FirstRand
NAMIBIA

2020

Annual integrated report

people :: partnership :: profit :: planet

vision

A great Namibian financial services group, creating a better world!

mission

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

contents

About this report

The objective of this integrated report is to describe operational and financial performance of the group to all relevant stakeholders. It provides comprehensive information of the group, governance, material issues, risks and opportunities and how these influence our strategic objectives and illustrate our impact and sustainable value creation. The report further covers the strategic progress made during the year to 30 June 2020 and provides insight into the group's strategy given the impact of the Covid-19 pandemic.

SCOPE, BOUNDARY AND REPORTING CYCLE

FirstRand Namibia Limited's Integrated Annual Report provides financial, environmental and social performance, operational highlights and strategic objectives of the FirstRand group and its governance, covering the period 1 July 2019 to 30 June 2020.

REPORTING PRINCIPLES

FirstRand Namibia has applied the principles contained in the Namibia Code of Governance Principles for Namibia 2014 (NamCode) and the International Integrated Reporting Council's (IIRC) International <IR> Framework. Our annual financial statements, presented on pages 163 to 267, were prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Banking Institution Act, No 2 of 1998 (Bankings Act) as amended and the Companies Act of Namibia, of 2004 (Companies Act), where relevant and the NSX Listing Requirements. FirstRand Namibia group applies a combined assurance model to optimise the assurance obtained from its Risk Management department and the internal and external assurance providers on risks affecting us. For more information, see the Audit and Risk Committee Report on page 38.

APPROVALS AND ASSURANCE

In accordance with the Companies Act No. 28 of 2004, as amended, the consolidated annual financial statements were audited by the group's independent external auditors, Deloitte & Touche Namibia, whose unqualified audit opinion may be found on page 77 to 81.

MATERIALITY

The objective of this integrated annual report is to provide an accurate, accessible and balanced overview of the FirstRand 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 FirstRand group's ability to deliver on its strategy. The FirstRand group defines material issues as those which have the potential to substantially impact our ability to create and sustain value for our stakeholders.

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

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

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 FirstRand 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 believes that it has been prepared in accordance with the <IR> Framework and approved for publication on 19 August 2020.

FirstRand NAMIBIA

FNB First National Bank

RMB A division of FNB Namibia Limited

ASHBURTON INVESTMENTS

WesBank

OUTSURANCE

01

Understanding our group

Our value creation process

INPUTS

FINANCIAL

- Entrusted with shareholder contributions,
- Funding from investors and clients are managed optimally.

INFRASTRUCTURE

- Continued capital investment in developing our channels,
- Deliver financial services through convenient physical outlets, a call center as well as secure electronic delivery platforms.

Our value creation inputs leverages our tangible assets in the form of financial and manufactured capital as well as our intangible assets in the form of human, social and natural capital developed over the last 113 years.

INPUTS

Our aim is to be a great Namibian financial service group creating a better world. This is achieved through our vision which is to create long-term value for the people we serve, built on a lifetime promise to enrich the lives of our employees, customers, other stakeholders and society at large.

OUR PEOPLE

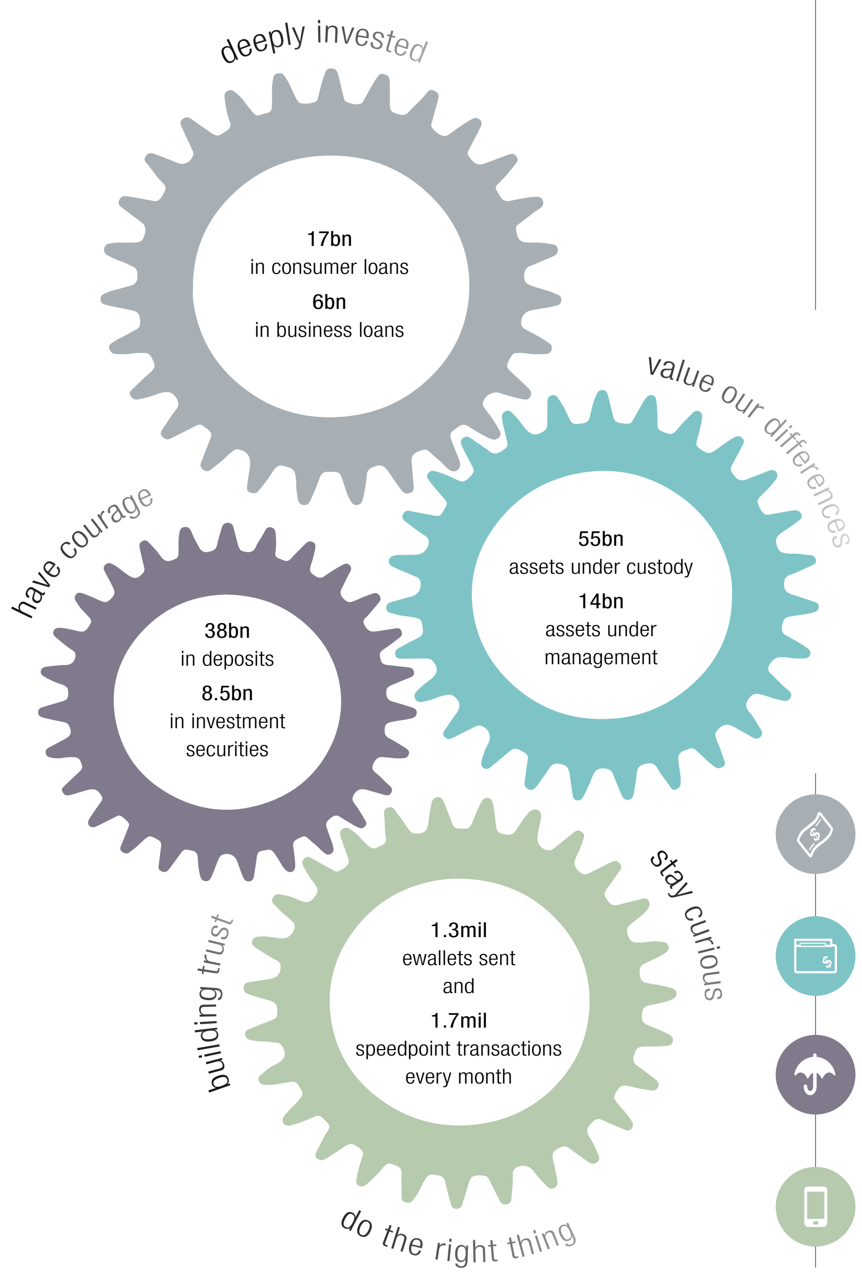
- 2 287 dedicated and motivated employees: “The best people working for the best employer”,
- Skilled and engaged workforce with high internal moral.

NATURAL AND SOCIAL

- Continued commitment of 1% of NPAT to the FirstRand Namibia Foundation,
- Contributions for the upliftment of the Namibian environment and community.

BUSINESS ACTIVITIES

We are committed to building a **SHARED FUTURE** of prosperity through enriching the lives of our **customers, employees** and the **society** we serve. 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 our **shareholders**.



Lending
Helping our customers financing their projects, unlocking economic potential for clientele

Investment
Managing and protecting the savings of our customers

Insurance
Protecting our clients in their day-to-day life and their professional activities

Infrastructure / Transact
Offer secure transacting to our customers through several convenient channels

OUTCOMES

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

Government Contributing to the economic and social development of the country in the form of paying taxes.	N$562mil	N$465mil	20.9%
Shareholder Guarantee longevity and growth for the company while providing accurate, inclusive and transparent information to investors and shareholders. 130.9% growth includes special dividend.	N$1,231mil	N$533mil	130.9%
Employees Containing, developing and engaging our staff by paying salaries and other benefits.	N$1,189mil	N$1,126mil	5.6%
Insurance Paying out claims to OUTsurance customers to put them in the same position as before any accidents.	N$77mil	N$86mil	(10.5%)
Expansion and Growth Financial investment in maintaining our PPE to sustain business viability. Depreciation, deferred tax and retained income. Negative growth includes special dividend.	N$(451mil)	N$736mil	(161.3%)
Natural and Social Continue to invest in the society. FirstRand Namibia Foundation Trust. COVID-19 efforts.	N$14.5mil	N$10.3mil	40.8%

EXTRACTING VALUE

DIGITAL JOURNEY

- Position FNB as digital ready and market relevance next to competitors
- Offering cost efficient services and products
- Helping our customer to transform with us

EVERYWHERE AND ANYTIME YOU NEED US

- Offering services that are available 24/7
- User friendly Self Service capability

COUNT ON OUR HELP IN DIFFICULT TIMES

- COVID-19 Efforts
- Payment holidays offered
- Favorable pricing adjustments
- Encourage contactless operations
- Offer innovative digital models to weather the crisis safely from home

COMMITTING TO INNOVATION

- Everything we do now, we can do better
- Increased efficiencies through robotic solutions

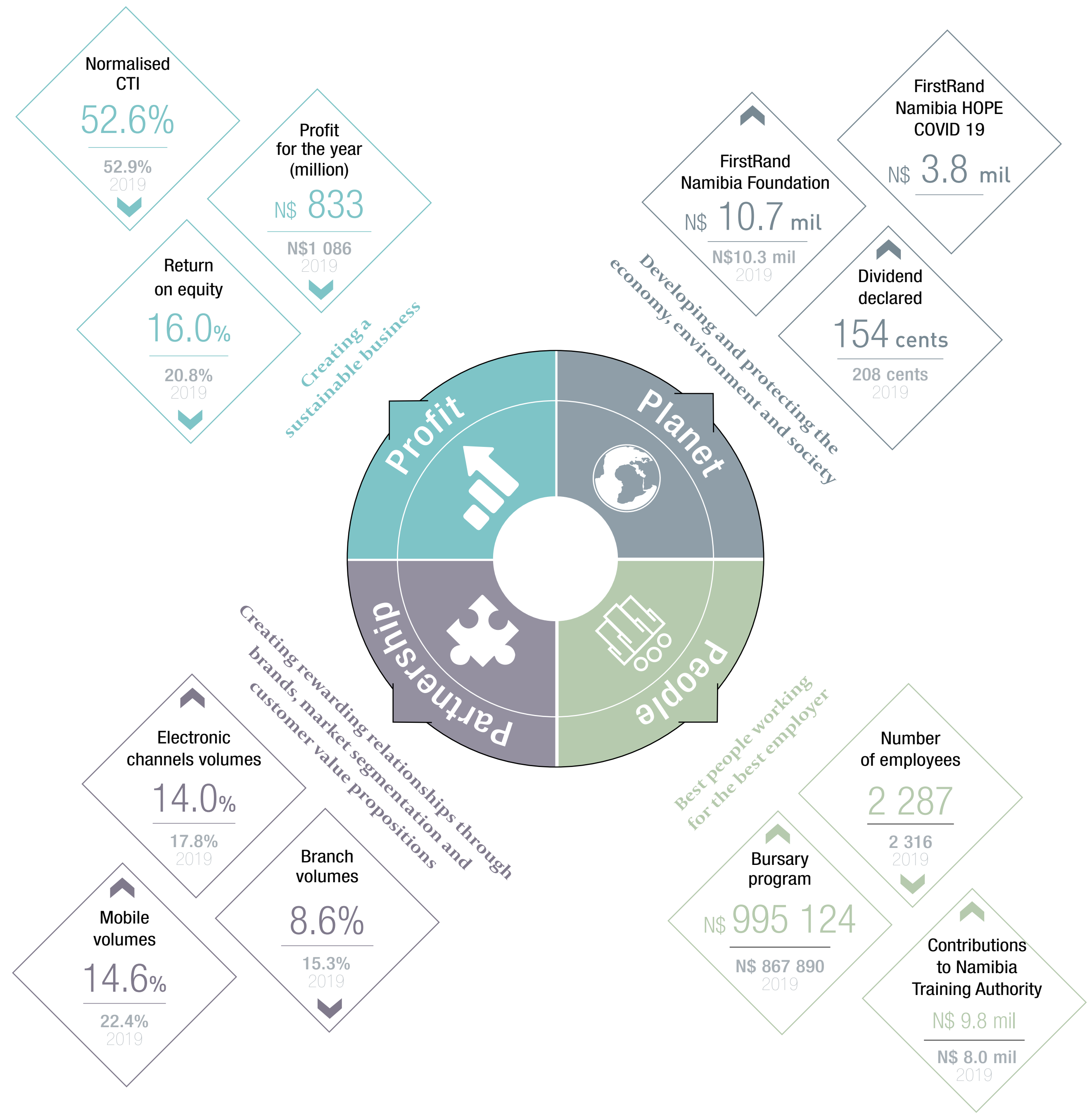
LEADING BRANDS

- Offering our clients the opportunity to be part of the leading brands
- Hyper-personalized client experience
- Increase & optimize use of Self Service Channels through an enhanced digital financial services experience offering Assisted & Unassisted banking

MULTI BRAND

- Proposing various brands and products
- Product excellence through massive R&D, quality products, experience and capability

Integrated financial highlights



COVID - 19

The FirstRand Namibia Foundation has contributed a monetary value of N$ 1.5 million towards the government's Disaster Relief Fund in response to COVID-19 efforts.

As business and society, we continue to see a concerning increase in the transmissions of COVID-19 cases in Namibia and the devastation across the world is sincerely noted and mourned. This virus has had a far-reaching impact on societies and is testing the resilience and tenacity of businesses and individuals alike. Globally, governments and companies, such as ours, are ramping up efforts to help mitigate the spread of the virus.

Fever Screening Thermal Cameras

FNB through the FirstRand HOPE Fund (Health Optimisation in a Pandemic Emergency), an emergency funding initiative established by the group, donated 15 Thermal Cameras to the value of N$ 1.4 million to support Government's efforts to detect any infections as soon and as early as possible. The cameras will be deployed at high contact points of migration between regions and borders, and other crowded areas such as hospitals to help those on the frontline of this fight and manage Namibians at risk of infection.

Tippy taps for informal settlements

RMB Namibia, through the FirstRand Foundation Trust, has donated N$ 500 000 to assist a COVID-19 emergency response programme directly targeting the informal settlements in Windhoek, made up of more than 180 000 residents.

This programme supported by RMB is implemented by the not-for-profit organisation Development Workshop Namibia (DWN) in collaboration with the Namibian Chamber of Environment (NCE). More than 10 000 hand washing units, known as Tippy Taps reaching approximately 40 000 families were set up in April 2020. Pamphlets on COVID-19 and how to construct the Tippy Taps were also distributed in the informal settlements.

N$ 1.5 million Handover to Disaster Relief Fund

The FirstRand Namibia Foundation has contributed a monetary value of N$ 1.5 million towards the government's Disaster Relief Fund in response to COVID-19 efforts. The funding is for the support of the unemployed, small and large businesses and the procurement of essential goods such as food and medicine which positively impacts the economic upliftment of societies.

Social impact report

Given the continued difficult environment we find ourselves in, as a group we are more than ever convinced that a considered response within the context of balancing social, economic and environmental considerations, amplified by Namibia's high rate of unemployment and stubbornly low growth rate is needed.

FirstRand Namibia cannot solve all the challenges the country is facing. However, we have many tools at our disposal to be a force for good. If we use these wisely and intentionally, creating both social and economic value, we believe we will remain a sustainable, growing business and continue to earn the trust of all our stakeholders.

MACROECONOMIC CONTEXT

FirstRand's origins are proudly Namibian, and the development and prosperity of the country are profoundly important to the group. However, Namibia also remains one of the most unequal societies in the world.

The challenging operating environment of persistently low GDP growth in Namibia, fiscal deterioration coupled with rising government indebtedness, political and policy uncertainty, and increasing cost and scarcity of financial resources, impact the most vulnerable communities.

Unemployment is rising as the economy slows, and with higher unemployment tax receipts are lower, which impacts on government's ability to widen social safety nets. It is almost impossible to secure employment without an education, appropriate skills or competencies. Income cannot grow without growth in employment levels and therefore none of these issues can be tackled without a growing economy.

Namibia's biggest challenges remain access to advanced education, personal safety, environmental quality, inclusiveness, and health and wellness.

Given this backdrop, financial institutions must seek to play an active role in driving sustainable and inclusive economic activities, and in assisting society to address its biggest challenges.

ROLE OF FINANCIAL INSTITUTIONS IN SOCIETY

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

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

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

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

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

Banks 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.

FIRSTRAND'S SHARED VALUE CONTRACT WITH SOCIETY

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

- systemic provider of credit;
- keeper of the country's deposits and savings;
- provider of channels for people to access their funds and spend;
- material taxpayer; and
- large employer.

Given this position, FirstRand Namibia recognises that it has a responsibility to deliver shared value to multiple stakeholders.

The group believes that to earn public trust it must, by design, align business priorities with that of society; this will ensure the group's sustainable growth and relevance in the long term.

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

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

FNB's digital transformation has been multifaceted. To compete successfully, it comes down to anticipating and meeting customers' needs. As such, our strategy has been to use digital marketing for customer acquisition and engagement, to create products and services for digitally active customers, to use data judiciously to provide a differentiated value proposition and to embed banking into our customers' daily lives for seamless transactions.

By all accounts, we have successfully defended our market share and nurtured a brand image that places FNB, as the digital innovator in customers' minds. As the largest bank in Namibia with an extensive local footprint, we intend to defend our position with an aggressive and intelligent digital strategy.

The creation of **CashPlus**, where FNB partners with merchants, who act as agents of the bank, to provide day-to-day banking services to customers, is one such example. While many of our other digital offerings built in-house by our Digital Transformation team, yielding meaningful organisational-led innovations that are cost effective and value accretive.

While our digital transformation continues to be our main strategic focus, it is unlikely that brick-and-mortar financial institutions or branches will be displaced, as there are certain segments of customers who still prefer face-to-face interactions. Therefore, our digital transformation is designed to retain the strengths of the traditional person-to-person business model, but value add to differentiate us from branchless competitors.

TREATING CUSTOMERS FAIRLY

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

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

CULTURE AND GOVERNANCE

The board of directors and senior executives are held accountable for ensuring that the group "does the right thing". The culture of doing the right thing is embedded in the organisation through ongoing discussions, at all levels of the organisation, which focus on applying TCF principles throughout the product and financial service life cycle. The group has implemented appropriate internal policies and standards pertaining to fair market conduct, remuneration, transformation and new product approval.

PRODUCT DESIGN

Customer-centricity is at the core of the group's business model; products and services consider the needs of intended target markets. Products and services are distributed through the most suitable channels, informed by extensive customer research. Constant innovation ensures that products drive financial access and inclusion, great customer experience and value for money.

CLEAR DISCLOSURE

The group invests significantly in consumer education initiatives. There are dedicated teams who review business documents to ensure that information provided is clear, simple and easy to understand.

Ongoing quality assurance measures have been implemented to independently evaluate whether the group is providing correct and appropriate product information to customers. Staff retraining is provided, or telesales scripts revisited where process gaps are identified.

SUITABLE ADVICE

The group has outcome-based remuneration governance frameworks and committees that review staff remuneration and reward programmes to ensure that TCF and market conduct outcomes are considered within remuneration models. Staff are trained to assess and provide products which meet the needs of the customer and offer appropriate benefits at the right price. The quality of advice provided is evaluated by independent quality assurance teams. Product-specific training modules ensure staff are aware of product features, benefits and pricing and can easily explain these to customers. Continuous professional development programmes, which ensure ongoing learning and upskilling, have been implemented and impacted staff are required to undertake such programmes on an annual basis.

SERVICE LEVELS AND PRODUCT PERFORMANCE

Products are reviewed on an ongoing basis to ensure that they continue to deliver fair value. Internal stakeholders evaluate and ensure that investment product decision-making is aligned to customer mandates and risk profiles.

NO BARRIERS TO CLAIM OR COMPLAINT

Customers are informed of the varied channels they may use to submit claims or complaints. Claims and complaints are handled through face-to-face and electronic channels, including branches and dealer networks. Dedicated teams manage complaints and engage with business units to resolve the root causes of complaints. Complaints are tracked and analysed at the various business unit executive committees. Escalation procedures to senior management exist to ensure the impartial and fair handling of customer complaints.

Claims paid and rejected are monitored to ensure TCF principles are applied, and where necessary, product benefits and/or pricing is revised.

A CSI STRATEGY DESIGNED TO CONTRIBUTE TO UPLIFTMENT

The group is acutely aware that an economy cannot hope to grow without an educated workforce. In response, the FirstRand Namibia Foundation focus on systemic education initiatives, and skills development.

These initiatives cover the whole education continuum from early childhood development (ECD) to primary and secondary schooling, tertiary education and workplace readiness, with the aim to increase employability and productive livelihoods.

The FirstRand Namibia Foundation is the legal vehicle through which FirstRand Namibia Limited and its customer-facing businesses (FNB, RMB, WesBank and Ashburton) direct their individual and collective CSI. From inception, the FirstRand Foundation received 1% of FirstRand Namibia Group's net profit after tax (NPAT).

Currently the FirstRand Namibia Foundation strategy is to be the foremost corporate social investor and knowledge collaborator committed to contributing to the development of a better Namibia through mainstreaming skills and capacity development, education and financial literacy, community and health development, arts and culture, sport development, environmental guardianship, and primary health care.

FOUNDATION SPEND

N$'000	2016	2017	2018	2019	2020	Total
Skill and Capacity Development	2 842	2 297	2 318	2 421	2 203	12 081
Education and Financial Literacy	2 565	2 004	2 522	2 315	2 279	11 685
Community and Health Development	2 073	2 272	2 319	2 370	2 702	11 736
Arts and Culture	1 105	1 096	848	893	1 026	4 968
Sport Development	2 479	1 051	1 005	1 096	680	6 311
Environmental Guardianship	-	1 614	2 391	2 788	1 448	8 241
Total Spending	11 064	10 334	11 403	11 883	10 338	55 022

CORPORATE COMPANIES RAISE OVER N$ 863 000 TOWARDS DROUGHT

Corporate Namibia has raised an amount of N$ 863 479 toward the devastating drought crisis to assist the affected communal conservancies and rural farmers in the Kunene region. This gesture follows an initiative by a non-governmental organisation - Integrated Rural Development and Nature Conservation (IRDNC) who called an emergency workshop in Windhoek, convening government officials, development agencies, local corporate firms, and other non-governmental organisations to brainstorm urgent solutions to the devastating drought crisis.

The field team led by IRDNC's Cluster Coordinator, Dave Kangombe, toured Kunene conservancies buying cattle carcasses and distributing meat to the elderly and vulnerable members of the conservancies, as well as to local schools. This ingeniously relieved farmers with cattle unlikely to survive beyond the drought crisis and simultaneously provided food to starving rural communities. Some farmers made use of the cash income to buy fodder for their remaining herds, in the hope that their best breeds will endure to restock their kraals in the future. This initiative simultaneously reduced pressure on scarce grazing for cattle and wildlife as well as reducing conflict between predators and cattle being forced into the few remaining spaces where grazing still occurred during this severe drought.

OKAKARARA VOCATIONAL TRAINING CENTRE

The donation of an embroidery machine, two s-shirt head press machines, a vinyl cutter machine, three straight stitch sewing machines and two overlock sewing machines to the value of N$92 000 by FNB through the Foundation supports the move towards vocational education which provides students with potential careers that would otherwise have been unfathomable. Vocational education makes citizens self-sufficient and independent and motivates them every day to develop something new which in turn will benefit our country.

MONDESA YOUTH OPPORTUNITIES TRUST

FNB handed over a donation of N$ 250 000 to the Mondesa Youth Opportunities Trust (MYO) to provide an intensive after-school education programme in the Mondesa Township in Swakopmund, targeting Grade 4 through to Grade 8 learners that show ability and promise. MYO is adhering to the stage 2 COVID-19 guidelines for education centres by providing quality e-learning for our students, as well as assignments that parents can collect for students to do at home. While MYO focus largely on academics (English, Mathematics and Reading), they also strive to educate the 'Whole Child' by also offering Music, Computer Skills Training and robust Life Skills courses to help learners navigate the difficulties of an impoverished community. The aim is to develop a sound base of academic education, leadership skills; and to teach learners to be good citizens of the future.

PROVIDING AN ENABLING ENVIRONMENT FOR EMPLOYEES

As part of our Human Capital strategy, we continued to build and drive a high performance and ethical culture premised on our group philosophy which is bed-rocked on Promises. The continuous changing operating environment coupled to the advent of the 4th Industrial Revolution warranted the need to continuously remain innovative and embrace technology in order to enhance efficiencies and adapt the organisation to emerging new ways of work. Given that the successful implementation of any change is depended upon people, appropriate time and energy was dedicated to continuously managing change, embedding a culture of open and transparent engagement, upskilling our employees to adapt to changing work methods as well as ensuring that they are in the right state of mind and health.

Specifically, the Human Capital focus areas for 2019 - 2020 were as follows:

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

2. Talent Curatorship - Implementing best-practice Talent Management practices to identify, develop, select and advance a diverse talent pool fit to execute group strategy.

3. Organisational Design – Aligning organisational capabilities and structures with business strategy to increase competitive advantage.

4. Performance, Reward and Recognition - Implementing competitive, transparent and fair reward and recognition systems that enable the group to attract and retain the best people in the industry.

5. Employee Experience - Delivering memorable and great employee experiences to energise, engage and retain talent.

CULTURE AND ENGAGEMENT

Embracing and building a culture of exemplary leadership and transparent engagement underpinned by trust constitute a key ingredient for our approach to embedding and bringing to life our group philosophy and promises. The group philosophy guides how our people need to behave to deliver the best results for customers, society, shareholders and each other. The iterations are captured in a set of promises.

As change is constant in our industry, effective and successful embracing of change by our people can only be realised if we have high engagement levels betricked upon a strong culture of open and transparent information sharing required to support our employees to be able to adapt to all transformational changes happening within the organisation.

We continued to build the group culture through our flagship "fused" campaign. The fused campaign aims to embed our group philosophy through regular and active education and promotion of our group promises through face-to-face and technology-based engagements with staff. The campaign further aims to acknowledge and reward employees who set an example through their daily behaviours in how they live our promises.

Open, transparent and regular communication remains critical in creating an engaged workforce that is willingly committed to generating business value. Regular staff engagement roadshows by our executive management constitute a critical component of our engagement strategy. These engagements have proved to be popular amongst our staff and are keenly looked forward to by our staff.

Our internal newsletter, the Insider, remains the key platform where we communicate weekly news and important information which is reinforced through our bi-weekly business unit engagement sessions.

As part of our strategy to stay close to the pulse of our staff, we regularly conduct employee engagement surveys including the externally facilitated Deloitte engagement survey to obtain a detailed understanding of our employees' levels of engagement, their concerns, and delight factors with regards to the organisation. The outcome of these surveys provides us with valuable insight into what the needs of our employees are, and what action plans and initiatives to implement in order to address these needs. As a group, we continue to see high levels of engagement compared to both local and international benchmarks.

During the year under review we once again participated in the Deloitte Company to Work for Survey and achieved an overall 2nd place and a gold seal of achievement in the large category of employer group in Namibia. We have also seen year-on-year improvements across the various survey dimensions. The results indicated that our continued focus on culture, engagement and talent development bore fruit with the group having achieved an overall satisfaction score on values and culture of 90.85% as well as 80.09% for accomplishment and growth.

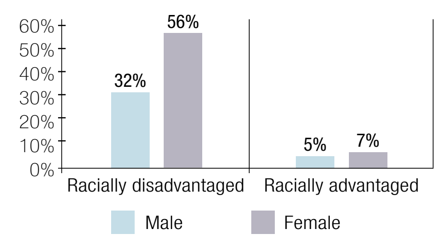
CULTURE AND ENGAGEMENT continued

Index indicators	FirstRand Namibia	Benchmark	Description
Best company index	66.03	64.5	Attraction
Engagement index	72.93	71.3	Attraction + Activation = Engagement

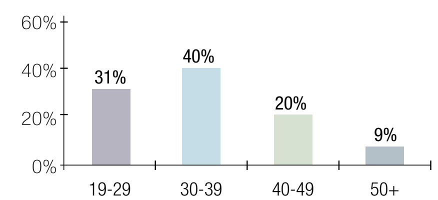
The group deeply embrace diversity as it is a precondition for its successful entrepreneurial and innovative culture, enabling the group to benefit from the diversity of its people. We continue to build an environment that values differences, a promise that is rooted on the group's philosophy and our commitment to employment equity and transformation. As such, our promises have set the peg on the ground for us with respect to shifting conversations from compliance to diversity and inclusion anchored on the FirstRand Namibia philosophy. Our focus remains on increasing representation of disabled persons as well as women and people of color at executive and senior management levels. While we have seen improvements to-date, this remain a focus area as we have not yet reached the desired workforce profile at executive and senior management levels.

Valuing differences is a promise that is rooted on the group's philosophy and our commitment to employment equity and transformation is further reflected in workforce profile statistics as depicted below:

Gender and Race distribution



Age distribution



TALENT CURATORSHIP

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 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. The programme seeks to achieve the following:

- Identification, development and retention of high performing, high potential employees within the group who can advance into critical or leadership positions and who will make a significant contribution to the group.
- Systematic and long-term development of individuals to replace critical job incumbents as the need arises due to resignations, deaths, disabilities, retirements and other unexpected eventualities.
- Improve talent mobility and retention by providing a continuous flow of talented people to meet the group's leadership and mission critical requirements.

A talent review forum is in place to track and monitor the development of our succession pool. 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 EE policy is being upheld and EE targets are being achieved. Currently 60% of our succession pool is made up of previously disadvantaged individuals.

We also have in place a Talent Pipelining programme whose objective is to ensure a sustainable supply and availability of talent to the group as and when required. The programme is underpinned by several schemes, namely, the Graduate Development Programme, the Internal Bursary scheme, the External Bursary Scheme, the Staff Assistance Trust as well as the Internship Scheme.

The Graduate Development Programme is specifically established and positioned to employ, develop and retain high potential Namibian Graduates into the group. The programme is structured as an intensive and specialised 1-year on-the-job development programme including secondment of graduates to any of our businesses across the Globe. The graduates are specifically developed to take over identified critical or specialist positions as well as entry level single-dependency professional roles where skills are generally not available internally or externally. To date, sixteen (16) Graduates successfully completed the programme, two of which successfully completed the programme during the period under review. In line with our transformation agenda, 50% of our Graduates who completed the programme were male and 50% female, with 75% coming from the previously disadvantaged group.

The external Bursary Scheme targets financially disadvantaged, yet academically strong Namibian students to gain access to tertiary education. The internal Bursary Scheme on the other hand targets and enables high-performing high-potential employees to also gain access to tertiary education. Both programmes have a dual responsibility of providing for both the group's own skills requirements as well as national skills requirements. During the 2019-2020 financial year we awarded four new external and three internal bursaries to young and upcoming talent. Our bursaries provide full financial support to each student, covering all tertiary costs, accommodation, books, travel expenses and a monthly allowance.

As part of our commitment to transformation, the group continued to assist previously disadvantaged employees through the FNB Staff Assistance Trust whose objective is to assist previously disadvantaged non-managerial staff to pay medical bills and cover educational costs. The Trust own shares in FirstRand Namibia Limited and utilise dividends received to fund the assistance provided to staff. For the 2019/2020 Financial year, the Trust assisted employees to fund educational programmes to the tune of N$ 1.5 million while N$ 0.3 million was channelled towards medical assistance.

We understand that an appropriately skilled and capacitated workforce is key to the group's overall success. We have therefore continued to provide learning opportunities to our employees in order to ensure that they continuously upskill their knowledge and competencies to stay relevant and abreast of latest developments within the fast-changing digital environment. To ensure that learning happen seamlessly and becomes part of our culture, new online and digital learning platforms were launched during the year enabling us to provide all our employees with 24/7 access to learning resources.

The group also made a significant investment in the development and implementation of various in-house Learning Academies whose focus is development of role-based competencies to ensure our employees are appropriately capacitated for their respective roles thereby enhancing individual performance. Specifically, the following learning academies were rolled out during the year:

- Premium Academy
- Branch Managers Development Programme
- Retail Banking Academy
- Commercial Academy
- POP's Academy
- Relationship Managers Academy
- Credit Academy
- Relationship Analysts Academy

During the financial year, 1 954 employees completed a total of 425 online and face-to-face courses in various focus areas with an overall investment of N$ 19.7 million. The group also contributed N$ 9.1 million to the skills development fund of the National Training Authority during this financial year.

As leadership is what makes or breaks organisations, having an effective leadership team that create 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 298 Middle Managers and Supervisors have completed the programme to date.

A Line Managers-as-Mentors Training programme was also launched during the year of which the objective 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. To-date more than 90% of our executive and senior management leaders successfully completed the programme. Additionally, delegates who completed the programme were requested to indicate their willingness to become full-time in-house mentors to extend mentorship services beyond their own line function. These additional selected mentors are scheduled to attend further development interventions to enable them to act as mentors to young talent and identified successors across the group.

Additionally, work is currently underway to develop and implement appropriate coaching and development interventions for our executive and senior leadership team to ensure they continue to create a conducive working environment which enables our people to be the best version of themselves and willingly tap on their discretionary effort to deliver on the group strategy.

ORGANISATIONAL DESIGN

Our group operates in a fluid environment where customer requirements are continuously changing driven by several factors including changing technology, amongst others. As the customer is at the centre of everything we do, and in response to changing customer requirements, our world of banking has also been changing with a single objective in mind which is to improve the customer's banking experience. Our strategy also changed correspondingly from a franchise-led to a segment-led approach. This warranted that the need to review operating models and organisational structures for several business and support units in order to ensure alignment for delivery on business strategy. In this regard several organizational structures were reviewed and realigned to the overall group strategy.

Changes in operating models and organizational structures especially on the back of technology naturally lead to redundancies. Our approach has however been that technology and digitization simply provides for the removal of manual repetitive tasks that can be seamlessly automated allowing for people to focus on more complex tasks and customer service. We are thus proud of our achievements in this regard as we have been able to redeploy over 140 staff members to other more complex roles in conjunction with the use of natural attrition.

