models are taken through a robust review and challenge process before being applied to calculate expected credit losses, and are required to be signed off by a committee of wholesale and commercial credit experts who can motivate adjustments to modelled parameters.
	Parameters are calibrated for the calculation of 12-month and lifetime ECL using term structures that consider borrower risk, account age, historical behaviour, transaction characteristics and correlations between parameters. Term structures have been developed over the entire remaining contractual lifetime of an instrument. The remaining lifetime is limited to the contractual term of instruments in the portfolio, except for instruments with an undrawn commitment such as credit cards, where there is no contractual expiry date. In such instances the remaining term is determined with reference to the change in client requirements that would trigger a review of the contractual terms, for example an increase in limit. Expected credit losses on open accounts are discounted from the expected date of default to the reporting date using the asset's original effective interest rate or a reasonable approximation thereof.	

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 the credit risk of financial instruments have increased significantly since initial recognition (SICR)	SICR triggers continue to be based on client behaviour, client-based behaviour scores and judgemental factors. Additional judgemental triggers that arose due to the impact of Covid-19, such as employment in industries in distress have been calibrated into the current year's SICR triggers. Additional enhancements incorporated in the current year, include SICR rules that cater for behaviour that had not been previously captured. For example, customers using savings and supporting or relying on family members to assist them in making payments to their debt providers. These updates specifically cater for performing customers, given the uncertainty of the length and severity of the third and future waves, and the fact that many customers, particularly in the most severely impacted sectors, have already utilised their emergency savings over the last year and therefore any safety buffers that the customer may have had would be exhausted or close to exhausted.	SICR triggers continue to be determined based on client behaviour, client internal FirstRand rating or risk score, as well as judgemental factors, which includes triggers for industries in distress, which may result in the client being added to the watch list through the group's ongoing risk management process. These triggers are determined at a deal and client level and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk.

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 the legal risk of potential litigation on the bank's litigation database.

Accounting policies continued

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.6 Transactions with employees

Employee benefits – post employment plans	
Determination of present value of post employment plan obligations	The cost of the benefits and the present value of the 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; and • staff turnover and historical forfeiture rates as indicators of future conditions.

Group annual financial statements

Statements of comprehensive income

for the year ended 30 June 2022

		GROUP		COMPANY	
N$'000	Note(s)	2022	2021	2022	2021
Interest and similar income	1	3 318 502	3 025 761	3 303 355	3 012 043
Interest expense and similar charges	2	(1 124 137)	(1 155 492)	(1 119 057)	(1 152 689)
Net interest income before impairment of advances		2 194 365	1 870 269	2 184 298	1 859 354
Impairment and fair value of credit on advances		(94 983)	(237 832)	(92 139)	(236 504)
Net interest income after impairment of advances		2 099 382	1 632 437	2 092 159	1 622 850
Non-interest revenue	3	1 795 647	1 779 979	1 884 339	1 777 662
- Net fee and commission income		1 648 391	1 598 638	1 647 557	1 597 518
- Fee and commission income		1 864 567	1 788 403	1 863 733	1 787 283
- Fee and commission expenses		(216 176)	(189 765)	(216 176)	(189 765)
- Fair value gains		136 940	148 930	136 940	148 930
- Gains less losses from investing activities		967	11 009	90 967	11 009
- Other non-interest revenue		9 349	21 402	8 875	20 205
Income from operations		3 895 029	3 412 416	3 976 498	3 400 512
Operating expenses	4	(2 060 858)	(1 951 301)	(2 052 553)	(1 944 471)
Net income from operations		1 834 171	1 461 115	1 923 945	1 456 041
Income before indirect tax		1 834 171	1 461 115	1 923 945	1 456 041
Indirect tax	6	(39 488)	(37 493)	(39 073)	(37 198)
Profit before taxation		1 794 683	1 423 622	1 884 872	1 418 843
Income tax expense	6	(572 023)	(441 767)	(571 652)	(438 660)
Profit for the year		1 222 660	981 855	1 313 220	980 183

		GROUP		COMPANY	
N$'000	Note(s)	2022	2021	2022	2021
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit post-employment plans		(2 120)	365	(2 120)	365
Deferred income tax		679	(117)	679	(117)
Total items that will not be reclassified to profit or loss		(1 441)	248	(1 441)	248
Other comprehensive income for the year		(1 441)	248	(1 441)	248
Total comprehensive income for the year		1 221 219	982 103	1 311 779	980 431

Statements of financial position
as at 30 June 2022

		GROUP		COMPANY	
N$'000	Note(s)	2022	2021	2022	2021
ASSETS					
Cash and cash equivalents	8	2 317 619	1 263 521	2 317 619	1 263 521
Due by banks and other financial institutions	8	9 231 508	2 958 109	9 231 508	2 958 109
Derivative financial instruments	9	93 610	314 626	93 610	314 626
Investment securities	10	7 302 955	7 041 312	7 302 955	7 041 312
Advances	11	31 989 299	30 283 263	31 845 259	30 098 777
Other assets	13	315 195	400 080	316 759	481 253
Investment in subsidiary	14	-	-	182 892	43 731
Property plant and equipment	15	888 830	920 901	829 481	865 476
Intangible assets	16	67 455	81 600	67 454	81 599
Total assets		52 206 471	43 263 412	52 187 537	43 148 404

		GROUP		COMPANY	
N$'000	Note(s)	2022	2021	2022	2021
EQUITY AND LIABILITIES					
LIABILITIES					
Short trading position	20	31 864	21 849	31 864	21 849
Derivative financial instruments	9	227 448	317 192	227 448	317 192
Creditors and accruals	19	840 132	533 881	843 120	534 522
Current tax liability		62 154	111 209	66 414	111 209
Deposits	21	44 530 451	35 927 937	44 527 981	35 925 572
- Deposits from customers		31 825 765	30 147 627	31 823 295	30 145 262
- Debt securities		5 476 351	4 617 181	5 476 351	4 617 181
- Due to banks and other financial institutions		7 228 335	1 163 129	7 228 335	1 163 129
Employee liabilities	17	229 081	214 024	229 081	214 024
Other liabilities	22	195 979	238 281	195 979	238 281
Tier 2 liabilities	23	-	402 770	-	402 770
Deferred tax	18	120 683	76 141	121 492	76 576
Total liabilities		46 237 792	37 843 284	46 243 379	37 843 357
EQUITY					
Ordinary shares	24	1	1	1	1
Share premium	24	1 142 791	1 142 791	1 142 791	1 142 791
Reserves		4 825 887	4 277 336	4 801 366	4 162 255
		5 968 679	5 420 128	5 944 158	5 305 047
Total Equity and Liabilities		52 206 471	43 263 412	52 187 537	43 148 404

Statements of changes in equity

for the year ended 30 June 2022

GROUP

N$'000	Share capital	Share premium	Total share capital		Defined benefit post employment reserve	General Reserve	Retained income	Total equity
Balance as at 1 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
Transfers to(from) reserves	-	-	-		-	-	-	-
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 1 July 2021	1	1 142 791	1 142 792		6 334	95 423	4 175 579	5 420 128
Profit for the year	-	-	-		-	-	1 222 660	1 222 660
Other comprehensive income	-	-	-		(1 441)	-	-	(1 441)
Total comprehensive income for the year	-	-	-		(1 441)	-	1 222 660	1 221 219
Transfer between reserves	-	-	-		-	(95 423)	95 423	-
Ordinary dividends	-	-	-		-	-	(672 668)	(672 668)
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-		-	(95 423)	(577 245)	(672 668)
Balance at 30 June 2022	1	1 142 791	1 142 792		4 893	-	4 820 994	5 968 679
Note(s)	24	24	24			25		

Statements of changes in equity
for the year ended 30 June 2022

COMPANY

N$'000	Share capital	Share premium	Total share capital		Defined benefit post employment reserve	General Reserve	Retained income	Total equity
Balance at 1 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
Transfers to(from) 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 1 July 2021	1	1 142 791	1 142 792		6 334	95 423	4 060 498	5 305 047
Profit for the year	-	-	-		-	-	1 313 220	1 313 220
Other comprehensive income	-	-	-		(1 441)	-	-	(1 441)
Total comprehensive income for the year	-	-	-		(1 441)	-	1 313 220	1 311 779
Transfer between reserves	-	-	-		-	(95 423)	95 423	-
Ordinary dividends	-	-	-		-	-	(672 668)	(672 668)
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-		-	(95 423)	(577 245)	(672 668)
Balance at 30 June 2022	1	1 142 791	1 142 792		4 893	-	4 796 473	5 944 158
Note(s)	24	24	24			25		

Statements of cash flows

for the year ended 30 June 2022

		GROUP		COMPANY	
N$'000	Note(s)	2022	2021	2022	2021
Cash flows from operating activities					
Interest and commission receipts		5 083 811	4 604 127	5 069 633	4 589 698
- Interest received		3 435 420	3 028 534	3 422 075	3 014 816
- Fee and commission income		1 864 567	1 765 358	1 863 733	1 764 646
- Fee and commission expense		(216 176)	(189 764)	(216 175)	(189 764)
Other non-interest revenue		10 371	191 978	99 897	190 781
Interest payments		(1 124 137)	(1 155 492)	(1 119 057)	(1 152 689)
Other operating expenditure		(1 733 342)	(1 748 499)	(1 728 565)	(1 742 742)
Cash flows from operating activities	27	2 236 703	1 892 115	2 321 908	1 885 050
Liquid assets and trading securities		(6 535 043)	2 824 328	(6 535 043)	2 824 328
Advances		(1 798 866)	(440 095)	(1 836 467)	(493 291)
Deposits		8 612 527	(2 709 347)	8 612 422	(2 709 145)
Other assets		84 891	(186 381)	163 834	(228 747)
Creditors		281 252	26 314	309 764	28 550
Employee liabilities		15 056	20 947	15 056	20 947
Other liablities		(42 295)	(47 899)	(42 295)	(47 899)
Taxation paid		(614 514)	(626 534)	(637 759)	(621 695)
Net cash flows from operating activities		2 239 712	753 448	2 371 420	658 096

		GROUP		COMPANY	
N$'000	Note(s)	2022	2021	2022	2021
Cash flows from investing activities					
Acquisition of property and equipment		(87 617)	(167 651)	(80 165)	(133 177)
Reduction (Increase) in loan to subsidiary		-	-	(139 160)	60 877
Proceeds from sale of property and equipment		20 777	11 759	20 777	11 760
Purchase of other intangible assets	16	-	(13 494)	-	(13 494)
Net cash flows from investing activities		(66 840)	(169 386)	(198 548)	(74 034)
Cash flows from financing activities					
Dividends paid		(672 668)	(361 687)	(672 668)	(361 687)
Principal payments on lease liabilities		(23 041)	(31 286)	(23 041)	(31 286)
Principal payments on other liabilities		(23 065)	(32 936)	(23 065)	(32 936)
Redemption of Tier 2 liabilities		(400 000)	-	(400 000)	-
Net cash flows from financing activities		(1 118 774)	(425 909)	(1 118 774)	(425 909)
Net increase/(decrease) in cash and cash equivalents		1 054 098	158 153	1 054 098	158 153
Cash and cash equivalents at the beginning of the year		1 263 521	1 105 368	1 263 521	1 105 368
Total cash at end of the year	8	2 317 619	1 263 521	2 317 619	1 263 521

Notes to the annual financial statements
for the year ended 30 June 2022

1. Interest and similar income

	GROUP		COMPANY	
N$'000	2022	2021	2022	2021
Analysis of interest and similar income				
Instruments at amortised cost	3 318 502	3 025 761	3 303 355	3 012 043
Advances				
- Overdrafts and cash managed accounts	260 016	268 897	260 016	272 958
-Term Loans	344 331	291 147	344 331	291 147
- Card loans	46 865	47 427	46 865	47 427
- Instalment sales and hire purchase agreements	252 840	242 638	252 816	242 640
- Lease payments receivable	8 989	8 142	8 989	8 142
- Homeloans	1 211 934	1 125 740	1 196 969	1 108 146
- Commercial property finance	142 902	150 683	142 744	150 146
- Personal loans	277 324	264 120	277 324	264 120
- Preference share agreements	55 337	54 221	55 337	54 221
- Other advances	14 006	14 533	14 006	14 533
- Invoice finance	17 097	10 369	17 097	10 369
	2 631 641	2 477 567	2 616 494	2 463 849
Cash and cash equivalents	205 814	47 470	205 814	47 470
Investment securities	478 908	497 952	478 908	497 952
Accrued on off-market advances	2 139	2 772	2 139	2 772
Interest and similar income	3 318 502	3 025 761	3 303 355	3 012 043

2. Interest expense and similar charges

	GROUP		COMPANY	
N$'000	2022	2021	2022	2021
Instruments at amortised cost	1 124 137	1 155 492	1 119 057	1 152 689
Interest expense and similar charges	1 124 137	1 155 492	1 119 057	1 152 689
Deposits from customers				
- Current acconts	55 821	49 181	55 821	49 181
- Savings deposit	11 606	8 518	11 606	8 518
- Call deposit	256 098	242 299	256 098	242 299
- Fixed and notice deposits	367 400	472 245	367 400	472 245
	690 925	772 243	690 925	772 243
Debt securities				
- Negotiable certificates of deposit	234 348	288 163	234 348	288 163
- Fixed and floating rate notes	28 882	38 699	28 882	38 699
	263 230	326 862	263 230	326 862
Deposits from banks and other financial liabilities	136 876	12 943	131 796	10 140
Other funding liabilities				
- Other liabilities	8 995	10 546	8 995	10 546
- Lease liabilities	2 505	4 095	2 505	4 095
- Tier 2 Liabilities	21 606	28 803	21 606	28 803
	33 106	43 444	33 106	43 444
	1 124 137	1 155 492	1 119 057	1 152 689

Notes to the annual financial statements continued

for the year ended 30 June 2022

3. Non-interest revenue

N$'000	Note(s)	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Analysis of non-interest revenue					
Fee and commission income		1 864 567	1 788 403	1 863 733	1 787 283
Instruments at amortised cost		1 864 567	1 788 403	1 863 733	1 787 283
Fees incurred		(216 176)	(189 765)	(216 176)	(189 765)
Net fee and commission income	3.1	1 648 391	1 598 638	1 647 557	1 597 518
- Mandatory		130 224	131 803	130 224	131 803
- Designated		6 716	17 127	6 716	17 127
Fair value gains or losses	3.2	136 940	148 930	136 940	148 930
Gains less losses from investing activities	3.3	967	11 009	90 967	11 009
Other non-interest revenue	3.4	9 349	21 402	8 875	20 205
Total non-interest revenue		1 795 647	1 779 979	1 884 339	1 777 662