PERFORMANCE, REWARD AND RECOGNITION

In line with our DNA of being a high-performance and innovative financial services group, continuous improvement constitutes a key part of our strategy in order to ensure effectiveness and operational efficiencies. In this regard, enhancements were made to our performance management system in order to ensure system effectiveness and that our employees' efforts remain aligned to the group strategy. Scorecards across the group were reviewed to ensure focus, alignment and that the group's key strategic initiatives are reflected in individual scorecards. This enables us to ensure that reward and consequence management is applied in order to sustain performance.

The performance management training was also automated to ensure easier and 24/7 access enabling us to ensure that our employees clearly understand what their role and responsibilities are in executing their business unit strategies and that the whole workforce is mobilised around our strategic objectives.

We continue to ensure that our remuneration levels are regularly benchmarked against the market to ensure we remain competitive. Generally, there is alignment to market but there remain pockets of employees whose remuneration would require alignment to the market.

In line with our DNA of being a high-performance and innovative financial services group, continuous improvement constitutes a key part of our strategy

EMPLOYEE EXPERIENCE

It is our strategy to create a world class experience for our employees across several areas ranging from people practices, HR transactional services and employee wellness, amongst others. In line with this strategy, several HR transactional services such as leave application, claims etc. have been migrated to the FNB App where such services are only accessible by employees.

In line with the changing banking landscape and our digitisation strategy of becoming a platform-based organisation, agility, speed and flexibility becomes non-negotiables. In this regard, the group has embraced the future of work and has been exploring implementation of flexible work arrangements for our staff with the piloting thereof having been accelerated by the impact of the COVID-19 pandemic. As a group we understand that flexible work arrangement constitutes a key component of our employee value proposition and as it has become an imperative not only for millennials but also for the older generation. We will therefore continue to explore all components that drive the future of work in order to understand the implications for changing work and workforce for the group.

To ensure an accelerated and smooth integration of new employees into the group, an online Induction programme, which is compulsory for all new employees was updated to ensure relevance. The benefit of this programme is that new employees are introduced and exposed to the Company's culture, strategy, values, policies, history and business units in the shortest possible time. Without interfering with the employee's daily tasks, they can do the programme in their own time and leisure.

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

Our on-site clinic at Parkside Building which is manned by a qualified occupational health and medical practitioner continues to be available to our employees. Various screening and health campaigns are being offered through the clinic services. In addition, we rolled out 17 awareness campaigns throughout the country to promote healthy behaviour and improve health outcomes.

02

Leadership and governance

INGE ZAAMWANI-KAMWI :: *chairperson*

"Although the true impact of this virus on the real economy cannot be quantified at this juncture, we have seen financial markets swing violently with stock markets taking a nose-dive and trigger trading halts on severe sell-offs by investors."

Chairperson's report

Amidst a tough global economic backdrop, impacted by COVID-19 and a financially challenging environment, FirstRand Namibia held steadfast in preserving capital and liquidity strength given unfolding market uncertainties. We were selective in our balance sheet expansion and placed emphasis on protecting margins in a low rate environment, while considering the wellbeing of our staff and customers alike. Our priority as an organisation, continues to be on upholding and embodying our mission statement of being the best financial provider to the best people in Namibia, in any operating landscape as it serves as our key differentiator in achieving sustainable shared value to all our stakeholders.

BUSINESS IN UNPRECEDENTED TIMES

This year has turned out differently from our earlier expectations of a slightly better 2020. We could not have anticipated the widespread impact that the Novel Coronavirus (COVID-19) pandemic would inflict on the global community. Although the true impact of this virus on the real economy cannot be quantified at this juncture, we have seen financial markets swing violently with stock markets taking a nose-dive and trigger trading halts on severe sell-offs by investors. To flatten the curve and contain the spread of the virus, governments around the world, including our own, have ordered nationwide lockdowns and emplaced movement control orders.

Globally, central banks have actioned on aggressive monetary policy easing while governments mobilised large stimulus packages to keep money flowing into economies to provide relief to affected businesses and individuals, on the back of a looming global recession.

When the Bank of Namibia announced reductions in the repo rates, we passed the full benefit of the lending rate immediately on to all our customers, however, we only passed a portion of that cut on to our investments customers. In addition to that revenue sacrifice, we also invested over N$ 6.5m in reductions of fees and charges to support our customers. We further initiated instalment payment holidays to COVID19 impacted and qualifying customers across all sectors and segments. Consumers, SMEs, Tourism, Agriculture and the business sector have all had access to financial assistance where such support has been relevant and more than 4,000 customers benefited to date from this relief, to the value of over almost N$ 2bn.

Through the FirstRand Namibia Foundation Trust, we handed over N$ 1.5 million towards the government's Disaster Relief Fund. Aside from this, we have invested in sanitation initiatives, and environmental and community support of more than N$ 2.6m over the past weeks from the FirstRand Foundation alone. Over and above this, we established our HOPE Fund (Health Optimisation in a Pandemic Emergency), which provided 15 thermal cameras to the government to the value of N$ 1.4 million.

BUSINESS SUSTAINABILITY

As an organisation, we have made significant strides in charting our sustainability journey over the years. Initially, we established the FirstRand Namibia Foundation to be the strategic driver and main implementer of the Group's community and corporate social investment programmes. The FirstRand Namibia Foundation functions within the 4P Strategy with four key pillars – People, Partnership, Planet, and Profit. Last year we shifted gears and added an additional focus on shared-value with the marketplace pushing for greater sustainability and responsibility.

Given the unprecedented times we find ourselves in, due to the COVID-19 pandemic, we are offered the perfect opportunity to reflect on our economic and social contribution.

FirstRand Namibia's approach to sustainability will always be anchored on our mission statement of providing the best and most inclusive financial services to all Namibians, as we look to serve in the interests of all stakeholder groups in the markets we operate. Through the years, and as evidenced by our large and consistent investment in education, the safeguarding of the environment, skills development and sport development, we have championed inclusivity.

Additional to the Foundation, as a business we are already well on our journey of leading sustainable activities in Namibia across all sectors. We do this through RMB Namibia by participation in landmark financing deals, by driving financial inclusion through FNB Namibia by improving access to financing for the underserved segments, enhancing financial literacy and prioritising environment, social and governance factors within our operations while working with our customers to do the same.

Through the Foundation, we run various flagship community empowerment programmes which can be read in the Sustainability Report. It is heart-warming to see the impact our programmes have on our beneficiaries and how their lives have improved considerably and in a sustainable manner. FirstRand Namibia has consistently allocated about 1% of the group's net profit to the FirstRand Foundation and the real-life success stories tell us that we are making a difference in Namibia.

Given the unprecedented times we find ourselves in, due to the COVID-19 pandemic, we are offered the perfect opportunity to reflect on our economic and social contribution. We remain committed to grow together with the Namibian government, our customers, shareholders and other stakeholders. May this relationship sustain and reach greater heights in future years to come.

A NOTE OF THANKS

To our shareholders, the group will continue to prioritise its capital and liquidity strength, maintain selective balance sheet expansion in tandem with the Group's risk appetite and remain focused on its ongoing cost discipline and proactive engagements with customers despite the difficult economic landscape. The group will leverage its diversified franchise to drive revenue growth, enhance customers' experience through digital innovations and continue strengthening and supporting our workforce.

I am thankful to all our stakeholders, namely our shareholders, customers, regulators, and communities, for their continued trust and support through the year.

Our long-serving and visionary group CEO, Sarel van Zyl will retire this year. Van Zyl has been a member of this group for 38 years, and his contribution has been immense; his experience and energy will be missed. From his early days in 1982 as a clerk in Okahandja branch to Chief Executive Officer of the most comprehensive end to end financial services group in Namibia, Sarel's leadership tenure evidenced disciplined execution, strong leadership recruitment and the building of a profitable group of companies that ploughs back direct and indirect taxes into the market to the tune of nearly 1 billion Namibian dollars annually.

The Group is thankful for Sarel's energetic drive to introduce innovative customer-centric solutions such as E-Wallet and FNB Rewards, N$ 100 million in non-collateralised loans for SME's, and for taking the leap into being the bank of the future through digitalisation and transformation and increasing the group's corporate social investment into the communities within which it operates. More than N$ 100 million were ploughed back into communities over the past 5 years through the FirstRand Foundation.

Van Zyl's firm hand "guided the group's commitment to its Planet, Partnership, Profit and People mandate successfully through the past few years' tough macro-economic environment. It's time for the next level of leadership to take FirstRand Namibia further.

Inge Zaamwani - Kamwi
Chairperson

Board of directors

Inge Zaamwani-Kamwi Namibian :: 61

Chairperson

Independent non-executive director

LLB (Hons) - London; LLM - Dundee

Appointed April 2003

Stuart Moir

Namibian permanent res :: 72

Deputy Chairperson

Independent non-executive director

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

Appointed November 2005

Sarel van Zyl

Namibian :: 58

Chief Executive Officer

Executive director

BBA Certificate in Applied Management, BBA, MBA

Appointed December 2014

Jantje Daun

Namibian :: 53

Independent non-executive director

B.Com (Hon), CA (SA)

Appointed March 2017

Christiaan **Ranga** Haikali

Namibian :: 51

Independent non-executive director

BBA (Entrepreneurship)

Appointed February 2006

Peter Grüttemeyer

Namibian :: 66

Independent non-executive director

BCom (Hon), CA (SA)

Appointed April 2020

Oscar Capelao

Namibian :: 41

Chief Financial Officer

Executive director

BCom Hons (Accounting), CA (Nam)(SA)

Appointed March 2016

Gerson Hinda

Namibian :: 58

Independent non-executive director

B.Juris, LLB, LLM

Appointed February 2017

Jabulani Khethe

South African :: 57

Independent non-executive director

B.Com (Banking), MBA

Appointed August 2006

Justus Hausiku

Namibian :: 41

Independent non-executive director

CTA Hons (Accounting), BA

Appointed April 2017

Gert Kruger

South African :: 47

Non-executive director

BCom (Acc) (Honours), CA (SA), MSc Financial Economics

Appointed June 2018
Resigned August 2020

I-Ben Nashandi

Namibian :: 49

Non-executive director

BCom, MSc Financial Economics, Masters Development Finance

Appointed January 2019

DIRECTORSHIPS, TRUSTEESHIPS AND COMMITTEE MEMBERSHIP

Inge Zaamwani-Kamwi Namibian
Board Chairperson

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

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

Sarel van Zyl Namibian
Chief Executive Officer

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Ltd Limited, First National Bank of Namibia Ltd, FNB Fiduciary Namibia (Pty) Ltd, Swabou Investments (Pty) Ltd, Talas Properties (Windhoek) (Pty) Ltd, FNB Nominees Namibia (Pty) Ltd, FNB Staff Assistance Trust, FirstRand Namibia Foundation Trust, FirstRand Namibia Retirement Fund, Ashburton Investments Namibia Holdings (Pty) Ltd, Ashburton Fund Managers Namibia (Pty) Ltd, Ashburton Management Company Namibia (Pty) Ltd, RMB Investments (Pty) Ltd, FNB Insurance Brokers (Namibia) (Pty) Ltd

External directorships: FGE Investments No 3 CC

Stuart Moir Deputy Chairperson
South African with Namibian Permanent Residence

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Ltd, First National Bank of Namibia Ltd, Ashburton Unit Trust Management Company Ltd, FNB BEE Trust, Ashburton Investments Namibia Holdings (Pty) Ltd, Ashburton Fund Managers Namibia (Pty) Ltd, Ashburton Management Company Namibia (Pty) Ltd, Ashburton Property Unit Trust Management Company Limited , Pointbreak Equity (Pty) Ltd, Audit Committee, Risk, Capital and Compliance Committee, Remuneration Committee, Directors' Affairs and Governance Committee, FNB Employee Share Incentive Trust

External directorships and trusteeships: Stimulus Investments Ltd, The Namibia Procurement Fund I, The Namibia Procurement Fund II

Oscar Capelao Namibian
Chief Financial Officer

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

External directorships: National Housing Enterprise, Namibian Stock Exchange

Jantje Daun Namibian

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

External directorships & trusteeships: Cornerstone (Pty) Ltd

Peter Grüttemeyer Namibian

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

External directorships & trusteeships: Ohlthaver & List Group of Companies, Namibia Breweries Ltd, Nasria Ltd, Werner List Trust, Goreangab Trust, Namibian Lloyds Representative

Christiaan **Ranga** Haikali Namibian

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

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

Justus Hausiku Namibian

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

External directorships: Quanta Holdings, Arch Group of Companies, MMI Short Term Insurance, Roads Contractor Company Ltd, InoHarith Capital (Pty) Ltd, Namibia Desert Diamonds (Pty) Ltd

Gerson Hinda Namibian

FirstRand Namibia group directorships and trusteeship: FirstRand Namibia Ltd Limited, First National Bank of Namibia Ltd, OUTsurance Insurance Company of Namibia Ltd, FNB Fiduciary Ltd, FNB Easy Loans Ltd

External directorships: Sabmiller Breweries ABInbev, PE Minerals (Pty) Ltd, Rosh Pinah Zinc Corporation Ltd, Sada Investments (Pty) Ltd, Namport, Daureb Investments CC, Roeder Property Ten CC, Erf One Eight Six Langstrand Extension One, Tristan Enterprises CC, FGK Investments Sixty Seven (Pty) Ltd

Jabulani Khethe South African

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

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

Gert Kruger South African

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

FirstRand group directorships: RMB Australia Holdings, RMB Morgan Stanley, RMB Nigeria

I-Ben Nashandi Namibian

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

External directorship: GIPF Trustee

03

Corporate governance

Corporate Governance Report

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

The Group's overall corporate governance objective is supported by the implementation of effective policies, processes and procedures

The Group is subject to and endorses the on-going disclosure, corporate governance and other requirements required by the Namibian Stock Exchange (NSX). The Group also supported and applied the principles of the (NamCode) the Corporate Governance Code for Namibia. In response to the NSX Gazette #139 the group replaced all references made to King III in the NSX Listing requirements with the NamCode.

The FirstRand Namibia Ltd group's main business is diversified into banking and non-banking financial service provision. FirstRand Namibia Ltd is a duly registered controlling company of First National Bank of Namibia Limited in terms of the Banking Institutions Act No 2 of 1998 as amended. FirstRand Namibia Limited is listed on the Namibia Stock Exchange ("NSX"), and complies with the Stock Exchanges Control Act of 1985, NamCode on Corporate Governance and the listing requirements of the exchange. The short-term insurance, insurance brokerage, unit trusts, fund management and asset management businesses are regulated by the Namibia Financial Institutions Supervisory Authority ("NAMFISA") in terms of various pieces of legislation. The directors of FirstRand Namibia Ltd ensure compliance with all relevant legislation and other best practice regulations.

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

CHIEF EXECUTIVE OFFICER

Sarel van Zyl was appointed as the Chief Executive Officer of FirstRand Namibia Ltd and First National Bank of Namibia Ltd by the board in 2014. The Chief Executive Officer leads and directs the executive management and serves as the chief link between management and the board. The Chief Executive Officer is accountable to the board for, amongst other things managing the strategies, Group performance and vision of FirstRand Namibia, and ensuring the achievement of its performance targets.

The Chief Executive Officer is set to retire on 30 September 2020 as Chief Executive Officer of FirstRand Namibia Ltd and First National Bank of Namibia Ltd. After a due recruitment process, Conrad Dempsey, an internal candidate was identified as the suitable successor to fill the position of Chief Executive Officer of FirstRand Namibia Ltd.

The outgoing Chief Executive Officer has worked with Conrad Dempsey to facilitate a smooth transition.

GROUP COMPANY SECRETARY

The group company secretary is responsible to the board for, inter alia, acting as a central source of information and advice to the board on their duties and responsibilities, adherence to good corporate governance principles, and compliance with procedures and applicable statutes and regulations.

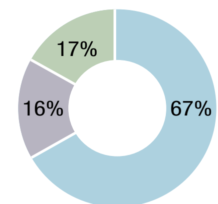
Nelago Makemba was appointed as FirstRand Namibia Ltd's group company secretary in May 2015 and is also the company secretary to the board committees. All directors have full access to the services and advice of the group company secretary in all aspects of the board's mandate and operations of the Group.

An assessment of the performance of the company secretary is undertaken annually, as part of the board evaluation process. The assessment confirmed the company secretary is competent, suitably qualified and experienced; has the requisite skills, knowledge and experience to advise the board on good governance; maintains an arm's-length relationship with the board and directors; and has discharged her responsibilities effectively for the year under review.

COMPOSITION OF BOARD, INDEPENDENCE OF DIRECTORS AND DEMOGRAPHICS

As at 30 June 2020, FirstRand had a unitary board of 12 members. The board is satisfied that all directors, whether classified as executive, non-executive or independent non-executive, act independently, free of undue influence, and in the best interest of the Group. The roles of the chairman and chief executive officer are clearly defined in the board charter, demonstrating a clear balance of power and authority at board level to ensure that no one director has unfettered powers of decision-making.

Independence status

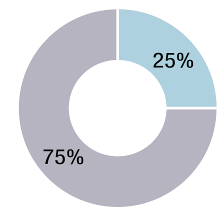


Independent non-executive

Executive

Non-executive

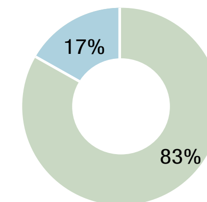
Employed by FirstRand Group



Yes

No

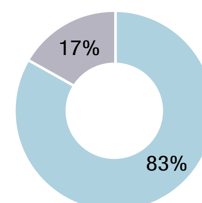
Residence



Namibian

Non Resident

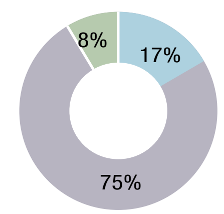
Gender diversity



Male

Female

Citizenship



Foreign

Namibian

Foreign with permanent residence

COMPOSITION OF BOARD, INDEPENDENCE OF DIRECTORS AND DEMOGRAPHICS continued

Directors	Independence Status	Employed by Group	Resident in Namibia	Gender	Previously Disadvantaged
II Zaamwani-Kamwi	Independent non-executive	No	Yes	Female	Yes
SH Moir	Independent non-executive	No	Yes	Male	No
JG Daun	Independent non-executive	No	Yes	Female	No
CLR Haikali	Independent non-executive	No	Yes	Male	Yes
Adv. GS Hinda	Independent non-executive	No	Yes	Male	Yes
JH Hausiku	Independent non-executive	No	Yes	Male	Yes
JR Khethe*	Independent non-executive	No	No	Male	Yes
P Grüttemeyer	Independent non-executive	No	Yes	Male	No
IN Nashandi**	Non-executive	No	Yes	Male	Yes
GCP Kruger	Non-executive	Yes	No	Male	No
SJ van Zyl	Executive	Yes	Yes	Male	No
OLP Capelao	Executive	Yes	Yes	Male	Yes

* *A period of three years has passed since JR Khethe was employed by the Group. After an assessment, JR Khethe was classified as Independent.*

** *IN Nashandi was nominated and represents GIPF. In terms of NamCode principle C2-18.6.2 he is not considered as independent as he has a direct or indirect interest in the company (including any parent or subsidiary in a consolidated Group with the company) which exceeds 5% of the Group's total number of shares in issue.*

COMPOSITION OF BOARD, INDEPENDENCE OF DIRECTORS AND DEMOGRAPHICS continued

Directors	FirstRand Namibia Ltd	Board meeting attendance	Audit Committee	Risk, Capital and Compliance Committee	Remuneration Committee	Directors Affairs and Governance Committee
II Zaamwani-Kamwi	2/4	50%				2/4
SH Moir	4/4	100%	4/4	4/4	3/3	4/4
CLR Haikali	4/4	100%	4/4		3/3	4/4
JH Daun	4/4	100%	4/4			
GCP Kruger	3/4	75%		4/4	1/3	
IN Nashandi	4/4	100%				
GS Hinda	4/4	100%				
JH Hausiku	4/4	100%		4/4		
JR Khethe	4/4	100%			3/3	4/4
SJ Van Zyl	4/4	100%				
OLP Capelao	4/4	100%				
P Grüttemeyer *	1/1	100%				

** Appointed 08 April 2020*

BOARD COMMITTEE COMPOSITION

Directors	Audit Committee	Risk, Capital and Compliance Committee	Directors Affairs and Governance Committee	Remuneration Committee
II Zaamwani-Kamwi			√	
SH Moir	√	√	√	√
GCP Kruger		√		√
CLR Haikali	√		√	√
JG Daun	√			
JH Hausiku		√		
JR Khethe			√	√

Audit Committee

The fundamental role of the audit committee is to assist the board in fulfilling its oversight responsibilities in areas such as financial reporting, internal control systems, and the internal and external audit functions. The committee works closely with the group's risk, capital management and compliance committee to identify common risk and control themes, and achieve synergy between combined assurance processes, thereby ensuring that, where appropriate, these functions can leverage off one another.

The committee is constituted as a statutory committee of FirstRand Namibia Ltd in respect of its duties. The objectives and functions of the committee are set out in its charter.

The independence of the audit committee is paramount, the committee is composed of three independent directors. The board assures stakeholders that the committee's collective skills are appropriate to oversee integrated reporting taking into consideration the industry, the groups size and circumstances. The period for which the audit committee members have served is as follows:

SH Moir	Appointed 2006
CLR Haikali	Appointed 2016
JG Daun	Appointed 2017

SH Moir, the Committee Chairperson is set to retire on 31 December 2020. Succession planning measures have been put in place to ensure the vacancy created is filled seamlessly with a suitably qualified committee member.

Expertise and adequacy of finance function

The committee received and deliberated on the expertise, resources and experience of the company's finance function. The Committee confirmed that they are satisfied with the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function. The finance structure 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.

The committee further opined and confirmed that they are satisfied that Mr. OLP Capelao, the Group Chief Financial Officer and Executive Director, possesses the appropriate expertise and experience to perform his duties as the finance director.

Expertise and adequacy of the internal audit function

The committee has assessed and is satisfied that the internal audit function has adequate skills and resources. The internal audit function provided 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. 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.

During the period under review the audit function was headed by F Booysen until April 2020. C Simasiku duly assisted the Head of Internal Audit in an acting capacity from May 2020, which acting was approved and/ or noted by the relevant regulators. The Head of Internal Audit has unrestricted access to the Audit Committee Chairperson. The committee is satisfied with the arrangements of internal audit and is satisfied that the internal audit function is independent and appropriately resourced, and that the audit executives have fulfilled the obligations of that position.

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 of 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 Listings Requirements. 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 2021 financial year. Application has been made to the regulator in terms of the Banking Institutions Determination 10 (BID-10).

Following the review of the financial statements, the Audit Committee is of the opinion that, in all material respects they comply with the relevant provisions of the Companies Act and IFRS and 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 then ended.

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

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

- Overseeing internal and external audits, including review and approval of internal and external audit plans, review 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 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 and ensuring that the combined assurance received is adequate to address all material risks;
- reviewing the appointment of the external auditors for recommendation to the board; and
- Assessing the expertise, resources and experience of the group financial director and finance function.

The 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 own analyses, sustain its conclusions reached for the 2020 financial year.

SH Moir
Chairperson, Audit Committee

Risk, Capital & Compliance Committee (RCCC)

The committee provides independent oversight of risk, capital management, compliance, regulatory and conduct risk management and enterprise risk activities undertaken in the FirstRand Namibia Ltd Group. This includes ensuring that effective policies and plans for risk management have been implemented to improve FirstRand's ability to achieve its desired outcomes and that risk disclosures are timely, sufficiently detailed and relevant to the group's stakeholders.

The committee is satisfied that the group has adequate resources, systems, skills and remuneration practices to facilitate the ongoing effectiveness of the risk, capital management, compliance, regulatory and conduct risk functions. Compliance with laws and regulations applicable to operations is critical to the group as non-compliance may have potentially serious consequences.

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

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

SH Moir
Chairperson, Risk, Capital & Compliance Committee

Remuneration Committee (REMCO)

1. SCOPE

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

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

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

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

2. COMMITTEE MEMBERSHIP

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

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

3. REMUNERATION PHILOSOPHY

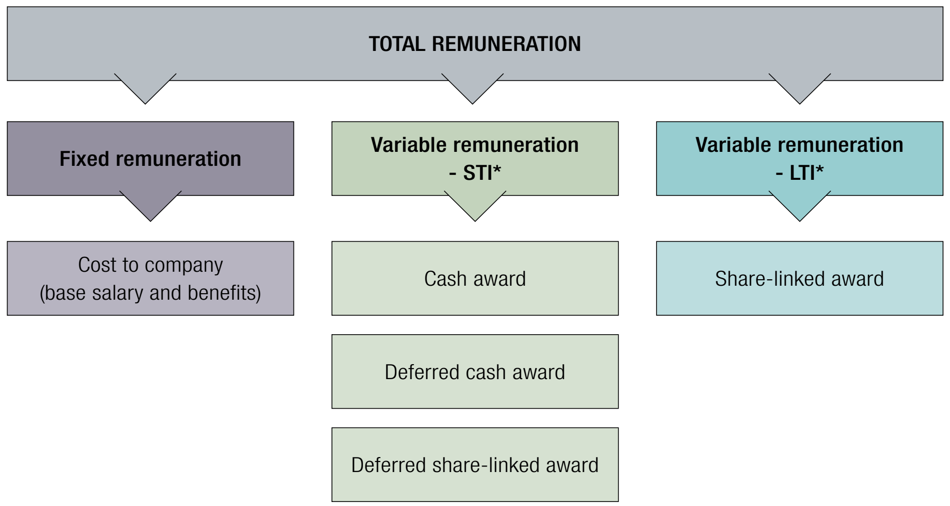
The Group's remuneration philosophy is based on FirstRand founders long-held view that remuneration must align with shareholder value. This ethos has shaped the group's remuneration philosophy and is anchored in the performance management framework through which performance is managed at individual,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

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

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

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

3. REMUNERATION PHILOSOPHY continued



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

4. REMUNERATION POLICY AND STRUCTURES

4.1. Guaranteed pay

Cash Package (Based on Cost to Company)

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

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

4. REMUNERATION POLICY AND STRUCTURES continued

4.1. Guaranteed pay continued

Guaranteed Pay Benchmarking

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

FirstRand engage independent service providers to benchmark market data pertaining to guaranteed remuneration. The PwC Remchannel® salary survey is specifically used to benchmark against the market as it is the most comprehensive survey in Namibia in terms of reach and information supplied. 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. The surveyed information is used extensively during the annual remuneration review exercise to ensure appropriate pay levels.

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

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 REMCO in the context of individual and business unit performance, inflation and specific industry practices and trends as well as current economic environment.

Retirement contribution

All employees are contractually obliged to contribute to the FirstRand Namibia Pension Fund. An independent Board of Trustees is in place constituted by employer and employee representatives. The Board of Trustees manage the Pension Fund and have 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.

4. REMUNERATION POLICY AND STRUCTURES continue

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.

FirstRand Namibia does not follow a stern formulaic approach to determine the STI pool annually but uses 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.

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

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

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

The awards are paid in cash with the primary objective of rewarding superior performance. Worth noting is the fact that, short-term incentive awards 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 share-linked awards which vest two years later (based on continued employment and good standing). Should an employee resign or leave the employ of the Group for any reason before the date on which any tranche is payable, any outstanding tranches will no longer be payable and are forfeited.

4.2. Variable pay continued

Long-Term Incentive (LTI) Scheme
The Group operate 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) is utilized to achieve these objectives.

The total LTI award pool for the group is approved annually by REMCO 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. This is why the group requires both return and growth conditions to be met. ROE is the prerequisite and must be achieved before the growth metric is assessed. The earnings growth target is measured over a three-year rolling period on a cumulative basis. The return target is measured as the average ROE over the three-year vesting period, and positive NIACC is required in line with the group's performance philosophy. The ROE is based on net asset value and not on tangible net asset value, and as such includes goodwill.

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

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

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

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

FirstRand Conditional Incentive Plan (CIP)

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

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

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

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

Other LTI considerations

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

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

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

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

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

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

4.2. Variable pay continued

Vesting Considerations of 2017 LTIs

The 2017 LTIs vesting performance conditions where not achieved and therefore will not vest in September 2020.

Award year	Vesting year	Normalised earnings per share in year of issue	Performance conditions		Comments
			Return and NIACC	Earnings growth	
2017	2020	FSR SA 407.4 cents	FSR SA ROE ≥ 18% and positive NIACC over the period.	Normalised earnings per share growth to exceed nominal GDP growth (three-year cumulative growth).	The award will not vest during September 2020. The earnings growth and ROE delivered over the three-year period ended 30 June 2020 not met. ROE achieved: 16.0%. NIACC achieved: positive over the vesting period. Earnings growth not achieved.

Malus and claw back
Malus is applicable to awards that have not yet vested, and where required these will be cancelled. Claw back applies once an award has vested, and an event occurs that triggers the repayment of the award. If performance conditions are not satisfied, both short-term and long-term incentive allocations are forfeited. The committee has the discretion to claw back the pre-tax proceeds of any discretionary payment received by employees in the event of a trigger event as detailed below. A trigger event may include, inter alia:

- the discovery of a material misstatement of performance that resulted in a variable reward made, which the board is satisfied that the employee has contributed to and is responsible for;
- the discovery that the assessment of any metrics upon which the award was made was based on erroneous, inaccurate or misleading information;
- any action or conduct which, in the reasonable opinion of the board, amounts to dishonesty, fraud or misconduct;
- the discovery of a material failure in risk management to which the employee had contributed and is responsible for; and/or
- the discovery that performance related to financial and non-financial targets was misrepresented and that such misstatement led to the over-payment of incentives.

The claw back applies for three years after the discretionary payment is made, or in the case of share schemes (both LTIs and deferred STIs), three years after the awards have vested. Should an employee resign or be dismissed, unpaid bonus tranches are forfeited except where Remco deems the individual a "good leaver", similar to LTIs.

Sign-on awards
Sign-on bonuses are applied when appropriate, for example:

- when the business is heavily reliant on high-demand scarce skill sets;
- to replace prospective employees' current benefits; and
- to remain attractive and competitive in the market.

DIRECTORS REMUNERATION

Executive Directors

Executive Directors are employed on fairly standard employment contracts as all other employees. Remuneration paid is based on the Group's remuneration policy as set out above.

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

The Committee ensures an optimal balance between operational stability, superior value creation and sustaining appropriate alignment of employee performance with the medium-to long-term interests of the Group's stakeholders.

The following principles are at the core of the Group's remuneration practices:

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

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

Key financial performance metrics for the year ended 30 June 2020 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$m)	Dividends per share growth (%)	Headline earnings growth (%)	CTI (%)
(6.6%)	16.0%	N$ 81.5m	(26.0%)	(19.1%)	52.6%

Executive Directors continued

Remuneration Sarel van Zyl FirstRand Namibia CEO (outgoing)
Growth in reward and awards

N$ thousand	2020	2019	% growth
Cost to company	3 268	3 124	4.6%
STI	2 566	2 400	6.9%
- Cash within 6 months	1 907	1 797	-
- Cash within 1 year	659	603	-
LTI award	3 073	2 531	21.4%
Total reward including LTIs	8 907	8 055	10.5%
Total guaranteed and variable pay (excluding LTIs)	5 834	5 524	5.6%

Remuneration Oscar Capelao FirstRand Namibia CFO
Growth in reward and awards

N$ thousand	2020	2019	% growth
Cost to company	2 060	1 966	4.8%
STI	1 349	1 422	(5.0%)
- Cash within 6 months	1 108	1 156	-
- Cash within 1 year	241	266	-
LTI award	1 654	1 648	-
Total reward	5 063	5 036	0.5%
Total guaranteed and variable pay (excluding LTIs)	3 409	3 388	0.6%

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.*

DIRECTORS REMUNERATION continued

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.

FirstRand Staff Assistance Trust

The FirstRand Staff Assistance Trust's mandate is to assist non-managerial racially disadvantaged employees as well as their immediate families, with their educational and healthcare needs. For the 2020 financial year the trust assisted employees to the value of N$ 1.5 million.

AGM

The group's remuneration policy and report received an endorsement of 78.4%.

REMCO proceedings

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

Members		Meeting Attendance
CLR Haikali	Independent Non-Executive Director	3/3
SH Moir	Independent Non-Executive Director	3/3
JR Khethe	Independent Non-Executive Director	3/3
GCP Kruger	Independent Non-Executive Director	1/3

The Committee is comfortable that it has rewarded FirstRand 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, Remuneration Committee

Directors' Affairs & Governance Committee (DAGC)

The Directors' Affairs and Governance Committee is constituted as a Committee of the board and reports to the Board. The duties and responsibilities of the members of the Committee are in addition to those as members of the board. The purpose of the committee 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 and board effectiveness, board continuity and board succession planning.

The purpose of the committee is to evaluate the adequacy, efficiency and appropriateness of the corporate governance practices of the group

Board Competency & Skills Assessment Outcome

The Committee conducted a skills assessment as a manner of expanding on the board self-evaluations so that Directors Affairs and Governance Committee can develop better director recruiting, nominating and succession plans. The assessment provided the board with a deep insight into what skills the individual board members possess and the skills the board requires. The assessment revealed the need for banking skill, information technology governance, audit related skills including internal financial controls and risk management related skills.

Director Succession and Appointment

The Committee reviewed the board structure, size and composition, taking account of skill and experience requirements and a need for appropriate demographics and the balance between non-executive and executive directors as well as the need for independent non-executive directors. During the year, continued focus has been applied to succession planning at the board level. The Committee successfully vetted candidates and continues to do so for appointment to the board and recommending them to the full board in a formal and transparent manner. The committee in making its recommendations took cognisance of the candidate's integrity, skills and further ensured that any statutory requirements for the proposed appointments were complied with.