3. Non-interest revenue continued

N$'000	Note(s)	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
### 3.1 Net fee and commission income					
Banking fee and commission income:					
- Card commissions		273 634	224 435	273 634	224 435
- Cash deposit fee		101 436	94 921	101 436	94 921
- Commissions: bills and drafts		23 159	98 856	23 420	99 136
- Bank charges		1 378 649	1 370 191	1 377 812	1 368 791
Transaction and service fees		1 776 878	1 788 403	1 776 302	1 787 283
- Documentation and administration fees		43 219	43 553	42 961	43 155
- Cash handling fees		44 470	48 002	44 470	48 002
Fee and commission income		1 864 567	1 788 403	1 863 733	1 787 283
Fee and commission expense:					
Transaction processing fee		(152 763)	(124 707)	(152 763)	(124 707)
Cash sorting handling and transportation charges		(24 504)	(27 101)	(24 504)	(27 101)
Customer loyalty programmes		(26 202)	(22 202)	(26 202)	(22 202)
ATM commission paid		(8 139)	(12 157)	(8 139)	(12 157)
Other		(4 568)	(3 598)	(4 568)	(3 598)
Fee and commission expenses		(216 176)	(189 765)	(216 176)	(189 765)
Net fees and commission income		1 648 391	1 598 638	1 647 557	1 597 518

Notes to the annual financial statements

for the year ended 30 June 2022

3. Non-interest revenue continued

N$'000	Note(s)	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
3.2 Fair value gains or losses					
Foreign exchange		111 124	102 314	111 124	102 314
Other fair value gains		25 816	46 616	25 816	46 616
Total fair value gains		136 940	148 930	136 940	148 930
3.3 Gains less losses from investing activities					
Gains on investment securities designated at fair value through profit or loss (money market funds)		2 816	11 535	2 816	11 535
Dividends received (unlisted investments) (money market funds)		-	884	-	884
Loss allowance on investment securities		(1 849)	(1 410)	(1 849)	(1 410)
Dividend income received from subsidiary		-	-	90 000	-
Gains less losses from investing activities		967	11 009	90 967	11 009
3.4 Other non-interest revenue					
Gain/(loss) on disposal of property and equipment		(5 613)	(1 537)	(5 613)	(1 537)
Rental income		5 522	6 582	5 048	5 385
Other income		9 440	16 357	9 440	16 357
Other non-interest revenue		9 349	21 402	8 875	20 205

4. Operating expenses

N$'000	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Auditor's remuneration - external				
- Audit fees	9 129	9 311	8 758	8 956
- Fees for other services	452	416	358	416
	9 581	9 727	9 116	9 372
Leases				
Operating lease charges				
- Short term leases	5 547	5 138	6 841	5 157
- Leases of low value assets	5 272	6 391	5 272	6 391
	10 819	11 529	12 113	11 548
Staff costs				
- Salaries wages and allowances	914 731	886 020	914 731	886 020
- Contributions to employee benefit funds	186 877	183 749	186 877	183 749
- Defined contribution schemes: pension	92 965	91 467	92 965	91 467
- Defined contribution schemes: medical	93 912	92 282	93 912	92 282
- Severance pay provision: death in service	592	476	592	476
- Post-retirement medical expense	3 684	3 933	3 684	3 933
- Social security levies	1 857	1 921	1 857	1 921
- Training levies	10 199	8 270	10 199	8 270
- Share-based payments	19 419	17 631	19 419	17 631
- Other staff costs	2 066	1 406	2 066	1 406
	1 139 425	1 103 406	1 139 425	1 103 406

Notes to the annual financial statements
for the year ended 30 June 2022

4. Operating expenses continued

	GROUP		COMPANY	
N$'000	2022	2021	2022	2021
Other operating costs				
- Amortisation of intangible assets	14 144	13 245	14 144	13 245
- Depreciation	98 904	120 895	95 376	119 824
- Insurance	10 870	10 723	10 761	10 604
Advertising and Marketing	55 014	47 239	55 014	47 239
- Donations	13 581	13 460	13 581	13 460
- Property and maintenance	78 035	77 329	74 885	74 199
- Computer expenses	421 118	319 717	421 118	319 684
- Stationery	4 282	4 208	4 282	4 208
- Telecommunications	20 411	21 435	20 411	21 434
- Legal fees	13 802	11 900	13 802	11 896
- Postage	2 742	3 450	2 742	3 450
- Professional fees	19 711	4 547	19 710	4 540
- Business travel	7 194	4 927	7 194	4 927
- Total directors' emoluments	16 006	15 732	16 006	15 732
- Other operating expenditure	125 219	157 832	122 873	155 703
	901 033	826 639	891 889	820 145
Total operating expenses	2 060 858	1 951 301	2 052 553	1 944 471

5. Directors' emoluments

	GROUP		COMPANY	
N$'000	2022	2021	2022	2021
Executive directors	13 430	12 255	13 430	12 255
Non-executive directors	2 576	3 477	2 576	3 477
Total directors' emoluments	16 006	15 732	16 006	15 732

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 i.e. August, December and June.

N$'000	2022	2021
Non-executive – Group and company		
Zaamwani-Kamwii II	390	450
Moir SH (Retired 31 December 2020)	-	508
Daun JG (Resigned 31 December 2021)	253	557
Gruttemeyer P	562	458
Haikali CLR	613	594
Hausiku JH (Resigned 30 June 2022)	164	298
Hinda Adv GS (Resigned 02 November 2020)	-	100
Khethe JR (Resigned 31 December 2021)	106	299
Nashandi IN	172	213
Coetzee J (Appointed 01 October 2021)	203	-
van Zyl E (Appointed 01 March 2022)	113	-
	2 576	3 477

Notes to the annual financial statements
for the year ended 30 June 2022

5. Directors' emoluments continued

N$'000	2022	2021
EXECUTIVE – GROUP AND COMPANY		
C Dempsey – CEO **^		
appointed 20 October 2020		
Cash packages paid during the year	2 057	1 422
Retirement contributions paid during the year	430	304
Other allowances	756	566
Guaranteed package	3 243	2 292
Cash:		
- within 6 months	1 792	-
- within 1 year	590	-
Variable pay	2 382	-
Total guaranteed pay	5 625	2 292
E Tjipuka – CEO FNB Franchise #		
appointed 20 October 2020		
Cash packages paid during the year	2 498	1 801
Retirement contributions paid during the year	406	296
Other allowances	128	116
Guaranteed package	3 032	2 213
Cash:		
- within 6 months	1 086	172
- within 1 year	226	-
Variable pay	1 312	172
Total guaranteed and variable pay	4 344	2 385

5. Directors' emoluments continued

N$'000	2022	2021
S.J. van Zyl – Former CEO (Retired 30 September 2020)		
Cash packages paid during the year	-	660
Retirement contributions paid during the year	-	108
Other allowances	-	52
Guaranteed package	-	820
Performance related short-term incentive (STI): *		
Cash:		
- within 6 months	-	2 541
- Within 1 year	-	-
Compensation received in respect of loss of office	-	1 282
Total guaranteed and variable pay	-	4 643
OLP Capelao – CFO		
Cash package paid during the year	1 708	1 663
Retirement contributions paid during the year	275	268
Other allowances	139	137
Guaranteed package	2 122	2 068
Cash:		
- within 6 months	845	794
- within 1 year	100	74
Variable pay	945	868
Total guaranteed and variable pay	3 067	2 936

* Cash package performance related retirement contributions and other allowances reflect what was paid during the year ended 30 June 2022 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 executive director.

\# Actual increase granted for 2022 was at 3%.

^ Actual increase granted for 2022 was at 6.12%.

Notes to the annual financial statements
for the year ended 30 June 2022

5. Directors' emoluments continued

OLP Capelao

	Opening balance	Granted during the year	Expiry date	Forefeited this year	Taken this year (vested/sold)	Closing balance as at 30 June 2022	Value on settlement (N$000)
FirstRand SA Ltd shares	10 618	-	Oct-21	-	(10 618)	-	654
FirstRand SA Ltd shares	19 172	-	Oct-22	(19 172)	-	-	-
FirstRand SA Ltd shares	-	10 618	Oct-22	-	-	10 618	610
FirstRand SA Ltd shares	46 297	7 137	Oct-23	-	-	53 434	1 811
FirstRand SA Ltd shares	-	19 476	Oct-24	-	-	19 476	252

C Dempsey

	Opening balance	Granted during the year	Expiry date	Forefeited this year	Taken this year (vested/sold)	Closing balance as at 30 June 2022	Value on settlement (N$000)
FirstRand SA Ltd Shares	9 981	-	Oct-21	-	(9 981)	-	631
FirstRand SA Ltd Shares	3 681	-	Oct-21	-	(3 681)	-	233
FirstRand SA Ltd Shares	18 405	-	Oct-22	(18 405)	-	-	-
FirstRand SA Ltd Shares	-	9 981	Oct-22	-	-	9 981	573
FirstRand SA Ltd shares	60 950	10 195	Oct-23	-	-	71 145	2 411
FirstRand SA Ltd shares	-	46 256	Oct-24	-	-	46 256	624

E Tjipuka

	Opening Balance	Granted during the year	Expiry date	Forfeited this year	Taken this year (vested/sold)	Closing balance as at 30 June 2022	Value on settlement (N$000)
FirstRand SA Ltd shares	23 006	-	-	(23 006)	-	-	-
FirstRand SA Ltd shares	6 371	-	-	-	(6 371)	-	393
FirstRand SA Ltd shares	6 371	-	-	-	-	6 371	216
FirstRand SA Ltd shares	44 597	8 920	Oct-23	-	-	53 517	1 814
FirstRand SA Ltd shares	-	6 371	Oct-22	-	-	6 371	366
FirstRand SA Ltd shares	-	14 201	Oct-24	-	-	14 201	184
FirstRand SA Ltd shares	-	14 202	Oct-24	-	-	14 202	184

6. Taxation

	GROUP		COMPANY	
N$'000	2022	2021	2022	2021
6.1 Indirect tax				
Stamp duties	9 007	7 252	9 007	7 252
Value-added tax (net)	30 481	30 241	30 066	29 946
	39 488	37 493	39 073	37 198
6.2 Direct tax				
Current				
Current year	526 804	628 844	526 058	628 844
Deferred				
Current year	45 219	(187 077)	45 594	(190 184)
Total income tax expense	572 023	441 767	571 652	438 660
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:				
Other non-taxable income *	(0.99%)	(1.24%)	(0.99%)	(1.24%)
Other	(0.08%)	(0.40%)	(1.72%)	(0.52%)
Disallowed expenditure **	0.94%	0.67%	0.94%	0.68%
Effective rate of tax	31.87%	31.03%	30.33%	30.92%

* Includes fair value income which is not-taxable

** Includes donations and expenditure in entities which do not have taxable income

Notes to the annual financial statements

for the year ended 30 June 2022

7. Analysis of assets and liabilities

GROUP - 2022

N$'000	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	2 317 619	-	-	-	2 317 619	2 317 619	-
Due from banks and other financial institutions	9 231 508	-	-	-	9 231 508	3 545 175	5 686 333
Derivative financial instruments	-	93 610	-	-	93 610	93 610	-
Investment securities	7 111 806	191 149	-	-	7 302 955	2 921 713	4 381 242
Advances	31 918 455	-	70 844	-	31 989 299	5 577 753	26 411 546
Other assets	161 737	-	-	153 458	315 195	315 195	-
Non-financial assets	-	-	-	956 284	956 284	-	956 284
Total assets	50 741 126	284 760	70 844	1 109 742	52 206 471	14 771 068	37 435 404
Equity	-	-	-	-	5 968 679	-	5 968 689
Liabilities							
Derivative financial instruments	-	227 448	-	-	227 448	227 448	-
Creditors accruals and provisions	589 176	-	-	250 964	840 132	765 300	74 840
Deposits	44 530 451	-	-	-	44 530 451	42 653 306	1 877 145
Short tradig position	-	31 864	-	-	31 864	31 864	-
Other liabilities	157 203	-	-	38 776	195 979	50 706	145 273
Non-financial liabilties	-	-	-	411 914	411 914	-	411 914
Total liabilities	45 276 830	259 312	-	701 654	46 237 792	43 728 624	2 509 172
Equity and liabilities	45 276 830	259 312	-	701 654	52 206 471	43 728 624	8 477 861

7. Analysis of assets and liabilities continued

GROUP - 2021

N$'000	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							
Derivative financial instruments	-	317 192	-	-	317 192	317 192	-
Creditors accruals and provisions	66 349	-	-	467 533	533 882	533 882	-
Short trading position	-	21 849	-	-	21 849	21 849	-
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	35 334 287	2 508 998
Equity and liabilities	36 585 513	339 041	-	918 731	43 263 413	35 334 287	7 929 126

Notes to the annual financial statements

for the year ended 30 June 2022

7. Analysis of assets and liabilities continued

COMPANY - 2022

N$'000	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	2 317 619	-	-	-	2 317 619	2 317 619	-
Due from banks and other financial institutions	9 231 508	-	-	-	9 231 508	3 545 175	5 686 333
Derivative financial instruments	-	93 610	-	-	93 610	93 610	-
Investment securities	7 111 806	191 149	-	-	7 302 955	2 921 712	4 381 243
Advances	31 774 415	-	70 844	-	31 845 259	5 487 313	26 357 946
Other assets	161 735	-	-	155 024	316 759	316 759	-
Non-financial assets	-	-	-	1 079 826	1 079 826	-	1 079 826
Total assets	50 597 084	284 759	70 844	1 234 850	52 187 537	14 682 850	37 505 348
Equity	-	-	-	-	5 944 158	-	5 944 158
Liabilities							
Derivative financial instruments	-	227 448	-	-	227 448	227 448	-
Creditors accruals and provisions	589 160	-	-	253 960	843 120	843 120	-
Deposits	44 527 981	-	-	-	44 527 981	42 650 835	1 877 146
Short trading position	-	31 864	-	-	31 864	31 864	-
Other liabilities	157 203	-	-	38 776	195 979	50 706	145 273
Non-financial liabilties	-	-	-	416 995	416 995	-	416 995
Total liabilities	45 274 344	259 312	-	709 731	46 243 379	43 803 974	2 439 414
Equity and liabilities	45 274 344	259 312	-	709 731	52 187 537	43 803 974	8 384 227

7. Analysis of assets and liabilities continued

COMPANY - 2021

N$'000	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	22 434 789
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							
Derivative financial instruments	-	317 192	-	-	317 192	317 192	-
Creditors accruals and provisions	66 349	-	-	468 174	534 523	534 523	-
Short trading position	-	21 849	-	-	21 849	21 849	-
Deposits	35 925 572	-	-	-	35 925 572	34 416 282	1 509 290
Other liabilities	188 456	-	-	49 824	238 280	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	-	921 169	37 843 357	35 332 563	2 510 795
Equity and liabilities	36 583 147	339 041	-	921 169	43 148 404	35 332 563	7 815 842

Notes to the annual financial statements
for the year ended 30 June 2022

8. Cash and cash equivalents

	GROUP		COMPANY	
N$'000	2022	2021	2022	2021
Coins and bank notes	561 427	486 117	561 427	486 117
Balances with central bank	1 756 192	777 404	1 756 192	777 404
Total cash and cash equivalents	2 317 619	1 263 521	2 317 619	1 263 521
Mandatory reserve balance included in above	461 652	376 529	461 652	376 529
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.				
Due from banks	9 231 508	2 958 109	9 231 508	2 958 109

FNB Namibia (FNBN) entered into a series of fully collateralized repo and reverse repo transactions with FirstRand Bank (FRB SA) for a total value of N$7 billion for the purposes of asset and liability management. The repo transaction is disclosed under due to banks and other financial liabilities. Refer to note 21.

ECL for cash and cash equivalents are insignificant.

Credit quality of cash at bank and short term deposits excluding cash on hand

The credit quality of cash at bank and short term deposits excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

9. Derivatives

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 derivatives 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 30.

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:

Notes to the annual financial statements
for the year ended 30 June 2022

9. Derivatives continued

	GROUP AND COMPANY			
	2022			
N$'000	Assets notional	Fair value	Liabilities notional	Fair value
Held for trading				
- Currency derivatives	525 344	67 222	948 518	184 577
- Interest rate derivatives	510 000	24 750	1 435 096	41 233
- Energy derivatives	5 647	1 638	2 030 399	1 638
Total	1 040 991	93 610	4 414 013	227 448

	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

10. Investment securities

	GROUP		COMPANY	
N$'000	2022	2021	2022	2021
Treasury bills	2 687 550	3 131 140	2 687 550	3 131 140
Other government and government guaranteed stock	4 619 929	3 624 226	4 619 929	3 624 226
Other undated securities (money market funds)	-	288 621	-	288 621
Total gross carrying amount of investment securities	7 307 479	7 043 987	7 307 479	7 043 987
Loss allowance on investment securities	(4 524)	(2 675)	(4 524)	(2 675)
Total investment securities	7 302 955	7 041 312	7 302 955	7 041 312
Analysis of Investment securities				
Other securities - fair value through profit and loss	-	288 621	-	288 621
Debt instruments	7 302 955	6 752 691	7 302 955	6 752 691
- Amortised cost	7 111 806	6 673 704	7 111 806	6 673 704
- Fair value through profit or loss	191 149	78 987	191 149	78 987
Total investment securities	7 302 955	7 041 312	7 302 955	7 041 312

N$7 112 million (2021: N$6 674 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 as amended) 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$ 4.5 million (2021: N$2.7 million).

	2022	2021
Reconciliation of the loss allowance - investment securities at amortised cost		
Amount as at 1 July	2 675	1 265
- Stage 1	1 849	1 410
Amount as at 30 June	4 524	2 675

Notes to the annual financial statements
for the year ended 30 June 2022

11. Advances

N$'000	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Notional value of advances	33 364 517	31 647 603	33 214 550	31 457 535
Category analysis				
Overdrafts and cash managed accounts	3 249 743	3 132 789	3 249 743	3 132 789
Term loans	2 635 221	2 413 640	2 635 221	2 413 640
Card loans	503 033	472 452	503 033	472 452
Installment sales	3 030 232	2 941 332	3 030 232	2 941 356
Lease payments receivable	104 716	94 173	104 716	94 173
Home loans	15 586 088	14 840 906	15 439 713	14 657 355
Assets under agreement to resell	41 764	21 726	41 764	21 726
Commercial property finance	3 998 572	3 662 786	3 994 980	3 656 245
Personal loans	2 818 282	2 563 566	2 818 282	2 563 566
Preference share agreements	937 611	917 384	937 611	917 384
Investment bank term loans	29 080	219 568	29 080	219 568
Invoice finance	248 652	145 056	248 652	145 056
Other	181 523	222 225	181 523	222 225
Gross value of advances	33 364 517	31 647 603	33 214 550	31 457 535
Impairment and fair value of credit of advances (note 12)	(1 375 218)	(1 364 340)	(1 369 291)	(1 358 758)
Net advances	31 989 299	30 283 263	31 845 259	30 098 777
Portfolio analysis				
Designated at fair value through profit or loss	70 844	241 294	70 844	241 294
Amortised cost	31 918 455	30 041 969	31 774 415	29 857 483
Net advances	31 989 299	30 283 263	31 845 259	30 098 777

11. Advances continued

Instalment sale and lease payments receivable:

GROUP AND COMPANY - 2022

N$'000	2022	2021
Within 1 year	58 721	37 652
Between 1 and 2 years	29 097	27 212
Between 2 and 3 years	16 526	15 962
Between 3 and 4 years	6 193	12 031
Between 4 and 5 years	5 731	8 583
More than 5 years	3 044	2 687
Sub-total	119 312	104 127
Less: unearned finance charges	(14 596)	(9 954)
Total net instalment sale and lease payment receivable	104 716	94 173

Notes to the annual financial statements
for the year ended 30 June 2022

11. Advances continued

The group has not sold or pledged any advances to third parties. Under the terms of lease agreements no contingent rentals are payable. These agreements relate to motor vehicle and equipment.

Analysis of advances per class:

GROUP - 2022

N$'000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	15 591 269	-	(371 981)	15 219 288
Vehicle and asset finance	1 741 921	-	(56 182)	1 685 739
Total retail secured	17 333 190	-	(428 163)	16 905 027
Credit card	483 267	-	(64 685)	418 582
Personal loans	2 812 672	-	(263 520)	2 549 152
Other retail	513 212	-	(67 588)	445 625
Total Retail unsecured	3 809 151	-	(395 793)	3 413 358
FNB Commercial	6 005 726	-	(393 087)	5 612 639
Commercial vehicle and asset finance	1 545 688	-	(105 833)	1 439 855
Total FNB Commercial	7 551 414	-	(498 920)	7 052 494
RMB Corporate and Investment banking	4 599 918	70 844	(52 342)	4 618 420
Total Corporate and Commercial	12 151 332	70 844	(551 262)	11 670 914
Total advances	33 293 673	70 844	(1 375 218)	31 989 299

11. Advances continued

GROUP - 2021

N$'000	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

Notes to the annual financial statements
for the year ended 30 June 2022

11. Advances continued

COMPANY - 2022

N$'000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	15 441 298	-	(366 054)	15 075 244
Vehicle and asset finance	1 741 921	-	(56 182)	1 685 739
Total retail secured	17 183 219	-	(422 236)	16 760 983
Credit card	483 267	-	(64 685)	418 582
Personal loans	2 812 672	-	(263 520)	2 549 152
Other retail	513 216	-	(67 588)	445 628
Total Retail unsecured	3 809 155	-	(395 793)	3 413 365
FNB Commercial	6 005 726	-	(393 087)	5 612 639
Commercial vehicle and asset finance	1 545 688	-	(105 833)	1 439 855
Total FNB Commercial	7 551 414	-	(484 082)	7 052 494
RMB Corporate and Investment banking	4 599 918	70 844	(52 342)	4 618 420
Total Corporate and Commercial	12 151 332	70 844	(536 424)	11 670 914
Total advances	33 143 706	70 844	(1 369 291)	31 845 259

11. Advances continued

COMPANY - 2021

N$'000	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	-	(67 985)	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	31 216 241	241 294	(1 358 757)	30 098 778

Notes to the annual financial statements
for the year ended 30 June 2022

11. Advances continued

Reconciliation of the gross carrying amount of advances and loss allowance on total advances measured at amortised cost.

GROUP - 2022

	Gross advances			
N$'000	Stage 1	Stage 2	Stage 3	Total
Amortised cost	25 835 134	3 926 081	1 645 094	31 406 309
Fair value	241 294	-	-	241 294
Amount as at 1 July 2021	26 076 428	3 926 081	1 645 094	31 647 603
Transfer from stage 1 to stage 2	(499 637)	499 637	-	-
Transfer from stage 1 to stage 3	(141 748)	-	141 748	-
Transfer from stage 2 to stage 3	-	(75 901)	75 901	-
Transfer from stage 2 to stage 1	1 008 138	(1 008 138)	-	-
Transfer from stage 3 to stage 2		27 491	(27 491)	
Transfer from stage 3 to stage 1	26 470	-	(26 470)	-
Opening balance after transfer	26 469 651	3 369 170	1 808 782	31 647 603
Current period provision created / (released)	-	-	-	-
Change in exposure of back book in the current year	-	-	-	-
- Attributable to change in measurement basis	-	-	-	-
- Attributable to change in risk parameter	-	-	-	-
Total new book exposure	2 346 255	(608 484)	152 520	1 890 291
Change in exposure due to new business in the current year	2 346 255	(608 484)	152 520	1 890 291
Bad debts written off	-	-	(173 377)	(173 377)
Amount as at 30 June 2022	28 815 906	2 760 686	1 787 925	33 364 517
Amortised cost	28 745 062	2 760 686	1 787 925	33 293 673
Fair value	70 844	-	-	70 844

GROUP - 2022

	Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total
Amortised cost	346 605	344 515	672 095	1 363 215
Fair value	1 125	-	-	1 125
Amount as at 1 July 2021	347 730	344 515	672 095	1 364 340
Transfer from stage 1 to stage 2	(5 300)	5 300	-	-
Transfer from stage 1 to stage 3	(2 494)	-	2 494	-
Transfer from stage 2 to stage 3	-	(14 706)	14 706	-
Transfer from stage 2 to stage 1	33 883	(33 883)	-	-
Transfer from stage 3 to stage 2		5 691	(5 691)	
Transfer from stage 3 to stage 1	3 375	-	(3 375)	-
Opening balance after transfer	377 194	306 917	680 229	1 364 340
Current period provision created / (released)	38 069	26 949	17 744	82 762
Change in exposure of back book in the current year	-	-	-	-
- Attributable to change in measurement basis	-	14 643	-	14 643
- Attributable to change in risk parameter	(145 362)	(16 260)	248 472	86 850
Total new book exposure	38 069	26 949	17 744	82 762
Change in exposure due to new business in the current year	38 069	26 949	17 744	82 762
Bad debts written off	-	-	(173 377)	(173 377)
Amount as at 30 June 2022	269 901	332 249	773 068	1 375 218
Amortised cost	269 857	332 249	773 068	1 375 174
Fair value	44	-	-	44

Notes to the annual financial statements
for the year ended 30 June 2022

11. Advances continued

GROUP - 2021

	Gross advances			
N$'000	Stage 1	Stage 2	Stage 3	Total
Amortised cost	27 816 355	1 823 762	1 369 340	31 009 457
Fair value	310 042	-	-	310 042
Amount as at 1 July 2020	28 126 397	1 823 762	1 369 340	31 319 499
Transfer from stage 1 to stage 2	(1 435 643)	1 435 643	-	-
Transfer from stage 1 to stage 3	(70 446)	-	70 446	-
Transfer from stage 2 to stage 3	-	(65 302)	65 302	-
Transfer from stage 2 to stage 1	364 720	(364 720)	-	-
Transfer from stage 3 to stage1	2	-	(2)	-
Opening balance after transfer	26 985 030	2 829 383	1 505 086	31 319 499
Current period provision created / (released)	-	-	-	-
Change in exposure of back book in the current year	-	-	-	-
- Attributable to change in measurement basis	-	-	-	-
- Attributable to change in risk parameter	-	-	-	-
Change in exposure due to new business in the current year	(908 602)	1 096 698	313 808	501 904
Bad debts written off	-	-	(173 800)	(173 800)
Amount as at 30 June 2021	26 076 428	3 926 081	1 645 094	31 647 603
Amortised cost	25 835 134	3 926 081	1 645 094	31 406 309
Fair value	241 294	-	-	241 294

11. Advances continued

GROUP - 2021

	Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total
Amortised cost	368 301	263 527	607 863	1 239 691
Fair value	1 579	-	-	1 579
Amount as at 1 July 2020	369 880	263 527	607 863	1 241 270
Transfer from stage 1 to stage 2	(8 910)	8 910	-	-
Transfer from stage 1 to stage 3	(1 312)	-	1 312	-
Transfer from stage 2 to stage 3	-	(12 276)	12 276	-
Transfer from stage 2 to stage 1	26 355	(26 355)	-	-
Transfer from stage 3 to stage1	1	-	(1)	-
Opening balance after transfer	386 014	233 806	621 451	1 241 270
Current period provision created / (released)	(38 284)	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	186 602
Change in exposure due to new business in the current year	36 049	33 789	4 283	74 121
Bad debts written off	-	-	(173 800)	(173 800)
Amount as at 30 June 2021	347 730	344 515	672 095	1 364 340
Amortised cost	346 605	344 515	672 095	1 363 215
Fair value	1 125	-	-	1 125

Notes to the annual financial statements
for the year ended 30 June 2022

11. Advances continued

COMPANY - 2022

N$'000	Gross advances Stage 1	Stage 2	Stage 3	Total
Amortised cost	25 664 899	3 926 080	1 625 262	31 216 241
Fair value	241 294	-	-	241 294
Amount as at 1 July 2021	25 906 193	3 926 080	1 625 262	31 457 535
Transfer from stage 1 to stage 2	(473 167)	473 167	-	-
Transfer from stage 1 to stage 3	(140 442)	-	140 442	-
Transfer from stage 2 to stage 3	-	(75 901)	75 901	-
Transfer from stage 2 to stage 1	1 008 138	(1 008 138)	-	-
Transfer from stage 3 to stage 2	-	27 491	(27 491)	-
Transfer from stage 3 to stage 1	26 470	-	(26 470)	-
Opening balance after transfer	26 327 192	3 342 699	1 787 644	31 457 535
Current period provision created / (released)	-	-	-	-
Change in exposure of back book in the current year	-	-	-	-
- Attributable to change in measurement basis	-	-	-	-
- Attributable to change in risk parameter	-	-	-	-
Total new book exposure	2 383 617	(605 745)	152 520	1 930 392
Change in exposure due to new business in the current year	2 383 617	(605 745)	152 520	1 930 392
Acquisition/(disposal) of advances**	-	-	-	-
Modifications that did not give rise to derecognition	-	-	-	-
Exchange rate differences	-	-	-	-
Bad debts written off	-	-	(173 377)	(173 377)
Amount as at 30 June 2022	28 710 809	2 736 954	1 766 787	33 214 550
Amortised cost	28 639 965	2 736 954	1 766 787	33 143 706
Fair value	70 844	-	-	70 844