Retirement of Deputy-Chairperson

The retirement age for non-executive directors is 70 (seventy) and may be extended after an annual review process at the discretion of the Board. S Moir, Deputy-Chairperson retired and was re-elected by shareholders to serve as a director at the 24 October 2019 Annual General Meeting. S Moir has indicated his availability for re-election for one further period of 6 (six) months, which will be put to shareholders at the 22 October 2020 Annual General Meeting. S Moir will formally retire from the FirstRand Namibia Ltd Group as an Independent Non-Executive director and Deputy Chairperson with effect 31 December 2020. When the Company Directors retire from the board they automatically retire from the statutory boards and statutory committee on which they serve.

DIRECTORS' AFFAIRS AND GOVERNANCE COMMITTEE
continued

Retirement of Chief Executive Officer
The Committee opined on and approved the nomination and appointment of the Chief Executive Officer in anticipation of the retirement of the current Chief Executive Officer.

Non-Executive (including Independent Non-Executive) Director Attendance
Non-executive board members must attend at least 75% of the board meetings of a banking institution or controlling company in any particular year. The Committee received the attendance of the directors for the financial year. The board chairperson, I Zaamwani-Kamwi failed to meet the required 75% attendance requirement due to conflicting work commitments. The Committee deliberated and agreed that I Zaamwani-Kamwi is suitable to continue to serve as a director. At the Annual General Meeting, shareholders will be required to vote on the suitability of her to continue serving on the board.

Consideration and approving the annual review of non-executive directors' fees
The Committee, duly assisted by the Remuneration Committee considered the remuneration benchmark survey, while noting that ultimately fees should reflect the skills, competency, time and inputs required from an independent director, within the limits of the entity's affordability. Given the current market conditions and impact of COVID-19, the committee unanimously resolved to approve a 0% increase in directors fees for the second consecutive year. The only proviso is that Pointbreak Equity (Pty) Ltd is to be renamed Ashburton Investment Managers. Ashburton Fund Managers will be deregistered (regulatory process commenced). The Ashburton Fund Managers fees are to be replicated to Pointbreak Equity as this entity will be the Holding Company of the Ashburton Namibia Group.

Monitoring progress with the boards on-going director development programme and identifying relevant areas of training for the board
Other ongoing training and education courses allow directors to familiarise themselves with the Groups operations, the 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' affairs and governance committee oversees director induction and ongoing training programmes and will continue to make 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. During the year the board attended Data Privacy and X Strategy training.

DIRECTORS' AFFAIRS AND GOVERNANCE COMMITTEE
continued

Making recommendations on the re-election of directors retiring by rotation
Each year, one third of the Company's non-executive directors, excluding the Chief Executive Officer and Chief Financial Officer retire by rotation, subject to the provisions of the Companies Act and NamCode relating to the removal and/ or retiring by rotation. The following directors of the Company, being eligible, are up for re-election at the Annual General Meeting:

I-Ben Nashandi	Non-Executive Director
Gerson Hinda	Independent Non-Executive Director
Inge Zaamwani-Kamwi	Independent Non-Executive Director
Jabulani Khethe	Independent Non-Executive Director

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

- Monitoring the adequacy and effectiveness of group's corporate governance structures and processes;
- Regularly reviewing the board structure and composition of the significant operating companies and non-statutory boards and committees in FirstRand Namibia Ltd and making recommendations thereon to the board;
- To consider the independence of non-executive directors on an annual basis as required by law and/or recommended by the NamCode; and
- Advising the Board on succession planning in respect of the office of chairman of the Board and executive and non-executive directors.

The Committee's future focus areas will be board continuity and specific focus on board succession planning to ensure compliance with the Banking Institutions Determination 1 (BID-1).

S Moir
Chairperson, Directors Affairs & Governance Committee

Ethics and Conduct Committee

FirstRand Namibia subscribes to and promotes the principles of good ethical conduct, as set out in the group code of ethics. The Ethics and Conduct Committee was established to support the Board in overseeing ethics and conduct within the FirstRand Namibia Group.

The committee in terms of its written terms of reference reviews and assesses the state and implementation of the ethics and conduct programmes and initiatives, including matters relating to fair dealing with customers, to ensure proper behaviour within the group in respect of ethics and conduct. In addition, the board is supported by the group ethics office, which acts as a formal custodian of the group code of ethics.

The committee is constituted as a board committee of the company and has oversight of and reports on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships. This assists to ensure sustainability while serving the interests of stakeholders on whom the business depends.

The role of the committee is to:

- Fulfil principal vision and spirit of Ethics as described in the NamCode.
- Oversee and report on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships.
- Assist the board in facilitating and supporting the development of transformation objectives, ensuring the corporate culture is supportive of the approach and monitoring and reporting actual performance against transformation objectives.
- Providing oversight of all culture and conduct risk programmes in all businesses of the group.

Responsibility for governance of ethics is one of the principles followed by the group and the committee plays a key role in discharging its duties by:

- Setting the direction for how ethics should be approached and addressed by the Group.
- Ensuring the continuance of the whistleblowing platform, including managing the leading light programme which is a whistleblower and anti-theft, fraud or corruption reward programme that recognises staff who display high ethical characteristics.
- Managing the Code of Ethics and the automated declarations of interest process for staff. Continuous ethics and whistleblowing awareness through ongoing communications encouraging safe and effective whistleblowing.
- Review and update of various policy documents including the Conflict of Interest Management Policy, Whistleblowing Policy, Ethics Conduct in Financial Markets Policy and the Code of Ethics.
- Ethics risk assessment to identify areas requiring additional focus in 2020 and 2021 to strengthen the overall programme.

The committee convenes quarterly to monitor and assess the effectiveness of the Ethics program where the ethics officer reports on the maturity and deployment of the ethics program throughout the group.

S van Zyl
Chairperson, Ethics and Conduct Committee

04

Performance review

SAREL VAN ZYL :: *CEO (outgoing)*

CONRAD DEMPSEY :: *CEO (designate)*

" FirstRand Namibia's strategy accommodates growth opportunities across the entire financial services universe from a product, market, segment and geographical perspective."

Chief Executive Officer's report

Despite very challenging economic conditions, the group remains focused on delivering real earnings growth and premium returns to its shareholders. As a systemic business in Namibia, the group is also cognizant that its growth strategies need to create both economic and social value for a broader set of stakeholders, including clients, employees and society at large. It has therefore reshaped its purpose statement to include a broader set of promises to those stakeholders.

FirstRand Namibia's strategy accommodates growth opportunities across the entire financial services universe from a product, market, segment and geographic perspective. Its ambition is to deliver a fully integrated financial services value proposition, built on a customer-centric focus and underpinned by leading digital platforms and capabilities.

Group earnings remain significantly tilted towards local growth and are mainly generated by FirstRand Namibia's large lending and transactional franchises, which have resulted in deep and loyal customer bases. Many of the expected competitive and regulatory pressures will, however, target these traditional banking operations, particularly the transactional activities, and the group remains focused on protecting this large and profitable revenue stream. At the same time, FirstRand Namibia is working hard to find other sources of capital-light revenues, and its strategy to deliver integrated financial services to the group's customers in Namibia is gaining traction. This approach, which is underpinned by the disciplined allocation of financial resources and enabled by efficient digital platforms, allows FirstRand to better optimise the franchise value of its portfolio.

FIRSTRAND NAMIBIA IN UNPRECEDENTED TIMES

Five years ago, our Executive Team developed a "P to the Power of 4 Strategy. The 4 Ps stood for People, Partnerships, Planet and Profitability. In February 2020, we saw COVID-19 hitting the globe in full force and really putting all four of these Ps to the test. As business and society, we are seeing a concerning increase in the transmissions of COVID-19 cases here at home and of course the devastation across the world is sincerely noted and mourned. This virus has had a far-reaching impact on societies and is testing the resilience and tenacity of businesses and individuals alike. Globally, governments and companies, such as ours, are ramping up efforts to help mitigate the spread of the virus.

As a Namibian financial services group, FirstRand Namibia however remained committed to our people, by making sure we took good care of them during these trying times, and we were very fortunate that we did not have to retrench, or even reduce any salaries to date.

FURTHER PROGRESS IN BUILDING A PLATFORM-BASED INTEGRATED FINANCIAL SERVICES BUSINESS IN NAMIBIA

The group has continued to protect and grow its domestic banking businesses, as outlined in the operating reviews of FNB, RMB and WesBank. Through the effective utilisation of the origination capabilities, operating platforms and distribution networks of its banking operations, FirstRand Namibia is busy transforming into a financial services business with a fully integrated, platform-based, customer-centric approach. The group is incrementally capturing a larger share of profits from providing savings, insurance and investment products to its customers, and the growth opportunity is significant given the annual flows to other providers from FNB's customer base alone.

Ashburton's strategy is to disrupt in alternative investments as regulatory changes have allowed clients to invest in private market and alternative assets. RMB's track record in origination and structuring presents Ashburton with the opportunity to offer investors participation in private equity, renewable energy and credit investments.

Despite a tough year for local financial markets, investment performance remained resilient, with the majority of funds delivering solid performances relative to peer groups. The group has a long track record of incrementally building new businesses, where it believes over the longer-term shareholder value can be unlocked. It will take time and patience to scale Ashburton however, the group considers asset management an important component of its diversification strategy as it accesses additional financial profit pools.

OPERATING MODEL

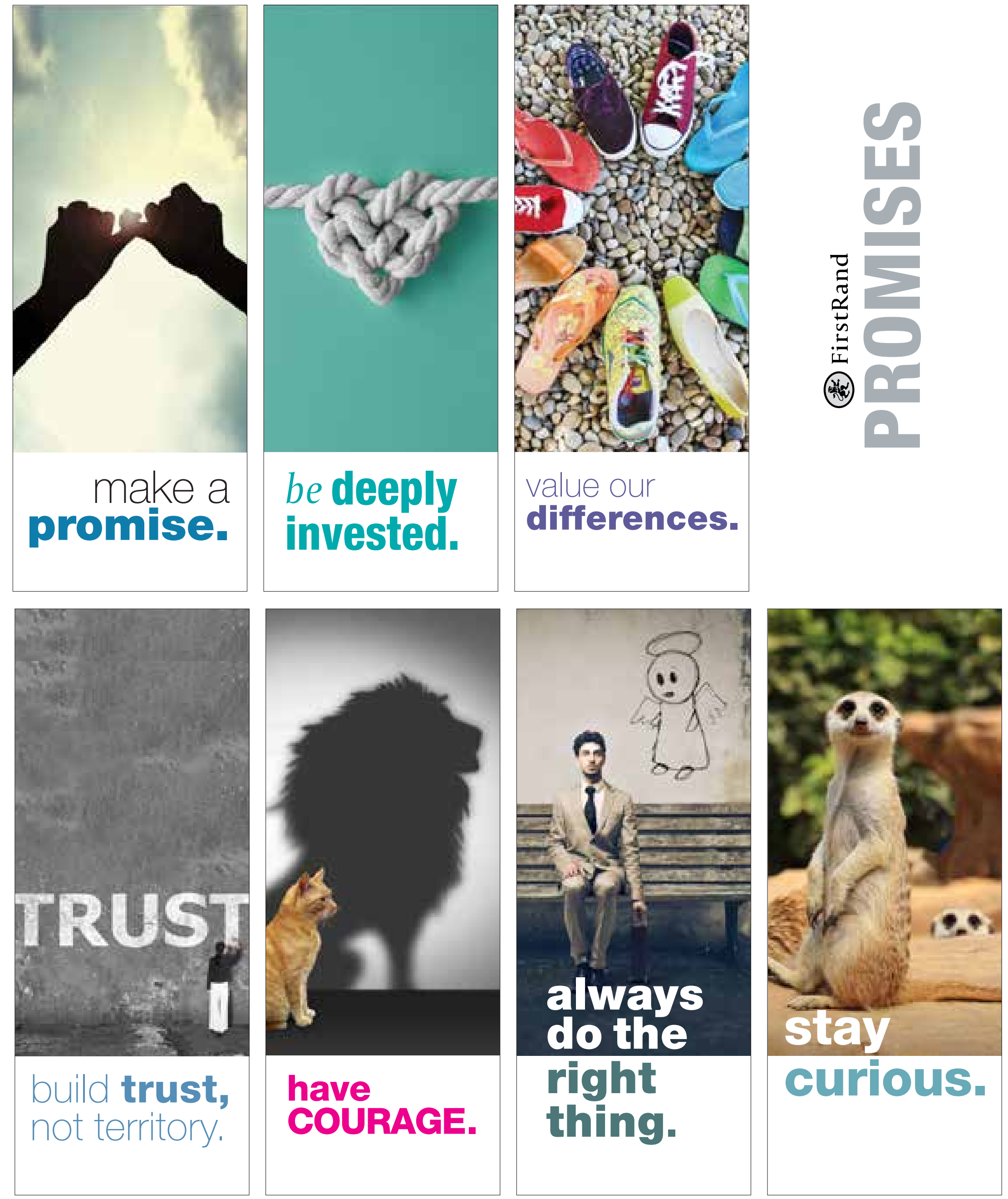
The group executes on its integrated financial services objectives and believes that real customer-centricity is necessary to effectively deliver integrated offerings. The group continues to build out its platform strategy with the overall objective to create a customer-centric, integrated financial services platform ecosystem, supporting all operating businesses, segments and jurisdictions.

RELAUNCH OF THE FIRSTRAND PHILOSOPHY

The group has seen a great deal of strategic and structural change over the past two years. The evolution of the operating model from a siloed structure to a segment structure, and the delivery of a platform business and integrated financial services, have required a significant shift in behaviour, particularly towards greater collaboration. This in turn has required high levels of trust and maturity, particularly as individuals have given up profit pools, teams and, in some cases, entire business units. As a result of all this change, the group has been very focused on retaining talent and reinforcing values and culture.

As part of this process, the group relaunched the FirstRand philosophy. The principles of the philosophy were created by the group's founders, entrepreneurs who understood the value of treating their employees like owners so that every employee, regardless of their position, is fully empowered to make a real contribution to the group's success. This was the underpin to the group's owner-manager culture, which required commitment and accountability and has been the cornerstone to FirstRand's sustained outperformance. The FirstRand philosophy guides how the group's people need to behave to deliver the best results for customers, society, shareholders and each other. The new iteration is captured in a set of promises:

RELAUNCH OF THE FIRSTRAND PHILOSOPHY continued



THANK YOU

As I step down as CEO for retirement, I am particularly thankful for the staff on the frontlines, who continue to unselfishly serve our customers through the COVID-19 induced lockdowns across the country, putting their own health at risk to serve our customers. To all FirstRanders, including the members of the Board, I realise that these trying periods have made us more resilient. I am truly grateful for your counsel, loyalty and support.

I am truly grateful for the 38 years I have spent in this great business, and consider myself blessed to have witnessed, and been a part of its growth. Words cannot express the years, bonds and growth I have experienced. As I hand over the reins to Conrad Dempsey, currently CEO of RMB Namibia, I am confident that he will lead the business to new heights.

He brings a wealth of work experience from around the world as well as Africa and successfully has led and developed RMB into the most successful Corporate and Investment Bank in Namibia. He has an incredibly deep understanding of the group's businesses and our culture and I know he will take FirstRand to even greater heights. Conrad's vision, energy, and commitment, is well-known in the market and I wish him well in his new role.

Sarel van Zyl
Outgoing CEO

Conrad Dempsey
CEO Designate

FNB Operational review

FNB

FNB represents FirstRand's activities in the Retail and Commercial customer segments and the banking enterprise distribution operations which we call our 'Points of Presence'. Our purpose is to be a trusted partner helping to create a better world by providing an innovative and contextual financial service platform.

Digitalization – invested in digital channels, products and services that enable customers access to banking services without the need to visit a physical branch.

The bank has been on a strategic transformation journey for several years, focussing on developing a strong financial service platform which is increasingly accessible and affordable to our customers. Key to this journey is the concept of digitalization – investing in digital channels, products and services that enable customers access to banking services without the need to visit a physical branch. Over the past year digitalization has also focused on internal process optimisation and improvement initiatives, which have included robotics and automation capabilities that enable 'people to do what only people can do'.

The focus on digitalisation has enabled the bank to more adeptly manage the devasting impact of the COVID-19 pandemic. Whilst the pandemic represents a significant challenge to the business, we have been able to continue providing service to customers via our digital channels and contact centre, as well as to manage many of the credit relief processes digitally. FNB was instrumental in assisting the Ministry of Finance disburse the financial grant of N$ 750 per person, transferring this grant to over 520 000 people via our eWallet. Since March 2020, the bank itself has provided payment relief holidays to 3 500 people, amounting to more than N$ 1.4 billion in total assets and N$ 123 million in repayment relief.

In support of our people and the broader economy in these trying time, we have been able to ensure that all our staff members have been fully remunerated, whether they had downtime or not during the lockdown periods. We have managed to safely open our branches in line with Government directives where possible and we remain alert to react as the need may arise. Through the FirstRand Nambia Foundation and the HOPE Fund, FNB has made financial contributions to communities in need and to the State in support of COVID-19 efforts.

RETAIL SEGMENT

FNB Namibia's Retail segment continued to achieve strong progress in delivering on the committed strategy, yielding strong financial and non-financial results despite a challenging trading environment.

The group's efforts to exponentially advance it's focus on customer centricity has informed the implementation of a segment led operating model. To this effect, the Retail segment implemented an operating model which incorporates transactional banking, secured and unsecured lending, investments, as well as access to insurance and financial advisory solutions, during the period under review.

The Retail business progressed its agenda to be the preferred banking partner to Namibian retail customers, with a focus on sustainable growth of the customer base, prioritizing consistently exceptional customer experiences, and improving financial capability amongst customers. Overall Lifestyle account market share increased from 51% to 55% due to an increase in active accounts of 6.5% on the back of relevant and compelling propositions to customers in each sub-segment, as well as an increase in the customer satisfaction index of 19%.

The segment has prioritized digitizing and automating in order to significantly improve efficiencies, utilizing data analytics to drive informed decision making and rigorous measurement and tracking on an ongoing basis.

The segment has also put revised measures in place to manage and mitigate credit risk to its balance sheet whilst taking due risk where necessary.

Although non-interest revenue (NIR) has remained challenged by numerous regulatory and consumer headwinds, Retail attained annual growth of 8% primarily due to good growth in the customer base. The resultant balance sheet growth of 4.4% in assets and 14.5% in liabilities despite tough trading conditions, furthermore boosted NII to arrive at a YoY increase of 6.5%.

COMMERCIAL SEGMENT

The Commercial segment covers a wide range of businesses across various sectors, spanning large corporate business with significant scale and market share to the SME sector where the bank facilitates growth of this key segment in the economy.

Whilst the portfolio's performance continues to improve on the back of improved top-line growth, profitability was impacted by tough macro-economic conditions, the worst drought in more than 107 years, COVID-19 and the various lockdown measures which negatively impacted sales, disbursements and transaction activity levels.

Commercial remains a systematic keeper of deposits and savings, delivering robust growth in excess of 15% in deposits. The returns from this portfolio are, however, expected to come under pressure following the recent repo rate reductions.

Commercial advances declined marginally year on year. The negative growth reflects the downcast economic cycle, resulting in an increase in the non-performing loan book, as well as targeted origination strategies. Non-performing loans in the Commercial segment increased in excess of 50% compared to prior year, mainly driven by drought in the agriculture loan book and COVID-19 impact on the SME segment. The focus remains to improve the credit quality of the lending book, despite the current challenging landscape.

POINTS OF PRESENCE

In line with the bank's strategic transformation journey, the focus for Points of Presence has been to migrate customers onto state of the art and market leading self-service and alternative banking channels and solutions, including the FNB APP, Cell phone banking, Online banking, ATM, ADT, merchant-enabled alternative cash deposit and withdrawal channels as well as the FNB Call Centre.

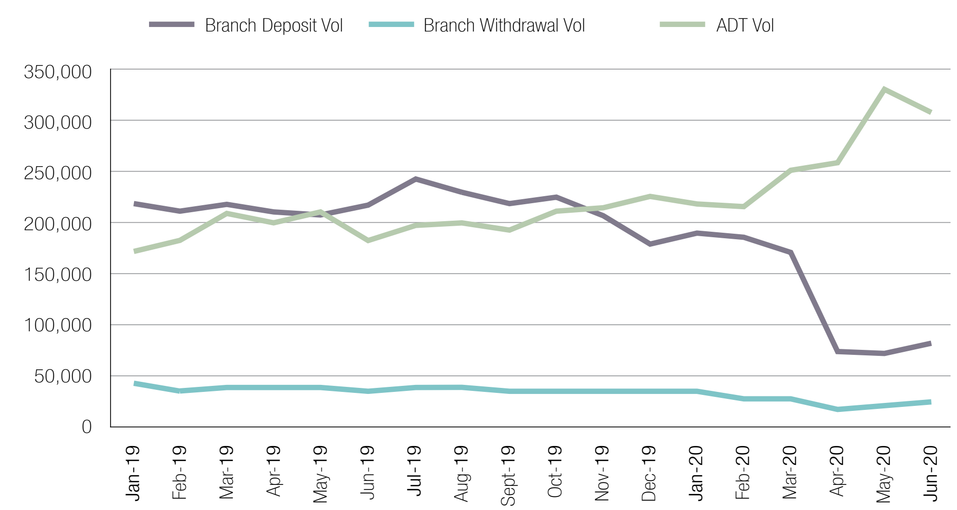
Since introduction, the merchant-enabled alternative channels have shown consistent growth in user volumes. This product has enabled the introduction of cash banking services into previously unbanked and underbanked communities including Ruacana, Oshifo, Khorixas, Divundu, Otjinene and Tsumkwe. Included within this offering is the eWallet at Till service, enabling over 1.7 million wallet holders to withdraw cash from a local merchant. Customers using these services are benefitting, directly or indirectly, from a reduced cost in banking such as reducing travelling between villages. Customers are comfortably adopting to the practise of transacting at the till whilst doing their shopping as is reflected in the numbers.

Digital transactions experienced strong growth on all digital channels. Financial volume growth on the FNB App stands at 158% and non-financial volume growth at 177%. Cell phone banking volumes increased 12% when compared to the same period in the previous year. Linked devices on the APP increased by 60% and FNB APP volumes now exceed Online banking volumes.

Further to the self-service banking capabilities, a significant increase has been experienced in self-service deposits through the network of ADTs nationwide. The ADT offers clients access to 24-hour deposit functionality and has recorded growth in excess of 30% on previous year volumes. Deposit volumes at ADTs now outnumber the volume of deposits handled in the branch network. This further reduces queue congestion whilst allowing for convenient banking for the customer.

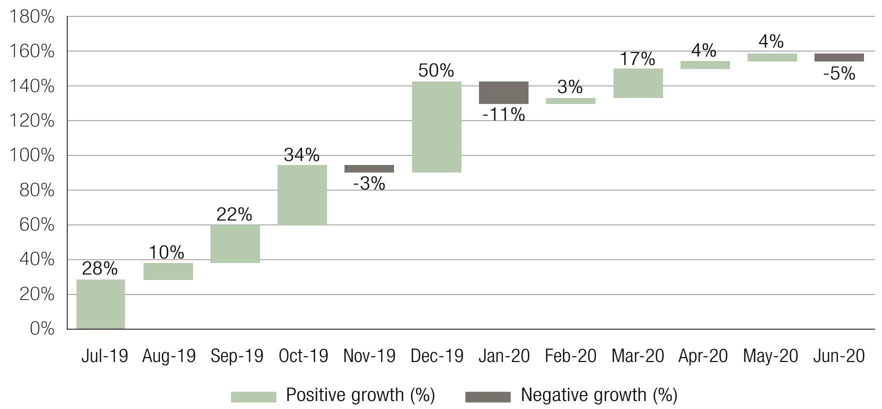
Call center volumes have increased by 60% during the reporting period, again indicating the willingness of customers to migrate sales and service activities away from branch. We see the call center as the future of our distribution network, particularly as legislation moves to enable the remote signing of agreements.

As a result of our clients migrating to self-service and alternative channels, we have been able to reduce the total square meters occupied by FNB branch network across the country by 13% since 2018.



POINTS OF PRESENCE continued

Alternative channels cumulative volume growth



Conclusion

Our world as we know it has changed and, as a business, we need to adapt to this changing landscape. Specifically, the COVID-19 pandemic has required the acceleration of our digitization plans, momentum we must ensure we do not lose going forward. Our people remain our greatest assets and our priority remain their wellbeing and to ensure that they are adequately enabled and equipped to adopting to the new way of work.

The focus going forward will be to remain sustainable, whilst continuing with our platform journey to build accessible and affordable platforms, as well as innovative and contextual products and services for our clients. It is therefore important for the business to remain profitable for the benefit of all stakeholders as we are riding through the storm. This means we will continue to be disciplined and prudent in our lending strategy, making sure that we price appropriately for risk as we continue to assist and support our clients through this economic crisis. We will also continue to drive cost down as result of our ongoing process optimisation and automation as well the right sizing of our physical infrastructure. Our approach to managing non-performing loans will remain robust, fair and balanced to ensure that we protect the bank but at the same time assist those clients that we are able to assist.

We ultimately aim to emerge from a position of strength from the crisis, for the benefit of all our stakeholders.

Erwin Tjipuka
CEO FNB Namibia

RMB Operational review

RMB delivered a healthy set of positive growth results despite the persistent challenging economic environment exacerbated by the COVID-19 pandemic. The team's focused efforts to remain on course with the adopted strategy and driving long-term sustainable value beyond the short-term themes means that RMB could deliver its strongest set of results in its toughest environment to date. The RMB purpose to **develop Namibia's capital markets** by creating sustainable value and solutions for clients, government and society allowed the business to steer through these challenges in partnership with our clients and other stakeholders. More so, the RMB purpose has proven to be ever more relevant during these volatile times. RMB's diversified portfolio of business units continues to achieve positive and sustainable results. RMB's competitiveness is further sharpened by the ability to provide clients access to the full FirstRand ecosystem, locally and internationally. The disciplined risk management capabilities and balance between risk, return and growth allowed the RMB to steer through the immediate market disruptions thrust by COVID-19 whilst delivering on our promises to our clients and their ecosystems. Growth initiatives that contributed to value creation include:

- Competing from a position of strength through the intentional, bespoke and innovative market solutions;
- Deeply entrenching RMB teams within clients and their value chains to achieve trusted advisor status and meaningfully solve for clients' needs;
- Strict and stringent financial resource management principles; and
- A simplified business model through operational efficiencies and service excellence.

The Investment Banking Division (IBD) continues to contribute meaningfully to the business through a series of landmark and innovatively structured deals. This is transposed into sustainable growth in advances and subsequently, lending income. IBD remains to uphold a diversified earnings stream with key focus in advisory, capital markets, lending and structured activities across Namibia's economic sectors.

During the year we consolidated all lending activity across the continuum of structure and term to provide seamless integrated lending solutions. Our deep understanding of the linkages in the economy and clients' value chains has also allowed us to structure relevant lending solutions resulting in the growth of our trade and working capital book.

The Namibian economy is skewed towards domestic consumption which has come under increased pressure as economic growth slowed and as a result challenged our flow business. Despite challenges, the RMB transactional flow business continued to grow as the preferred platform for our clients.

In the first half of the year, the Foreign Exchange (FXPH) and Global Markets (GM) businesses were challenged by market volatility and slowdown in the mining sector's activity. This volatility was aggravated by the global experience of COVID-19 in the second half. However, these businesses were able to navigate with the clients throughout this new normal and diversify income streams. The teams worked closely with corporates to de-risk their market risk profiles and enhance the ability of businesses to survive the market volatility. By doing so business sustainability was improved for clients, jobs and livelihoods secured and the economic ecosystems around these corporates supported. Bringing value to clients through these innovative solutions allows for value to be shared throughout the economic and social ecosystem.

A key driver to success remains to be the ability of RMB to leverage off the FirstRand ecosystem and partner with sister franchises such as FNB and Ashburton Investments. This has allowed us to meaningfully serve our clients through value-adding initiatives and create internal efficiencies. Talent is also a key success factor as our teams have proven resilience and dedication to clients throughout the uniquely challenging environment. Our talent has been a key enabler in delivering on the RMB promise to develop Namibia's capital market.

Conrad Dempsey
CEO RMB Namibia

OSCAR CAPELAO :: *CFO*

"FirstRand Namibia entered this crisis in a position of strength with regards to capital, liquidity, technology and importantly talent."

Chief Financial Officer's report

As we prepare this year's annual integrated report to stakeholders, Namibia and the rest of the world is confronting one of the greatest health threats of a generation, one that greatly impacts the global economy and all of its citizens. Our thoughts remain with the communities and individuals, including healthcare workers and first responders, most severely hit by the COVID-19 crisis.

FirstRand Namibia entered this crisis in a position of strength with regards to capital, liquidity, technology and, importantly talent.

BON implemented measures to try and alleviate the impact of COVID-19 on the domestic economy with a reduction on the repo rate by 250 bps, 25 bps in February, 100bps in March, a second reduction of 100bps in April and a further 25bps in June, bringing the rate to 4.00%. This is the lowest repo rate in the history of Independent Namibia.

The Group's portfolio of businesses still produced a satisfactory top line growth and delivered earnings above cost of capital for the year ended June 2020.

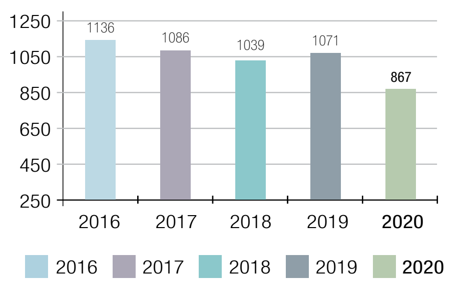
FirstRand Namibia continued to create value for all our stakeholders, a welcome assurance that our people, models and franchises are resilient in a tough economic recessionary cycle. Profit before tax decreased by 23.7% to N$ 1.20 billion (2019: N$ 1.58 billion) for the period under review. Pre-lockdown PBT growth was 6.1%. Normalised cost to income ratio decreased to 52.6% (2019: 52.9%) and ROE was 16.0% for the period. Costs were well managed, and growth was at 5.1% for the year.

Headline earnings decreased by 19.1% to N$ 867 million. Earnings per share decreased to 313.4 cents (2019: 409.9 cents).

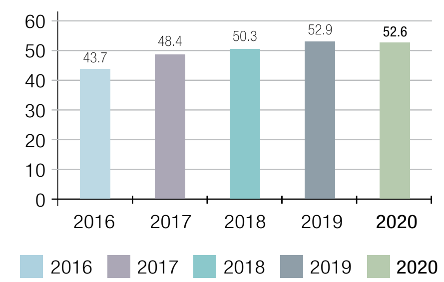
	Group		
N$' million	2020	2019	% change
Earning performance			
Headline earnings	867	1 071	(19.1)
Balance sheet			
Advances	29 994	30 298	(1.0)
Deposits	38 427	35 886	7.1
ROE (%)	16.0	20.8	(4.8)
ROA (%)	1.9	2.6	0.7
Credit loss ratio (%)	1.79	0.72	1.07
Performing book coverage ratio (%)	2.12	1.18	0.94
NIACC	81.5	330.0	(75.3)
Cost-to-income ratio (%) normalised	52.6	52.9	(0.3)

PERFORMANCE IN CONTEXT

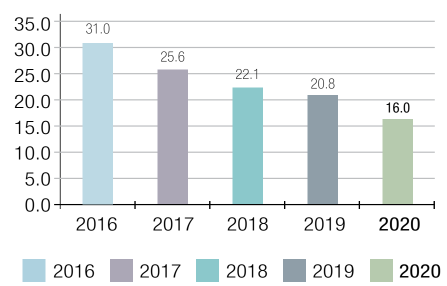
Headline earnings (N$ millions)



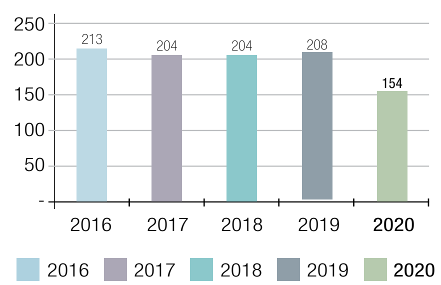
Cost to income ratio (%) normalised



Return of average equity (%)



Dividends per ordinary share declared (cents)



STATEMENT OF COMPREHENSIVE INCOME

Interest income

Taking into account the repo rate and prime rate reduction during the reporting period of 275bps, net interest income remained flat, N$ 2 013.4 million (2019: N$ 2 012.2 million). Interest expense decreased by 0.4% while interest income decreased by 0.2%.

As expected, the margins have trended down due to the repo rate level, deposit pricing pressure and the HQLA build-up, although there was some support from changes in the balance sheet advances mix and the capital and deposit negative endowment.

The NII was down N$ 97 milllion on average the last 3 months following the MPC interventions by cutting the repo rate by 225bps since March.

Impairment losses

The total impairment charge increased year-on-year to N$ 559.7 million (2019: N$ 214.8 million). The impairment charge is 1.79% (2019: 0.72%) of gross advances. The increased pressure on customers due to COVID-19 also impacted the Group's impairments.

The portfolio impairment charge increased from N$ 85.6 million to N$ 276.0 million for the year under review. Overlays increased on account of forward-looking assumptions used in the modelling of expected credit losses. Forecasted COVID-19 impact on the economy is expected to be worse than the 2008/2009 financial crises, central overlays charge amounted to N$ 151 million.

The group remains prudently provided, with portfolio impairments as a percentage of the performing book at 212bps, exceeding the annual credit charge.

It's now clear that conventional data sources and past rules of thumb relied upon by economists during past cycles have become less useful than normal – or even temporarily redundant – when trying to assess the scale of the COVID-19 economic slump and subsequent rebound.