11. Advances continued

COMPANY - 2022

N$'000	Loss allowance Stage 1	Stage 2	Stage 3	Total
Amortised cost	343 445	342 462	671 726	1 357 633
Fair value	1 125	-	-	1 125
Amount as at 1 July 2021	344 570	342 462	671 726	1 358 758
Transfer from stage 1 to stage 2	(9 643)	9 643	-	-
Transfer from stage 1 to stage 3	(2 494)	-	2 494	-
Transfer from stage 2 to stage 3	-	(14 706)	14 706	-
Transfer from stage 2 to stage 1	33 883	(33 883)	-	-
Transfer from stage 3 to stage 2	-	5 691	(5 691)	-
Transfer from stage 3 to stage 1	3 375	-	(3 375)	-
Opening balance after transfer	369 691	309 207	679 860	1 358 758
Current period provision created / (released)	31 890	26 951	13 807	72 648
Change in exposure of back book in the current year	-	-	-	-
- Attributable to change in measurement basis	-	14 643	-	14 643
- Attributable to change in risk parameter	(131 945)	(19 908)	248 472	96 619
Total new book exposure	31 890	26 951	13 807	72 648
Change in exposure due to new business in the current year	31 890	26 951	13 807	72 648
Acquisition/(disposal) of advances**	-	-	-	-
Modifications that did not give rise to derecognition	-	-	-	-
Exchange rate differences	-	-	-	-
Bad debts written off	-	-	(173 377)	(173 377)
Amount as at 30 June 2022	269 636	330 893	768 762	1 369 291
Amortised cost	269 592	330 893	768 762	1 369 247
Fair value	44	-	-	44

Notes to the annual financial statements
for the year ended 30 June 2022

11. Advances continued

COMPANY - 2021

	Gross advances			
N$'000	Stage 1	Stage 2	Stage 3	Total
Amortised cost	27 593 583	1 823 762	1 350 185	30 767 530
Fair value	310 042	-	-	310 042
Amount as at 1 July 2020	27 903 625	1 823 762	1 350 185	31 077 572
Transfer from stage 1 to stage 2	(1 435 643)	1 435 643	-	-
Transfer from stage 1 to stage 3	(70 442)	-	70 442	-
Transfer from stage 2 to stage 3	-	(65 302)	65 302	-
Transfer from stage 2 to stage 1	364 720	(364 720)	-	-
Transfer from stage 3 to stage 1	2	-	(2)	-
Opening balance after transfer	26 762 262	2 829 383	1 485 927	31 077 572
Current period provision created / (released)	-	-	-	-
Change in exposure of back book in the current year	-	-	-	-
- Attributable to change in measurement basis	-	-	-	-
- Attributable to change in risk parameter	-	-	-	-
Change in exposure due to new business in the current year	(856 069)	1 096 697	313 135	553 763
Bad debts written off	-	-	(173 800)	(173 800)
Amount as at 30 June 2021	25 906 193	3 926 080	1 625 262	31 457 535
Amortised cost	25 664 899	3 926 080	1 625 262	31 216 241
Fair value	241 294	-	-	241 294

11. Advances continued

COMPANY - 2021

	Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total
Amortised cost	363 575	262 982	606 195	1 232 752
Fair value	1 579	-	-	1 579
Amount as at 1 July 2020	365 154	262 982	606 195	1 234 331
Transfer from stage 1 to stage 2	(8 910)	8 910	-	-
Transfer from stage 1 to stage 3	(1 312)	-	1 312	-
Transfer from stage 2 to stage 3	-	(12 276)	12 276	-
Transfer from stage 2 to stage 1	26 355	(26 355)	-	-
Transfer from stage 3 to stage 1	1	-	(1)	-
Opening balance after transfer	381 288	233 261	619 782	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	35 788	33 789	4 777	74 354
Bad debts written off	-	-	(173 800)	(173 800)
Amount as at 30 June 2021	344 570	342 462	671 726	1 358 758
Amortised cost	343 445	342 462	671 726	1 357 633
Fair value	1 125	-	-	1 125

Notes to the annual financial statements
for the year ended 30 June 2022

11. Advances continued

GROUP - 2022	Gross advances			
N$'000	Stage 1	Stage 2	Stage 3	Total
Total Retail	17 868 393	2 036 853	1 237 095	21 142 341
FNB Commercial	4 918 476	589 346	497 904	6 005 726
Commercial vehicle finance	1 376 050	116 712	52 926	1 545 688
RMB Corporate and Investment banking	4 652 987	17 775	-	4 670 762
	28 815 906	2 760 686	1 787 925	33 364 517

COMPANY - 2022	Gross advances			
N$'000	Stage 1	Stage 2	Stage 3	Total
Total Retail	17 763 296	2 013 121	1 215 957	20 992 374
FNB Commercial	4 918 476	589 346	497 904	6 005 726
Commercial vehicle finance	1 376 050	116 712	52 926	1 545 688
RMB Corporate and Investment banking	4 652 987	17 775	-	4 670 762
	28 710 809	2 736 954	1 766 787	33 214 550

GROUP - 2021	Gross advances			
N$'000	Stage 1	Stage 2	Stage 3	Total
Total Retail	16 936 986	2 194 786	1 069 636	20 201 408
FNB Commercial	4 888 601	665 036	525 968	6 079 605
Commercial vehicle finance	1 205 131	106 394	49 573	1 361 098
RMB Corporate and Investment banking	3 045 628	959 864	-	4 005 492
	26 076 346	3 926 080	1 645 177	31 647 603

COMPANY - 2021	Gross advances			
N$'000	Stage 1	Stage 2	Stage 3	Total
Total Retail	16 766 834	2 194 786	1 049 720	20 011 340
FNB Commercial	4 888 601	665 036	525 969	6 079 605
Commercial vehicle finance	1 205 131	106 394	49 573	1 361 098
RMB Corporate and Investment banking	3 045 628	959 864	-	4 005 492
	25 906 195	3 926 080	1 625 262	31 457 535

11. Advances continued

GROUP - 2022	Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total
Total Retail	158 504	160 611	504 843	823 958
FNB Commercial	45 307	126 211	221 568	393 086
Commercial vehicle finance	31 202	27 973	46 657	105 832
RMB Corporate and Investment banking	34 887	17 455	-	52 342
	269 900	332 250	773 068	1 375 218

COMPANY - 2022	Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total
Total Retail	162 582	154 911	500 537	818 030
FNB Commercial	45 307	126 211	221 568	393 086
Commercial vehicle finance	31 203	27 973	46 657	105 833
RMB Corporate and Investment banking	34 887	17 455	-	52 342
	273 979	326 550	768 762	1 369 291

GROUP - 2021	Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total
Total Retail	195 941	136 617	404 016	736 574
FNB Commercial	101 292	146 721	223 435	471 448
Commercial vehicle finance	35 628	23 510	44 643	103 781
RMB Corporate and Investment banking	14 870	37 667	-	52 537
	347 731	344 515	672 094	1 364 340

COMPANY - 2021	Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total
Total Retail	195 513	136 128	408 304	739 945
FNB Commercial	101 292	146 721	223 435	471 448
Commercial vehicle finance	35 628	23 510	35 690	94 828
RMB Corporate and Investment banking	14 870	37 667	-	52 537
	347 303	344 026	667 429	1 358 758

Notes to the annual financial statements
for the year ended 30 June 2022

12. Impairment of Advances

GROUP

	2022			
	Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total
Included in the total loss allowance	269 900	332 250	773 068	1 375 218
On and off balance sheet exposure*	264 029	331 976	773 068	1 369 073
Letters of credit and guarantees	5 871	274	-	6 145
Significant components of total loss allowance	-	-	-	-
- Forward looking information	33 965	16 773	-	50 738
- Changes in models	1 495	(452)	-	1 043
- Interest on stage 3 advances**	-	-	284 544	284 544

COMPANY

	2022			
	Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total
Included in the total loss allowance	269 636	330 893	768 762	1 369 291
On and off balance sheet exposure*	263 764	330 619	768 762	1 363 145
Letters of credit and guarantees	5 872	274	-	6 146
Significant components of total loss allowance	-	-	-	-
- Forward looking information	33 965	16 773	-	50 738
- Changes in models	1 495	(452)	-	1 043
- Interest on stage 3 advances**	-	-	284 544	284 544

* 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.

** Cumulative balance as at 30 June.

12. Impairment of Advances continued

GROUP

	2021			
	Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total
Included in the total loss allowance	347 732	344 514	672 094	1 364 340
On and off balance sheet exposure*	344 790	344 514	672 094	1 361 398
Letters of credit and guarantees	2 942	-	-	2 942
Significant components of total loss allowance	-	-	-	
- Forward looking information	7 311	8 293	645	16 249
- Interest on stage 3 advances**	-	-	199 759	199 759

COMPANY

	2021			
	Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total
Included in the total loss allowance	347 303	344 026	667 429	1 358 758
On and off balance sheet exposure*	344 361	344 026	667 429	1 355 816
Letters of credit and guarantees	2 942	-	-	2 942
Significant components of total loss allowance	-	-	-	-
- Forward looking information	7 311	8 293	645	16 249
- Interest on stage 3 advances**	-	-	199 759	199 759

Notes to the annual financial statements

for the year ended 30 June 2022

12. Impairment of Advances continued

Breakdown of impairment charge recognised during the year:

GROUP

N$'000	2022 Amortised cost	2022 Fair value	2022 Total
Increase in loss allowance	129 919	(1 081)	128 838
Recoveries of bad debts	(33 855)	-	(33 855)
Subtotal	96 064	(1 081)	94 983
Impairment of advances recognised during the period	96 064	(1 081)	94 983

COMPANY

N$'000	2022 Amortised cost	2022 Fair value	2022 Total
Increase in loss allowance	127 075	(1 081)	125 994
Recoveries of bad debts	(33 855)	-	(33 855)
Subtotal	93 220	(1 081)	92 139
Impairment of advances recognised during the period	93 220	(1 081)	92 139

12. Impairment of Advances continued

GROUP

N$'000	2021 Amortised cost	2021 Fair value	2021 Total
Increase in loss allowance	245 818	(454)	245 364
Recoveries of bad debts	(7 532)	-	(7 532)
Subtotal	238 286	(454)	237 832
Impairment of advances recognised during the period	238 286	(454)	237 832

COMPANY

N$'000	2021 Amortised cost	2021 Fair value	2021 Total
Increase in loss allowance	244 490	(454)	244 036
Recoveries of bad debts	(7 532)	-	(7 532)
Subtotal	236 958	(454)	236 504
Impairment of advances recognised during the period	236 958	(454)	236 504

Notes to the annual financial statements
for the year ended 30 June 2022

12. Impairment of Advances continued

GROUP

N$'000	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other Retail	FNB Commercial	Commercial vehicle asset finance	RMB Corporate and Investment banking	Total
Amount as at 30 June 2021	323 150	78 427	54 494	216 678	63 825	471 449	103 781	52 536	1 364 340
Transfers to stage 1	78 609	38 856	13 189	44 666	21 622	101 429	35 628	14 870	348 869
Transfers to stage 2	83 386	6 047	4 628	28 094	13 465	146 585	23 510	37 666	343 381
Transfers to stage 3	161 155	33 524	36 677	143 918	28 738	223 435	44 643	-	672 090
Bad debts written off	(14 108)	-	(467)	(52 062)	(25 592)	(76 220)	(4 928)	-	(173 377)
Provision created/(released) for current period	62 441	(22 244)	10 657	98 905	29 851	(2 142)	6 981	(194)	184 255
Stage 1	(1 173)	(14 528)	(330)	1 215	(8 312)	(71 451)	(19 263)	6 553	(107 289)
Stage 2	(1 911)	1 804	1 887	1 501	29 494	(5 044)	4 463	(6 747)	25 447
Stage 3	65 525	(9 520)	9 100	96 189	8 669	74 353	21 781	-	266 097
Amount as at 30 June 2022	371 981	56 182	64 685	263 520	67588	393 087	105 833	52 342	1 375 218
Stage 1	77 437	9 489	12 859	45 880	21 911	45 307	31 203	34 887	278 973
Stage 2	92 514	6 546	5 045	25 009	22 424	126 211	27 973	17 455	323 177
Stage 3	202 030	40 147	46 781	192 631	23 253	221 569	46 657	-	773 068

Notes to the annual financial statements
for the year ended 30 June 2022

12. Impairment of Advances continued

COMPANY

N$'000	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other Retail	FNB Commercial	Commercial Vehicle Asset Finance	RMB Corporate and Investment banking	Total
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
Transfers to stage 1	103 160	38 856	13 189	46 666	5 455	101 428	35 629	14 870	359 254
Transfers to stage 2	82 897	6 047	4 628	28 094	14 460	146 585	23 510	37 667	343 887
Transfers to stage 3	156 495	33 524	36 677	143 918	16 925	223 435	44 643	-	655 617
Bad debts written off	(14 108)	-	(467)	(52 062)	(25 592)	(76 220)	(4 928)	-	(173 377)
Provision created/(released) for current period	62 096	(22 244)	10 657	98 905	29 851	(2 142)	6 981	(194)	183 910
Stage 1	(1 173)	(14 528)	(330)	1 215	(8 312)	(71 451)	(19 263)	6 553	(107 289)
Stage 2	(1 911)	1 804	1 887	1 501	29 494	(5 044)	4 463	(6 747)	25 447
Stage 3	65 180	(9 520)	9 100	96 189	8 669	74 353	21 781	-	265 752
Amount as at 30 June 2022	366 054	56 182	64 685	263 520	67588	393 087	105 835	52 342	1 369 291
Stage 1	77 437	9 489	12 859	45 880	21 912	45 307	31 203	34 887	278 974
Stage 2	90 893	6 546	5 045	25 009	22 424	126 211	27 972	17 455	321 555
Stage 3	197 724	40 147	46 781	192 631	23 253	221 569	46 657	-	768 762