IFRS 9 requires the group to consider forward-looking information in the calculation of expected credit losses, therefore the group has estimated an increase in customer stress caused by the pandemic and resultant economic pressures anticipated over the next twelve to eighteen months. This stress has been incorporated into the calculation of the group's expected credit losses and has resulted in a material increase in provisioning, even though the year to June 2020 only includes three months of the pandemic.

The ratio of non-performing loans (NPLs) to gross advances ended the period at 4.4% up from 2.7% in 2019 and in dollar terms increased from N$ 845 million to N$ 1 369 million. Industry NPLs for March 2020 5.8%. Security held against NPL's stands at N$ 879 million, demonstrating our commitment to responsible lending.

Non-interest revenue

NIR grew 4.7%, led by fee and commission income growth of 6.2% driven by strong electronic transaction volumes and ongoing customer acquisition.

Volumes growth on our self-service platforms increased by 14% and the traditional in branch volumes are down 9%. Net fee and commission income represent 85.4% (2019: 87.9%) of group operational NIR.

The number of customers using the FNB app increased from 51 thousand to 86 thousand, with volumes increasing 133.7%.

The outbreak of COVID19 has driven the need to increase digital access which in turn drives the digital volumes, in response to the outbreak the group has implemented measures to provide relief to assist customers by discounting transactional fees on digital platforms. +-N$ 105 million NIR was lost due to the lockdown, this includes N$ 35 million fair value adjustment in Ashburton.

Insurance

Insurance premiums have declined to N$ 161 million (2019: N$ 167 million). Key drivers are the low premium inflation environment, increased competition and affordability witnessed by the increase in lapses due to non-payment of premiums. Claims paid for the period declined by 10.1% to N$ 77 million (2019: N$ 86 million). Loss in premiums due to COVID19 amounted to N$ 3 million.

Operating expenses

Normalised group operating costs have increased by 2.6% to N$ 2 122 million (2019: N$ 2 069 million). This is reflected in our normalised cost to income ratio of 52.6% (2019: 52.9%). This level of cost growth is in-line with inflation and it is a culmination of branch transformation strategies implemented a few years ago now bearing fruit.

STATEMENT OF COMPREHENSIVE INCOME continued

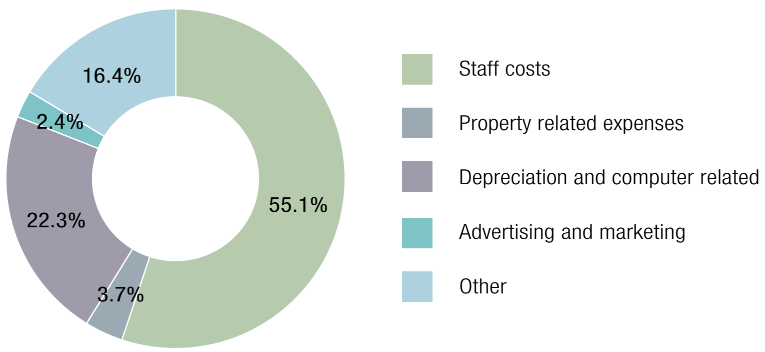
Operating expenses continued

Staff costs increased by 5.5%. Staff cost growth is influenced by the above inflationary wage increase settlement with the union for non-managerial staff. Leave days utilisation in the second half of the financial year was lower given the lockdown restricting movement in the country, contributing to the overall increase in staff cost. Managerial variable pay was adjusted downwards by REMCO, refer to the REMCO report.

The FNB Staff Assistance Trust activities are consolidated in the group results, and paid out benefits of N$ 1.9 million, which is included under other operating expenses funded out of the trusts dividend income.

Included in operating expenses is the FirstRand Namibia Foundation's contribution for the year amounting to N$ 10.7 million (2019: N$ 10.3 million). The contribution to the foundation is calculated as 1% of headline earnings. We believe this contribution continues to do greater good to the Namibian nation. Please refer to the social impact report for more details on the activities of the FirstRand Namibia Foundation.

During the year FirstRand Namibia further contributed N$ 3.8 million to the HOPE Fund (Health optimisation in a Pandemic Emergency), our vehicle to support Government with much needed COVID-19 assistance to the Namibian public.



COVID-19 impact on earnings

Comparing the earnings run rate to pre March 2020 lockdown period to post lockdown, our estimate of earnings lost approximate N$ 465 million for the current financial year, being decreased NII N$ 97 milion, NIR N$ 108 milion, higher impairments of N$ 252 milion and PPE expenditure N$ 3.3 milion and HOPE fund CSR initiative N$ 3.8 milion.

Tax

FirstRand Namibia's total current tax charge amounted to N$ 376 milion and indirect taxes incurred at N$ 44.7 milion, the decrease in line with the decline in taxable profits. Indirect taxes are made up by VAT and stamp duties on long term deposits. FirstRand Namibia remains a significant taxpayer. 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 3.8% to N$ 45.9 billion (2019: N$ 44.2 billion). Net advances making up 65.4% (2019: 68.6%) of the balance sheet, reflected a year on year decrease of 1.0% to N$ 30.0 billion. Growth in private sector credit extension recorded the lowest level ever in history in June 2020, printing at 2.2%.

The mix of FNB's advances growth reflects its targeted, segment-specific origination strategies. The focus has been to lend to main-banked clients, creating a strong reinforcement to the transactional relationship.

Mortgage loans increased year on year by 4.1% to N$ 14.1 billion and constitute 47% (2019: 45.0%) of net advances. 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 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 – 5.1%. In the face of increasing competition, WesBank focused on protecting its origination franchise and return profile through disciplined risk appetite.

The decline in FNB commercial's advances reflects the difficult macroeconomic 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.

The Covid-19 relief provided to clients amounted to Advances of N$ 1.46 billion, with the repayment cashflow amounting to N$ 122.8m.

Deposits and funding

Deposit growth was ahead of advances, growing by 7.1% to N$ 38.4 billion. The FNB franchise was a significant contributor to the deposits growth as 17.2% 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-selling to existing customers.

Term deposits increased by 7.9% year on year while NCD's are down year on year by 17.2%.

Capital & regulation

Due to the drought and COVID-19, Bank of Namibia devised strategies to provide some relief to the banking institutions and customers.

- BID-5 The Capital conservation buffer rate was reduced to zero, thus bringing the regulatory minimum to 10%.
- BID-4 The concentration risk limit/single borrower limit was changed back to 30% from 25%.
- BID-2 Loan repayment holiday for a period ranging between 6 months and 24 months based on thorough assessment of economic and financial condition of individual borrower.

FirstRand Namibia considers a strong and efficient capital position to be a priority.

For 30 June 2020, the group remained well capitalised with levels above the minimum regulatory requirements. Capital adequacy ratio for the group was 18.2% and CET 1 capital 15.9%.

Oscar Capelao
Chief Financial Officer

5 Year review

STATEMENT OF COMPREHENSIVE INCOME

N$ million	2020	2019	2018	2017	2016
Net interest income before impairment of advances	2 013	2 012	1 820	1 765	1 654
Impairment losses	(560)	(215)	(128)	(59)	(48)
Net interest income after impairment of advances	1 453	1 797	1 692	1 706	1 606
Non-interest income	1 905	1 820	1 796	1 553	1 507
Net insurance income	84	81	89	79	86
Income from operations	3 442	3 698	3 577	3 338	3 199
Operating expenses	(2 174)	(2 069)	(1 981)	(1 663)	(1 417)
Net income from operations	1 268	1 629	1 596	1 675	1 782
Share of profits/losses from associates	(14)	3	1	3	1
Income before tax	1 254	1 632	1 597	1 678	1 783
Indirect tax	(45)	(47)	(46)	(41)	(32)
Profit before tax	1 209	1 585	1 551	1 637	1 751
Income tax expenses	(376)	(499)	(490)	(524)	(533)
Profit for the year	833	1 086	1 061	1 113	1 218
Other comprehensive income for the year	-	(1)	(3)	(1)	(14)
Total comprehensive income for the year	833	1 085	1 058	1 112	1 204
Profit attributable to:					
Equity holders of the parent	819	1 071	1 040	1 093	1 198
Non-controlling interests	14	14	21	20	20
Total comprehensive income for the year attributable to:					
Equity holders of the parent	819	1 071	1 037	1 092	1 184
Non-controlling interests	14	14	21	20	20
	833	1 085	1 058	1 112	1 204
Reconciliation of earnings attributable to ordinary shareholders and headline earnings					
Earnings attributable to ordinary shareholders	819	1 071	1 040	1 093	1 198
Headline earnings adjustments:	48	-	-	(7)	(62)
Headline earnings	867	1 071	1 039	1 086	1 136

STATEMENT OF FINANCIAL POSITION

N$ million	2020	2019	2018	2017	2016
Assets					
Cash and cash equivalents	1 115	1 390	1 346	1 466	2 120
Due from banks and other financial institutions	4 442	2 804	2 782	2 668	1 772
Derivatives financial instruments	519	459	94	95	209
Advances	29 994	30 298	28 532	28 259	25 776
Investment securities	8 534	7 807	5 266	3 866	3 237
Other assets	1 263	1 382	1 390	1 456	1 071
Total assets	45 867	44 140	39 410	37 810	34 185
Equity and liabilities					
Liabilities					
Deposits	38 427	35 886	31 546	30 488	27 794
Due to banks and other financial institutions	118	428	897	1 193	801
Derivative financial instruments	534	481	110	116	219
Other liabilities	1 788	1 931	1 841	1 472	1 330
Total liabilities	40 867	38 726	34 394	33 269	30 144
Equity					
Equity attributable to equity holders of the parent	4 938	5 352	4 943	4 479	3 990
Non-controlling interests	62	62	73	62	51
Total equity	5 000	5 414	5 016	4 541	4 041
Total equity and liabilities	45 867	44 140	39 410	37 810	34 185

RATIOS AND SELECTED FINANCIAL INFORMATION

	2020	2019	2018	2017	2016
Ratios:					
Return on assets (earnings on average assets) (%) - normalised	1.9	2.6	2.7	3.0	3.6
Return on equity (earnings on average equity)(%)	16.0	20.8	22.1	25.6	31.0
Cost to Income ratio (%) - normalised	52.6	52.9	50.3	48.4	43.7
Share statistics:					
Closing share price - ordinary (cents)	3 178	3 500	4 498	4 711	4 754
Price / Earnings ratio	10.1	8.5	11.3	11.2	10.9
Earnings yield (%)	9.9	11.7	8.8	8.9	9.7
Price to Book	1.7	1.7	2.4	2.7	3.2
Basic earnings per share (cents)	313.4	409.9	398.1	418.9	459.7
Headline earnings per share (cents)	331.8	409.9	397.9	416.2	435.9
Net asset value per share (cents)	1 888	2 050	1 892	1 716	1 534
Market capitalisation	8 504	9 366	12 036	12 606	12 721
Dividend information:					
Dividends per share - ordinary dividend declared (cents) *	154	208	204	204	213
* *based on current year profits*					
Dividends per share - ordinary dividend paid (cents) **	221	204	204	213	203
** *based on dividends paid within financial year*					
Dividend per share - special dividend declared (cents)	-	250	-	-	-
Dividend yield - ordinary dividend (%)	4.8	5.8	4.5	4.3	4.5
Dividend cover (times) based on total dividends	2.0	2.0	2.0	2.0	2.0
Capital adequacy					
Banking group (%)	17.6	19.4	18.7	17.2	17.8
Consolidated group (%)	18.2	19.9	19.1	17.4	18.5
OUTsurance - solvency margin	58.9	51.8	63.3	50.0	39.5
Number of staff	2 287	2 316	2 399	2 350	2 411

05

FirstRand Namibia group

Directors' responsibility statement

To the shareholders of FirstRand Namibia Limited

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

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

In preparing the annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by management. The adoption of the new standard IFRS 16 Leases had the most significant impact on the group in the current year. Refer accounting policy 5.2 for further detail on the impact of these new accounting standards on the group. The annual financial statements incorporate full and responsible disclosure in line with the group philosophy on corporate governance and as required by the Namibian Stock Exchange.

The group has complied in all material respects with the requirements set out in BID2 with regards to asset classification, suspension of interest and provisioning. The group's policies with this regard are stated in the notes on accounting policies, disclosed on pages 107 to 162.

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

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

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

The group's external auditors, Deloitte & Touche, have audited the financial statements and their report appears on page 77 to 81.

The consolidated annual financial statements of the group, which appear on pages 75 to 271 and the separate annual financial statements of the company, which appear on pages 272 to 284 were approved by the board of directors on 19 August 2020 and signed on its behalf by:

I I Zaamwani – Kamwi
Chairperson

S J Van Zyl
Chief Executive Officer (outgoing)

Windhoek
19 August 2020

Independent auditor's report

to the Members of FirstRand Namibia Limited

Opinion

We have audited the consolidated and separate financial statements of FirstRand Namibia Limited set out on pages 82 to 84 and 102 to 284, which comprise the consolidated and separate statements of financial position as at 30 June 2020 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 consolidated and separate financial statements, including a summary of significant accounting policies and the directors' report.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 30 June 2020 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 FirstRand Namibia group in accordance with the International Code of Ethics for Professional 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.

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	

Key audit matter – Group

Expected credit losses (ECL) in terms of IFRS 9 *Financial Instruments* remains an area of significant management judgement and estimation. Following initial adoption, the Group 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 has however been further complicated by the impact of the Covid-19 pandemic and the related national lockdown and economic crisis. 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's advances broadly fall into three customer segments:

- Retail;
- Commercial as part of the First National Bank (FNB) business; and
- Corporate/Wholesale which forms part of the Rand Merchant Bank (RMB) business.

We have set out below the risks and responses based on the ECL approach adopted.

The impairment of performing 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 subjective judgement applied in determining the ECL on advances; and
- The uncertainty related to unprecedented global and local economic stress.

How the matter was addressed in the audit

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's probability-weighted macroeconomic scenario reports and analysed the outlined methodology, scenario views and associated probabilities in terms of the principles of the IFRS 9 standards, including the review of the approval.

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 retail and commercial advances 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's model output at a parameter level and in total against our independent challenger model output, and investigated any material variances; and
- Inspected a sample of legal agreements and supporting documentation to assess the legal right to and existence of collateral.

Key audit matter – Group	How the matter was addressed in the audit
Impairment of advances continued	

Key audit matter – Group

Portfolio Impairments

Where clients have not defaulted on their advances, management uses a portfolio provisioning approach in which they use statistical models incorporating various judgements and assumptions in developing their expected credit losses on the portfolio of clients. The inputs into the modelling process require significant management judgement, including:

- The input assumptions and methodologies applied to estimate the probability of default (PD), exposure at default (EAD) and loss given default (LGD) within the ECL calculations;
- The assessment of whether there has been a significant increase in credit risk (SICR) event since origination date of the exposure to the reporting date. IFRS 9 requires that accounts reflecting signs of SICR should be reported as Stage 2 and attract a lifetime ECL provision, relative to Stage 1 accounts which attract a 12-month ECL;
- The valuation of watch list accounts which are individually assessed for ECL;
- The determination of the lifetime of a financial instrument subject to ECL assessment; and
- The incorporation of unbiased probability weighted forward-looking information. Particularly in the current year where the COVID-19 pandemic has resulted in a significant reduction in economic activity which has an impact the realisation of collateral. There remains significant uncertainty around the recovery path which has a significant impact on ECLs.

Model overlays

Across all portfolios, management applies judgement to recognise additional ECL (in the form of overlays and out of model adjustments) where there is uncertainty in respect of the models' ability to accurately predict future losses. This could be due to data limitations, inability to accurately model emerging risks due to inherent limitations of modelling based on past performance, and macro-economic events that are not adequately captured by the models.

We consider out of model adjustments and overlays as a significant risk across all segments given the high level of judgement inherent in these. In the current year a significant proportion of the overlays relate to the impact that the COVID-19 pandemic is expected to have on default rates and realisation of collateral.

Related disclosures in the Consolidated and Separate Financial statements:

- Note 4.1 - Accounting policy for financial instruments;
- Note 9.4 - Critical accounting estimates, Assumptions and Judgements;
- Note 13 - Advances to customers;
- Note 14 - Impairment of advances; and
- Note 34 - Financial risk management.

How the matter was addressed in the audit

Corporate advances

We performed the following procedures on the ECL for corporate advances with the assistance of credit and actuarial experts:

- We assessed, the appropriateness of assumptions made by management in determining the level of impairment, including the probability of default and valuation of collateral and the incorporation of the macro-economic variables;
- Tested the performance and sensitivity of the forward looking information in order to evaluate whether the chosen macro-economic factors and model fit provide a reasonable representation of the impact of macro-economic changes on the ECL results;
- Assessed the reasonability of the credit risk parameters calculated by management; and
- We inspected a sample of legal agreements and supporting documentation to assess the valuation, legal right to and existence of collateral.

Out of model adjustments and overlays

- We challenged the validity and reasonableness of overlays recorded by management by ensuring each overlay was related to a known model weakness or model limitation;
- We challenged the key assumptions and judgements related to each overlay to ensure that these were reasonable and supportable using available Group information or other widely available market data;
- Considered the need for any other overlays not considered by management based on our expert judgement and widely available information; and
- Performed a top down test of the reasonableness of the overall ECL provisions under stressed conditions to assess whether adequate provisions were recorded given the uncertainty brought about by Covid-19.

In conclusion, we determined the impairment of allowances to be within a reasonable range.

Other Information

The directors are responsible for the other information. The other information comprises the About this report and features of the group results pages as well as the Understanding our Group, Leadership and Governance, Corporate Governance Report, Performance Review, the Directors' Responsibility Statement, Risk Report, and the Shareholders' Information section, 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 and will 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 and company'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 and/or company 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.

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

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 and 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;
- 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; and
- 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 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Deloitte & Touche

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

Per J Cronjé
Partner

PO Box 47, Windhoek, Namibia
10 September 2020

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

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

Directors' report

Nature of business

FirstRand Namibia Limited is the holding company of the FirstRand Namibia group of companies. The group provides banking, insurance and investment products and 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, WesBank, an instalment finance provider, OUTsurance, a short-term insurance provider and Ashburton Investments, an investment management business.

Refer to page 288 for a simplified group structure.

Share capital

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

The company's authorised share capital at year-end consists of 990 000 000 (2019: 990 000 000) ordinary shares of 0,5 cents each and 10 000 000 (2019: 10 000 000) cumulative convertible redeemable preference shares of 0,5 cents each.

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

Share analysis – ordinary shares

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

FirstRand EMA Holdings (Pty) Limited	58.4%	(2019: 58.4%)
Government Institutions Pension Fund	14.8%	(2019: 14.8%)

A detailed analysis of shareholders is set out on page 289.

Share analysis – preference shares

RMB-SI Investments (Pty) Limited	100%	(2019: 100%)

Dividends

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

N$'000	2020	2019
Cents per share		
Interim (declared February 2020)	104	91
Final (declared August 2020)	50	117
	154	208
Special dividend		
The following special dividend was declared:		
Cents per share		
Special dividend declared 13 August 2019	-	250

Group results and COVID19 impact

The financial statements on pages 75 to 284 set out fully the financial position, results of operations and cash flows of the company and the group. Your attention is also drawn to the chairman's report, the chief executive officer's report and the chief financial officer's report on the financial results on pages 56 to 74.

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 FirstRand 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 2020, where she was duly re-elected after consideration of her independence. The Chairperson continues to provide the FirstRand Namibia Limited the direction necessary for an effective board.

The composition of the board of FirstRand Namibia Limited is as follows:

II Zaamwani-Kamwi (Chairperson)
SH Moir** (Deputy Chairperson)
SJ van Zyl (Chief Executive Officer)
OLP Capelao (Chief Financial Officer)
JG Daun
P Grüttemeyer
CLR Haikali
JH Hausiku
Adv. GS Hinda
JR Khethe*
GCP Kruger*
IN Nashandi

* South African
**South African with Namibian Permanent Residence

Board changes

During the period under review a non-executive director was added to the board, Mr P Grüttemeyer appointed effective 8 April 2020. Mr S van Zyl retires as director and CEO effective 30 September 2020.

Mr GCP Kruger resigned effective 19 August 2020.

Directors' emoluments

Directors' emoluments are disclosed in note 6 to the annual financial statements.

Management by third parties

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

Insurance

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

Property and equipment

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

Holding company

The holding company of FirstRand Namibia Limited 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.

Subsidiaries

Interest in subsidiaries are set out in note 30 to the annual financial statements.

Company secretary and registered offices

Company secretary
N Makemba

Registered office
130 Independence Avenue, Windhoek

Postal address
P O Box 195, Windhoek, Namibia

Events subsequent to the reporting date

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

Interest of directors

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

Directors interest in FirstRand Namibia Limited

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

Directly N$'000	**2020** Number of ordinary shares	% Holding	**2019** Number of ordinary shares	% Holding
Zaamwani-Kamwi II	54 463	0.020%	54 463	0.020%
Moir SH	6 000	0.002%	6 000	0.002%
Haikali CLR	15 506	0.006%	15 506	0.006%
Capelao OLP	149 649	0.056%	145 732	0.054%
van Zyl SJ	130 399	0.049%	130 399	0.049%
	356 017	0.133%	352 100	0.131%

Indirectly N$'000	**2020** Number of ordinary shares	% Holding	**2019** Number of ordinary shares	% Holding
Moir SH	1 900	0.001%	1 900	0.001%
Haikali CLR	3 018 199	1.128%	3 018 199	1.123%
Gruttemeyer P	50 000	0.019%	-	-
	3 070 099	1.148%	3 020 099	1.124%

Risk Report

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

Risk 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.

The group has made significant commitment to and investment in the implementation of *The principles for effective risk data aggregation and risk report* (BCBS 239), and remains committed to ensure implementation of the principles.

Risk governance

The group believes that **effective risk management is supported by effective governance structures, robust policy frameworks and a risk-focused culture.**

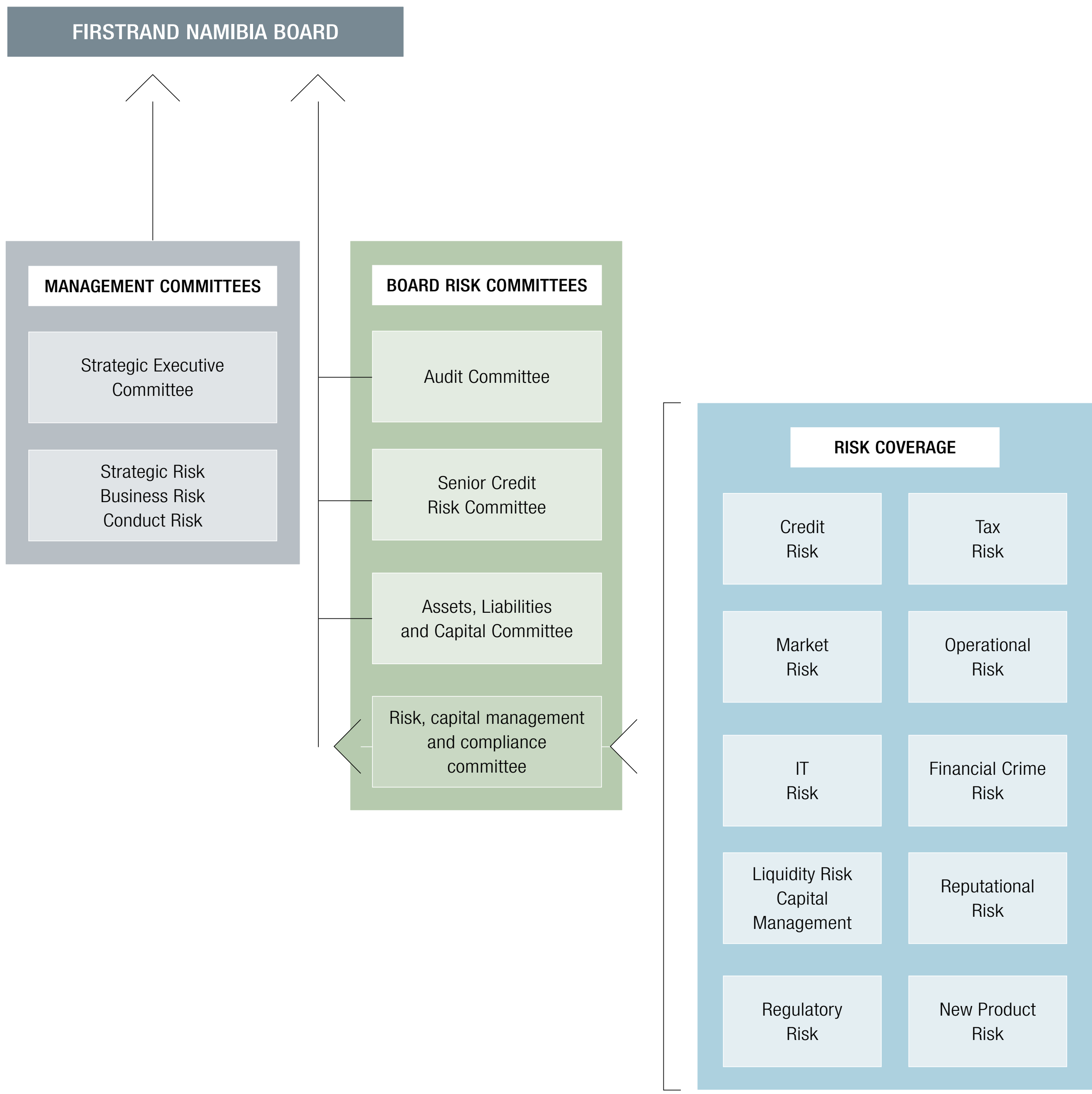
Strong governance structures and policy frameworks foster the embedding of risk considerations in business processes and ensure that consistent standards exist across the group. In line with the group's corporate governance framework, the board retains ultimate responsibility for providing strategic direction, approving risk appetite and ensuring that risks are adequately identified, measured, monitored, managed and reported on.

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

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

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

Risk governance continued



Risk management approach

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

These frameworks include:

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

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

Effective risk management is key to the successful execution of strategy and is based on:

- risk-focused culture with multiple points of control applied consistently throughout the group;
- combined assurance process to integrate, coordinate and align the risk management and assurance processes within the group to optimise the level of risk, governance and control oversight;
- 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 appetite

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

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

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

The aim is to ensure that the Group maintains an appropriate balance between risk and reward. Risk appetite limits and targets are set to ensure the Group achieves its overall strategic objectives, namely to: • deliver long-term shareholder value; • deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility; and • maintain balance sheet strength.	Risk appetite articulates what proportion of Group's financial resources should be utilised in the execution of its strategy and is determined through consideration of a number of filters, including: • overall strategic objectives; • growth, volatility and return targets; and • meeting the Group's commitments to all stakeholders including regulators, depositors, debt holders and shareholders.

The Board adopted the following guiding statements to frame appetite:

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

Risk culture

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

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

Leadership	Flow of information	Customers
• Active promotion of the FirstRand philosophy	• Legitimising candour 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

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.

REPUTATIONAL RISK

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

Business activities and resultant risks

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

REGULATORY AND CONDUCT RISK

Introduction

Adapting to regulatory change both in Namibia and abroad impacting the operations of the Group continues to pose a challenge for the effective management of the associated regulatory risks.

Regulatory and Conduct Risk Management

The Group has adopted a zero tolerance for deliberate and wilful non-compliance with regulatory requirements and expectations. The Group also seeks to prevent its platforms from being abused for purposes of financial crime and have implemented measures aligned to international best practices aligned to the FATF standards to combat money laundering, terrorist and proliferation financing, and related financial crimes.

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

Regulatory and Conduct Risk Management Department

The Group has a dedicated Regulatory and Conduct Risk Management Department (RCRM) which is responsible to:

- Provide independent assurance on compliance with laws, regulations, frameworks, and policies to the Group board and executive management
- Specialist advisory and risk management services to the respective business units within the Group
- Assist in the management of key regulatory relationships
- Provide oversight and report on key programmes such as Financial Crime, Data Privacy and Protection, Business and Market Conduct including Treating Customer's Fairly, FATCA, and CRS.

The RCRM function is well resourced with dedicated teams responsible for Compliance, Conduct, Monitoring and Financial Crime. The Executive Officer for RCRM reports directly to the Group CEO, Board and relevant committees including the Social and Ethics Committee, and the Compliance and Conduct Risk Committee.

YEAR UNDER REVIEW

Key Regulatory Developments

- Revised PSD – 3 Determination on Issuing of Electronic Money gazetted
- Revised PSD-5 Determination on Basic Bank Account gazetted

Key RCRM focus areas:

- Embedding the Data Privacy and Protection program
- Business Conduct - Strengthening the whistle blowing program and embedding the Anti-Bribery and Corruption program
- Market Conduct – Management of customer and regulatory complaints
- Financial Crime – further calibration of the automated monitoring systems and risk models
- BCBS 239 – Enhancing risk reporting to the respective governance committees
- Data Quality – strong focus on enhancing data quality across the Group
- Leveraging of data analytics and robotics to enhance ability to proactively identify regulatory and conduct risks and aid in the automated monitoring of key controls

Emerging Risks

- Deteriorating economic conditions caused by the COVID-19 pandemic poses a risk to maintaining an ethical and compliance culture within the Group. Enhanced focus is thus required on key financial crime, anti-bribery and corruption, data privacy and protection, cyber security and fraud prevention related controls;
- Namibia's mutual evaluation to assess compliance with the FATF standards is scheduled for the next financial year with any negative overall outcome likely to result additional regulatory pressure in future.

Operational risk definition

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

Operational risk management framework

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

The Operational Risk Framework is applied as follows:

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

Risk appetite and tolerance thresholds

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

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

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

Operational losses

	% Change Year on Year	FY 2020	FY 2019
Total Operational Losses as a % of Gross Income	0.2%	0.5%	0.3%

Summarised commentary on operational risk events

- The overall losses incurred were within the Group's risk appetite;
- Events in the external fraud category were predominantly due to credit card fraud, identify theft and online banking fraud, which is in line with industry trends.
- Given the recent implementation of Verification by Visa features on Consumer Cards, it is expected that the Bank's losses will reduce significantly going forward. For FY 2020, Card Related Operational Losses amounted to 3.5% of total Operational Losses.

CURRENT AND EMERGING CHALLENGES AND OPPORTUNITIES

Current and Emerging Challenges	Opportunities and Risk Management Focus Areas
• Operational risk is driven by ongoing challenges in the IT environment, growing sophistication of cybercrime, operational challenges in meeting various regulatory requirements (on a national and regional level), current group-wide projects to make system changes that require to be integrated to legacy systems, risk of process breakdowns and organisational change. • Increased business digitisation (including robotics and artificial intelligence) introduces additional IT risk due to the demand and speed of digital technology adoption.	• Continue to improve the internal control environment, improve system security, IT risk processes and operational business resilience capability. • Leverage an integrated group cybercrime strategy and cyber incident response plans. • Improve information management, roll out awareness programmes on records management and data quality. • Continue to improve risk data management, aggregation and reporting. • Align governance frameworks and risk management practices with changing business models and the technology landscape.

ASSESSMENT AND MANAGEMENT

The group obtains assurance that the principles and standards in the operational risk management framework are being adhered to by the three lines of control model which is integrated in operational risk management. In this model, business units own the operational risk profile as the first line of control. In the second line of control, ERM is responsible for consolidated operational risk reporting, policy ownership and facilitation, and coordination of operational risk management and governance processes. Group Internal Audit (GIA), as the third line of control, provides independent assurance on the adequacy and effectiveness of operational risk management processes and practices. In line with international best practice, a variety of tools are employed and embedded in the assessment and management of operational risk.

The Top Operational Risks (Inherent Risks) that the Group is currently facing are:

1. Information Security Risk - Global & Industry-Wide risk given growing sophistication of cyber-attacks (e.g. ransomware)

2. Regulatory Risk - the amount on resources required to comply with existing legislation and/or prepare for emerging legislation. Namibia is exposed to national industry wide regulatory projects, in addition to regional regulatory projects (from South Africa, Common Monetary Area (CMA). The volume and complexity of regulatory requirements is expected to continuously grow. In addition, projects typically do not have any profitable return.

3. Dependency Risk - regarding delivery on existing and/or new IT projects – an inherent risk given the broader FirstRand Group Structure, where the Namibian operations are dependent on specialised resources based in RSA to develop new systems and/or deliver on system enhancements.

4. Execution, delivery and process management risk - risk associated with inadequate internal processes, including human error and control failures within the business. This includes process origination, execution and operations – a landscape that continuously changes as the business continues to grow and evolve (organisational change).

LEGAL RISK

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

- agreements entered into 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.

The overall objective of Group Legal Services is to establish a functional, world-class legal risk specialist management environment where all legal risks are identified, analysed, monitored, adequately reported, quantified where possible and managed on a consistent basis.

In addition to the Group Legal Advisor, the legal division currently consists of two other admitted legal practitioners and an ESRA specialist. The mandate and functions of the Group Legal Office is contained in the Legal Framework Policy which sets out the core responsibility of the office. The primary function of Group legal Services comprises of:

- General day to day corporate legal advisory functions;
- Legal drafting and review
- Contract management;
- Management and oversight of litigation and litigious matters;
- Intellectual property;
- Identifying, monitoring and reporting on emerging legislations likely to impact the Group.

In line with the Group's "owner manager "culture, Group Legal Service serves as a support function to the various business unit management throughout the Group. Ultimately, the respective business units remain accountable and responsible for all legal risk management activities within their respective departments. During the period ended 30 June 2020 Group Legal Services has made good traction and achieved all its set milestones. No significant legal risks materialised.