Notes to the annual financial statements

for the year ended 30 June 2022

12. Impairment of Advances continued

GROUP

N$'000	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other retail	FNB Commercial	Commercial vehicle asset finance	RMB Corporate and Investment banking	Total
Amount as at 30 June 2020	309 943	101 383	29 063	164 603	76 594	431 046	79 191	49 445	1 241 267
Transfers to stage 1	83 384	48 040	13 712	46 276	19 088	106 029	37 827	15 522	369 878
Transfers to stage 2	41 824	3 575	15 209	31 160	1 626	126 417	3 792	33 923	257 526
Transfers to stage 3	184 735	49 767	142	87 167	55 880	198 600	37 572	-	613 863
Bad debts written off	(54 558)	-	(3 431)	(23 637)	(15 476)	(75 233)	(1 464)	-	(173 799)
Provision created/(released) for current period	92 749	(22 956)	28 863	77 712	(24 277)	115 635	26 054	3 090	296 869
Stage 1	(8 040)	(6 286)	(547)	(1 983)	(19 871)	176	(3 151)	1 157	(38 545)
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)	-	224 704
Amount as at 30 June 2021	348 133	78 426	54 495	218 678	36 841	471 448	103 781	52 535	1 364 337
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	344 514
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 2022

12. Impairment of Advances continued

COMPANY

N$'000	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other retail	FNB Commercial	Commercial Vehicle Asset Finance	RMB Corporate and Investment banking	Total
Amount as at 30 June 2020	303 005	101 382	29 063	164 603	83 535	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	368 192
Transfers to stage 2	41 824	3 575	15 209	37 160	64 447	126 417	3 792	33 923	326 347
Transfers to stage 3	179 483	49 767	142	81 167	-	198 600	37 572	-	546 731
Bad debts written off	(54 558)	-	(3 431)	(23 637)	(15 476)	(75 233)	(1 464)	-	(173 799)
Provision created/(released) for current period	94 104	(22 956)	28 863	77 712	(31 215)	115 635	26 054	3 090	291 287
Stage 1	(8 040)	(6 286)	(547)	(1 983)	(19 871)	176	(3 151)	1 157	(38 545)
Stage 2	26 092	(12 306)	17 761	(4 000)	24 235	15 391	34 666	1 933	103 772
Stage 3	76 052	(4 364)	11 649	83 695	(35 579)	100 068	(5 461)	-	226 060
Amount as at 30 June 2021	342 551	78 426	54 495	218 678	36 844	471 448	103 781	52 535	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	344 025
Stage 3	156 495	45 337	36 677	143 918	16 925	223 435	44 643	-	667 430

- 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.

Notes to the annual financial statements

for the year ended 30 June 2022

13. Other assets

	GROUP		COMPANY	
N$'000	2022	2021	2022	2021
Financial instruments:				
Loss allowance	(639)	(5 324)	(614)	(5 299)
Items in transit	127 398	129 718	129 045	211 028
Deferred staff costs	19 905	29 218	19 905	29 218
Property in possession	66 595	73 844	66 595	73 844
Prepayments	72 913	39 545	72 909	39 487
Other accounts receivable	29 023	133 079	28 919	132 975
	315 195	400 080	316 759	481 253
Financial instrument and non-financial instrument component of other assets				
Financial	161 737	222 474	161 735	222 474
Non-financial	153 458	177 606	155 024	258 779
Total	315 195	400 080	316 759	481 253

Information about the credit quality of the financial portion of other assets balances is set out in the risk management note 30.

The carrying value of accounts receivable approximates the fair value.

ECL of other assets is N$639 thousand (2021: N$5.3 million).

14. Investment in subsidiary

Significant subsidiary

N$'000	Nature of business	Date of acquisition	Country of incorporation	Listed/ unlisted	% 2022	% 2021
Swabou Investments (Pty) Ltd	Property finance	1-Jul-03	Namibia	Unlisted	100	100
Swabou Investments (Pty) Ltd						
Aggregate income of subsidiary (before tax)					6 211	8 842
Total indebtedness					182 892	43 731
Total investment					182 892	43 731

Interest paid by Swabou Investments (Pty) Ltd to First National Bank of Namibia Ltd totalled N$5.1 million (2021 N$2.8 million).

Swabou Investment (Pty) Ltd paid dividend to First National Bank of Namibia of N$90 million (2021:Nil)

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for the year ended 30 June 2022

15. Property and equipment

GROUP

N$'000	2022 Cost or revaluation	2022 Accumulated depreciation	2022 Carrying value	2021 Cost or revaluation	2021 Accumulated depreciation	2021 Carrying value
Property						
Freehold land and buildings	711 028	(63 980)	647 048	702 198	(51 882)	650 316
Leasehold property	65 463	(45 899)	19 564	74 171	(60 059)	14 112
Right of use asset	111 124	(76 312)	34 812	98 819	(54 229)	44 590
	887 615	(186 191)	701 424	875 188	(166 170)	709 018
Equipment						
Capitalised lease equipment	12 289	(12 289)	-	12 289	(12 289)	-
Computer equipment	367 540	(259 275)	108 265	333 473	(229 798)	103 675
Furniture and fittings	209 628	(138 956)	70 672	246 423	(156 198)	90 225
Motor vehicles	7 855	(4 992)	2 863	7 860	(4 680)	3 180
Office equipment	113 048	(107 442)	5 606	126 080	(111 277)	14 803
	710 360	(522 954)	187 406	726 125	(514 242)	211 883
Total	1 597 975	(709 145)	888 830	1 601 313	(680 412)	920 901

15. Property and equipment continued

COMPANY

N$'000	2022 Cost or revaluation	2022 Accumulated depreciation	2022 Carrying value	2021 Cost or revaluation	2021 Accumulated depreciation	2021 Carrying value
Property						
Leasehold land and buildings	635 082	(47 185)	587 897	633 534	(38 529)	595 005
Leasehold property	65 321	(45 761)	19 560	74 171	(60 059)	14 112
Right of use asset	111 124	(76 312)	34 812	98 819	(54 229)	44 590
	811 527	(169 258)	642 269	806 524	(152 817)	653 707
Equipment						
Capitalised lease equipment	12 289	(12 289)	-	12 289	(12 289)	-
Computer equipment	367 377	(259 117)	108 260	333 463	(229 788)	103 675
Furniture and fixtures	209 260	(138 638)	70 622	245 418	(155 252)	90 166
Motor vehicles	7 816	(4 953)	2 863	7 860	(4 680)	3 180
Office equipment	111 797	(106 330)	5 467	123 738	(108 990)	14 748
	708 539	(521 327)	187 212	722 768	(510 999)	211 769
Total	1 520 066	(690 585)	829 481	1 529 292	(663 816)	865 476

Notes to the annual financial statements

for the year ended 30 June 2022

15. Property and equipment continued

Reconciliation of property and equipment: **GROUP - 2022**

N$'000	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Freehold land and buildings	650 316	14 133	(5 219)	-	(12 182)	647 048
Leasehold property	14 112	9 543	(542)	-	(3 549)	19 564
Right of use asset	44 590	14 627	(2 322)	-	(22 082)	34 813
Computer equipment	103 675	40 131	(242)	-	(35 300)	108 264
Furniture and fittings	90 225	6 688	(6 706)	-	(19 536)	70 671
Motor vehicles	3 180	327	(339)	-	(305)	2 863
Office equipment	14 803	2 168	(5 414)	-	(5 950)	5 607
	920 901	87 617	(20 784)	-	(98 904)	888 830

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

15. Property and equipment continued

Reconciliation of property and equipment - COMPANY - 2022

N$'000	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Freehold land and buildings	595 005	6 852	(5 219)	-	(8 741)	587 897
Leasehold property	14 112	9 538	(542)	-	(3 548)	19 560
Right of use asset	44 590	14 627	(2 322)	-	(22 082)	34 813
Computer equipment	103 675	40 126	(242)	-	(35 299)	108 260
Furniture and fittings	90 166	6 682	(6 706)	-	(19 520)	70 622
Motor vehicles	3 180	327	(339)	-	(305)	2 863
Office equipment	14 748	2 013	(5 414)	-	(5 881)	5 466
	865 476	80 165	(20 784)	-	(95 376)	829 481

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

* The right-of-use assets includes IFRS 16 assets as well as leases previously classified as finance leases.

The useful life of each asset is assessed individually. The information on the benchmarks used when assessing the useful life of the individual assets is contained in the accounting policy note 5.1.

Property and equipment are not pledged as security against any liabilities. There are no restrictions or liens on property and equipment.

Notes to the annual financial statements
for the year ended 30 June 2022

16. Intangible assets

GROUP

N$'000	2022			2021		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Trademarks	380 713	(370 221)	10 492	380 713	(358 775)	21 938
Software	60 010	(51 014)	8 996	60 006	(48 311)	11 695
Goodwill	47 967	-	47 967	47 967	-	47 967
Total	488 690	(421 235)	67 455	488 686	(407 086)	81 600

COMPANY

N$'000	2022			2021		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Trademarks	354 099	(343 608)	10 491	354 099	(332 162)	21 937
Software	60 010	(51 014)	8 996	60 010	(48 315)	11 695
Goodwill	47 967	-	47 967	47 967	-	47 967
Total	462 076	(394 622)	67 454	462 076	(380 477)	81 599

16. Intangible assets continued

Reconciliation of intangible assets: **GROUP - 2022**

N$'000	Opening balance	Amortisation	Total
Trademarks	21 938	(11 446)	10 492
Software	11 695	(2 699)	8 996
Goodwill	47 967	-	47 967
Total	81 600	(14 145)	67 455

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
Total	81 350	13 494	(13 244)	81 600

Notes to the annual financial statements
for the year ended 30 June 2022

16. Intangible assets continued

Reconciliation of intangible assets: **COMPANY - 2022**

N$'000	Opening balance	Amortisation	Total
Trademarks	21 937	(11 446)	10 491
Software	11 695	(2 699)	8 996
Goodwill	47 967	-	47 967
	81 599	(14 145)	67 454

Reconciliation of intangible assets: **COMPANY - 2021**

N$'000	Opening balance	Additions	Amortisation	Total
Trademarks	33 382	-	(11 446)	21 937
Software	-	13 494	(1 799)	11 695
Goodwill	47 967	-	-	47 967
	81 349	13 494	(13 245)	81 599

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 14.6% (2021: 15.8%) and growth rate 3.9% (2021:4.1%)

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

17. Employee liabilities

N$'000	GROUP AND COMPANY 2022	GROUP AND COMPANY 2021
Liability for short-term employee liabilities	185 738	174 217
Defined contribution post-employment benefit liabilities	43 343	39 807
	229 081	214 024

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 (2021: N$ 2.4 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					
	2022			2021		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Present value of unfunded liabilities	36 505	6 838	43 343	33 203	6 604	39 807

Notes to the annual financial statements
for the year ended 30 June 2022

17. Employee liabilities continued

The amount recognised in the statement of comprehensive income are as follows:

	GROUP AND COMPANY					
	2022			2021		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Current service cost	263	551	814	201	535	736
Interest cost	3 446	859	4 305	3 324	794	4 118
Included in staff cost	3 709	1 410	5 119	3 525	1 329	4 854
Recognised in other comprehensive income						
Actuarial (gains) / loss recognised	1 948	(507)	1 441	231	(479)	(248)
Total	5 657	904	6 561	3 756	850	4 606

Movement in post-employment liabilities

	GROUP AND COMPANY					
	2022			2021		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Present value at beginning of the year	33 203	6 604	39 807	32 445	5 754	38 199
Current service cost	263	551	814	201	535	736
Interest cost	3 446	859	4 305	3 324	794	4 118
Benefits paid	(2 355)	(669)	(3 024)	(2 998)	-	(2 998)
Actuarial (gains) / loss from changes in financial assumptions	1 948	(507)	1 441	231	(479)	(248)
Present value at end of the year	36 505	6 838	43 343	33 203	6 604	39 807

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	2022	2021
1% increase - effect in current service cost and interest cost	4 905	3 932
1% decrease - effect in current service and interest cost	3 999	3 179
	8 904	7 111
1% increase - effect in current service cost and interest cost	1 631	1 557
1% decrease - effect in current service cost and interest cost	1 364	1 304
	2 995	2 861

The principal actuarial assumptions used for accounting purposes were:

	2022		2021	
N$'000	Medical	Severance	Medical	Severance
Discount rate (%)	11.77%	12.78%	11.33%	13.82%
Medical aid inflation (%)	8.69%	-	7.69%	-
Salary inflation (%)	-	9.61%	-	9.61%
Employees covered	100	1 991	101	2 060

Notes to the annual financial statements
for the year ended 30 June 2022

18. Deferred tax

Deferred tax liability

N$'000	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Opening balance	76 141	263 101	76 576	266 643
Charge / Release to profit or loss	45 219	(187 077)	45 594	(190 184)
Deferred tax on amounts charged directly to other comprehensive income	(678)	117	(678)	117
Total deferred tax liability	120 683	76 141	121 492	76 576
Reconciliation of deferred tax liability				
Deferred income tax assets and liabilities and deferred tax charge/(credit) in the statements of comprehensive income are attributable to the following items:				
Deductable temporary differences				
Provision for loan impairment	(144 191)	(166 001)	(144 127)	(165 919)
Provision for post-emploement benefits	(13 870)	(12 738)	(13 870)	(12 738)
Other provisions	124 265	120 126	119 673	115 235
Financial instruments	(25 796)	(20 509)	(25 796)	(20 509)
Instalment credit assets	53 385	61 931	53 385	61 931
Accruals	136 371	102 366	136 371	102 366
Financial instruments at fair value through other comprehensive income	(678)	117	(678)	117
Share-based payment	(3 465)	(3 906)	(3 465)	(3 907)
Other	(5 338)	(5 245)	-	-
Total deferred liability	120 683	76 141	121 492	76 576
Charge through profit and loss	45 219	(187 077)	45 594	(190 184)
Deferred tax on other comprehensive income	(678)	117	(678)	117
Total	44 541	(186 959)	44 916	(190 067)

19. Creditors and accruals

N$'000	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Creditors and accruals				
Items in transit	240 216	103 361	240 203	103 348
Audit fees accrued	3 455	4 005	3 084	3 650
Accrued expenses	50 643	43 974	50 560	43 957
Other accounts payable	545 818	382 542	549 273	383 568
Total creditors and accruals	840 132	533 881	843 120	534 522

All amounts are expected to be settled within twelve months.