FRAUD RISK

Introduction and objectives

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

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

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

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

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

Trends

With the Digital/Online banking world evolving so is the fraudsters and we have seen a slight migration from ordinary fraud (identity theft, ATM card swap etc) to Digital Fraud e.g. CNP/Online Fraud, Phishing/ Hacking & e-wallet product being used as access mechanism to defraud customers.

"Understanding that the Forensics Team does not have eyes and ears everywhere, whistleblowing is strongly encouraged in the group. The group believes in rewarding those who speak up and run a whistleblower rewards program known as the Leading Light Rewards. The number of entrants has risen by 50% since the last financial year. Every valid entry receives a guaranteed prize of N$ 1 000.00. Draws are done quarterly and annually.

The protection of whistleblowers is imperative to the success of whistleblowing and is therefore governed by a whistleblowing policy which is in line with the whistleblower protection bill."

Focus areas

During 2021, the team will focus on maturing our electronic surveillance and monitoring tools to improve the proactive detection and deterrence of fraud.

Other risk monitoring tools will be integrated into the banking system to aid in the finding and stopping of potential gaps that could be exploited.

MARKET RISK

Market Risk arises from adverse movements in market prices given long or short positions in impacted assets and or liabilities. The group operates within a risk management framework where principles of managing risks associated with trading positions are set. Trading and dealing limits are approved by the board, with the day-to-day operations and utilisation thereof resting with the treasurer. In terms of the market risk framework, responsibility for determining market risk appetite vests with the board, which also retains independent oversight of market risk related activities through the Risk Capital and Compliance committee (RCCC). The following approaches are implemented to mitigate some of the market risk faced by the bank:

- Seek to match the interest rate structure of assets and liabilities to create a natural hedge;
- Perform a comprehensive assessment of the market risk drivers as part of the ICAAP and assess new/emerging risks on an ongoing basis;
- Monitor the Group's Market Risk exposure on a regular basis (including daily monitoring), with escalations as appropriate; and
- Maintain a strong risk management framework to ensure that exposures are managed in line with risk appetite

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

Market Risk in the Banking Book

Market risk in the banking book consist of interest rate risk – the risk to current and future earnings as a result of adverse movements in interest rates. Market Risk in the Banking book also includes Foreign exchange risk in the banking book which results from the origination and settlement of loans in foreign currencies. This risk is expressed in the form of Net Open Foreign Exchange Position (NOFP). The latter is however insignificant for the FirstRand Namibia Group.

INTEREST RATE RISK

The key market risk for the group is therefore interest rate risk, especially in the banking book. Interest rate Risk originates from:

- Repricing Risk - Repricing Risk is presented by assets and liabilities that mature or reprice at different dates and rates. The changes in interest rate either impacts on the asset returns or the liability costs.

- Yield Curve Risk - Re-pricing mismatches can also expose a bank to loss in the event of changes in the slope and shape of the yield curve. 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 there is an imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics. When interest rates change, these differences may give rise to unexpected changes in the cash flow and earnings spread between assets, liabilities and off-balance sheet instruments of similar maturities or re-pricing frequencies.

Interest rate risk stemming from the various risk types is managed dynamically by aligning the house view on rates with the structure of the balance sheet and devising actions to protect and enhance margin earnings.

Repricing risk had a significant impact on the financial performance of the group in the current year due to the falling interest rates experienced. This follows mostly the structure of the balance sheet in that most advances are variable rated and adjust as the policy rate adjusts, but the liabilities re-price at different dates with lower downward adjustments causing a compression in margins.

There are various methods to hedge against such risk, and typically not all risks are hedged, or some hedging instruments introduce new risks. The Group opted to lengthen the profile of its liquid asset holdings and selectively entered into portfolio swaps. These measures were executed under approved risk limits and appetite as approved by the board. The levels of these and new types of hedging techniques will be increased in the coming year.

LIQUIDITY RISK

Liquidity Risk is the risk that an entity will not be able to meet its contractual and contingent obligations as they arise or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its assets and liabilities.

The group liquidity risk is managed as part of the Treasury Risk function whose primary objective is to provide an assessment, measurement, monitoring, and control of liquidity risk for the group. Treasury Risk responsibilities for liquidity risk include:

- Defining, monitoring and reporting liquidity risk metrics;
- Establishing and monitoring limits and indicators, including Liquidity Risk Appetite in line with applicable regulation;
- Performing a review of liquidity risk management processes;
- Facilitating performance of Liquidity Stress testing for the bank;
- Facilitating the development of new and updating of existing liquidity Stress assumptions;

Liquidity risk is an inherent risk in banking due to the unique contractual maturity of the various balance sheet items. Treasury manages this risk by strictly adhering to the Governance Framework for the Management of Banking Asset and Liabilities Risk Management Framework approved by ALCCO and having risk management procedures and policies in place that ensures compliance with regulatory, board and management requirements.

Regulatory requirements, as stipulated in the revised BID 6 on Liquidity risk management, requires the bank to hold an average daily liquid asset requirement (LAR) amounting to 10% of the total average liabilities to the public. In addition, the regulation was revised in the period under review, introducing two mismatch limits on a business as usual (BAU) basis. These limits prescribe that mismatches in the 0-7day time period should be matched, and the maximum negative mismatch for the time period 8-31 days to be 5% of liabilities to the public.

FirstRand Namibia aims to maintain a liquidity buffer of 4% over the required minimum LAR of 10% on a BAU basis. This was increased to 5.5% during the COVID 19 Pandemic to cater for larger than expected liquidity flows. However, the various interventions by the Government to sustain the affected businesses and individuals whose earnings were negatively impacted by the measures to contain the COVID19 pandemic led to increased liquidity in the banking sector resulting in an increase in the LAR above the approved COVID 19 buffers. The expectation is for the current liquidity position to decline gradually to fund the Government deficit following the higher than usual domestic borrowing plan as published by the Ministry of Finance. The expectation is for the bank to maintain the BAU liquidity buffers.

Liquidity risk management includes monitoring various concentration risk, including risk related to term, counterparty and source/type of product. Monitoring is done via Key Risk Indicators which are monitored daily and reported to ALCCO quarterly. Robust cashflow forecasting is an integral part of the bank's liquidity management process.

The board adopted the Liquidity Coverage Ratio (LCR) as a liquidity measure. The LCR is a principle of Basel III which requires that banking institutions should maintain sufficient unencumbered high-quality liquid assets (HQLA) to cover the estimated total stressed net cash outflow for the next 30 days. LCR was developed primarily to promote the short-term resilience of the liquidity risk profile of banks by ensuring that they have enough HQLA to survive a significant stress scenario lasting 30 calendar days. The board has set the limit at 75% with an understanding to increase over time. The bank maintained LCR's in excess of this requirement over the course of the year under review.

LCR is not yet a regulatory limit of the Bank of Namibia – we do expect changes in this regard in the future.

External Stress Testing

Liquidity Stress testing are intended to ensure that the bank has sufficient liquidity under a variety of adverse scenarios, including scenarios analysed as part of the group's recovery planning. In accordance with leading industry practices and Basel guidelines, the Bank has developed a Contingency Liquidity Plan (CLP), which outlines a course of actions that can be taken in the event of liquidity stress event.

Principle 11 of the Basel issued guidelines on "Principles for Sound Liquidity Risk Management and Supervision" highlights the importance of a CLP and states that "A bank should have a formal CLP that clearly sets out the strategies for addressing liquidity shortfalls in emergency situations". Beyond having a documented CLP, it is crucial that the Bank has the capability to effectively respond to a liquidity crisis or stress situation and restore crucial business relationships and processes.

Considering this, an external stress testing exercise was conducted which was aimed at testing the bank's readiness and ability to effectively respond to a stress situation with guidance from the use of its CLP.

The result of the stress test was considered in the enhancement of the bank's liquidity and funding plan as well as in the further development and enhancement of other related business processes.

CREDIT RISK

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

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

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

Credit risk management objectives are two-fold:

- Risk control: Appropriate limits are placed on the assumption of credit risk and steps taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfil this task; and

- Management: Credit risk is taken within the constraints of the risk appetite framework. The credit portfolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions fulfil this role.

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

Credit risk profile

N$ million	2020	2019
Gross advances	31 235	31 003
Credit loss ratio (%)	1.79%	0.72%
NPLs as % of advances	4.38%	2.72%
Specific coverage ratio (%)	44.4%	44.1%
Total impairments coverage ratio (%)	3.98%	2.27%
Performing book coverage ratio (%)	2.12%	1.18%

Assessment and management

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

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

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

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

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

Mapping of FR grades to rating agency scales

FirstRand rating	Midpoint PD	International scale mapping
1 - 14	0.06%	AAA, AA, A
15 - 25	0.29%	BBB
26 - 32	0.77%	BB+, BB
33 - 39	1.44%	BB-
40 - 53	2.52%	B+
54 -83	6.18%	B
84 - 90	13.68%	B-
91 - 99	59.11%	Below B-
100	100%	D (Defaulted)

* *Indicative mapping to the international rating scales of S&P Global Ratings (S&P) The group currently only uses mapping to S&P's rating scales.*

CREDIT RISK continued

Credit risk classification and impairment policy

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

Specific impairments

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

- Our exposure to the customer;
- Capability of the client to generate sufficient cash flow to service debt obligations;
- Viability of the client's business;
- Amount and timing of expected cash flows;
- Realisable value of security held taking the time value of money into account; and
- Deduction of any recovery related costs.

Portfolio impairments

The portfolio impairment supplements the specific impairment as outlined above and provides additional cover, based on prevailing market conditions and current default statistics. They encompass forward looking index information.

COVID-19 Relief

The group has offered financial relief through various mechanisms in response to COVID-19. These relief measures were granted to eligible customers whose accounts were up-to-date as at 29 February 2020 and included the following:

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

The cash flow relief account was offered to eligible FNB Retail and Commercial customers, where instead of offering customers a payment holiday with a term extension, customers were offered a cash flow relief loan, whereby payments due by the customer to the group on a variety of group's products could be drawn from the cash flow relief account for a period of three months. The cash flow relief account bears interest at prime, flexible repayment period as negotiated and the customer has the ability to settle the amount earlier without incurring penalties and repayment only commencing once the three-month relief period was over. In some instances, the relief period has been extended by a further three months. Amounts advanced to customers under the cash flow relief scheme is included in the retail unsecured class of advances. As the cash flow relief account is treated as a new advance to the customer, no modification loss was recognized on the underlying advances to which the payments effected from the cash flow relief loan were made.

Wesbank customers were able to utilise the cash flow relief loan to make payment under their credit agreements. Customers with balloon payments due could elect to convert their balloon payment into an extended repayment terms, on terms similar to those in the original credit agreement.

Other financial relief mechanisms employed by the group included customers being offered a three-month payment holiday, during which interest accrued at the contractual rate 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.

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

INSURANCE RISK

OUTsurance Namibia Risk Management

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

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

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

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

There is no significant sensitivity to insurance risk with substantially all insurance being issued relating to motor and household insurance to individuals in Namibia, no single segment of which is material. Actual claims remained within a reasonable range of previous estimates.

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

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

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

Capital management

This financial year has brought some extraordinary challenges with the global COVID-19 pandemic and the economic impact thereof.

This financial year has brought some extraordinary challenges with the global COVID-19 pandemic and the economic impact thereof, however the Group continued to maintain a sound capital position entering these uncertain times with both the highest capital adequacy and highest Return on Equity (ROE) in the market. The group endeavours to maintain sufficient capital to meet regulatory and economic capital requirements by managing capital through a comprehensive process. The objective is to maintain an adequate amount of capital that is in line with our risk profile and risk tolerance objectives, and to meet both regulatory and market expectations.

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

- To comply with the capital adequacy requirements 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; and
- To maintain a strong capital base to support the development of its business, protect its depositors and creditors and to promote and uphold public confidence.

A strong capital position is essential to the Group's strategy and competitive position, thus maintaining this stance through economic volatility, is considered a strategic imperative in the board approved capital management framework. The framework sets the objectives, policies and principles relating to the capital management processes which ensure that regulatory capital requirements are always met, and the bank is sufficiently capitalised to achieve its objectives and create value for the shareholders.

Governance and oversight

The board-approved capital management framework focuses on three elements:

- Setting and maintaining sufficient capital levels to meet regulatory and economic capital requirements;
- Active allocation of capital to products, deals, segments and activities, which supports the bank's strategy and risk appetite as well as managing the structure of the capital base to ensure that it remains cost effective while creating value for the stakeholders; and
- Establish policies and procedures for the effective management of capital demand and supply.

Effective and successful capital planning and management is only achievable through well-defined roles and responsibilities. The group Treasurer is responsible for the timeous update of the framework which is updated and reviewed on an annual basis. The capital management framework governs the management of capital based on three pillars: Setting the most optimal levels of capital, investing the capital according to set principles and lastly the allocation of capital to ensure optimum return on retained capital.

The Board of Directors review and challenge the recommendation of the risk, capital and compliance committee (RCCC), a board designated risk committee. The RCCC takes responsibility for the group's internal capital adequacy assessment process (ICAAP). The Internal Capital Adequacy Assessment Process ("ICAAP") as stipulated in Pillar 2 of Basel 3 requires banks to identify and assess risks, maintain sufficient capital to face these risks and apply appropriate risk management techniques to maintain adequate capitalization. Capital planning is part of regular forecasts and scenario testing, which aligns with dividend decisions and growth projections.

Capital overview and compliance

The group entered the global COVID 19 pandemic in a position of strength and remained well capitalized with a CET1 ratio of 17.0% above the original end state and Covid adjusted relief measures. The actual capital adequacy for Bank and Group also exceeds the Board targets.

This given the tough backdrop of a three-year economic recession and heightened uncertainty of the COVID 19 pandemic which had a major impact on the global economy that resulted in a slowdown in economic activity worldwide and major disruptions in the global supply chain.

The supply of capital consists of the sum of Tier 1 and Tier 2. For each of these categories the determination has a set of criteria that instruments are required to meet before qualifying as regulatory capital.

The following diagram illustrates the key components of the various capital elements:

TIER 1

CET 1
- Share capital and premium
- Retained earnings
- Other reserves
- Non-controlling interests
- Less deductions
  - Goodwill and intangibles
  - Deferred tax assets
  - Investment in financial and banking entities
  - Other

Additional Tier 1
- Qualifying capital instruments

TIER 2

- Qualifying capital instruments
- Revaluation reserves
- Loan loss reserves
- Unaudited profits (approved by the board, with a phase-out over 5 years, after which only "reviewed" profits are included in Tier 1 capital)

Capital overview and compliance *continued*

Banking group capital adequacy

The dividend policy plays a pivotal role in the management of the group's CET1 position and the group maintained a dividend cover of 2 for the 2020 financial year. The long-term dividend cover range remains unchanged at 1.8x to 3x. The interim and final dividends were 104 cents and 50 cents respectively.

Regulatory developments and proposals

With the adoption of Basel III in 2018, the applicable minimum ratios per year to the original end-state requirement in 2022 would have been as follows, including the Covid-19 relief measures announced in the Policy Directives circulated on 26 March 2020, applicable for a two year period:

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

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

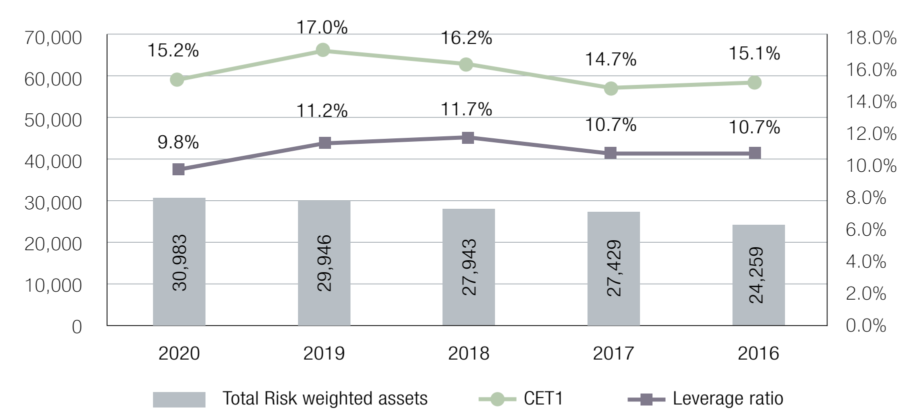
Regulatory developments and proposals *continued*

The following measures were introduced:

- Loan repayment moratorium/holiday ranging from 6 months, but not exceeding 2 years. This will allow clients who cannot not meet their payment obligations to remain as performing clients thus not increasing the non-performing ratio. Non-performing loans attracts a higher risk weight that could result in the decline in the capital adequacy ratio.
- Write offs under loss category for non-performing loans overdue for more than 360 days shall be written off within 3 years as opposed to 15 months to allow for ample time for possible recoveries provided that various haircuts will be applied to collateral.
- Capital conservation buffer reduced to 0 percent for a period of 24 months, reducing the minimum capital requirement back to 10% from 11%. This relief will allow banks to have access to capital funds that have built up during times of less distress.
- Single Obligor Limit set at 25% since December 2019 were postponed and reverted to 30% of the group's capital funds. This will allow banks further scope in lending to the most vulnerable sectors during these unprecedented times.
- During the 2020 financial year the Bank of Namibia reduced the repo rate by a total of 275 basis points (bps) to 4.00%, 25bps in August 2019, 25bps in February 2020, 100bps in March 2020, 100bps in April 2020 and by 25bps in June 2020 in order to continue to support the domestic economic activity while at the same time safeguarding the one-to-one link between the Namibia Dollar and the South African Rand.

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

Capital highlights



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

OUTsurance

Capital adequacy risk is the risk that there are insufficient reserves to provide for variations in actual future experience that is worse than what has been assumed in conducting insurance business and to facilitate growth and strategic objectives. The Company's objectives when managing capital are:

- to comply with the solvency capital requirements required by the regulator of the insurance market where the Company operates;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return for shareholders by pricing insurance commensurately with the level of risk; and
- to retain sufficient surplus capital to facilitate future growth and strategic expansion.

The local insurance regulator specifies the minimum amount and the type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The Company sets a target solvency coverage multiple of the regulated minimum for each jurisdiction. This target multiples is derived from considering the unique risk characteristics of the entity. These risk characteristics include the impact of stress and scenario tests, the level and variability of profits and the accepted risk appetite. The target multiple is maintained at all times throughout the year. Qualifying regulatory capital or own funds consists of retained earnings, contributed share capital and distributable reserves.

Capital adequacy of Banking Operations

	Banking operations		Regulated consolidated group	
	Year ended 30 June		Year ended 30 June	
N$'000	2020	2019	2020	2019
Risk weighted assets				
Credit risk	26 149 501	25 368 468	26 285 613	25 603 939
Market risk	38 256	53 508	38 256	53 508
Operational risk	4 796 815	4 524 168	4 915 351	4 617 371
Total risk weighted assets	30 984 572	29 946 144	31 239 220	30 274 818
Regulatory capital				
Share capital and share premium	1 142 792	1 142 792	282 148	282 148
Retained profits	3 650 827	4 032 962	4 792 448	5 200 927
Other disclosed reserves	6 086	6 000	-	-
Capital impairment: intangible assets	(81 349)	(92 799)	(100 991)	(157 641)
Total tier 1	4 718 356	5 088 955	4 973 605	5 325 434
Eligible subordinated debt	400 000	400 000	400 000	400 000
General risk reserve, including portfolio impairment	326 869	316 675	327 011	316 675
Capital impairments*	-	-	(19 944)	(19 944)
Total tier 2	726 869	716 675	707 067	696 731
Total tier 1 and tier 2 capital	5 445 225	5 805 630	5 680 672	6 022 165
Banking group				
Capital adequacy ratios				
Tier 1	15.2%	17.0%	15.9%	17.6%
Tier 2	2.4%	2.4%	2.3%	2.3%
Total	17.6%	19.4%	18.2%	19.9%
Tier 1 leverage ratio	9.8%	11.2%	10.8%	12.4%

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

Accounting Policies

1. INTRODUCTION AND BASIS OF PREPARATION

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

These financial statements comprise the statements of financial position as at 30 June 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended, as well as the notes comprising a summary of significant accounting policies and other explanatory notes.

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

- Audited information about the financial position and results of operations at 30 June each year for all subsidiaries in the group. For insignificant private equity subsidiaries that have a year end that is less than three months different to that of the group, the latest audited financial statements are used.

- The most recent audited annual financial statements of associates. These are not always drawn up to the same date as the financial statements of the group. Where the reporting date is different from that of the group, the group uses the most recently available financial statements of the investee and reviews the investee's management accounts for material transactions during the intervening period. In instances where significant events occurred between the last reporting date of an investee and the reporting date of the group, the effect of such events is adjusted for.

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

1.1 COVID-19 impact

Due to the coronavirus (COVID-19) pandemic, governments across the world have declared national lockdowns, which have resulted in extensive travel restrictions and quarantine measures being implemented. Businesses globally have had to limit or suspend their operations and as such, the COVID-19 measures implemented by governments globally have severely impacted a wide range of industries, including the financial sector. Due to the global economic downturn, a significant increase in the volatility of the financial and commodities markets worldwide has been noted.

Due to the unprecedented nature of the COVID-19 pandemic, it is not possible to accurately predict the full extent and duration of its economic impact.

While the specific areas of judgement detailed in accounting policy note 9 did not change, given the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impact of such a pandemic has resulted in, additional judgements having been applied within those identified areas, which has resulted in changes to the estimates and assumptions that have been applied in the measurement of some of the group's assets and liabilities from the prior period.

Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

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 of goodwill	
In line with the group's accounting policies, the group has assessed its goodwill balances for impairment. The current year assessment incorporated the budgetary information for the next financial period which contains the punitive impact of COVID-19 as well as the budgets for the foreseeable future for a period of between 3 and 5 years.	Accounting policy note 9.2 *Impairment of Goodwill* and note 18 intangible assets.
Impairment provisions on advances	
Incorporating forward-looking information	
Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the group's forward-looking assumptions for the purposes of its Expected Credit Loss (ECL), has been provided. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of the social and economic consequences of COVID-19 will manifest, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.	Accounting policy note 9.4 *Impairment of financial assets -Forward-looking information.*
Significant increase in credit risk	
The group has not approached the ECL impact of COVID-19 on an overall blanket approach (where COVID-19 is seen as a Significant Increase in Credit Risk (SICR) trigger that will result in the entire portfolio of advances moving into their respective next staging bucket). A more systematic and targeted approach to the impact of COVID -19 on the customer base is being undertaken rather, which is in line with the group's existing policy documented in the Group Credit Impairment Framework.	Accounting policy note 9.4 *Impairment of financial assets*

1.2 Significant estimates, judgements and assumptions continued

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

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

Description	Additional information
Overall application of the going concern principle	
The directors have reviewed the group and company's budgets and flow of funds forecasts and considered the group and company's ability to continue as a going concern in light of current and anticipated economic conditions. These budgets and flow of funds forecasts took the impact of the COVID-19 pandemic into consideration, including projections of the impact on the group's capital, funding and funding requirements, all of which have remain within internal targets and above regulatory requirements. As part of this assessment, the Board considered the sufficiency of the group's financial resources throughout the pandemic. The management of the group's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of the group's stated growth and return targets and is driven by the group's overall risk appetite. Forecast growth in earnings and balance sheet risk weighted assets (RWA) is based on the group's macroeconomic outlook and is evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies. The expected outcomes and constraints are then stress tested, and the group sets targets through different business cycles and scenarios. On the basis of this review, and in light of the current financial position and profitable trading history, the directors are satisfied that the group and company has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.	Director's responsibility statement page 76.

1.2 Significant estimates, judgements and assumptions continued

Financial instruments	
COVID-19 debt relief measures provided to customers	
Due to the COVID-19 pandemic and resultant impact on the economy, a liquidity crisis was experienced by a large number of customers across the group. In order to assist customers, the group has provided various relief measures to customers. In the retail and commercial segments, these included the following: - New facilities being granted,; - Restructure of existing exposures with no change in the present value of the estimated future cash flows; and - Restructure of existing exposures with a change in the present value of the estimated future cash flows. For wholesale exposures bespoke debt relief measures were provided on a client-by-client basis. In order to determine the appropriate accounting treatment of the restructure of existing facilities and related additional disclosures required, the principles set out in accounting policy note 4.3 were applied.	For the impact on the staging of debt relief measures refer to accounting policy note 10.4 *Impairment of financial assets - Treatment of financial relief offered in response to the impacts of COVID-19.*
Financial risks	
The group's robust risk management framework continues to be applied across the various risk areas introduced by financial instruments and the various risk owners continues to monitor the impact of COVID-19 on the group's risk profile. Non-financial risks emerging from global movement restrictions, and remote working by our staff, counterparties, clients and suppliers are being identified, assessed, managed and governed through timely application of the group's risk management framework.	Note 34 *Risk Management*

Impairment of advances (significant judgement and estimates)

The following table summarises the reasons for material post-model adjustments made:

Post-model adjustments	Description	Portfolios impacted
COVID-19 Macro-economic adjustment	Post-model adjustments made on the basis of constrained expert judgement to allow for macro-economic impacts not adequately captured by existing statistical models. Adjustments calculated through application of expert-judgement based weightings to macro-economic factors within the existing FLI methodology.	Retail and commercial credit portfolios across all geographies.
Adjustment for COVID-19 relief	Adjustments made to coverage held for COVID-19 relief to allow for impact of delayed arrears recognition, which results from an inability to observe normal arrears behaviour and to provide accordingly where payment relief is offered.	Retail and commercial credit portfolios across all geographies.

The group adopts the following significant accounting policies in preparing its financial statements. Except for policies related to IFRS 16, these policies have been consistently applied to all years presented.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1	Introduction and basis of preparation	COVID-19 impact (section 1.1)	Significant estimates, judgements and assumptions (section 1.2)	
2	Subsidiaries and associates	Consolidation and equity accounting (section 2.1)	Related party transactions (section 2.2)	
3	Income, expenses and taxation	Income and expenses (section 3.1)	Taxation (section 3.2)	
4	Financial instruments IFRS 9	Classification and measurement (section 4.1)	Impairment (section 4.2)	Transfers, modifications and de-recognition (section 4.3)
		Offset and collateral (section 4.4)	Derivatives and accounting (section 4.5)	
5	Other assets and liabilities	Property and equipment (section 5.1)	Intangible assets (section 5.1)	Provisions (section 5.1)
		Leases (section 5.2)		
6	Capital and reserves	Share capital and treasury shares	Dividends	Other reserves
7	Transactions with employees	Employee liabilities (section 7.1)	Share-based payment transactions (section 7.2)	
8	Non-banking activities	Insurance activities (section 8.1)		
9	Critical judgements	Introduction (section 9.1)	Subsidiaries and associates (section 9.2)	Taxation (section 9.3)
		Impairment of financial assets (IFRS 9) (section 9.4)	Provisions (section 9.5)	Transactions with employees (section 9.6)
		Insurance activities (section 9.7)		
10	Impact of adopting revised accounting standards	Key impact of revised standards adoption (section 10.1)	Impact on consolidated SOFP (section 10.2)	Impact on consolidated income statement (section 10.3)
		Impact on consolidated statement of cash flows (section 10.3)		

1. INTRODUCTION AND BASIS OF PREPARATION continued

The following new standards were adopted in the current year:

New / revised IFRS	Description of change	Impact on FirstRand group
IFRS 16	The group adopted IFRS 16 effective 1 July 2019, which replaces IAS 17 and various related interpretations. IFRS 16 introduced a single lease accounting model for lessees, which had an impact on the group's financial results as at 1 July 2019. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents leasing transactions. Under IFRS 16, the accounting treatment of leases by the lessee has changed fundamentally as it eliminates the dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.	The group has adopted the modified retrospective approach with no restatement of prior period information on the date of initial application. Where the group is the lessee under an operating lease, the following amounts were recognised on the date of initial adoption (DIA): • A lease liability included in other liabilities measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate for the remaining period of the lease. • A corresponding right-of-use asset included in a new category within property, plant and equipment. • The group's remaining operating leases fell within the short-term and low value exemption, which resulted in no lease liability or right-of-use asset having to be recognised at DIA. For more details on the group policy for these assets, please refer to accounting policy note 10. The amended disclosure requirements of IFRS 16 and the updated presentation of operating leases, where the group is the lessee, will be prospectively applied by the group. Therefore, all comparative presentation and disclosures relating to operating leases are based on the measurement requirements of IAS 17. The adoption of IFRS 16 did not have an impact on leases where the group is the lessor. For more detail on the amounts recognised on the DIA, refer to accounting policy note 10 Impact of adopting new standards.

1. INTRODUCTION AND BASIS OF PREPARATION continued

Presentation of financial statements, functional and foreign currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

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

2. SUBSIDIARIES AND ASSOCIATES

2.1 Basis of consolidation and equity accounting

	Subsidiaries and other structured entities	Associates
Typical shareholding in the assessment of entities that are not structured entities	Greater than 50%	Between 20% and 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.	Entities over which the group has significant influence as defined in IAS 28.
Associates		
The company measures investments in the above entities at cost less impairment (in terms of IAS 36), with the exception of investments acquired and held exclusively with the view to disposing of them in the near future (within 12 months). These investments are measured at fair value less cost to sell in terms of IFRS 5.		
Consolidated financial statements		
	Consolidation	**Equity accounting**
Initial recognition in the consolidated financial statements	Subsidiaries acquired are accounted for by applying the acquisition method of accounting to business combinations. The excess (shortage) of the sum of the consideration transferred, the value of non-controlling interest, the fair value of any existing interest, and the fair value of identifiable net assets, is recognised as goodwill or a gain on bargain purchase, as set out further below. Transaction costs are included in operating expenses within profit or loss when incurred.	Associates are initially recognised at cost (including goodwill) and subsequently equity accounted. The carrying amount is increased or decreased to recognise the group's share of profit or loss from the investee after the date of acquisition. Items that impact the investee's net asset value that don't impact other comprehensive income are recognised directly in gains less losses from investing activities within non-interest revenue.
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.	Unrealised gains on transactions are eliminated to the extent of the group's interest in the entity. Unrealised losses are also eliminated to the extent of the group's interest in the entity, unless the transaction provides evidence of an impairment of the transferred asset.

None of the other new standards or amendments that became effective during the current financial year had an impact on the results, statement of financial position or accounting polices.

2. SUBSIDIARIES AND ASSOCIATES continued

2.1 Basis of consolidation and equity accounting continued

Consolidated financial statements continued		
	Consolidation	**Equity accounting**
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.	The group applies the indicators of impairment in IAS 28 to determine whether a loss event exists, which would constitute objective evidence of impairment. Objective evidence of impairment for an investment in the associate includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associate. This indicates that the cost of the investment in associate may not be recovered. A significant or prolonged decline in the fair value of an associate investment below its cost is also considered objective evidence of impairment. The entire carrying amount of the investment, including other long-term interests, is tested for impairment. Certain loans and other long-term interests in associates are considered to be, in substance, part of the net investment in the entity when settlement is neither planned nor likely to occur in the foreseeable future. Such items may include preference shares and long-term receivables or loans, but do not include trade receivables or any long-term loans for which adequate collateral exists. These loans and other long-term interests in associates are included in advances on the face of the statement of financial position and are measured in terms of IFRS 9. The value of such loans after any expected credit losses raised for IFRS 9 where such loans are measured at amortised cost is, however, included in the carrying amount of the investee for purposes of determining the share of losses of the investee attributable to the group and for impairment testing purposes. Any resulting impairment losses are recognised as part of the share of profits or losses from associates.

2. SUBSIDIARIES AND ASSOCIATES continued

2.1 Basis of consolidation and equity accounting continued

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

2. SUBSIDIARIES AND ASSOCIATES continued

2.2 Related party transactions

Related parties of the group, as defined, include:

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

The principal shareholder of the FirstRand Namibia Limited group is FirstRand EMA Holdings (Pty) Limited, with the ultimate holding company FirstRand Limited, incorporated in South Africa.

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

3. INCOME, EXPENSES AND TAXATION

3.1 Income and expenses

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

3. INCOME, EXPENSES AND TAXATION continued

Non-interest and financial instrument revenue recognised in profit or loss	
Non-interest revenue from contracts with customers	
Under IFRS 15, where a five-step analysis is required to determine the amount and timing of revenue recognition, the group assesses contracts and determines whether the fees identified in the contract relate to revenue as defined in IFRS 15. The revenue is recognised only if the group can identify the contract and the performance obligation (i.e. the different services) and can determine the transaction price which is allocated to the identifiable performance obligations. The revenue is then recognised as and when the performance obligation is satisfied, which may be over time or at a point in time.	
Fee and commission income	Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers and are recognised in non-interest revenue. Fee and commission income is earned by the group by providing customers with a range of services and products, and consists of the following main categories: • Banking fee and commission income. • Knowledge-based fee and commission income. • Management, trust and fiduciary fees. • Fee and commission income from service providers. • Other non-banking fee and commission income. Fee and commission income is earned on the execution of a significant performance obligation, which may be as the performance obligation is fulfilled (over time) or when the significant performance obligation has been performed (point in time). Fees earned on the execution of a significant act typically include 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. Where the performance obligation is satisfied over a period of time, the fees are recognised as follows: • Fees for services rendered are recognised on an accrual basis as the service is rendered and the group's performance obligation is satisfied, e.g. annual card fees and asset management and related fees; and • Commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis. 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. This includes commission earned at the point when sale has been executed from the sale of prepaid airtime, data vouchers and electricity paid through FNB channels, as well as insurance commission.