The carrying value of creditors and accruals approximates fair value.

20. Short trading position

N$'000	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Government and government guaranteed stock	31 864	21 849	31 864	21 849

Notes to the annual financial statements

for the year ended 30 June 2022

21. Deposits

	GROUP		COMPANY	
N$'000	2022	2021	2022	2021
Deposits from customers				
Current accounts	13 097 993	11 983 033	13 095 523	11 980 668
Call deposits	8 431 048	7 712 911	8 431 048	7 712 911
Savings account	586 327	450 484	586 327	450 484
Fixed and notice deposits	9 710 397	10 001 199	9 710 397	10 001 199
	31 825 765	30 147 627	31 823 295	30 145 262
Debt securities				
Negotiable certificates of deposit	5 080 383	4 073 570	5 080 383	4 073 570
Fixed and floating rate notes	395 968	543 611	395 968	543 611
	5 476 351	4 617 181	5 476 351	4 617 181
Geographical analysis (based on counterparty risk)				
Namibia	37 302 116	34 764 808	37 299 646	34 762 443
Due to banks and other financial instruments				
In the normal course of business	7 228 335	1 163 129	7 228 335	1 163 129
Geographical analysis (based on counterparty risk)				
South Africa	7 228 335	1 163 129	7 228 335	1 163 129
Total deposits	44 530 451	35 927 937	44 527 981	35 925 572

22. Other liabilities

	GROUP		COMPANY	
N$'000	2022	2021	2022	2021
Other funding liabilities	157 203	188 457	157 203	188 457
Lease liabilities	38 776	49 824	38 776	49 824
	195 979	238 281	195 979	238 281

Other liabilities reconciliation

N$'000	2022	2021
Opening balance	238 281	286 186
Cash flow movements		
- Principal payments towards lease liabilities	(23 042)	(31 286)
- Principal payments towards other liabilities	(23 065)	(32 936)
- Interest paid on other liabilities	(8 963)	(10 107)
- Interest paid on lease liabilities	(2 505)	(4 095)
	(57 575)	(78 424)
Non-cash flow movements		
- New leases issued during the year	14 628	19 774
- Interest accrued	3 279	14 017
- Early termination of leases	(2 634)	(3 272)
	15 273	30 519
Total other liabilities	195 979	238 281

Notes to the annual financial statements
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23. Tier 2 liabilities

Subordinated debt instruments	Interest rate	Final maturity date	Note	2022	2021
FNB X27 fixed rate notes	Three-month JIBAR + 2.50%	Monday 29 March 2027	(i)	-	100 000
FNB J27 floating rate notes	10.36%	Monday 29 March 2027	(ii)	-	300 000
Accrued interest				-	2 770

(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. The notes were fully redeemed on 29 March 2022.

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	2022	2021
Opening balance	402 770	402 774
Cash flow movement	(427 145)	(28 806)
- Proceeds on the issue of Tier 2 liabilities	-	-
- Interest paid	(27 145)	(28 806)
- Capital redeemed	(400 000)	-
Non-cash flow movement	24 375	28 802
- Interest accrued	24 375	28 802
Total Tier 2 liabilities	-	402 770

24. Share capital

	GROUP		COMPANY	
N$'000	2022	2021	2022	2021
Authorised				
4000 Ordinary shares with a par value of N$1 per share	4	4	4	4
Issued				
1200 (2021: 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	2022	2021
Credit risk reserve	-	95 423

Credit risk reserve is in compliance with Bank of Namibia requirements in terms of BID-33.

Notes to the annual financial statements
for the year ended 30 June 2022

26. Remuneration schemes

	2022	2021
The charge to profit or loss for share-based payments is as follows:		
FirstRand conditional share plan	20 719	17 631
Charge against staff costs	20 719	17 631

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 2019 scheme were not met and the full obligation relating to awards with market vesting conditions raised in prior periods was reversed in the current year.

No liability is recognised for the CIP scheme, as the liability is prepaid. Included in prepayments in note 15 is an amount of N$41.5 million (2021: N$44.7 million) relating to the group's share-based payment scheme. The prepayment fund is managed by RMB Morgan Stanley.

Share based payments allocated to employees are accumulated in advance through the fund. The vesting of these scheme are subject to the vesting condition set out below.

Share option schemes

Description of the scheme and vesting conditions:

Conditional and Deferred incentive plans (awards)		
IFRS 2 treatment	Cash settled*	Equity settled**
Description	The award is a notional share based on the FirstRand Limited share price.	The 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 up to three years after the initial award. The awards vest if the employment and where applicable performance conditions are met.	
	Awards which include performance conditions have vesting conditions 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 awards are valued using the Black Scholes option pricing model. The awards are cash settled and are repriced at each reporting date.	The awards are valued using the Black Scholes option pricing model. The awards are equity settled and measured using 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 remuneration committee sets the CPTs for each award based on the expected macroeconomic conditions 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. If the performance conditions are not met the award fails. From 2019 onwards the awards have a graded vesting structure. The level of vesting is correlated to the earnings growth achieved relative to macroeconomic variables or set normalised earnings per share growth targets and minimum return on equity 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. The remuneration committee is permitted to adjust the final outcome of the graded vesting level downwards for pre determined issues. In terms of the scheme rules participants are not entitled to dividends on their conditional share awards during the vesting period. For the 2019 and 2020 awards 50% of the awards granted to non senior employees are subject only to continued employment for the award to vest with the remaining 50% subject to performance conditions. From 2021 awards with only time based vesting conditions were introduced. These are referred to as the deferred incentive plan (DIP). Awards that include both a performance and time based vesting conditions are referred to as conditional incentive plans (CIP).

The significant weighted average assumptions used to estimate the fair value of the conditional share awards granted are detailed below.

	2022	2021
	Conditional incentive plan	Conditional incentive plan
Award life (years)	2 - 3	2 – 4
Risk-free rate (%)	5.03 - 8.44	3.67 - 5.74

Expired schemes

2019 (Will not vest at the expected vesting date of September 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 with the group and the remaining 50% of the award remains 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 correlated to normalised earnings per share growth between targets. If the minimum ROE and normalised earnings per share growth conditions are met, vesting will commence at 70% and if these are not met the award will lapse.

Currently Open

The vesting conditions of 2020, 2021 and 2022 award schemes are set out in the Talent and Remuneration committee report.

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26. Remuneration schemes continued

Share awards outstanding	Share incentive plans (FirstRand shares) 2022	2021
Number of awards in force at the beginning of the year (millions)	1.828	1.83
Number of awards granted during the year (millions)	0.843	1.229
Number of awards transferred (within the group) during the year (millions)	(0.012)	-
Number of awards exercised/released during the year (millions)	(0.034)	(0.023)
- Market value range at date of exercise/release (cents)*	6 139 - 6 139	3 924 – 3 924
- Weighted average (cents)	6 139	3 924
Number of awards forfeited during the year (millions)	(0.383)	(1.208)
Number of awards in force at the end of the year (millions)	2.242	1.828

	Share incentive plan (FirstRand shares)			
	2022		2021	
Conditional outstanding**	Weighted average remaining life (years)	Outstanding awards (millions)	Weighted average remaining life (years)	Outstanding awards (millions)
Vesting during 2021	-	-	0.31	0.034
Vesting during 2022	0.32	0.288	1.3	0.628
Vesting during 2024	1.32	1.274	2.31	1.166
Vesting during 2025	2.32	0.68	-	-
Total conditional awards	-	2.242	-	1.828
Number of participants	-	176	-	155

* 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 2021(i.e. the 2019 award) failed to vest due to the performance conditions attached to the scheme not being achieved.

27. Cash generated from operations

	GROUP		COMPANY	
N$'000	2022	2021	2022	2021
Profit before taxation	1 794 683	1 423 622	1 884 872	1 418 843
Adjusted for:				
Depreciation amortisation and impairment losses	113 048	134 140	109 520	133 069
Impairment charge on advances	94 983	237 832	92 139	236 504
Provision for post employment benefit obligations	4 276	4 408	4 276	4 408
Other employment accruals	56 038	60 034	56 038	60 034
Creation and revaluation of derivative financial instruments	131 272	(12 175)	131 273	(12 175)
Profit on disposal of property and equipment	5 613	1 537	5 613	1 537
Share-based payment	19 419	17 631	19 419	17 631
Accrued on off-market advances	2 139	2 772	2 139	2 772
Net release of deferred fees and expenses	(22 095)	(12 407)	(20 293)	(11 999)
Off-market staff loans amortisation	(2 139)	(2 772)	(2 139)	(2 772)
Indirect tax	39 488	37 493	39 073	37 198
	2 236 703	1 892 115	2 321 908	1 885 050

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for the year ended 30 June 2022

28. Contingencies and commitments

	GROUP AND COMPANY	
N$'000	2022	2021
Contingencies		
Guarantees *	1 886 062	1 094 086
Letters of credit	60 325	18 675
Total contingencies	1 946 387	1 112 761
Irrevocable unutilised facilities	2 373 024	2 493 125
Committed capital expenditure	133 959	152 336
Total contingencies and commitments	4 453 370	3 758 222

* 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.

29. Related parties

First National Bank of Namibia Limited is 100% (2021: 100%) owned by FirstRand Namibia Limited.

FirstRand Namibia Limited is listed on the Namibian Stock Exchange and is 58.4% (2021: 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

N$'000	2022	2021
Advances		
FirstRand SA group companies	1 504 547	2 102 036
Fellow subsidiary to banking group	32 923	75 365
Key management personnel	20 186	12 744
Balances due from banks and other financial institutions		
FirstRand SA group companies	7 131 534	-
Other assets		
FirstRand SA group companies	334	-
Derivative assets		
FirstRand SA group companies	60 118	199 086
Deposits		
FirstRand SA group companies	138 254	120 595
Fellow subsidiaries to banking group	406 448	147 236
Key management personnel	8 695	13 010
Balances due to banks and other financial institutions		
FirstRand SA group companies	7 080 435	-
Derivative liabilities		
FirstRand SA group companies	52 994	121 130

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29. Related parties continued

N$'000	2022	2021
Related party transactions		
Interest received from related parties		
FirstRand SA group companies	187 698	32 012
Fellow subsidiaries to banking group	2 119	3 363
Interest paid		
FirstRand SA group companies	118 378	2 569
Fellow subsidiaries to banking group	12 823	-
Non-interest revenue		
Fellow subsidiaries to banking group	5 278	4 214
Non-interest expenditure (Information Technology, platform and other support services)		
FirstRand SA group companies	386 707	328 792
Dividend paid		
Parent	672 668	361 687
Compensation to directors and other key management		
Key management personnel		
- Cash package	23 301	26 411
- Retirement contributions	3 390	3 786
- Performance-related benefits	11 085	10 638
- Retirement benefit paid	-	3 487
	37 776	44 322

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 are disclosed in note 14.

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 80 to 105 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.

Notes to the annual financial statements
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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)

30. Risk management continued

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.

Total exposure (items where credit risk exposure exist)

	GROUP		COMPANY	
N$'000	2022	2021	2022	2021
Unsecured bank overdraft facility reviewed annually and payable on call:				
Cash and cash equivalents				
Balances with central bank	1 756 192	777 404	1 756 192	777 404
Total cash and cash equivalents	1 756 192	777 404	1 756 192	777 404
Due from banks and other financial institutions	9 231 508	2 958 109	9 231 508	2 958 109
Unsecured bill acceptance facility reviewed annually:				
Residential mortgages	15 219 288	14 502 255	15 075 244	14 317 769
Vehicle and asset finance	1 685 739	1 737 979	1 685 739	1 737 979
Credit card	418 582	419 894	418 582	419 894
Personal loans	2 549 152	2 338 794	2 549 152	2 338 794
Other retail	445 625	465 913	445 628	465 913
FNB Commercial	5 612 639	5 608 158	5 612 639	5 608 158
Commercial vehicle finance	1 439 855	1 257 315	1 439 855	1 257 315
RMB Corporate and Investment banking	4 618 420	3 952 955	4 618 420	3 952 955
Total advances	31 989 299	30 283 263	31 845 259	30 098 777
Derivative financial instruments	93 610	314 626	93 610	314 626
Debt investment securities				
Listed investment securities	4 619 929	3 624 226	4 619 929	3 624 226
Unlisted investment securities	2 683 026	3 417 086	2 683 026	3 417 086
Total debt investment securities	7 302 955	7 041 312	7 302 955	7 041 312
Other assets	315 195	400 080	316 759	481 253
Guarantees	1 886 062	1 094 086	1 886 062	1 094 086
Letters of credit	60 325	18 675	60 325	18 675
Irrecoverable commitments	2 373 024	2 493 125	2 373 024	2 493 125

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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						
	2022						
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	1 756 192	-	1 756 192	-	1 756 192	1 756 192	-
Total cash and cash equivalents	1 756 192	-	1 756 192	-	1 756 192	1 756 192	-
Due from banks and other financial institutions	9 231 508	-	9 231 508	-	9 231 508	9 231 508	-
Advances							
Residential mortgages	15 591 269	(371 981)	15 219 288	966 375	14 252 913	-	14 252 913
Vehicle and asset finance	1 741 921	(56 182)	1 685 739	22 031	1 663 708	-	1 663 708
Credit card	483 267	(64 685)	418 582	-	418 582	418 582	-
Personal loans	2 812 672	(263 520)	2 549 152	-	2 549 152	2 549 152	-
Other retail	513 212	(67 588)	445 624	-	445 624	445 624	-
FNB Commercial	6 005 726	(393 087)	5 612 639	19 406	5 593 233	3 666 124	1 927 109
Commercial vehicle finance	1 545 688	(105 833)	1 439 855	15 954	1 423 901	-	1 423 901
RMB Corporate and Investment banking	4 670 762	(52 342)	4 618 420	385 428	4 232 992	1 589 230	2 643 762
Total advances	33 364 517	(1 375 218)	31 989 299	1 409 194	30 580 105	8 668 712	21 911 393
Investment securities	7 307 479	(4 524)	7 302 955	-	7 302 955	7 302 955	-
Derivatives	93 610	-	93 610	-	93 610	93 610	-
Other assets	315 195	-	315 195	-	315 195	315 195	-
Off balance sheet exposures							
Guarantees	1 886 062	-	1 886 062	-	1 886 062	1 886 062	-
Letters of credit	60 325	-	60 325	-	60 325	60 325	-
Irrevocable commitments	2 373 024	-	2 373 024	-	2 373 024	2 373 024	-

30. Risk management continued

	GROUP						
	2021						
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	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	-

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30. Risk management continued

N$'000	COMPANY 2022 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	1 756 192	-	1 756 192	-	1 756 192	1 756 192	-
Total cash and cash equivalents	1 756 192	-	1 756 192	-	1 756 192	1 756 192	-
Due from banks and other financial institutions	9 231 508	-	9 231 508	-	9 231 508	9 231 508	-
Advances							
Residential mortgages	15 441 298	(366 054)	15 075 244	966 375	14 108 869	-	14 108 869
Vehicle and asset finance	1 741 921	(56 182)	1 685 739	22 031	1 663 708	-	1 663 708
Credit card	483 267	(64 685)	418 582	-	418 582	418 582	-
Personal loans	2 812 672	(265 520)	2 549 152	-	2 549 152	2 549 152	-
Other retail	513 216	(67 588)	445 628	-	445 628	445 628	-
FNB Commercial	6 005 726	(393 087)	5 612 639	19 406	5 593 233	3 666 124	1 927 109
Commercial vehicle finance	1 545 688	(105 833)	1 439 855	15 954	1 423 901	-	1 423 901
RMB Corporate and Investment banking	4 670 762	(52 342)	4 618 420	385 428	4 232 992	1 589 230	2 643 762
Total advances	33 214 550	(1 369 291)	31 845 259	1 409 194	30 436 065	8 668 716	21 767 349
Investment securities	7 307 479	(2 675)	7 304 804	-	7 304 804	7 304 804	-
Derivatives	93 610	-	93 610	-	93 610	93 610	-
Other assets	316 759	-	316 759	-	316 759	316 759	-
Off balance sheet exposures							
Guarantees	1 886 062	-	1 886 062	-	1 886 062	1 886 062	-
Letters of credit	60 325	-	60 325	-	60 325	60 325	-
Irrevocable commitments	2 373 024	-	2 373 024	-	2 373 024	2 373 024	-

30. Risk management continued

N$'000	COMPANY 2021 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	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
Accounts receivable	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	-

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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.

	2022							
	GROUP				COMPANY			
	FR 26 - 90		FR 91 - 100		FR 26 - 90		FR 91 - 100	
N$'000	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
FNB Retail								
Stage 1	17 966 525	2 004 990	-	-	17 816 559	2 004 990	-	-
Stage 2	1 277 339	-	710 475	-	1 277 339	-	710 475	-
Stage 3	-	-	1 222 694	-	-	-	1 222 694	-
Total retail	19 243 864	2 004 990	1 933 169	-	19 093 898	2 004 990	1 933 169	-
FNB Commercial	-	-	-	-	-	-	-	-
Stage 1	6 119 987	952 673	19 107	-	6 119 987	952 673	19 107	-
Stage 2	597 831	-	157 266	-	597 831	-	157 266	-
Stage 3	-	-	565 230	-	-	-	565 230	-
Total Commercial	6 717 818	952 673	741 603	-	6 717 818	952 673	741 603	-
RMB Corporate banking								
Stage 1	1 009 846	1 334 314	17	14 471	1 009 846	1 334 314	17	14 471
Stage 2	17 774	7 969	1	4 995	17 774	7 969	1	4 995
Stage 3	-	-	-	-	-	-	-	-
Total RMB Corporate banking	1 027 620	1 342 283	18	19 466	1 027 620	1 342 283	18	19 466
RMB Investment banking	-	-	-	-	-	-	-	-
Stage 1	3 603 409	-	-	-	3 603 409	-	-	-
Stage 2	-	-	-	-	-	-	-	-
Fair value through profit or loss	70 844	-	-	-	70 844	-	-	-
Total RMB Investment banking	3 674 253	-	-	-	3 674 253	-	-	-

30. Risk management continued

Quality of credit assets continued

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.

	2021							
	GROUP				COMPANY			
	FR 26 - 90		FR 91 - 100		FR 26 - 90		FR 91 - 100	
N$'000	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
FNB Retail								
Stage 1	16 893 836	2 051 727	43 150	-	16 723 684	2 051 727	43 150	-
Stage 2	720 694	-	1 474 092	-	720 694	-	1 474 092	-
Stage 3	53 581	-	1 016 055	-	33 665	-	1 016 055	-
Total retail	17 668 111	2 051 727	2 533 298	-	17 478 043	2 051 727	2 533 297	-
FNB Commercial	-	-	-	-	-	-	-	-
Stage 1	5 964 209	820 678	129 523	-	5 964 209	820 678	129 523	-
Stage 2	505 171	-	266 259	-	505 171	-	266 259	-
Stage 3	90 531	-	485 011	-	90 531	-	485 011	-
Total Commercial	6 559 911	820 678	880 793	-	6 559 911	820 678	880 793	-
RMB Corporate banking								
Stage 1	837 667	540 803	531	300	837 667	540 803	531	300
Stage 2	8 756	20 493	617	13 899	8 756	20 493	617	13 899
Stage 3	-	-	-	-	-	-	-	-
Total RMB Corporate banking	846 423	561 296	1 148	14 199	846 423	561 296	1 148	14 199
RMB Investment banking	-	-	-	-	-	-	-	-
Stage 1	2 189 217	80 804	-	-	2 189 217	80 804	-	-
Stage 2	950 490	77 182	-	-	950 490	77 182	-	-
Fair value through profit or loss	241 294	-	-	-	241 294	-	-	-
Total RMB Investment banking	3 381 001	157 986	-	-	3 381 001	157 986	-	-

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30. Risk management continued

The table below sets out an analysis of credit-impaired advances at amortised cost

	GROUP					
	2022			2021		
N$'000	Gross carrying amount	Expected recoveries from collateral	Loss allowance	Gross carrying amount	Expected recoveries from collateral	Loss allowance
Total retail secured	939 339	697 161	242 178	824 670	618 174	206 496
- Residential mortgages	866 135	664 105	202 030	756 212	595 053	161 159
- Vehicle asset finance	73 204	33 056	40 148	68 458	23 121	45 337
Total retail unsecured	297 673	34 434	263 156	244 965	35 632	209 333
- Credit card	47 748	967	46 781	36 677	-	36 677
- Personal loans	224 400	31 769	192 631	176 571	32 653	143 918
- Other retail	25 525	1 698	23 744	31 717	2 979	28 738
Total corporate and commercial	550 913	282 687	268 226	575 542	319 277	256 265
- FNB commercial	497 904	276 335	221 569	525 969	302 534	223 435
- Commercial vehicle finance	53 009	6 352	46 657	49 573	16 743	32 830
- RMB corporate banking	-	-	-	-	-	-
Total stage 3	1 787 925	1 014 775	773 068	1 645 177	973 083	672 094
Stage 3 by category						
Overdraft and cash management	209 147	62 269	146 878	227 410	104 620	122 790
Term loans	189 853	124 272	65 581	206 895	108 771	98 124
Card loans	52 618	4 729	47 889	37 955	588	37 367
Instalment sales and hire purchase agreements	119 562	36 568	82 994	110 069	38 966	71 103
Lease payments receivable	6 651	2 842	3 809	7 962	898	7 064
Property finance	985 694	752 447	233 329	878 316	686 588	191 728
Personal loans	224 400	31 769	192 588	176 571	32 652	143 919
Total stage 3	1 787 925	1 014 857	773 068	1 645 178	973 083	672 095

30. Risk management continued

	COMPANY					
	2022			2021		
N$'000	Gross carrying amount	Expected recoveries from collateral	Loss allowance	Gross carrying amount	Expected recoveries from collateral	Loss allowance
Total retail secured	919 507	682 125	237382	804 755	602 923	201 832
- Residential mortgages	846 303	649 069	197 234	736 297	579 802	156 495
- Vehicle asset finance	73 204	33 056	40 148	68 458	23 121	45 337
Total retail unsecured	297 673	34 434	263 156	244 965	35 632	209 333
- Credit card	47 748	967	46 781	36 677	-	36 677
- Personal loans	224 400	31 769	192 631	176 571	32 653	143 918
- Other retail	25 525	1 698	23 744	31 717	2 979	28 738
Total corporate and commercial	550 913	282 687	268 226	575 542	319 277	256 265
- FNB commercial	497 904	276 335	221 569	525 969	302 534	223 435
- Commercial vehicle finance	53 009	6 352	46 657	49 573	16 743	32 830
- RMB corporate banking	-	-	-	-	-	-
Total stage 3	1 766 782	999 248	768 762	1 625 262	957 832	667 430
Stage 3 by category						
Overdraft and cash management	209 147	62 269	146 878	227 410	104 620	122 790
Term loans	189 853	124 272	65 581	206 895	108 771	98 124
Card loans	54 618	4 729	47 889	37 955	588	37 366
Instalment sales and hire purchase agreements	119 562	36 567	82 994	110 069	38 966	71 102
Lease payments receivable	6 651	2 642	3 809	7 962	898	7 065
Property finance	962 551	735 772	229 023	858 401	671 337	187 064
Personal loans	224 400	31 769	192 588	176 571	32 652	143 918
Total stage 3	1 766 782	998 020	768 762	1 625 263	957 832	667 426

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30. Risk management continued

Quality of credit assets - non-advances

N$'000	2022 GROUP AND COMPANY AAA to BBB	2022 GROUP AND COMPANY BB+ to B-	2021 GROUP AND COMPANY AAA to BBB	2021 GROUP AND COMPANY BB+ to B-
Stage 1	-	7 114 368	-	6 673 704
Stage 2	-	-	-	-
Investment securities at fair value through other comprehensive income				
Stage 1	-	-	-	-
Investment securities at fair value through profit or loss				
Stage 1	-	193 111	-	367 608
Total investment securities	-	7 307 479	-	7 041 312
Stage 2	-	-	-	-
Stage 3	-	-	-	-
Other financial assets				
Stage 1	-	162 377	-	222 474
Cash and cash equivalents				
Stage 1	-	2 317 619	-	1 263 521
Derivative assets				
	-	93 611	-	314 626
Due from banks and other financial institutions				
Stage 1	-	9 231 508	-	2 958 109

30. Risk management continued

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..

Sector analysis concentration of advances

	GROUP				
	2022				
		Stage 3/NPLs			
N$'000	Total advances	Credit impaired advances	Security held and expected recoveries	Specific impairment	Off-balance sheet
Sector analysis					
Agriculture	1 566 088	136 855	83 264	53 592	62 977
Banks and Financial institutions	1 413 655	17 902	7 022	10 880	569 510
Building and property development	3 873 899	185 781	102 223	83 558	214 882
Individuals	21 158 959	1 222 580	716 468	506 112	1 660 796
Manufacturing and commerce	2 342 877	158 669	76 167	82 502	594 668
Mining	100 787	5 955	2 093	3 862	522 671
Transportation and communication	458 148	23 152	7 770	15 382	97 288
Other services	1 586 483	37 031	19 850	17 180	569 234
Government Land Bank and public authorities	863 621	-	-	-	27 386
Total	33 364 517	1 787 925	1 014 857	773 068	4 319 412

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30. Risk management continued

N$'000	GROUP 2021 Stage 3/NPLs 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
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

30. Risk management continued

N$'000	COMPANY 2022 Stage 3/NPLs Total advances	Credit impaired advances	Security held and expected recoveries	Specific impairment	Off-balance sheet
Sector analysis					
Agriculture	1 566 088	136 855	83 264	53 592	62 977
Banks and Financial institutions	1 413 655	17 902	7 022	10 880	569 510
Building and property development	3 873 899	185 781	102 223	83 558	214 882
Individuals	21 009 009	1 201 443	716 468	501 806	1 660 796
Manufacturing and commerce	2 342 877	158 669	76 167	82 502	594 668
Mining	100 787	5 955	2 093	3 862	522 671
Transportation and communication	458 131	23 152	7 770	15 382	97 288
Other services	1 586 483	37 030	19 850	17 180	569 234
Government and public authorities	863 621	-	-	-	27 386
Total	33 214 550	1 766 782	1 014 857	768 762	4 319 412

Notes to the annual financial statements
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30. Risk management continued

	COMPANY				
	2021				
	Stage 3/NPLs				
N$'000	Total advances	Credit impaired advances	Security held and expected recoveries	Specific impairment	Off-balance sheet
Sector analysis					
Agriculture	1 519 522	196 242	116 038	80 204	41 570
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 institutions	776 436	-	-	-	230 295
Total	31 457 536	1 625 263	957 832	667 431	3 605 885

30. Risk management continued

Concentration analysis of deposits

	GROUP		COMPANY	
N$'000	2022	2021	2022	2021
Sector analysis				
Deposit current accounts and other loans				
Sovereigns including central banks	965 249	2 115 784	965 249	2 115 784
Public sector entities	3 404 630	3 496 812	3 404 630	3 496 812
Local authorities	586 947	474 893	586 947	474 893
Banks	7 231 132	152 134	7 231 132	152 134
Corporate customers	20 101 839	17 898 579	20 101 839	17 898 579
Retail customers	12 240 655	11 789 736	12 240 655	11 789 735
Total deposits	44 530 452	35 927 937	44 530 452	35 927 937
Geographical analysis				
Namibia	44 530 452	35 927 937	44 530 452	35 927 937

Notes to the annual financial statements
for the year ended 30 June 2022

30. Risk management continued

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 Namibian counter parties.

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.

30. Risk management continued

Credit risk mitigation and collateral held continued

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.

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 2022

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;
- 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; and
- Cash flows relating to principal and associated future coupon payments have been included on an undiscounted basis.