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Non-interest and financial instrument revenue recognised in profit or loss	
Non-interest revenue from contracts with customers	
Fee and commission expenses	Fee and commission expenses are expenses that are incremental and directly attributable to the generation of fee and commission income and are recognised as part of fee and commission income. These include transaction and service fees, which are expensed as the services are received. The group operates a customer loyalty programme, Rewards, in terms of which it undertakes to provide reward credits to customers when they transact. Reward credits are recognised as fee and commission expenses as incurred.
Insurance income – non-risk related	Where the group is acting as an agent, commissions and brokerage earned on the sale of insurance products to customers of the group on behalf of an insurer, is recognised at the point that the significant obligation has been fulfilled.
Insurance income – risk-related	Insurance-related income represents the premium written on short-term products which transfer significant insurance risk to the group, where the earned portion of the premium received is recognised as revenue. Reinsurance premiums are accounted for as expenses in the same accounting period as the premiums to which the reinsurance relates. Commissions payable, together with insurance benefits, claims and movements in insurance liabilities, provide the resultant insurance risk-related income.

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

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

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 include value-added tax. Indirect tax is disclosed separately from income tax and operating expenses in the statement of comprehensive income.

3. INCOME, EXPENSES AND TAXATION continued

3.2 Income tax expenses

Income tax includes Namibian and foreign 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 of certain financial assets and liabilities, including derivative contracts. • Provisions for post-retirement medical benefits. • Share-based payment liabilities.
Measurement	The liability method under IAS 12 is used, which means applying tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
Presentation	Deferred income tax is presented as profit or loss unless it relates to items recognised directly in equity or other comprehensive income. Items recognised directly in equity or other comprehensive income relate to: • The issue or buy-back of share capital; • Fair value remeasurement of financial assets measured at fair value through other comprehensive income; and • Remeasurements of defined benefit post-employment plans. Tax in respect of share transactions is recognised directly in equity. Tax in respect of the other items is recognised directly in other comprehensive income and subsequently reclassified to profit or loss (where applicable) at the same time as the related gain or loss.
Deferred tax assets	The group recognises deferred income tax assets only if it is probable that future taxable income will be available against which the unused tax losses can be utilised. The group reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

4. FINANCIAL INSTRUMENTS

4.1 Classification and measurement

4.1.1 Initial measurement

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

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

4.1.2 Classification and measurement

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

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and measurement continued

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

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and measurement continued

Cash and cash equivalents		
Cash and cash equivalents comprise of coins and bank notes, money at call and short notice and balances with central banks. All balances included in cash and cash equivalents have a maturing date of less than three months from the date of acquisition. Money at call and short notice constitutes amounts withdrawable in 32 days or less. Cash and cash equivalents are measured at amortised cost.		
Retail advances		
Retail advances	Business model	Cash flow characteristics
	FNB, WesBank hold retail advances to collect contractual cash flows. Their business models focus on growing these advances within acceptable credit appetite limits and maintaining strong collection practices. The products included under this business model include: • residential mortgages; • vehicle and asset finance; • personal loans; • credit card; and • other retail products such as overdrafts.	The cash flows on retail advances are solely payments of principal and interest. Interest charged to customers compensates the group for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and measurement continued

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

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

These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return. Although the intention is to collect cash flows, not all the instruments are held to maturity as some financial assets are sold through syndication. These sales are, however, either insignificant in value in relation to the value of advances held to collect cash flows or infrequent, and therefore the held-to-collect business model is still appropriate.</td><td>The cash flows on corporate and commercial advances are solely payments of principal and interest. Interest charged to customers compensates the group for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.</td></tr>
<tr><td>Within RMB's Investment Banking Division (IBD), debt for large corporates and institutions are structured. These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return. Although the intention is to collect cash flows, not all of the instruments are held to maturity as some financial assets are sold in the secondary market to facilitate funding. These sales are however insignificant in value in relation to the value of IBD advances held-to-collect cash flows and therefore the held to collect business model is still appropriate. In other portfolios, RMB IBD originates corporate advances with the intention to distribute. These advances are included under a different business model and are measured at fair value through profit or loss.</td><td>The cash flows on these advances are considered to be solely payments of principal and interest if the loan contract does not contain upside features, conversion options, payments linked to equity or commodity prices or prepayment penalties that exceed reasonable compensation for early termination of the contract. Any advances that do contain such features are mandatorily measured at fair value through profit or loss.</td></tr>
</table>

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and measurement continued

<table>
<tr><th colspan="3">Investment securities</th></tr>
<tr><td>Investment securities</td><td>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.</td><td>The cash flows on these investment securities are solely payments of principal and interest.</td></tr>
<tr><th colspan="3">Other assets</th></tr>
<tr><td>Other assets</td><td>Other financial assets are short-term financial assets that are held to collect contractual cash flows.</td><td>The cash flows on these assets are solely payments of principal and interest.</td></tr>
<tr><th colspan="3">Mandatory at fair value through profit or loss</th></tr>
<tr><td colspan="3">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.</td></tr>
<tr><td>Corporate and commercial advances</td><td>In certain instances, IBD originates advances with the mandate of distributing an identified portion of the total advances in the secondary market within an approved time frame. The reason for originating these advances is not to collect the contractual cash flows, but rather to realise the cash flows through the sale of the assets.</td><td>Any advances which are originated to distribute or managed on a fair value basis; or are held to collect contractual cash flows but include cash flows related to upside features, conversion options, payments linked to equity or commodity prices or prepayment penalties that exceed reasonable compensation for early termination of the contract, will be included in this category.</td></tr>
<tr><td rowspan="2">Investment securities</td><td colspan="2">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.</td></tr>
<tr><td colspan="2">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.</td></tr>
<tr><td>Derivative assets</td><td colspan="2">Derivatives are either held for trading or to hedge risk. These instruments are managed on a fair value basis.</td></tr>
<tr><th colspan="3">Equity investments at fair value through other comprehensive income</th></tr>
<tr><td>Investment securities</td><td colspan="2">The group has elected to designate certain equity investments not held for trading to be measured at fair value through other comprehensive income.</td></tr>
</table>

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.3 Classification and subsequent measurement of financial liabilities and compound instruments

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

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

This policy applies to:

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

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

4. FINANCIAL INSTRUMENTS continued

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

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

4. FINANCIAL INSTRUMENTS continued

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

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

4. FINANCIAL INSTRUMENTS continued

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

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

4.3 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.

4. FINANCIAL INSTRUMENTS continued

4.3 Transfers, modifications and derecognition continued

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.

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

4. FINANCIAL INSTRUMENTS continued

4.4 Offsetting of financial instruments and collateral

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

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

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

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

4. FINANCIAL INSTRUMENTS continued

4.5 Offsetting of financial instruments and collateral

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

Derivative instruments are classified as held for trading.

5. OTHER ASSETS AND LIABILITIES

5.1 Classification and measurement

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

5. OTHER ASSETS AND LIABILITIES continued

5.1 Classification and measurement continued

Intangible assets	
Intangible assets of the group include: • Internally generated intangible assets (including computer software and other assets such as trademarks or patents) are capitalised when the requirements of IAS 38 relating to the recognition of internally generated assets have been met; • External computer software development costs are capitalised when they can be clearly associated with a strategic and unique system which will result in a benefit for the group exceeding the costs incurred for more than one financial period; and • Material acquired trademarks, patents and similar rights are capitalised when the group will receive a benefit from these intangible assets for more than one financial period. All other costs related to intangible assets are expensed in the financial period incurred.	Cost less accumulated amortisation and any impairment losses. Amortisation is on a straight-line basis over the useful life of the asset. The useful life of each asset is assessed individually. The benchmarks used when assessing the useful life of the individual assets are: Software and development costs 3 years Trademarks 10 – 20 years Other 3 – 10 years Customer related intangibles 10 years
Goodwill arising from business combinations is recognised as an intangible asset.	Tested for impairment annually.
Provisions	
The group will only recognise a provision measured in terms of IAS 37 when there is uncertainty around the amount or timing of payment. Where there is no uncertainty the group will recognise the amount as an accrual. The most significant provisions are related to litigation and claims. The group recognises a provision when a reliable estimate of the outflow required can be made and the outflow is more reliable than not.	

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

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

5. OTHER ASSETS AND LIABILITIES continued

5.2 Leases IFRS 16

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, ROUAs are treated in line with other property and equipment. Variable payments that do not depend on an index or rate are not included in the measurement the lease liability and the ROUA. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line operating expenses in the consolidated income statement.	Where the group company is the lessor under a finance lease, the group recognises assets sold under a finance lease as advances and impair the advances, as required, in line with the impairment of financial assets accounting policy in section 4.2. No practical expedients are applied, and fully compliant IFRS 9 models are used for impairment calculation on advances.

5. OTHER ASSETS AND LIABILITIES continued

5.2 Leases IFRS 16 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.
Presentation	The lease liability is presented in other liabilities in the consolidated statement of financial position. The ROUA's are not presented as a separate line in the consolidated statement of financial position, but rather disclosed as ROUA in the property, plant and equipment note.	The group regards instalment credit sale agreements as financing transactions and includes the total rentals and instalments receivable, less unearned finance charges, as finance lease receivables presented as part advances in in the consolidated statement of financial position.
Operating leases	For short-term and low value leases, which the group has defined as all other leases except for property and vehicles leases, the lease payments are recognised as operating expense, spread on a straight-line basis over the term of the lease.	Assets held under operating leases are included in property and equipment and depreciated – refer to accounting policy 5.1. Rental income is recognised as other non-interest revenue on a straight-line basis over the lease term.

5. OTHER ASSETS AND LIABILITIES continued

5.3 Leases IAS 17

The group classifies leases of property and equipment where it assumes substantially all the risks and rewards of ownership as finance leases. The group classifies leases as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset. The group regards instalment sale agreements as financing transactions.

	Group company is the lessee	Group company is the lessor
Leases		
Inception	Capitalised as assets and a corresponding lease liability for future lease payments is recognised.	Recognise assets sold under a finance lease as advances and impair the advances, as required, in line with the impairment of financial assets policy in section 4.2. No practical expedients are applied, and fully-compliant IFRS 9 models are used for impairment calculation on leases.
Over life of lease	The asset is depreciated – refer to policy 5.	Unearned finance income is recognised as interest income over the term of the lease using the effective interest method. Finance lease debtors are assessed for impairment in terms of IFRS 9 as set out in the impairment of financial assets policy section 4.2.
Operating leases	Recognised as an operating expense in profit or loss on a straight line basis over the period of the lease. Any difference between the actual lease amount payable and the straight-lined amount calculated is recognised as a liability of the group in creditors and accruals.	Assets held under operating leases are recognised as a separate category of property and equipment (assets held under leasing arrangements) and depreciated - refer to policy 5.1. Rental income is recognised as other non-interest revenue on a straight line basis over the lease term.
Instalment credit agreements where the group is the lessee	The group regards instalment credit sale agreements as financing transactions and includes the total rentals and instalments receivable, less unearned finance charges, in advances. The group calculates finance charges using the effective interest rates as detailed in the contracts and credits finance charges to interest revenue in proportion to capital balances outstanding.	

6. CAPITAL AND RESERVES

Transaction	Liability	Equity
Shares issued and issue costs	Ordinary shares and any preference shares which meet the definition of equity issued by the group less any incremental costs directly related to the issue of new share or options, net of any related tax benefit.	
Dividends paid / declared	Recognised as interest expense on the underlying liability.	Dividends on equity instruments are recognised against equity. A corresponding liability is recognised when the dividends have been approved by the company's shareholders and distribution is no longer at the discretion of the entity.
Share trust	Not applicable	Certain of the groups renumeration schemes are operated through various share trusts. These share trusts are considered to be structured entities. In instances where the group has control over the share trust in terms of IFRS 10 they are consolidated. Where the employee share trust which form of the consolidated group purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity as treasury shares until they are reissued or sold. Where the shares are subsequently sold or reissued, any consideration received net of any directly attributable incremental costs is included in shareholders' equity.
Other reserves	Not applicable	Other reserves recognised by the group include general risk reserves, share base payment reserve, defined benefit post-employment reserve.

7. TRANSACTIONS WITH EMPLOYEES

7.1 Employee benefits

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

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

7. TRANSACTIONS WITH EMPLOYEES continued

7.2 Share-based payment transactions

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

Options and awards granted under cash-settled 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.

8. NON-BANKING ACTIVITIES

8.1 Insurance activities

Insurance activities include contracts issued by the group, which transfer significant insurance risk or financial risk. Furthermore, the group has entered into reinsurance contracts.

Insurance contracts are contracts under which the group, as the insurer, accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more (at least 10%) than the benefits payable if the insured event did not occur. The group issues insurance contracts in terms of the Short-Term Insurance Act 4 of 1998 (Short-term Act).

Investment contracts which are linked fund policies which fall within the scope of the Insurance Act are viewed as a form of long-term insurance from a legal perspective, however, as investment contracts do not convey insurance risk upon the company, they are scoped out of IFRS 4 and are accounted for in terms of IFRS 9. Investment contracts are classified as financial liabilities, measured at fair value through profit or loss.

The group seeks reinsurance in the ordinary course of business for the purpose of limiting its net loss potential through the diversification of its risks on certain long-term and short-term insurance contracts. Reinsurance arrangements do not relieve the group from its direct obligations to its policyholders.

8. NON-BANKING ACTIVITIES continued

8.1 Insurance activities continued

Insurance contracts	
Definition	Contracts that transfer significant insurance risk to the group and are within the scope of IFRS 4.
Recognition	Insurance policies are recognised when contracts are concluded between the policyholder and the group.
Premiums	Premium revenue comprises premiums on contracts that become due and payable during the current reporting period irrespective of whether the contract was entered into during the current or a previous reporting period. Premiums are recognised gross of commission payable to intermediaries and reinsurance premiums, but net of taxes and levies and are recognised in profit or loss as part of premium income in non-interest revenue.
Claims paid	Claims and benefits paid consist of claims and claims handling expenses paid during the financial year and are determined by the market value of the indemnification received by the policyholder.
Acquisition costs	Acquisition costs include all commission and expenses directly related to acquiring new business.
Claims and benefits paid	Claims and benefits paid consist of claims and claims handling expenses paid during the financial year and are determined by the market value of the indemnification received by the policyholder.
Policyholder liability	In terms of IFRS 4, measurement of policyholder liabilities arising from insurance contracts are measured using existing local practices.
Short-term insurance contracts	
Policyholder liability / Reinsurance asset	Comprises: • Provision for claims reported but not paid; • Provision for claims incurred but not reported (IBNR); and • Provision for unearned premiums. Measured at the best estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date, whether reported or not, and related internal and external claims handling expenses.
Income statement impact of movements in the policyholder liabilities / reinsurance assets	Adjustments to the amounts of policyholder liabilities for policies established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately, if material.

8. NON-BANKING ACTIVITIES continued

8.1 Insurance activities continued

Short-term insurance contracts continued	
Liability adequacy test	The net liability recognised is tested for adequacy by calculating current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability. Where a shortfall is identified, an additional liability and the related expense are recognised.
Acquisition costs	Expensed as incurred.
Insurance premium receivables and payables	Amounts due to and from agents, brokers and policyholders are recognised as part of other assets or payable on the statement of financial position when due/receivable. Receivables recognised are assessed for impairment and an impairment provision is raised when recovery of amounts owed by the group is doubtful. Collection rates, applicable to the product arrears rules, are applied to amounts that are not successfully collected from premium receivables to determine the amount that is recoverable. The recoverable amount is excluded from amounts that are not successfully collected. The unrecoverable amount is then included in the measurement of the impairment provision. The collection rates are determined using historical information and trends available to the company. The unrecoverable amount is determined on a product level.
Reinsurance contracts held	
Definition	Contracts that give rise to a significant transfer of insurance risk from the group to another insurance entity.
Premiums/ recoveries	Premiums paid are recognised as a deduction of insurance premiums in non-interest revenue at the undiscounted amounts due in terms of the contract, when they become due for payment. Recoveries are recognised in profit or loss as part of insurance premiums in non-interest revenue in the same period as the related claim at the undiscounted amount receivable in terms of the contract.

8. NON-BANKING ACTIVITIES continued

8.1 Insurance activities continued

Reinsurance contracts held continued	
Reinsurance assets	The benefits to which the group is entitled under its reinsurance contracts are recognised as assets including: • short-term balances due from reinsurers on settled claims (included in other assets); and • receivables that are dependent on the expected claims and benefits arising under the related insurance contracts (classified as reinsurance assets). Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance assets are assessed for impairment if there is objective evidence, by applying IFRS 4 impairment considerations for reinsurance assets, that the group may not recover all amounts due and the impact on the amounts that the group will receive from the reinsurer are reliably measurable.
Income statement impact of movements in reinsurance assets	Any difference between the carrying amount of the reinsurance asset and the recoverable amount is recognised in profit or loss as an adjustment to insurance premiums included in non-interest revenue.

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

9.1 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 34.

9.2 Subsidiaries and associates

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

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.2 Subsidiaries and associates continued

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

Associates
Determining whether the group has significant influence over an entity: • Significant influence may arise from rights other than voting rights, for example management agreements. • The group considers both the rights that it has as well as currently exercisable rights that other investors have when assessing whether it has the practical ability to significantly influence the relevant activities of the investee.

Structured entities
Structured entities are those where voting rights generally relate to administrative tasks only and the relevant activities are determined only by means of a contractual arrangement. When assessing whether the group has control over a structured entity specific consideration is given to the purpose and design of the structured entity, and whether the group has power over decisions that relate to activities that the entity was designed to conduct.

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.2 Subsidiaries and associates continued

Investment funds
The group acts as fund manager to a number of investment funds. In terms of a mandate the group is required to make active investment management decisions in respect of the fund. Determining whether the group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the group in the fund (comprising any direct interests in the fund and expected management fees), whether the remuneration received by the group is market related as well as the investor's right to remove the group as fund manager. If the other investors are able to remove the group as fund manager easily or the group's aggregate interest is not deemed to be significant, the group does not consolidate the funds as it is merely acting as an agent for the other investors. Other investors are considered to be able to remove the fund manager easily if it is possible for a small number of investors acting together to appoint a new fund manager in the absence of misconduct. Where the group has a significant investment and an irrevocable fund management agreement, the fund is consolidated. Where such funds are consolidated, judgement is applied in determining if the non-controlling interests in the funds are classified as equity or financial liabilities. Where the external investors have the right to put their investments back into the fund, these non-controlling interests do not meet the definition of equity and are classified as financial liabilities. Where such funds are not consolidated, the group accounts for the investments in the funds as investment securities in terms of IFRS 9. Where investments in funds managed by the group meet the criteria for consolidation but are considered to be financially inconsequential both individually and in aggregate with other inconsequential investments in funds, these they are not consolidated, by the group and are recognised as investment securities. As decisions related to the relevant activities are based on a contractual agreement (mandate) as opposed to voting or similar rights, investment funds that are managed by the group are considered to be structured entities as defined in IFRS 12, except where other investors can easily remove the group as fund manager without cause as this represents rights similar to voting rights. The group receives investment management fees from the funds for investment management services rendered. These fees are typical of supplier-customer relationships in the investment management industry. Where the group provides seed funding or has any other interests in investment funds that it manages, and does not consolidate, the investment is considered to represent a typical customer-supplier relationship. The group does not sponsor investment funds that it manages, as it does not provide financial support to these funds.

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.2 Subsidiaries and associates continued

Impairment of goodwill

The recoverable amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. For impairment testing purposes, goodwill is allocated to cash generating units (CGUs) at the lowest level of operating activity to which it relates and is therefore not combined at group level.

The significant CGUs to which the goodwill balance as at 30 June relates is reflected below:

N$ million	2020	2019
Pointbreak Group of Companies	-	51

The recoverable amount of the CGU is determined as the higher of the value in use or fair value less costs to sell.

The group's goodwill impairment test is performed on the balances as at 30 June annually. As at 30 June 2020, management reviewed the assumptions and estimates used in the calculation of goodwill and other intangible assets.

The value in use is calculated as the net present value of the discounted cash flows of the CGU. This is determined by discounting the estimated future pre-tax cash flows to its present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the CGU. The future cash flows are based on financial budgets approved by management covering a one-year period. Cash flows beyond one year are extrapolated using the estimated growth rate for the CGU.

The key assumptions in determining the value in use of the CGU are therefore the discount rate and growth rate. The table below shows the discount rates and the growth rates used in calculating the value in use for the CGUs.

	Discount rates		Growth rates	
%	2020	2019	2020	2019
Pointbreak Group of Companies	16.3%	16.0%	5.6%	6-9%

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

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.2 Subsidiaries and associates continued

Impairment of goodwill continued

The period over which management has projected cash flows ranges between three and five years. The cash flows from the final cash flow period are extrapolated into perpetuity to reflect the long-term plans of the group. The growth rate does not exceed the long-term average past growth rate for the business in which the CGU operates.

The group assessed the recoverable amount of goodwill based on value in use and determined that goodwill is impaired, mainly as a result of the impact of Covid-19 on the expected future cash flows.

9.3 Taxation

The group is subject to direct tax in Namibia and South Africa As such there may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The group recognises liabilities based on objective estimates of the amount of tax that may be due. In determining whether an interpretation and/or application of the various tax rules may result in a dispute of which the outcome may not be favourable to the group, the group seeks, where relevant, expert advice to determine whether the unfavourable outcome is probable or possible. Where payment is determined to be possible but not probable the tax exposure is disclosed as a contingent liability. The group recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, the difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

9.4 Impairment of financial assets

Impairment of advances

In determining whether an impairment loss should be recognised, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.

The objective of the measurement of an impairment loss is to produce a quantitative measure of the group's credit risk exposure.

The group adopted the PD/LGD approach for the calculation of ECL for advances. The ECL is based on an average of three macroeconomic scenarios incorporating a base scenario, upside scenario and downside scenario, weighted by the probability of occurrence.

Regression modelling techniques are used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the group of accounts to which the model will be applied. This results in the production of models that are used to predict impairment parameters (PD, LGD and EAD) based on the predictive characteristics identified through the regression process.

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Impairment of advances continued

Forward-looking information (FLI)

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

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

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

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

The following scenarios were applied at 30 June 2020:

Baseline regime	Assumes that global growth slows below trend, developed market (DM) inflation remains benign and interest rates turn more accommodative while domestic policy uncertainty reduces relative to 2019 and meaningful economic reform remains absent.
Upside regime	Assumes that the global economy expands at a solid pace whilst DM inflation and interest rates lift gradually, and domestic policy certainty improves substantially, opening the door for positive economic reforms to drive growth higher.
Downside regime	Assumes that the global economy slows down whilst DM inflation and interest rates lift. Increased policy uncertainty, a collapse in corporate governance at state-owned enterprises (SOEs), increased populism and fiscal recklessness drive South Africa's growth lower.

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

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Namibia

The Namibian economy has been in a recessionary environment since 2016, with GDP growth lagging far behind population growth. The Covid-19 pandemic and associated lockdown measures are expected to exacerbate existing vulnerabilities. Namibia went into a 21-day lockdown on 28 March 2020 which was further extended to 38 days ending 4 May 2020. The government has since embarked on a gradual reopening of the economy, moving into Stage 3 of lockdown where most economic activity has been allowed to resume with some precautions. While domestic economic activity has been allowed to resume, the economy still faces a number of Covid-19 related pressures. Firstly, a global slowdown and falling external demand will weigh on exports and export-dependent industries. This is further worsened by the fact that borders at large remain closed under Stage 3, thus restricting the movement of goods and people and disrupting critical supply chains in various industries such as wholesale and retail trade, manufacturing and construction. Secondly, domestic demand is unlikely to rebound to significantly higher levels as consumer and investor confidence remains low due to the uncertainties surrounding Covid-19 in an already weak economic environment. Lastly, the government has put on hold all new capital and infrastructure projects which were initially expected to provide impetus to a rebound in the economy.

In response to the Covid-19 pandemic, the government has made use of both fiscal and monetary policy to cushion the economic and health fallout. The government announced a N$ 8.1billion stimulus and relief package targeted at businesses, households and the health sector. The relief package consists of an Emergency Income Grant of N$ 750 for low income groups; a wage subsidy for employers and employees in the tourism, travel, aviation and construction sectors; the accelerated payment of overdue unpaid invoices and VAT refunds to suppliers; loan schemes for agricultural and non-agricultural sectors; the provision of a water subsidy and an emergency budget frontloaded to the Ministry of Health and the Ministry of Basic Education, Arts and Culture. On the monetary policy front, the Bank of Namibia has reduced the repo rate by a total of 200bps in response to the crisis and has provided regulatory relief which includes repayment holiday, relaxation of the regulations in terms of write-off and provisioning by commercial banks, liquidity relief, capital conservation buffer relief and the postponement of the amended single borrower limit.

Fiscal metrics will undoubtedly come under pressure over the short to medium-term. In the 2020/21 budget statement tabled by the Minister of Finance, revenue is expected to decline by 12% compared to the previous financial year. At the same time expenditure is expected to increase by 12%, bringing the projected budget deficit to 12.5% of GDP. Funding this deficit will increase the debt-to-GDP ratio to 69%, well above the self-imposed government threshold of 35%. Deteriorating fiscal metrics will present more credit ratings pressures, with Moody's already having changed the outlook on its Ba2 rating from stable to negative.

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Significant macroeconomic factors

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

30 June 2020

Namibia	Upside scenario	Baseline expectation	Downside scenario
Real GDP growth (%)	0.7	(3.4)	(5.0)
Policy interest rate (%)	4.2	3.3	6.1

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

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

	N$ 000's	% change on total IFRS 9 provision
IFRS 9 impairment provision at 30 June 2019		
Scenarios		
Baseline	706 298	0.47%
Upside	611 343	(13.0%)
Downside	762 817	8.5%

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.

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 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 draw-down and payment behaviour. LGDs are determined by estimating expected future cash flows. 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 not a 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.	

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

<table>
<tr><th>Judgement</th><th>Retail and retail SME</th><th>Wholesale and commercial SME</th></tr>
<tr><td rowspan="2">Measurement of the 12-month and lifetime ECL continued</td><td colspan="2">Although COVID-19 has had a negative impact on the economies in which the group operates, in isolation COVID-19 initially reflected a liquidity constraint more so than an inherent increase in credit risk for the entire portfolio of advances held by the group and as such the group did not impose a blanket downgrade to all ECL stages.

Rather a more systematic and targeted approach to the impact of COVID-19 on the group's customer base was undertaken, following the group's existing credit framework, which allowed for a well-balanced and consistent decisions that considered not only the impact of COVID-19, but existing economic trends as well. As such, the group did not view requests for payment deferrals and liquidity assistance as the sole indicator that SICR had occurred for performing advances.</td></tr>
<tr><td>In accordance with IFRS 9, all exposures are assessed to determine whether there has been a significant increase in credit risk (SICR) at each reporting date (monthly), in which case the expected credit loss is calculated on a lifetime basis.

SICR triggers are client behavioural based and are derived from client behavioural scores as well as judgemental factors. These triggers are portfolio specific and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk with reference to historic default on that portfolio.

The group uses a relative movement in probability of default between reporting date and origination date to determine if there was a significant increase in credit risk. These levels are monitored and validated on a continuous basis. Management also considers other judgemental triggers, for example behaviour on other products and anticipated changes in legislation.

Management also considers other judgemental triggers, for example behaviour on other products and anticipated changes in legislation. Additional judgemental triggers, such as employment in industries in distress, have also been considered in the context of COVID-19 and its financial impacts.</td><td>In accordance with IFRS 9, all exposures are assessed to determine whether there has been a significant increase in credit risk at each reporting date (monthly), in which case the expected credit loss is calculated on a lifetime basis.

SICR triggers are client behavioural based and are derived from a client FR rating or risk score, as well as judgemental factors which may result in the client being added to the watch list through the group's ongoing risk management process. These triggers are tested at a deal and client level and the former is calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk.

Additional judgmental triggers, such as belonging to an industry in distress, are considered in the context of the financial impact of COVID-19.

The group uses a relative movement in probability of default between reporting date and origination date to determine if there was a significant increase in credit risk, and the client's watch list status at a point in time. These levels are monitored and validated on a continuous basis.</td></tr>
</table>

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Judgement	Retail and retail SME	Wholesale and commercial SME
Sensitivity staging	As outlined above, when there is a SICR since initial recognition, the exposure is moved from stage 1 to stage 2 and the ECL is calculated based on lifetime expected credit losses.	

As indicated, the group did not apply a blanket downgrade to all ECL stages due to COVID-19. However, adjustments were made to coverage held for COVID-19 relief to allow for the impact of delayed arrears recognition, which results from an inability to observe normal arrears behaviour.

The following table sets out the impact on the staging and total ECL provisions recognised if COVID-19 restructures had been viewed as a blanket downgrade to the next stage:

N$ 000's	Stage 1	Stage 2	Stage 3
Total ECL provision as at 30 June 2020	370 147	263 526	607 860
Additional provision recognised if the exposures had moved into stage 2 from stage 1	-	14 776	-
Additional provision recognised if the exposures had moved into stage 3 from stage 2	-	-	14 959
Potential total ECL provision as at 30 June 2020	370 147	278 302	622 819

The table below sets out the impact of a 10% increase in the post model adjustments for COVID-19 relief currently provided for in the ECL:

N$ 000's	Stage 1	Stage 2	Stage 3
Total ECL provision as at 30 June 2020	370 147	263 526	607 860
Additional provisions	8 263	4 962	1 377
Potential total ECL provision as at 30 June 2020	378 410	268 488	609 237

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Judgement	Retail and retail SME	Wholesale and commercial SME
Treatment of financial relief offered in response to the impacts of COVID-19 – Retail and Commercial Exposurescontinued	The group has offered financial relief through various mechanisms in response to COVID-19. These included the following: • Additional facilities or new loans being granted; • Restructure of existing exposures with no change in the present value of the estimated future cash flows; and • Restructure of existing exposures with a change in the present value of the estimated future cash flows. Exposures on which relief has been offered have been assessed to determine whether the requirement for relief is expected to be temporary or permanent in nature. Where the requirement for relief is expected to be temporary in nature and as such qualified as a non-distressed restructure, the staging of the exposure as at 29 February 2020 has been maintained, and adjustments have been made to coverage to allow for incremental credit risk and potential masking of normal arrears. Where the requirement for relief is not expected to be temporary in nature, the exposure has been treated as a distressed restructure, and staging and coverage has been adjusted in line with normal practice. Where relief has been enacted through the issuance of a new loan as part of a non-distressed restructure, the loan has been treated at initial recognition as a new exposure and coverage has been calculated on the basis of historical behaviour in similar products. The terms of the new loan are distinct from other facilities granted to the customer previously, as the new loan is unsecured and its repayment terms differ from the terms of the customers other facilities with the group. Relief provided as an emergency facility (as defined under the NCA) part of a distressed restructure, the staging of the emergency facility has been aligned to the staging of the underlying exposures. Where there are multiple underlying exposures with different stages, the worst of these stages has been applied. The ECL for all exposures on which relief has been offered and for all emergency facilities has been adjusted to reflect the impact of forward-looking macro-economic information in line with the rest of the portfolio.	

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Judgement	Retail and retail SME	Wholesale and commercial SME
Treatment of financial relief offered in response to the impacts of COVID-19 – Wholesale Exposures	Debt relief measures for wholesale clients have been undertaken on a case-by-case basis within the boundaries of existing credit risk management processes. ECL treatment of financial relief offered to wholesale customers remains the same as for other wholesale restructures.	
Determination of whether a financial asset is credit impaired	Exposures are classified as stage 3 if there are qualitative indicators that the obligor is unlikely to pay his/her/its credit obligations in full without any recourse by the group to action such as the realisation of security. Distressed restructures of accounts in stage 2 are also considered to be default events. For a retail account to cure from stage 3 to either stage 2 or stage 1, the account needs to meet a stringent cure definition. Cure definitions are determined on a portfolio level with reference to suitable analysis and are set such that the probability of a previously cured account re-defaulting is equivalent to the probability of default for an account that has not defaulted in the past. In most retail portfolios curing is set at 12 consecutive payments. For wholesale exposures, cures are assessed on a case-by-case basis, subsequent to an analysis by the relevant debt restructuring credit committee. A default event is a separate default event only if an account has met the portfolio-specific cure definition prior to the second or subsequent default. Default events that are not separate are treated as a single default event when developing LGD models and the associated term structures.	

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.5 Provisions

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

9.6 Transactions with employees

Employee benefits – defined benefit plans	
Determination of present value of defined benefit plan obligations	The cost of the benefits and the present value of the defined benefit pension funds and post-employment medical obligations depend on a number of factors that are determined annually on an actuarial basis, by independent actuaries, using the projected unit credit method which incorporates a number of assumptions. The key assumptions used in determining the charge to profit or loss arising from these obligations include the expected long-term rate of return on the relevant plan assets, discount rate and expected salary and pension increase rates. Any changes in these assumptions will impact the charge to profit or loss and may affect planned funding of the pension plans.
Cash-settled share-based payment plans	
Determination of fair value	The liability is determined using a Black Scholes option pricing model with a zero strike price. The following estimates are included in the model to determine the value: • Management's estimate of future dividends; • The risk-free interest rate is used; and • Staff turnover and historical forfeiture rates are used as indicators of future conditions.
Equity-settled share-based payment plans	
Determination of fair value	The total value of the services received is calculated with reference to the fair value of the options on grant date. The fair value of the options is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest.

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.7 Insurance activities

Short-term insurance contracts	
Determination of policyholder liability for short-term insurance contracts	OCRs are derived from actual claims submitted and a repudiation factor is applied when calculating the reserve based on historical claim repudiation rates. For intimated claims represent claims where the incident giving rise to a claim has occurred and has been reported to the insurer for settlement but has not yet been finalised and paid by the insurer. The liability is measured at the value assessed for the claim. IBNR represent claims incurred but not yet reported or paid. The liability is estimated by assuming that the final settled claims for a cohort of policies will emerge as assumed in the pricing basis (the prior loss ratio). This loss ratio is applied to gross earned insurance premiums to obtain the ultimate view of claims to which the OCR at year end date and paid claims to date are subtracted to obtain the IBNR reserve.

10. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS

The group adopted IFRS 16 during the current period, with the most significant impact on the accounting treatment of leases where the group is the lessee. The standard requires lessees to recognise a right-of use-asset (ROUA) and corresponding lease liability in respect of all leases that were previously classified as operating leases under IAS 17. The standard does allow for certain exemptions from this treatment for short-term leases and leases where the underlying asset is considered to be of low-value.

As permitted by IFRS 16, the group did not restate comparative information and elected to apply the modified retrospective approach on the date of initial application (DIA) being 1 July 2019. On the DIA, a lease liability, measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at DIA was recognised. The group elected to measure the ROUA at a value equal to the lease liability as calculated at the DIA, adjusted for any lease prepayments that were made as well as any operating lease liabilities from the straight lining of lease liabilities, that were raised under IAS 17.

10. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS continued

The table below reconciles the operating lease commitments recognised under IAS 17 to the lease liabilities recognised on the statement of financial position as at 1 July 2019:

N$'000	Note	Amount
Operating lease commitments disclosed as at 30 June 2019 under IAS 17	1	**88 808**
Less: short term leases	2	(5 010)
Total qualifying operating leases subject to IFRS 16		**83 798**
Less: Discounted using the group's incremental borrowing rate	3	(17 920)
Additional lease liability recognised as at 1 July 2019 (included in other liabilities)		**65 878**

The table below sets out a breakdown of the total amount of ROUA recognised as at 1 July 2019:

N$'000	Note	Amount
ROUA recognised on DIA (equal to the present value of lease liability)		
Property held under finance leases under IAS 17	9	61 022
Total ROUA as at 1July 2019 (included in PPE)		**61 022**

The ROUA recognised is accounted for as property and equipment (PPE) within the group. The recognition of additional assets of N$61 million on the statement of financial position.

The adoption of IFRS 16 had no impact on the amount of the net deferred tax recognised.

The recognition of the lease liability and ROUA impacted the amounts recognised in the group's income statement from the DIA. Under IAS 17 a straight-lined operating lease charge was recognised in operating expenses.

From DIA, the following amounts will be recognised in the income statement under IFRS 16:

- Interest expense on the lease liability;
- Depreciation charge on the ROUA and will be recognised over the lease term; and
- Rental charge will be recognised in operating expenses for variable rate leases and assets classified as short-term or low-value in terms of the group's policy.

10. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS continued

Note	Adjustment	Description
1.	**Operating lease commitments under IAS 17**	The group applied the practical expedient in IFRS 16 C3 and did not reassess the definition of a lease on its current lease contracts but applied the requirements of IFRS 16 to all leases recognised as operating leases previously under IAS 17.
2.	**Short term leases**	IFRS 16 provides an exemption for leases that are short-term in nature. The exemption allows a lessee to not recognise a ROUA or lease liability. The exemption is applied per class of leases (i.e. leases of property, leases of vehicles, etc.). The group applied this exemption to all classes of leases at DIA and for new leases entered into after the DIA that meets the definition. The group defines short term leases as any lease that has a lease term of 12 months or less and where the terms of the lease contain: • no extension periods that the group is reasonably certain to exercise which would result in the lease term being longer than 12 months; and • no purchase option.
3.	**Discounting using the group's incremental borrowing rate**	IFRS 16 requires that the lease payments are discounted. The discounted amount is calculated using the incremental borrowing rate at DIA. The group used the practical expedient in IFRS 16 that allows the use of a single discount rate to a portfolio of leases with reasonably similar characteristics. The incremental borrowing rates used ranged between 7% - 10%. The range is indicative of: • Duration of the lease;and • Credit risk of the business that is the lessee.
4.	**Property held under finance leases under IAS 17**	The group previously had property held under finance leases that was included in PPE within the leasehold premises category. No lease liabilities relating to the finance lease was recognised, as the lease was prepaid. At transition to IFRS 16, the measurement was retained and the property held under finance lease was reclassified to ROUA.

IMPACT ON THE STATEMENT OF FINANCIAL POSITION

N$'000	As previously reported at 30 June 2019	Restatement for IFRS 16	1 July 2019
Assets			
Property and equipment	859 591	61 022	920 614
	859 591	61 022	920 614
Liabilities			
Other liabilities	261 046	65 877	326 923
Creditors, accruals and provisions (Straight-lining liability)	385 631	(4 855)	380 776
Total liabilities	646 677	61 022	707 699
Equity			
Ordinary shares	1 314	-	1314
Share premium	7 870	-	7 870
Reserves	5 343 443	-	5 343 443
Capital and reserves attributable to equity-holders of the group	5 352 627	-	5 352 627
Non-controlling interest	61 605		61 605
Total equity	5 414 232	-	5 414 232

Annual Financial Statements

for the year ended 30 June 2020

Consolidated statement of comprehensive income
for the year ended 30 June

N$'000	Note(s)	2020	2019
Interest and similar income	1	3 858 058	3 864 700
Interest expense and similar charges	1	(1 844 619)	(1 852 478)
Net interest income before impairment of advances		**2 013 439**	**2 012 222**
Impairment and fair value of credit of advances	14	(559 672)	(214 809)
Net interest income after impairment of advances		1 453 767	1 797 413
Net insurance premium income	3	161 092	167 217
Net claims and benefits paid	4	(77 467)	(86 201)
Non-interest income	2	1 905 019	1 820 161
Income from operations		3 442 411	3 698 590
Operating expenses	5	(2 173 695)	(2 068 996)
Operating profit		**1 268 716**	**1 629 594**
Share of (losses) / profit of associates after tax	16	(14 248)	2 758
Income before tax		1 254 468	1 632 352
Indirect tax	7	(44 724)	(47 372)
Profit before tax		**1 209 744**	**1 584 980**
Income tax expense	7	(376 388)	(499 170)
Profit for the year		**833 356**	**1 085 810**

N$'000	Note(s)	2020	2019
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements on net defined benefit post-employement plan		3 755	(146)
Deferred income tax		(1 202)	47
Total items that will not be reclassified to profit or loss		**2 553**	**(99)**
Other comprehensive income for the year net of taxation		**2 553**	**(99)**
Total comprehensive income for the year		**835 909**	**1 085 711**
Profit attributable to :			
Owners of the parent		819 326	1 071 370
Non-controlling interest		14 440	14 440
		833 356	1 085 810
Total comprehensive income attributable to:			
Owners of the parent		821 879	1 071 271
Non-controlling interest		14 030	14 440
		835 909	1 085 711
Earnings per share			
Basic earnings per share (c)	8	313.4	409.9
Diluted earnings per share (c)	8	313.4	409.6

The group elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis. Refer to accounting policy note 5.2 for details.

Consolidated statement of financial position
as at 30 June 2020

N$'000	Note(s)	2020	2019
Assets			
Cash and cash equivalents	10	1 115 109	1 390 195
Due from banks and other financial institutions	10	4 442 442	2 803 839
Derivative financial instruments	11	519 294	459 072
Investments securities	12	8 534 477	7 807 309
Advances	13	29 993 738	30 297 933
Other assets *	15	244 310	298 655
Current tax asset		490	667
Reinsurance assets		-	2 938
Investments in associates	16	-	28 079
Property and equipment **	17	896 917	859 591
Intangible assets	18	94 684	162 552
Deferred income tax asset	19	26 210	28 943
		45 867 671	44 139 773
Equity and Liabilities			
Liabilities			
Derivative financial instruments	11	534 035	480 490
Creditors and accruals	20	528 298	385 631
Current tax liability		58 886	185 530
Deposits and current accounts	21	38 427 237	35 886 144
Due to banks and other financial institutions	21	117 948	427 776
Employee liabilities	22	207 103	248 927
Other liabilities **	23	293 698	261 046
Policyholder liabilities	24	40 750	46 351
Tier 2 liabilities	25	402 774	402 804
Deferred income tax liability	19	256 706	400 842
		40 867 435	38 725 541

N$'000	Note(s)	2020	2019
Equity			
Equity Attributable to Equity Holders of Parent			
Ordinary shares	26	1 307	1 314
Share premium		2 354	7 870
Reserves		4 934 170	5 343 443
		4 937 831	5 352 627
Non-controlling interest		62 405	61 605
		5 000 236	5 414 232
Total Equity and Liabilities		45 867 671	44 139 773

* *In the prior year, these amounts were disclosed as account receivables. The description Other assets is more appropriate based on the nature of the assets included in this line items and is in line with industry practice.*

** *The group elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis. Refer to accounting policy note 10.*

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

N$'000	Share capital	Share premium	Total share capital	Defined benefit post-employment reserve	General risk reserve	Share based payment reserve	Total reserves	Retained earnings	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
Balance at 01 July 2018	1 319	30 631	31 950	3 632	163 140	7 727	174 499	4 629 775	4 836 224	72 645	4 908 869
Profit for the year	-	-	-	-	-	-	-	1 071 370	1 071 271	14 440	1 085 711
Other comprehensive income	-	-	-	(99)	-	-	(99)	-	-	-	-
Total comprehensive income for the year	-	-	-	(99)	-	-	(99)	1 071 370	1 071 271	14 440	1 085 711
Staff share option transactions	-	-	-	-	-	1 120	1 120	-	1 120	-	1 120
Transfer between reserves	-	-	-	-	(163 140)	(6 380)	(169 520)	169 520	-	-	-
Consolidation of shares held by the share trusts	(5)	(22 761)	(22 766)	-	-	-	-	-	(22 766)	-	(22 766)
Dividends	-	-	-	-	-	-	-	(533 222)	(533 222)	(25 480)	(558 702)
Balance as at 01 July 2019	1 314	7 870	9 184	3 533	-	2 467	6 000	5 337 443	5 352 627	61 605	5 414 232
Total comprehensive income for the year	-	-	-	2 553	-	-	2 553	819 326	821 879	14 030	835 909
Staff share option transactions	-	-	-	-	-	275	275	-	275	-	275
Transfer between reserves	-	-	-	-	-	(2 742)	(2 742)	2 742	-	-	-
Consolidation of shares held by share trusts	(7)	(5 516)	(5 523)	-	-	-	-	-	(5 523)	-	(5 523)
Dividends	-	-	-	-	-	-	-	(1 231 427)	(1 231 427)	(13 230)	(1 244 657)
Balance at 30 June 2020	**1 307**	**2 354**	**3 661**	**6 086**	**-**	**-**	**6 086**	**4 928 084**	**4 937 831**	**62 405**	**5 000 236**
Notes	26	26	26								

Consolidated statement of cash flows
for the year end 30 June

N$'000	Note(s)	2020	2019
Cash flows from operating activities			
Interest and fee commssion receipts	28	3 838 809	3 850 615
Trading and other income	28	2 067 659	1 988 084
Interest payments	28	(1 925 794)	(1 942 972)
Other operating expenses	28	(1 940 720)	(1 901 287)
Taxation paid	28	(691 678)	(466 327)
Cash generated from operating activities	28	1 348 276	1 528 113
Movement in operating assets and liabilities			
Liquid assets and trading securities	28	(2 365 770)	(2 528 070)
Advances	28	(242 119)	(1 966 823)
Deposits	28	2 541 092	4 339 983
Other assets	28	53 917	(56 885)
Creditors	28	139 576	(167 439)
Other liabilities	28	(309 827)	(469 632)
Net cash from operating activities		1 165 145	679 247

N$'000	Note(s)	2020	2019
Cash flows from investing activities			
Acquisition of property and equipment	17	(164 192)	(58 080)
Proceeds from the disposal of property and equipment		4 118	4 196
Net cash from investing activities		(160 074)	(53 884)
Cash flows from financing activities			
Acquisition of share for share trust		(5 523)	(22 309)
Dividends paid	8	(1 231 427)	(533 221)
Dividends paid to non-controlling interests		(13 230)	(25 480)
Principal payments on lease liabilities	23	(29 977)	-
Net cash from financing activities		(1 280 157)	(581 010)
Total cash movement for the year		(275 086)	44 353
Cash at the beginning of the year		1 390 195	1 345 842
Total cash at end of the year	10	1 115 109	1 390 195

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

1 Interest and similar income

N$'000	2020	2019
Analysis of interest expense and similar charges		
Instruments at amortised cost	3 858 058	3 864 700
	3 858 058	3 864 700
Advances		
Overdrafts and cash management accounts	396 325	366 932
Term loans	363 186	340 902
Card loans	60 245	58 967
Instalment sales and hire purchase agreements	321 001	340 730
Lease payments receivable	15 042	25 850
Home loans	1 373 893	1 419 908
Commercial property finance*	214 413	237 950
Personal loans	332 680	333 986
Preference share agreements	71 810	18 326
Investment bank term loans	48	750
Other advances	20 727	22 996
Invoice financing*	14 114	19 449
	3 183 484	3 186 746
Cash and cash equivalents	120 866	179 694
Investment securities	550 344	494 784
Accrued on off-market advances	3 364	683
Other	-	2 793
Interest and similar income	3 858 058	3 864 700

** In the prior year, these amounts were disclosed as term loans and other advances. The new disclosure is more appropriate based on the nature of the interest included in these line items.*

N$'000	2020	2019
Analysis of interest expense and similar charges		
Instruments at amortised cost	1 844 619	1 852 478
	1 844 619	1 852 478
Deposits from customers		
Current accounts	125 123	123 040
Savings deposits	10 219	8 803
Call deposits	329 925	343 064
Fixed and notice deposits	617 323	600 750
	1 082 590	1 075 657
Debt securities		
Negotiable certificates of deposit	611 153	576 242
Fixed and floating rate notes	81 034	116 195
Deposits from banks and other financial institutions	8 461	27 347
Other liabilities	17 574	17 963
Lease liabilities*	6 188	-
Tier 2 liabilities	37 619	39 074
	762 029	776 821
Interest expense and similar charges	1 844 619	1 852 478

** The group has elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis. Refer to accounting policy note 10 for details.*

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

2. Non-interest income

N$'000	Note(s)	2020	2019
Analysis of non-interest revenue			
Fee and commission income	2.1	1 875 278	1 760 121
- Instruments at amortised cost		1 727 605	1 611 555
- Non financial insturments		147 673	148 566
Fee and commission expense	2.2	(177 254)	(160 179)
Net fee and commission income		1 698 024	1 599 942
- Instruments at fair value through profit or loss	2.3	165 796	140 183
Gains less lossess from investing activities	2.4	16 417	55 051
Other non-interest revenue	2.5	24 782	24 985
Total non-interest revenue		1 905 019	1 820 161
2.1 Fee and commission income:			
Card commissions		196 726	176 883
Cash deposit fees		103 173	109 075
Commissions: bills and drafts		137 135	148 863
Bank charges		1 290 571	1 176 734
Banking fee and commission income Non-banking fee and commission income		1 727 605	1 611 555
Brokerage income		57 764	63 180
Management, trust and fiduciary service fees		89 909	85 386
		147 673	148 566
Fee and commission income		1 875 278	1 760 121

2. Non-interest income continued

N$'000	Note(s)	2020	2019
2.2 Fee and commission expenses:			
ATM commissions paid		(7 856)	(5 642)
Cash sorting handling and transportation charges		(26 993)	(26 229)
Card and cheque book related		-	(803)
Customer loyalty program		(18 979)	(16 365)
Transaction processing fees		(120 184)	(107 993)
Other		(3 242)	(3 147)
Fee and commission expenses		(177 254)	(160 179)
2.3 Fair value gains and losses			
Foreign exchange		96 536	94 190
Designated at fair value through profit or loss		69 260	45 993
Fair value income		165 796	140 183
2.4 Gains less losses from investing activities			
Gains on investment securities designated at fair value through profit or loss		1 307	23 933
Gains on disposal of debt instruments at amortised cost		-	3 029
Loss allowance on investment securities		44	(421)
Dividends received		15 066	11 085
Preference share dividends from unlisted investments		-	17 425
Gross gains less losses from investing activities		16 417	55 051
2.5 Other non-interest income			
Gains and losses on sale of property and equipment		3 063	628
Rental income		3 899	2 304
Other income		17 820	22 053
Other non-interest income		24 782	24 985

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

3. Net insurance premium income

N$'000	Note(s)	2020	2019
Short term insurance contracts			
Gross income premium written		165 246	178 220
Outward reinsurance premiums		(7 113)	(11 726)
Change in provision for unearned premium		2 959	723
Net insurance premium income		161 092	167 217

4. Net claims and benefits paid

Short term insurance contracts			
Gross insurance contract claims		79 522	91 997
Transfer to provision for unintimated claims		(697)	(1 489)
Reinsurer's share of insurance contract claims		(1 358)	(4 307)
		77 467	86 201

5. Operating expenses

N$'000	Note(s)	2020	2019
Auditor's remuneration			
Audit fees		10 463	12 123
Fees for other services		896	289
		11 359	12 412
Non-capitalised lease charges *			
- Short term leases		10 617	-
- Leases of low value assets		15 462	-
- Operating lease charges		-	65 474
		26 079	65 474

5. Operating expenses continued

N$'000	Note(s)	2020	2019
Staff costs			
Salaries, wages and allowances		954 711	897 107
Off-market staff loans amortisation		3 364	683
Defined contribution schemes: pension		91 026	84 750
Defined contribution schemes: medical		89 403	86 996
Post retirement medical expense		3 348	3 211
Severance pay: death in service		410	1 133
Social security levies		2 019	2 076
Share-based payments		33 777	40 158
Skills development levies		9 254	7 979
Other staff related costs		1 971	2 348
Total staff costs		1 189 283	1 126 441
Other operating costs			
Advertising and marketing		52 430	60 860
Amortisation of intangible assets		14 808	17 565
Impairment of goodwill **		51 456	-
Business travel		14 160	18 869
Computer		359 924	346 163
Depreciation of property and equipment *		125 811	102 178
Donations		10 861	10 537
Insurance		9 967	9 236
Legal and other related expenses		12 086	13 045
Other operating expenditure		159 759	148 608
Postage		3 493	4 254
Professional fees		8 999	12 295
Property and maintenance related expenses		79 767	77 278
Stationery		7 163	8 864
Telecommunications		23 160	22 489
Total directors remuneration		13 130	12 427
Other Operating costs		946 974	864 668
Total operating expenses		2 173 695	2 068 996

* *The group has elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis. please add: Refer to accounting policy note 10.*

** *Intangible assets - Goodwill impairment*
On acquisition of Pointbreak group goodwill of N$ 51.4m were recognised. The group assessed the recoverable amount of goodwill and determined that goodwill is impaired, mainly as a result of the impact of COVID-19 on the expected future cash flows.

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

6. Director's emoluments

N$'000	Note(s)	2020	2019
Executive			
S.J. van Zyl			
Cash packages paid during the year		2 633	2 591
Retirement contributions paid during the year		430	411
Other allowances		205	122
Guaranteed package		3 268	3 124
Performance related short-term incentive (STI):			
Cash:			
- within 6 months		1 907	1 797
- Within 1 year		659	603
Variable pay		2 566	2 400
Total guaranteed and variable pay		5 834	5 524
OLP Capelao			
Cash package paid during the year		1 656	1 491
Retirement contributions paid during the year		267	254
Other allowances		137	221
Guaranteed package		2 060	1 966
Performance related STI:			
Cash:			
- within 6 months		1 108	1 156
- within 1 year		241	266
Variable pay		1 349	1 422
Total guaranteed and variable pay		3 409	3 388

Cash package, performance related, retirement contributions and other allowances reflect what was paid during the year ended 30 June 2020 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.

6. Director's emoluments continued

N$'000	Note(s)	2020	2019
Non-executive			
Zaamwani-Kamwi II		362	420
Moir SH		1 091	998
Daun JG		488	456
Grüttemeyer P (appointed April 2020)		64	-
Haikali CLR		712	614
Hamer RJ (resigned December 2018)		-	223
Hausiku JH		308	236
Hinda Adv GS		324	299
Khethe JR		316	224
Nashandi IN		222	104
		3 887	3 574

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

6. Director's emoluments continued

Conditional incentive plan

	Opening balance	Granted during the year	Expiry date	Forfeited this year	Taken this year (vested/sold)	Closing balance as at June 2020	Value on settlement (N$ 000)
SJ van Zyl							
FirstRand SA Ltd shares	46 508	-	Sep-19	-	(46 508)	-	3 032
FirstRand SA Ltd shares	558	-	Sep-19	-	(558)	-	36
FirstRand SA Ltd shares	41 876	-	Sep-20	-	-	41 876	-
FirstRand SA Ltd shares	37 676	-	Sep-21	-	-	37 676	-
FirstRand SA Ltd shares	-	30 675	Sep-22	-	-	30 675	-
FirstRand SA Ltd shares	-	3 336	Sep-21	-	-	3 336	-
	126 618	34 011	-	-	(47 066)	113 563	3 068
FNB Namibia share Scheme 2007- 2014	14 667	-	Sep-20	-	(14 667)	-	130

	Opening balance	Granted during the year	Expiry date	Forfeited this year	Taken this year (vested/sold)	Closing balance as at June 2020	Value on settlement (N$ 000)
OLP Capelao							
FirstRand SA Ltd shares	25 368	-	Sep-18	-	(25 368)	-	1 654
FirstRand SA Ltd shares	22 333	-	Sep-19	-	-	22 333	-
FirstRand SA Ltd shares	18 763	-	Sep-20	-	-	18 763	-
FirstRand SA Ltd shares	-	19 172	Sep-21	-	-	19 172	-
	66 464	19 172	-	-	(25 368)	60 268	1 654
FNB Namibia share Scheme 2007- 2014	14 667	-	Sep-20	-	(14 667)	-	130

7. Taxation

N$'000	2020	2019
Indirect tax		
Stamp duties	12 238	11 507
Value-added tax (net)	32 486	35 865
Total indirect tax	44 724	47 372
Direct tax		
Current		
Local income tax current period	517 569	417 698
Foreign income tax current period	1 229	80
	518 798	417 778
Deferred		
Originating and reversing temporary differences	(142 410)	81 392
Total income tax expense	376 388	499 170
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	32,00%	32,00%
Dividend income	(2,28)%	(1,23)%
Other non-taxable income**	(1,70)%	(0,15)%
Disallowed expenditure*	3,00%	0,84%
Other	0,09%	0,03%
Effective rate of tax	31,11%	31,49%

* *Includes donations and expenditure in entities which do not have taxable income.*
** *Includes fair value income which are non-taxable.*

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

8. Earnings and dividends per share

8.1 Headline earnings per share

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

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

N$'000	2020	2019
Headline earnings per share (cents)	331.8	409.9
Diluted earnings per share (cents)	313.4	409.6
Reconciliation between earnings and headline earnings		
Basic earnings (N$'000)	819 326	1 071 370
Adjusted for:		
Gains on sale of property and equipment	(3 063)	(628)
Impairment of assets in terms of IAS 36	51 456	306
Tax effect (N$'000)	(210)	201
	867 509	1 071 249
Dividends per share		
Interim (12 February 2020: 104 cents); (31 January 2019: 91 cents)	271 907	237 712
Final (13 August 2019: 117 cents); (7 August 2018: 113 cents)	305 977	295 510
Special dividend (13 August 2019: 250 cents)	653 543	-
	1 231 427	533 222

The final dividend of 50 cents (2019: 117 cents) was declared and authorised after the reporting period. The dividend has therefore not been recognised as a liability in the reporting period. It has been disclosed for information purposes only (refer to directors report).

8.2 Earnings per share

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

N$'000	2020	2019
Basic earnings per share (cents)		
Earnings attributable to ordinary shareholders (N$'000)	819 326	1 071 370
Weighted average number of ordinary shares in issue	261 441 347	261 358 638
	313.4	409.9

N$'000	2020	2019
Diluted earnings per share (cents)		
Earnings attributable to ordinary shareholders (N$'000)	819 326	1 071 370
Weighted average number of ordinary shares in issue	261 441 347	261 555 647
	313.4	409.6

Diluted earnings per share is determined by dividing profit or loss attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

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

9. Analysis of assets and liabilities

2020

N$'000	Amortised cost	At fair value through profit or loss Mandatory	At fair value profit or loss Designated	At fair value through other comprehensive income (Equity)	Non-financial assets and liabilities	Total carrying value	Current	Non current and Non-contractual
Assets								
Cash and cash equivalents	1 115 109	-	-	-	-	1 115 109	1 115 109	-
Due from banks and other financial institutions	4 442 442	-	-	-	-	4 442 442	4 442 442	-
Derivative financial instruments	-	519 294	-	-	-	519 294	519 294	-
Advances	29 683 696	-	310 042	-	-	29 993 738	6 303 502	23 690 236
Investment securities	8 037 567	67 538	419 794	9 578	-	8 534 477	5 759 714	2 774 763
Other assets	14 878	-	-	-	229 432	244 310	244 310	-
Non-financial assets	-	-	-	-	1 018 301	1 018 301	-	1 018 301
Total assets	43 293 692	586 832	729 836	9 578	1 247 733	45 867 671	18 384 371	27 483 300
Equity and Liabilities								
Total equity	-	-	-	-	5 000 236	5 000 236	-	5 000 236
Derivative financial instruments	-	534 035	-	-	-	534 035	534 035	-
Creditors and accruals	160 912	-	-	-	367 386	528 298	469 609	58 689
Deposits	38 427 237	-	-	-	-	38 427 237	36 371 026	2 056 211
Due to banks and other financial institutions	117 948	-	-	-	-	117 948	117 948	-
Other liabilities	219 928	607	-	-	73 163	293 698	68 794	224 904
Tier 2 liabilities	402 774	-	-	-	-	402 774	2 774	400 000
Non-financial liabilities	-	-	-	-	563 445	563 445	-	563 445
Total liabilities	39 328 799	534 642	-	-	1 003 994	40 867 435	37 564 186	3 303 249
Total equity and liabilities	39 328 799	534 642	-	-	6 004 230	45 867 671	37 564 186	8 303 485

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

9. Analysis of assets and liabilities continued

2019

N$'000	Amortised cost	At fair value through profit or loss Mandatory	At fair value profit or loss Designated	At fair value through other comprehensive income (Equity)	Non-financial assets and liabilities	Total carrying value	Current	Non-current and Non-contractual
Assets								
Cash and cash equivalents	1 390 195	-	-	-	-	1 390 195	1 390 195	-
Due from banks and other financial institutions	2 803 839	-	-	-	-	2 803 839	2 803 839	-
Derivative financial instruments	-	459 072	-	-	-	459 072	459 072	-
Advances	29 929 001	-	368 932	-	-	30 297 933	7 321 754	22 976 179
Investment securities	7 144 541	120 408	532 782	9 578	-	7 807 310	5 738 007	2 069 303
Other assets	28 840	-	-	-	-	28 840	28 840	-
Non-financial assets	-	-	-	-	1 352 584	1 352 584	-	1 352 584
Total assets	41 296 416	579 480	901 714	9 578	1 352 584	44 139 773	17 741 707	26 398 066
Equity and Liabilities								
Total equity	-	-	-	-	5 414 232	5 414 232	-	5 414 232
Liabilities								
Derivative financial instruments	-	480 490	-	-	-	480 490	480 490	-
Creditors and accruals	157 340	-	-	-	-	157 340	157 340	-
Deposits	35 886 144	-	-	-	-	35 886 144	32 598 799	3 287 345
Due to banks and other financial institutions	427 776	-	-	-	-	427 776	427 776	-
Other liabilities	220 486	40 560	-	-	-	261 046	1 734	259 312
Tier 2 liabilities	402 804	-	-	-	-	402 804	2 804	400 000
Non-financial liabilities	-	-	-	-	1 109 941	1 109 941	-	1 109 941
Total liabilities	37 094 550	521 050	-	-	1 109 941	38 725 541	33 668 943	5 056 598
Total equity and liabilities	37 094 550	521 050	-	-	6 524 173	44 139 773	33 668 943	10 470 830

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

10. Cash and cash equivalents

N$'000	2020	2019
Coins and bank notes	555 058	516 237
Balances with other banks	9 736	9 389
Balances with central bank	550 315	864 569
	1 115 109	1 390 195
Mandatory reserve balances included above:	409 263	381 671
Banks are required to deposit a minimum average balance, calculated monthly, with the central bank, which is not available for use in the group's day to day operations. These deposits bear no interest.		
Due from banks and other financial institutions		
Due from banks and other financial institutions	4 442 442	2 803 839

ECL for cash and cash equivalents are insignificant.

11. Derivative financial instruments continued

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 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 offsetting deals being utilised to achieve this where necessary.

For further details on the valuation of derivatives refer to note 31.

11. Derivative financial instruments

Hedging instruments.

Fair value hedges
The group's fair value hedges consist principally of currency forwards and interest rate 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 34.

By using derivative financial instruments to hedge exposures to changes in interest rates and commodity prices, 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 credit risk in derivative instruments, refer to note 34.

Most of the group's derivatives 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:

2020:

N$'000	Asset Notional	Fair value	Liabilities Notional	Fair value
Held for trading				
Currency derivatives	3 787 962	279 567	3 841 849	289 634
Interest rate derivatives	1 763 936	187 977	2 054 640	192 651
Commodity derivatives	1 322 440	48 815	1 322 440	48 815
Energy derivatives	20 112	2 935	20 112	2 935
	6 894 450	519 294	7 239 041	534 035

2019:

N$'000	Asset Notional	Fair value	Liabilities Notional	Fair value
Held for trading				
Currency derivatives	3 839 687	418 403	4 152 101	424 270
Interest rate derivatives	2 390 638	40 669	2 438 578	56 220
	6 230 325	459 072	6 590 679	480 490

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

12. Investment securities

N$'000	2020	2019
Treasury bills	5 336 654	5 052 084
Other government and government guaranteed stock	2 769 716	2 214 175
Unlisted equity	17 327	13 009
Other undated securities	412 045	529 350
	8 535 742	7 808 618
Loss allowance on investment securities	(1 265)	(1 309)
Total investment securities	8 534 477	7 807 309
Analysis of investment securities:		
Equities - Fair value through profit or loss	12 351	58 160
Equities - Fair value through other comprehensive income	9 578	9 578
Other securities - Fair value through profit or loss	407 443	474 622
Debt instruments:		
Amortised cost	8 037 567	7 144 541
Fair value through profit or loss	67 538	120 408
Total investment securities	8 534 477	7 807 309

12. Investment securities continued

N$ 8 038 million (2019: N$ 7 145 million) of the financial instruments form part of the group's liquid asset portfolio in terms of the Banking Institutions Act, (No 2 of 1998) and other foreign banking regulators' requirements.

Information regarding other investments as required in terms of Schedule 4 of the Companies Act, 2004 is kept at the company's registered office. 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 amoritsed cost is N$ 1.3 million (2019: N$ 1.3 million).

Reconciliation of the loss allowance - investment securities at amortised cost. The directors' valuation of unlisted investments is considered to approximate fair value.

The loss allowance on investment securities designated at fair value through other comprehensive income is nil.

N$'000	2020	2019
Balance at the beginning of the year	1 309	888
Impairment for the periods: (Impairment charge in the income statement)		
- Stage 1	(44)	421
- Stage 2	-	-
- Stage 3	-	-
	1 265	1 309

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

13. Advances

N$'000	2020	2019
Notional value of advances	31 235 272	31 003 009
Gross value of advances	31 235 272	31 003 009
Geographical analysis (based on credit risk)		
Namibia	29 993 738	30 297 933
Category analysis		
Overdraft and cash management accounts	3 321 710	3 514 597
Card loans	464 271	474 922
Instalment sales and hire purchase agreements	3 010 522	3 108 445
Lease payment receivables	120 657	192 077
Term loans	8 586 129	8 433 355
Home loans - property finance	14 106 367	13 549 050
Investment bank term loans	310 042	368 932
Preference share agreements	971 159	949 020
Invoice financing	122 980	191 551
Other	221 435	221 060
Gross advances	31 235 272	31 003 009
Impairment of advances	(1 241 534)	(705 076)
Net advances	29 993 738	30 297 933
Portfolio analysis		
Designated at fair value through profit or loss	310 042	368 932
Amortised cost	29 683 696	29 929 001
	29 993 738	30 297 933

13. Advances continued

Instalment sale, hire purchase and lease payments receivable:

N$'000	Carrying value	Less: Unearned finance charges	Nett
2020:			
Within 1 year	1 339 367	(201 677)	1 137 690
Between 1 and 5 years	2 215 545	(210 818)	2 004 727
More than 5 years	2 065	(19)	2 046
Less: Interest in suspense	(13 284)	-	(13 284)
Total	3 543 693	(412 514)	3 131 179

N$'000	Carrying value	Less: Unearned finance charges	Nett
2019:			
Within 1 year	1 626 832	(313 337)	1 313 495
Between 1 and 5 years	2 267 360	(272 059)	1 995 301
More than 5 years	2 250	(71)	2 179
Less: Interest in suspense	(10 454)	-	(10 454)
Total	3 885 988	(585 467)	3 300 521

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

13. Advances continued

Analysis of advances per class

N$'000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
2020				
Residential mortgages	14 124 707	-	(309 943)	13 814 764
Vehicle asset finance	1 856 543	-	(101 383)	1 755 160
Total Retail secured	**15 981 250**	**-**	**(411 326)**	**15 569 92**
Credit card	433 254	-	(29 063)	404 191
Personal loans	2 468 297	-	(164 867)	2 303 430
Other retail	472 677	-	(76 594)	396 083
Total Retail unsecured	**3 374 228**	**-**	**(270 524)**	**3 103 705**
FNB Commercial	6 326 956	-	(431 046)	5 895 910
Commercial vehicle asset finance	1 481 700	-	(79 192)	1 402 508
RMB Corporate and Investment banking	3 761 096	310 042	(49 446)	4 021 692
Total Corporate and Commercial	**11 569 752**	**310 042**	**(559 684)**	**11 320 109**
	30 925 230	**310 042**	**(1 241 534)**	**29 993 738**

13. Advances continued

Analysis of advances per class continued

N$'000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
2019				
Residential mortgages	13 554 950	-	(166 322)	13 388 628
Vehicle and asset finance	3 521 602	-	(83 140)	3 438 462
Total Retail secured	**17 076 552**	**-**	**(249 462)**	**16 827 090**
Credit card	432 948	-	(42 004)	390 944
Personal loans	2 377 678	-	(94 667)	2 283 011
Other retail	433 786	-	(28 108)	405 678
Total Retail unsecured	**3 244 412**	**-**	**(164 779)**	**3 079 633**
FNB Commercial	6 760 954	-	(250 504)	6 510 450
RMB corporate and investment banking	3 552 158	368 932	(40 330)	3 880 760
Total corporate and commercial	**10 313 112**	**368 932**	**(290 834)**	**10 391 210**
	30 634 076	368 932	(705 075)	30 297 933

The group has not sold or pledged any advances to third parties.