Notes to the annual financial statements
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30. Risk management continued

	2022			
	GROUP			
	Term to maturity			
N$'000	Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	37 309 513	30 927 627	4 574 355	1 807 531
Derivative financial instruments	227 448	227 448	-	-
Creditors accruals and provisions	836 234	752 469	8 944	74 821
Tier 2 liabilities	-	-	-	-
Other liabilities	157 203	774	31 286	125 143
Lease Liabilities	38 776	4 485	14 161	20 130
Financial liabilities	38 530 398	31 908 318	4 614 585	2 007 495
Off-balance sheet exposures				
Financial and other guarantees	1 946 388	975 758	898 972	71 658
Facilities not drawn	2 373 024	2 373 024	-	-

30. Risk management continued

	2021			
	GROUP			
	Term to maturity			
N$'000	Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	36 132 335	29 967 678	4 340 992	1 823 665
Derivative financial instruments	317 192	317 192	-	-
Creditors accruals and provisions	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	37 831 144	30 777 744	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	-	-

Notes to the annual financial statements

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30. Risk management continued

N$'000	2022 COMPANY Term to maturity Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	37 309 513	30 927 627	4 574 355	1 807 531
Derivative financial instruments	227 448	227 448	-	-
Creditors accruals and provisions	836 234	752 469	8 944	74 821
Tier 2 liabilities	-	-	-	-
Other liabilities	157 203	774	31 286	125 143
Lease Liabilities	38 776	4 485	14 161	20 130
Financial liabilities	38 530 398	31 908 318	4 614 585	2 007 495
Off-balance sheet exposures				
Financial and other guarantees	1 946 388	975 758	898 972	71 658
Other contingencies and commitments	2 373 024	2 373 024	-	-

30. Risk management continued

N$'000	2021 COMPANY 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 accruals and provisions	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	-
Other contingencies and commitments	-	2 493 125	-	-

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.

Notes to the annual financial statements
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30. Risk management continued

	2022			
	GROUP			
	Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 months and non-contractual
Total financial assets	51 096 727	10 849 732	4 812 787	35 434 208
Total financial liabilities	45 536 125	38 852 456	4 576 819	2 106 850
Net liquidity gap	-	(28 002 724)	235 968	33 327 358
	-	(28 002 724)	(27 766 756)	5 560 602

	2022			
	COMPANY			
	Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 months and non-contractual
Total financial assets	50 923 606	10 676 611	4 812 787	35 434 208
Total financial liabilities	45 533 655	38 849 986	4 576 819	2 106 850
Net liquidity gap	-	(19 794 426)	235 968	33 327 358
	-	(19 794 426)	(19 558 458)	13 768 900

30. Risk management continued

	2021			
	GROUP			
	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
	-	(20 499 272)	(18 503 141)	5 158 750

	2021			
	COMPANY			
	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
	-	(20 681 390)	(18 685 259)	4 976 632

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
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30. Risk management continued

Average balances and effective interest rates

	GROUP					
	2022			2021		
	Average balance	Average rate	Interest income/ expense	Average balance	Average rate	Interest income/ expense
N$'000	N$'000	%	N$'000	N$'000	%	N$'000
Assets						
Cash and cash equivalents, including balance with banks	6 923 775	3.0	205 814	4 882 064	1.0	47 470
Advances	31 161 393	8.4	2 631 641	30 156 245	8.2	2 477 567
Investment securities	7 108 075	6.7	478 908	7 948 162	6.3	497 952
Interest-earning assets	45 193 243	7.3	3 316 363	42 986 471	7.0	3 022 989
Non-interest-earning assets	1 350 440	-	-	1 645 433	-	-
Total Assets	46 543 683	7.1	3 316 363	44 631 904	6.8	3 022 989
Liabilities						
Deposits and current accounts, balance due to banks	39 213 127	2.8	1 091 031	37 423 156	3.0	1 112 048
Tier two liabilities	301 016	7.2	21 606	404 943	7.1	28 803
Interest-earning liabilities	39 514 143	2.8	1 112 637	37 828 099	3.6	1 140 851
Non-interest-earning bearing liabilities	1 425 436			1 680 392		
Total liabilities	40 939 579	2.7	1 112 637	39 508 491	2.9	1 140 851
Total equity	5 604 104	-	-	5 123 413	-	-
Total equity and liabilities	46 543 683	2.4	1 112 637	44 631 904	2.6	1 140 851

30. Risk management continued

Average balances and effective interest rates continued

	COMPANY					
	2 022			2 021		
	Average balance	Average rate	Interest income/ expense	Average balance	Average rate	Interest income/ expense
N$'000	N$'000	%	N$'000	N$'000	%	N$'000
Assets						
Cash and cash equivalents, including balance with banks	6 923 775	3.0	205 814	4 882 063	2.8	47 470
Advances	31 002 511	8.4	2 616 498	29 947 446	8.2	2 463 848
Investment securities	7 108 075	6.7	478 908	7 948 162	6.5	497 952
Interest-earning assets	45 034 361	7.3	3 301 220	42 777 671	7.0	3 009 270
Non-interest-earning assets	1 409 818			1 738 048		
Total Assets	46 444 179	7.1	3 301 220	44 515 719	6.8	3 009 270
Liabilities						
Deposits and current accounts, balance due to banks	39 210 694	2.8	1 084 958	37 420 484	3.0	1 109 245
Tier two liabilities	301 016	7.2	21 606	404 943	7.1	28 803
Interest-earning liabilities	39 511 710	2.8	1 106 564	37 825 427	3.0	1 138 048
Non-interest-earning bearing liabilities	1 424 860			1 682 776		
Total liabilities	40 936 570	2.7	1 106 564	39 508 203	2.9	1 138 048
Total equity	5 507 609	-	-	5 007 516	-	-
Total equity and liabilities	46 444 179	2.4	1 106 564	44 515 719	2.6	1 138 048

Notes to the annual financial statements
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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$11.1 billion (2021: N$7.8 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$ 272 million (2021: N$ 287 million). A similar increase in interest rates would result in an increase in projected 12-month NII of N$ 296 million (2021: N$ 257 million).

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.

Notes to the annual financial statements

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30. Risk management continued

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.

Financial assets subject to LIBOR reform that have not transitioned to replacement rates at 30 June 2022

	GROUP AND COMPANY	
	2022	2021
N$'000	USD LIBOR	USD LIBOR
Financial Asset line item		
Advances	264 693	181 546
Subtotal	264 693	181 546

Banking book NAV sensitivity to interest rate movement as a percentage of total group capital

	GROUP AND COMPANY	
	2022	2021
%	Change in period 12-month NII	Change in period 12-month NII
Downward 200 bps	(13.46%)	(17 3%)
Upward 200 bps	13.31%	17 0%

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.

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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 31.4 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.

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.

31. Fair value measurements continued

Valuation methodology continued

The group has established control frameworks and processes at an operating business level to independently validate its valuation techniques and inputs used to determine its fair value measurements. At an operating business level, valuation specialists are responsible for the selection and implementation of the valuation techniques used to determine fair value measurements, as well as any changes required. Valuation committees comprising representatives from key management have been established within each operating business and at an overall group level. They 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 at an operating business level by the required valuation specialists, valuation committees and relevant risk committees annually, or more frequently if considered appropriate.

Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 2 and level 3

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

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs Level 2	Unobservable inputs level 3
Investment banking book	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	Not applicable

Notes to the annual financial statements

for the year ended 30 June 2022

31. Fair value measurements continued

Fair value hierarchy and measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs Level 2	Unobservable inputs level 3
Investment securities and other investments				
Equities / bonds listed in an inactive market	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	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	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	Discounted cash flows	The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable

31. Fair value measurements continued

Fair value hierarchy and measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs Level 2	Unobservable inputs level 3
Derivative financial instruments				
Forward rate agreements, forwards and swaps	Discounted cash flow	Future cash flows are projected using a related forecasting curve and then discounted using a market-related discounting curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates, credit and currency basis curves and spot prices	Market interest rates, credit and currency basis curves
Options and equity derivatives	Option pricing and industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and by applying extrapolation techniques to match the appropriate risk profile.	Strike price of the option, market-related discount rate, spot or forward rate, the volatility of the underlying, dividends and listed share prices	Volatilities, dividends and unlisted share prices

Notes to the annual financial statements
for the year ended 30 June 2022

31. Fair value measurements continued

Fair value hierarchy and measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs Level 2	Unobservable inputs level 3
		Deposits		
Call and non-term deposits	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	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	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	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	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

31. Fair value measurements continued

Fair value hierarchy and measurements continued

The group has elected to designate certain investment banking book advances at fair value through profit or loss. The designation is on a deal basis. Credit risk is not observable and has 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.

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:

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for the year ended 30 June 2022

31. Fair value measurements continued

Fair value hierarchy and measurements continued

N$'000	GROUP AND COMPANY 2022 Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Advances	-	-	70 844	70 844
Derivative financial instruments	-	93 610	-	93 610
Investment securities	-	191 149	-	191 149
Total financial assets	-	284 759	70 844	355 603
Liabilities				
Recurring fair value measurement				
Short trading position	31 864	-	-	31 864
Derivative financial instruments	-	227 448	-	227 448
	31 864	227 448	-	259 312

31. Fair value measurements continued

Fair value hierarchy and measurements continued

N$'000	GROUP AND COMPANY 2021 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 measurements				
Short trading position		21 849	-	21 849
Derivative financial instruments	-	317 192	-	317 192
	-	339 041	-	339 041

Notes to the annual financial statements
for the year ended 30 June 2022

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$78 miilion (2021: N$265 million) and using more negative reasonable possible assumptions to N$64 million (2021: N$217 million). These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

31. Fair value measurements continued

Changes in level 3 instruments with recurring fair value measurements

	2022					
	GROUP AND COMPANY					
N$'000	Fair value as at June 2021	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 2022
Advances	241 294	7 319	-	(177 769)	-	70 844
Total financial assets at fair value	241 294	7 319	-	(177 769)	-	70 844

	2021					
	GROUP AND COMPANY					
N$'000	Fair value at June 2020	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 2021
Advances	310 042	17 522	-	(86 270)	-	241 294
Total financial assets at fair value	310 042	17 522	-	(86 270)	-	241 294

Notes to the annual financial statements

for the year ended 30 June 2022

31. Fair value measurements continued

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 .

GROUP AND COMPANY

	2022		2021	
N$'000	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income
Advances	7 319	-	17 522	-
	7 319	-	17 522	-

31. Fair value measurements continued

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.

	2022			2021		
N$'000	Carrying value	Fair value hierarchy level 2	Fair value hierarchy level 3	Carrying value	Fair value hierarchy level 2	Fair value hierarchy level 3
Advances	31 989 299	-	31 988 414	30 041 969	-	30 017 844
Total investment securities at amortised cost	7 109 844	6 848 486	-	6 673 704	6 654 060	-
	39 099 143	6 848 486	31 988 414	36 715 673	6 654 060	30 017 844
Deposits at amortised cost	37 302 116	28 480 325	8 881 818	38 563 728	38 550 908	-
Tier 2 liabilities	-	-	-	402 770	402 774	-
Other liabilities	157 203	155 798	-	286 186	286 186	-
	37 459 319	28 636 123	8 881 818	39 252 684	39 239 868	-

Notes to the annual financial statements
for the year ended 30 June 2022

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.

	2022			2021		
	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	70 844	(1 081)	44	241 294	(454)	1 125
Investment securities	-	-	-	288 621	-	-
Total	70 844	(1 081)	44	529 915	(454)	1 125

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

	2022			2021		
	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
Advances	70 844	77 928	63 760	241 294	265 423	217 165
Total financial assets measured at fair value in level 3	70 844	77 928	63 760	241 294	265 423	217 165

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	2022	2021
Included in advances	70 844	241 294

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.

Notes to the annual financial statements

for the year ended 30 June 2022

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 FirstRand'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.

33. Segment Information continued

	FNB		RMB	
'N$'000	2022	2021	2022	2021
Net interest income	1 669 898	1 532 891	321 843	285 850
Impairment and fair value of credit advances	(95 163)	(234 737)	180	(3 095)
Net interest income after impairment of advance	1 574 749	1 298 154	322 022	282 755
Non-interest revenue	1 634 774	1 573 043	197 007	216 071
Net income from operations	3 209 524	2 871 197	519 029	498 826
Operating expenses	(1 819 554)	(1 704 018)	(242 205)	(223 031)
Income before tax	1 389 970	1 167 179	276 824	275 795
Indirect tax	(28 838)	(29 075)	(3 656)	(3 834)
Profit for the year before tax	1 361 132	1 138 104	273 169	271 961
Income tax expense	(434 201)	(353 862)	(87 141)	(83 568)
	926 920	784 242	186 028	188 393
The income statement includes:				
Depreciation	(98 336)	(120 553)	(429)	(220)
Amortisation	(14 144)	(13 245)	-	-
Statement of financial position inlcudes:				
Advances	27 368 830	26 107 226	4 620 469	4 176 037
Investment securities	-	-	193 111	80 341
Total assets	26 022 698	24 105 022	8 238 798	7 751 317
Deposits	21 600 727	19 881 384	9 639 034	9 018 406
Total liabilities	26 093 427	23 943 927	8 209 109	7 751 740

Notes to the annual financial statements
for the year ended 30 June 2022

33. Segment Information continued

	FCC AND OTHER		TOTAL GROUP	
'N$'000	2022	2021	2022	2021
Net interest income	202 630	51 528	2 194 365	1 870 269
Impairment and fair value of credit advances	-	-	(94 983)	(237 832)
Net interest income after impairment of advance	202 630	51 528	2 099 382	1 632 437
Non-interest revenue	(36 133)	(9 135)	1 795 647	1 779 979
Net income from operations	166 498	42 393	3 895 029	3 412 416
Operating expenses	890	(24 252)	(2 060 858)	(1 951 301)
Income before tax	167 388	18 141	1 834 171	1 461 115
Indirect tax	(6 995)	(4 583)	(39 488)	(37 493)
Profit for the year before tax	160 393	13 558	1 794 683	1 423 622
Income tax expense	(50 682)	(4 338)	(572 023)	(441 767)
	109 712	9 220	1 222 660	981 855
The income statement includes:				
Depreciation	(139)	(122)	(98 904)	(120 895)
Amortisation	-	-	(14 144)	(13 245)
Statement of financial position inlcudes:				
Advances	-	-	31 989 299	30 283 263
Investment securities	7 109 844	6 960 971	7 302 955	7 041 312
Total assets	17 944 975	11 407 074	52 206 471	43 263 412
Deposits	13 290 690	7 028 147	44 530 451	35 927 937
Total liabilities	11 935 256	6 147 618	46 237 792	37 843 284

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 group annual financial statements.	Annual periods commencing on or after 1 January 2022
Annual improvements 2018 - 2020	**Improvements to IFRS** The IASB issued the Annual improvements to IFRS standards 2018-2020 cycle. These annual improvements include amendments to the following standards. IFRS 9 - 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 other's behalf. 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. The amendment will be applied when a modification of a financial liability occurs. This amendment is not expected to have a significant impact on the group.IFRS 16 - 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

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for the year ended 30 June 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

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). The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2023
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; and • 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

Corporate information

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