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

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

13. Advances continued

Reconciliation of the gross carrying amount of advances and loss allowances:

2020

N$'000	Gross advances				Loss allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amortised cost	28 464 856	1 324 617	844 604	30 634 077	187 057	166 650	349 252	702 959
Fair value	368 932	-	-	368 932	2 116	-	-	2 116
Amount as at 01 July 2019	28 833 788	1 324 617	844 604	31 003 009	189 173	166 650	349 252	705 075
Transfer from stage 1 to stage 2	(1 807 817)	1 807 817	-	-	(20 386)	20 386	-	-
Transfer from stage 1 to stage 3	(40 333)	-	40 333	-	(436)	-	436	-
Transfer from stage 2 to stage 3	-	(16 851)	16 851	-	-	(1 853)	1 853	-
Transfer from stage 2 to stage 1	470 901	(470 901)	-	-	40 643	(40 643)	-	-
Opening balance of back book after transfer	27 456 539	2 644 682	901 789	31 003 009	208 994	144 540	351 541	705 075
Current period provision created / (released)	-	-	-	-	161 153	118 987	325 636	605 776
Change in exposure of back book in the current year								
- Attributable to change in measurement basis	-	-	-	-	-	72 623	-	72 623
- Attributable to change in risk paramters	-	-	-	-	90 256	(37 154)	323 135	376 237
Total new book exposure								
Change in exposure due to new business in the current year	585 509	(820 917)	536 988	301 580	70 897	83 518	2 501	156 916
Bad debts written off	-	-	(69 317)	(69 317)	-	-	(69 317)	(69 317)
Amount as at 30 June 2020	28 042 048	1 823 765	1 369 460	31 235 272	370 147	263 527	607 860	1 241 534
Amortised cost	27 732 006	1 823 765	1 369 460	30 925 230	368 568	263 527	607 860	1 239 955
Fair value	310 042	-	-	310 042	1 579	-	-	1 579

13. Advances continued

Reconciliation of the gross carrying amount of advances (continued)**:**

2019

N$'000	Stage 1	Stage 2	Stage 3	Total
Amount as at 30 June 2018	27 895 067	456 789	481 537	28 833 393
IFRS 9 adjustment	-	-	67 155	67 155
Amount as at 1 July 2018 (IFRS 9)	27 895 067	456 789	548 692	28 900 548
Transfer to stage 1	785 622	(785 131)	(491)	-
Transfer to stage 2	(1 701 212)	1 703 228	(2 016)	-
Transfer to stage 3	(254 919)	(183 563)	438 482	-
Bad debts written off	-	-	(54 658)	(54 658)
New business and changes in exposure	2 109 230	133 294	(85 405)	2 157 119
Amount as at 30 June 2019	28 833 788	1 324 617	844 604	31 003 009

- The reconciliation for the year ended 30 June 2020 has been prepared using a year-to-date view. This means that the group reports exposures based on the impairment stage at the end of the reporting period. The group transfer opening balances (back book), at the value as at 1 July, based on the impairment stage as at the end of the reporting period. Any additional ECL raised or released is included in the impairment stage as at the end of the reporting period. Exposures in the back book, can move directly from stage 3 to stage 1, if the curing requirements have been met in a reporting period. All new business is included in the change in exposure due to new business in the current year based on the exposures' impairment stage at the end of the reporting. Similarly, exposures in the new business lines can be reported in stage 3 at the end of the reporting date.

- In the prior year, no distinction was made between the back book and new business in the gross carrying amount and ECL reconciliation. In the current year, it was concluded that providing disclosure which distinguished between the back book and new business provided more meaningful information to the user in gaining an understanding of the performance of advances overall. However, comparative information could not be restated without undue cost due to the nature of the underlying systems which collate the ECL information at a point in time, and as such the information presented in the loss allowance and gross carrying amount reconciliations will not be comparable to the information presented for 30 June 2019 except on a total level.

- The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is N$ 41.8m (2019: N$ 18.2m).

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

13. Advances continued

Analysis of the gross advances and loss allowance on total advances as at 30 June 2020 per class:

	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Total Retail	17 733 781	773 353	848 343	19 355 478	210 769	99 393	371 688	681 850
FNB Commercial	4 981 940	867 652	477 364	6 326 956	106 029	126 417	198 600	431 046
Commercial vehicle finance	1 349 770	91 206	40 725	1 481 700	37 828	3 792	37 572	79 192
RMB Corporate and Investment banking	3 979 588	91 551	-	4 071 138	15 522	33 923	-	49 446
	28 045 080	1 823 761	1 366 432	31 235 272	370 148	263 525	607 860	1 241 534

14. Impairment

Additional analysis of the loss allowance closing balance as at 30 June 2020

	2020				2019			
	Loss allowance				Loss allowance			
N$ 000's	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amount as at 30 June 2020								
Included in the total loss allowance	370 148	263 526	607 860	1 241 534	189 173	166 650	349 252	705 075
On and off balance sheet exposure*	367 796	261 956	607 860	1 237 611	185 072	166 650	349 252	700 974
Letters of credit and guarantees	2 352	1 570	-	3 923	4 101	-	-	4 101
Significant components of total loss allowance***								
- Forward looking information	50 931	11 798	-	62 729	***	***	***	***
- Changes in models	(275)	1 311	-	1 036	***	***	***	***
- Interest on stage 3 advances**	-	-	39 264	39 264	***	***	***	***

* *Includes committed undrawn facilities as the credit risk of the undrawn component is managed and monitored with the drawn component as a single EAD. The EAD on the entire facility is used to calculate the ECL and is therefore included in the ECL allowance.*

** *Cumulative balance as at 30 June.*

*** *Comparative information for significant components of total loss allowance for forward looking information and change in models was not collected in the prior period and could not be provided.*

Breakdown of impairment charge recognised during the year:

	2020			2019		
N$ 000's	Amortised cost	Fair value	Total	Amortised cost	Fair value	Total
Increase in loss allowance	567 023	(537)	566 486	223 797	(1 547)	222 250
Recoveries of bad debts	(6 814)	-	(6 814)	(7 441)	-	(7 441)
Impairment of advances recognised during the period	560 209	(537)	559 672	216 356	(1 547)	214 809

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

14. Impairment continued

Analysis of movement in impairment of advances per class of advances

2019

N$'000	Stage 1	Stage 2	Stage 3	Total
Amount as at 30 June 2018	155 167	115 074	240 193	510 434
Transfers to stage 1	38 121	(37 933)	(188)	-
Transfers to stage 2	(8 294)	9 064	(770)	-
Transfers to stage 3	(7 495)	(15 072)	22 567	-
Bad debts written off	-	-	(54 658)	(54 658)
Provision created/(released) for the current reporting period	11 674	95 517	115 059	222 250
- Changes in model risk parameters	(12 170)	38 189	94 909	120 928
- New business and changes in exposure	26 825	17 228	(21 109)	22 944
- Changes in economic forecasts	24 145	2 914	2 689	29 748
- Provision created / (released) due to transfers	(27 126)	37 186	38,570	48 630
Interest suspended	-	-	27 049	27 049
Closing balances	189 173	166 650	349 252	705 075
Residential mortgages	16 416	43 252	106 653	166 321
Vehicle and asset finance	15 304	14 232	53 604	83 140
Total retail	31 720	57 484	160 257	249 461
Credit card	16 218	9 002	16 784	42 004
Personal loans	29 918	13 906	50 844	94 668
Other retail	10 965	8 520	8 624	28 109
Total retail unsecured	57 101	31 428	76 252	164 781
FNB commercial	74 022	63 738	112 743	250 503
RMB corporate and investment banking	26 330	14 000	-	40 330
Total corporate and commercial	100 352	77 738	112 743	290 833
Closing balance	189 173	166 650	349 252	705 075

Reconciliation of the loss allowance on total advances per class

2020

N$ 000's	Total Retail	FNB Commercial	Commercial vehicle asset finance	RMB Corporate and investment banking	Total
Amount as at 1 July 2019	379 322	250 504	34 919	40 330	705 075
Transfers to stage 1	23 604	106	1 407	(5 296)	19 821
Transfers to stage 2	(24 927)	(447)	(2 031)	5 296	(22 110)
Transfers to stage 3	1 323	341	624	-	2 289
Bad debts written off	(51 510)	(14 582)	(3 223)	-	(69 315)
Provision created/(released) for current reporting period*	354 038	195 124	47 496	9 116	605 774
Stage 1	104 773	31 900	29 993	(5 512)	161 155
Stage 2	41 386	63 127	(154)	14 628	118 986
Stage 3	207 879	100 097	17 656	-	325 633
Amount as at 30 June 2020	681 852	431 046	79 192	49 446	1 241 534
Stage 1	210 771	106 029	37 828	15 522	370 150
Stage 2	99 393	126 417	3 792	33 923	263 526
Stage 3	371 688	198 600	37 572	-	607 859

* *Current period provision created/(released) reflects the net of the following items:*

- *Flow on ECL impact of net settlements and changes in exposures of advances included in the opening balance, including changes in ECL on amended off-balances sheet facilities.*
- *The increase or decrease of the opening balance ECL due to transfers between the stages, for example the release of ECL on transfer from stage 2 to stage 1 or the increase in ECL on transfer from stage 1 to stage 2.*
- *ECL on new business originated during the financial year and the transfers between stages of the new origination.*
- *Impact of changes in models and risk parameters, including forward looking macroeconomic information.*

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

14. Impairment continued

2019

N$'000	Retail secured		Retail unsecured			Corporate and commercial		
	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other retail	FNB Commercial	RMB Corporate and investment banking	Total
Amount as at 1 July 2018	**101 947**	**63 778**	**26 974**	**75 673**	**23 938**	**173 325**	**44 796**	**510 431**
Transfer to stage 1	2 165	(280)	1 515	5 982	3 165	4 595	21 702	38 844
Transfer to stage 2	(3 076)	(6 506)	(1 514)	(7 794)	(4 046)	(15 815)	(21 702)	(60 453)
Transfer to stage 3	910	6 786	-	1 812	881	11 220	-	21 609
Bad debts written off	(2 732)	(3 602)	(3 945)	(21 336)	(9 074)	(13 969)	-	(54 658)
Provision created / (released) for current reporting period	54 683	20 559	12 430	35 046	21 222	82 778	(4 466)	222 253
- Stage 1	33 379	(5 880)	(4 348)	(9 925)	(6 458)	11 003	(1 875)	15 896
- Stage 2	4 593	11 906	8 995	13 591	7 869	25 133	(2 590)	69 497
- Stage 3	16 710	14 534	7 783	31 381	19 811	46 642	-	136 861
Interest in suspense	**12 979**	**2 405**	**302**	**2 642**	**352**	**8 370**	**-**	**27 050**
Amount as at 30 June 2019	**166 321**	**83 140**	**42 004**	**94 668**	**28 109**	**250 503**	**40 330**	**705 075**
- Stage 1	16 416	15 304	16 218	29 918	10 965	74 022	26 330	189 173
- Stage 2	43 252	14 232	9 002	13 906	8 520	63 738	14 000	166 650
- Stage 3	106 653	53 604	16 784	50 844	8 624	112 743	-	349 252

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 at 29 February 2020 and included the following:

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

The cash flow relief account was offered to eligible FNB Retail, Commercial and Corporate customers, where instead of offering customers a payment holiday with a term extension, customers were offered a cash flow relief loan, whereby payments due by the customer to the group on a variety of group's products could be drawn from the cash flow relief account for a period of three months. The cash flow relief account bears interest at prime, flexible repayment period as negotiated and the customer has the ability to settle the amount earlier without incurring penalties and repayment only commencing once the three-month relief period was over. In some instances, the relief period has been extended by a further three months. Amounts advanced to customers under the cash flow relief scheme is included in the retail unsecured class of advances. As the cash flow relief account is treated as a new advance to the customer, no modification loss was recognized on the underlying advances to which the payments effected from the cash flow relief loan were made.

Wesbank customers were able to utilise the cash flow relief loan to make payment under their credit agreements. Customers with balloon payments due could elect to convert their balloon payment into an extended repayment terms, on terms similar to those in the original credit agreement.

Other financial relief mechanisms employed by the group included customers being offered a three-month payment holiday, during which interest accrued at the contractual rate 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.

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

15. Other assets

N$'000	2020	2019
Items in transit	33 226	47 718
Deferred staff cost	43 457	121 759
Premium debtors	370	1 179
Prepayments	56 505	51 197
Property in possession	51 425	37 355
Other receivable	62 321	39 447
Loss allowance	(2 994)	-
	244 310	298 655
Financial instrument and non-financial instrument components of trade and other receivables		
Financial	14 878	28 840
Non-financial	229 432	269 815
	244 310	298 655

Information about the credit quality of the financial portion of other assets is set out in the risk management note 34.

The carrying value of other assets approximates the fair value.

ECL for other assets is N$ 3.0m (2019: Nil).

16. Investment in associates

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

Name of company	Nature of associate and place of business	% ownership interest	% voting rights	Carrying amount 2020	Carrying amount 2019
Namclear (Pty) Ltd	Interbank clearing house (Windhoek)	- %	- %	-	12 339
Stimulus Investment Limited	Investment company (Windhoek)	25,00%	25,00%	-	15 740
Stimulus Private Equity (Pty) Ltd	Asset management company	49,00%	49,00%	-	-
				-	28 079

The following associates are significant to the group:

	Country of incorporation	Method	% Ownership interest 2020	% Ownership interest 2019
Namclear (Pty) Ltd	Namibia	Equity	- %	25%
Stimulus Investment Limited	Namibia	Equity	25%	25%
Stimulus Private Equity (Pty) Ltd	Namibia	Equity	49%	49%

The country of incorporation is the same as the principal place of business for all associates. The percentage voting rights is equal to the percentage ownership for all associates.

Stimulus Investment Limited and Stimulus Private Equity (Pty) Ltd has February year ends.

Notes to the consolidated annual financial statements
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16. Investment in associates continued

Summarised financial information of significant associates

2020

Summarised statement of profit or loss and other comprehensive income	Revenue	Profit/ (loss) for the period	Total comprehensive income
Namclear (Pty) Ltd	-	-	-
Stimulus Investment Limited	49 909	(35 799)	(35 799)
Stimulus Private Equity (Pty) Ltd	10 067	685	685
	59 976	(35 114)	(35 114)

Summarised consolidated statement of financial position	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
Namclear (Pty) Ltd	-	-	-	-	-
Stimulus Investment Limited	588 213	68 648	614 524	15 150	27 187
Stimulus Private Equity (Pty) Ltd	19 685	3 362	18 084	4 962	-
	607 898	72 010	632 608	20 112	27 188

Reconciliation of movement in investments in associates	Investment at beginning of 2020	Acquisitions/ Disposals	Share of Profit/ (loss)	Investment at end of 2020
Namclear (Pty) Ltd	12 339	(13 831)	1 492	-
Stimulus Investment Limited	15 740	-	(15 740)	-
Stimulus Private Equity (Pty) Ltd	-	-	-	-
	28 079	(13 831)	(14 248)	-

Summarised financial information of material associates

2019

Summarised statement of profit or loss and other comprehensive income	Revenue	Profit for the period	Total comprehensive income
Namclear (Pty) Ltd	33 227	8 552	8 552
Stimulus Investment Limited	27 740	3 836	3 836
Stimulus Private Equity (Pty) Ltd	10 090	684	684
	71 057	13 072	13 072

Summarised consolidated statement of financial position	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
Namclear (Pty) Ltd	52 801	49 128	36 996	15 410	49 523
Stimulus Investment Limited	597 490	77 975	595 484	16 995	62 986
Stimulus Private Equity (Pty) Ltd	37 042	1 960	35 353	3 649	-
	687 333	129 063	667 833	36 054	112 509

Derecognition of interest in associate

In November 2019 the directors of Namclear (Pty) Ltd declared a dividend of N$ 13.8m of the total value of the total share capital, share premium and retained earnings reflected on the audited financial statements at 31 December 2019. The shareholders resolved to convert the dividend declared into a loan at agreed terms. The group therefore no longer has significant influence over this entity. On the 31 January 2020 Namclear (Pty) Ltd was officially registered as Non-Profit Association Incorporated under Section 21 company.

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

17. Property and equipment

	2020			2019		
N$'000	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	666 024	(43 148)	622 876	647 344	(34 905)	612 439
Leasehold property	75 745	(61 542)	14 203	69 168	(57 674)	11 494
Furniture and fixtures	257 785	(147 200)	110 585	256 105	(127 427)	128 678
Motor vehicles	8 338	(5 058)	3 280	8 338	(4 577)	3 761
Office equipment	125 517	(104 123)	21 394	116 642	(88 105)	28 537
IT equipment	282 486	(224 012)	58 474	262 886	(188 204)	74 682
Right-of-use asset *	97 972	(31 867)	66 106	-	-	-
Total	**1 513 867**	**(616 950)**	**896 917**	1 360 483	(500 892)	859 591

Reconciliation of property and equipment - 2020

N$'000	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	612 439	17 543	(190)	(6 916)	622 876
Leasehold property	11 494	9 680	(38)	(6 933)	14 203
Furniture and fixtures	128 678	5 686	(460)	(23 319)	110 585
Motor vehicles	3 761	-	-	(481)	3 280
Office equipment	28 537	11 407	(34)	(18 516)	21 394
IT equipment	74 682	21 038	(332)	(36 914)	58 474
Right-of-use asset *	-	98 838	(1)	(32 732)	66 105
	859 591	**164 192**	**(1 055)**	**(125 811)**	**896 917**

Reconciliation of property and equipment - 2019

N$'000	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	619 822	3 139	(203)	(10 319)	612 439
Leasehold property	17 694	2 288	-	(8 488)	11 494
Furniture and fixtures	142 737	11 922	(2 193)	(23 788)	128 678
Motor vehicles	4 733	20	(443)	(549)	3 761
Office equipment	27 439	22 162	(313)	(20 751)	28 537
IT equipment	94 834	18 548	(415)	(38 285)	74 682
	907 259	**58 079**	**(3 567)**	**(102 180)**	**859 591**

The useful life of each asset is assessed individually. The information on the benchmarks used when assessing the useful life of the individual assets refer to accounting policy.

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

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

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

18. Intangible assets

N$'000	2020 Cost / Valuation	2020 Accumulated amortisation	2020 Carrying value	2019 Cost / Valuation	2019 Accumulated amortisation	2019 Carrying value
Trademarks	181 375	(115 225)	66 150	181 375	(105 425)	75 950
Software	51 820	(51 388)	432	53 424	(50 982)	2 442
Goodwill	-	-	-	63 199	(11 743)	51 456
Customer related intangibles	40 145	(12 043)	28 102	40 145	(8 028)	32 117
Other intangible assets	-	-	-	4 479	(3 892)	587
Total	273 340	(178 656)	94 684	342 622	(180 070)	162 552

Reconciliation of intangible assets - 2020

N$'000	Opening balance	Amortisation	Impairment loss	Total
Trademarks	75 950	(9 800)	-	66 150
Customer related intangibles	32 117	(4 015)	-	28 102
Goodwill	51 456	-	(51 456)	-
Software	2 442	(2 010)	-	432
Value of insurance broker business acquired	587	(587)	-	-
	162 552	(16 412)	(51 456)	94 684

Reconciliation of intangible assets - 2019

N$'000	Opening balance	Amortisation	Impairment loss	Total
Trademarks	85 750	(9 800)	-	75 950
Customer related intangibles	36 130	(4 013)	-	32 117
Goodwill	51 456	-	-	51 456
Software	2 798	(356)	-	2 442
Value of insurance broker business acquired	4 479	(3 585)	(307)	587
	180 613	(17 754)	(307)	162 552

Impairment of goodwill:

For impairment testing purposes, goodwill is allocated to cash-generating units (CGU) at the lowest level of operating activity (business) to which it relates, and is therefore not combined at group level. The CGU's to which the goodwill balance as at 30 June 2020 relates to Pointbreak Group of companies.

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

The discount rate used os 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.

On acquisition of Pointbreak group goodwill of N$ 51.4m was recognised. The group assessed the recoverable amount of goodwill and determined that goodwill is impaired, mainly as a result of the impact of COVID-19 on the expected future cash flows.

Pointbreak group of companies:

	2020	2019
Discount rate	16,3%	16%
Growth rate	5,6%	6 - 9%

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

19. Deferred income tax asset

N$'000	2020	2019
Deferred tax liability		
Deferred tax liability	(256 706)	(400 842)
Opening balance	(400 842)	(323 284)
- Charge to profit or loss	145 143	(77 988)
- Deferred tax on amounts charged directly to other comprehensive income	(1 202)	47
- Other	195	383
Total deferred income tax liability	(256 706)	(400 842)
Deferred tax asset		
Deferred tax asset	26 210	28 943
Opening balance	28 943	32 347
- Charge to profit or loss	(2 733)	(3 404)
Total deffered income tax asset	26 210	28 943
Total net deferred tax liability	(230 496)	(371 899)

Deferred tax assets and liabilities are offset when the income taxes relate to the same fiscal authority, same legal entity and there is legally enforceable to set-off. The group has not recognised a deferred tax asset amounting to N$ 30.3 million (2019: N$ 30.3 million) relating to tax losses. The carrying amount of deferred tax assets is reviewed at each reporting date and is supported by future cash flow forecasts.

Tax losses which has no expiry date.

19. Deferred income tax asset

N$'000	2020	2019
Reconciliation of deferred tax asset / (liability)		
Originating / (reversing) temporary difference arising from:		
Accruals	(212 086)	(288 135)
Deferred staff costs	(10 909)	(11 716)
Fair value adjustments of financial instruments	1 424	(588)
Instalment credit agreements	(110 577)	(97 862)
Post-employment benefit liabilities	12 323	13 427
Property and equipment	(80 321)	(85 808)
Provision for loan impairment	120 061	53 864
Other	23 379	15 976
	(256 706)	(400 842)
Deferred income tax assets		
Property and equipment	(20)	(20)
Other	26 230	28 963
Total net deferred income tax assets	26 210	28 943
Charge through profit and loss	(142 410)	81 392
Deferred income tax on other comprehensive income	(1 202)	47
	(143 612)	81 439

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

20. Creditors and accruals

N$'000	2020	2019
Items in transit	159 395	53 804
Audit fees	8 803	7 386
Accrued expenses	61 390	36 149
Accounts payable and accured liabilities	298 710	288 293
	528 298	385 631

Fair value of creditors and accruals

The carrying value of creditors and accruals approximates fair value.

21. Deposits and current accounts

N$'000	2020	2019
Category analysis		
Current accounts	12 222 443	9 977 808
Call deposits	6 771 929	5 695 068
Savings accounts	400 252	292 743
Fixed and notice deposits	11 424 931	10 123 612
Debt securities		
Negotiable certificate deposit	7 064 014	8 526 853
Fixed and floating rate notes	543 668	1 270 060
Total deposits	38 427 237	35 886 144
Due to banks and other financial institutions		
To banks and other financial institutions - In the normal course of business	117 948	427 776

22. Employee liabilities

N$'000	2020	2019
Share-based payment liability	-	33 433
Defined contribution post-employment benefit liabilities	38 665	40 993
Liability for short-term employee liabilities	168 438	174 501
	207 103	248 927

Refer to note 27 (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 employment 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$ 2.3 million (2019: N$ 2.1 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.

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

22. Employee liabilities continued

	2020			2019		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Present value of unfunded liabilities	32 449	6 216	38 665	34 294	6 699	40 993

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

	2020			2019		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Current service cost	187	648	835	201	546	747
Interest cost	3 534	626	4 160	3 010	562	3 572
Included in staff cost	3 721	1 274	4 995	3 211	1 108	4 319
Recognised in other comprehensive income						
Actuarial (gains) / loss recognised	(1 671)	(882)	(2 553)	1 019	(353)	666
Total included in staff costs	2 050	392	2 442	4 230	755	4 985

Movement in post-employment liabilities:

	2020			2019		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Present value at beginning of the year	34 294	6 699	40 993	32 505	5 945	38 450
Current service cost	187	648	835	201	546	747
Interest cost	3 534	626	4 160	3 010	561	3 571
Benefits paid	(3 895)	(875)	(4 770)	(2 441)	-	(2 441)
Actuarial (gains) / loss from changes in financial assumptions	(1 671)	(882)	(2 553)	1 019	(353)	666
Present value at end of the year	32 449	6 216	38 665	34 294	6 699	40 993

The sensitivity analysis illustrates how the value of the liability would change in response to certain changes in actuarial assumptions:

N$'000	2020	2019
Effect of 1% change in the medical aid inflation assumptions is as follows:		
1% increase - effect in current service cost and interest cost	4 153	3 786
1% decrease - effect in current service cost and interest cost	3 357	2 984
Effect of 1% change in the normal salary inflation assumptions is as follows:		
1% increase - effect in current service cost and interest cost	1 459	1 394
1% decrease - effect in current service cost and interest cost	1 234	1 154

The principal actuarial assumptions used for accounting purposes were:

	2020		2019	
	Medical	Severance	Medical	Severance
Discount rate (%)	11.33%	13.82%	9.52%	10.38%
Medical aid inflation (%)	7.69%		7.33%	
Salary inflation (%)		9.61%		8.35%
Employees covered	101	2 208	99	2 253

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

23. Other liabilities

N$'000	2020	2019
Lease liabilities *	73 163	-
Other funding liabilities	219 928	220 486
Preference shares	607	40 560
	293 698	261 046
Opening balance	261 046	253 252
IFRS 16 adjustment*	65 878	-
Cash flow movements	(53 613)	(17 924)
- Principal payments towards lease liabilities	(29 977)	-
- Interest paid	(23 636)	(17 924)
Non-cash flow movements	20 387	25 718
- New leases issued during the year	37 279	-
- Interest accrued	22 813	17 963
- Preference share FV	(39 705)	7 755
Total other liabilities	293 698	261 046

* *The group elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis.*

24. Policyholder liabilities

N$'000	2020	2019
Short-term insurance contracts		
Claims outstanding		
Claims reported and loss adjustment expenses	9 345	10 284
Claims incurred but not reported	6 593	7 290
Insurance contract cash bonuses	9 767	10 075
Unearned premiums	17 656	20 616
Gross	43 361	48 265
Claims reported and loss adjustment expense	(2 611)	(1 914)
Recoverable from reinsurance	(2 611)	(1 914)
Claims outstanding		
Claims reported and loss adjustment expenses	6 734	8 370
Claims incurred but not reported	6 593	7 290
Insurance contract cash bonuses	9 767	10 075
Unearned premiums	17 656	20 616
	40 750	46 351

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

24. Policyholder liabilities continued

	2020			2019		
N$'000	Gross	Re-insurance	Net	Gross	Re-insurance	Net
Analysis of movement in claims provision						
Opening balance	17 574	(1 914)	15 660	18 292	(719)	17 574
Current year	**14 725**	**(983)**	**13 742**	**14 951**	**(896)**	**14 055**
Claims incurred	64 221	(4 434)	59 787	70 905	(3 787)	67 118
Claims paid	(59 038)	3 451	(55 587)	(67 569)	2 891	(64 678)
Claims handling expenses raised	6 629	-	6 629	8 736	-	8 736
Risk margins raised	2 913	-	2 913	2 879	-	2 879
Prior year	**(17 512)**	**1 436**	**(16 076)**	**(15 669)**	**(299)**	**(15 968)**
Claims incurred	(652)	3 076	2 424	343	(616)	(273)
Claims paid	(13 312)	(1 640)	(14 952)	(11 664)	317	(11 347)
Claims handling expenses raised	30	-	30	38	-	38
Risk margins released	(3 578)	-	(3 578)	(4 386)	-	(4 386)
Closing balance	**14 787**	**(1 461)**	**13 326**	**17 574**	**(1 914)**	**15 660**
Analysis of movement in unearned premium provision (UPP)						
Opening balance	20 615	(1 806)	18 809	21 339	-	21 339
UPP raised	23 574	7 034	30 608	22 062	-	22 062
UPP earned	(24 817)	(6 944)	(31 761)	(22 785)	-	(22 785)
Closing balance	**19 372**	**(1 716)**	**17 656**	**20 616**	**-**	**20 615**
Analysis of movement in insurance contract non-claims bonuses						
Opening balance	10 076	-	10 076	10 288	-	10 288
Charge to profit or loss	9 843	-	9 843	11 019	-	11 019
Non-claims bonuses paid during the year	(10 152)	-	(10 152)	(11 232)	-	(11 232)
Closing balance	**9 767**	**-**	**9 767**	**10 075**	**-**	**10 076**

25. Tier 2 liabilities

Subordinated debt instruments	Interest rate	Final maturity date	Note	2020	2019
FNB J27 floating rate notes	Three-month JIBAR + 2.50%	Monday, 29 March 2027	i.	300 000	300 000
FNB X27 floating rate notes	10.36%	Monday, 29 March 2027	ii.	100 000	100 000
Accrued interest				2 774	2 804
Total				402 774	402 804

(i) The FNB J27 floating 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, 29 June, 29 September and 29 December of each year.

(ii) The FNB X27 fixed notes may be redeemed in full at the option of the group on 29 March 2022. Interest is paid semiannually in arrears on 29 March and 29 September of each year.

These notes are listed on the Namibian Stock Exchange (NSX).

The notes listed above qualify as Tier 2 capital for First National Bank of Namibia Limited.

Refer to note 31, fair value of financial instruments for the methodologies used to determine the fair value of tier 2 liabilities.

Tier 2 liabilities reconciliation

N$'000	2020	2019
Opening balance	402 804	402 783
Cash flow movements	**(37 649)**	**(39 179)**
- Interest paid	(37 649)	(39 179)
Non-cash flow movements	**37 619**	**39 200**
- Interest accrued	37 619	39 200
	402 774	**402 804**

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

26. Ordinary shares and share premium

N$'000	2020	2019
Authorised		
990 000 000 (2019: 990 000 000) ordinary shares of par value of N$ 0.005 per share	4 950	4 950
10 000 000 (2019: 10 000 000) cumulative convertible preference shares with a par value of N$ 0.005 per share	50	50
	5 000	5 000
Issued		
267 593 250 (2019: 267 593 250) ordinary shares with a par value of N$ 0.005 per share	1 307	1 314
Share premium	2 354	7 870
	3 661	9 184

A detailed reconciliation of the movements in the share capital and premium balances is set out in the consolidated statement of changes in equity.

27. Remuneration schemes

N$'000	2020	2019
The statement of comprehensive income charge for share-based payments is as follows:		
FirstRand Namibia share options	292	1 120
FirstRand conditional share plan	33 485	39 038
Charge against staff costs	33 777	40 158

27. Remuneration schemes continued

Share option schemes
FirstRand Namibia Ltd options were equity settled. FirstRand conditional share plan is cash settled.

The following is a summary of the share incentive schemes:

FirstRand conditional share plan
The conditional award comprises a number of full shares with no strike price. It is cash settled. These awards vest after three years. The number of shares that vest os determined by the extent to which the performance conditions are met. Conditional awards are made annually and vesting is subject to specified financial and non-financial performance conditions, set annually by the group's remuneration committee.

No liability is recognised for the CIP scheme, as the liability is prepaid. Included in prepayments in note 15 is an amount of N$ 50.6m (2019: N$ 42.7m) 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 schemes are subject to the vesting conditions set out below.

Valuation methodology
The conditional share plan is valued using the Black Scholes option pricing model with a zero strike price. Grants made before 2012 are equity settled and are therefore not repriced at each reporting date. The scheme relating to the grants made during 2012 and after is cash settled and is therefore repriced at each reporting date.

Share incentive scheme
Fair values for the share incentive schemes, are calculated at the date of grant using a modification of the Cox-Rubenstein binomial model. For valuation purposes, each call option granted has been valued as a Bermudan call option with a number of exercise dates. The days on which the options can be exercised has been assumed to be the last day that the share trade cum-dividend.

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

Employee statistic assumptions consist of the following:
- Annual employee turnover is the average annual rate that employees participating in the option scheme are expected to leave before the options have vested;
- Number of iterations is the number to be used in the binomial model, which is limited to 500; and
- The weighted average number of forfeitures is based on the major grants because these grants have a more reliable cancellation or forfeiture pattern.

Notes to the consolidated annual financial statements
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27. Remuneration schemes continued

Corporate performance targets:
The FirstRand Ltd group remuneration committee sets the corporate performance targets (CPT's) based on the expected prevailing macroeconomic conditions anticipated during the performance period for the group's long-term incentive schemes, the conditional share plan and the conditional incentive plan. These criteria, which must be met or exceeded to enable vesting, vary from year to year, depending on the macro conditions expected to prevail over the vesting period.

In terms of the scheme rules, participants are not entitled to any dividends on their long term incentive (LTI) allocations during the performance period, nor do these accrue to them during the performance period.

The criteria for the currently open schemes are as follows:

2017 (Not vesting at September 2020) – FirstRand Limited must achieve growth in normalised EPS, adjusted for CPI, which equals or exceeds the South African real GDP growth, on a cumulative basis, over the performance period from the base year-end, being 30 June 2017, to the year end immediately preceding the vesting date, and the company must deliver a ROE of at least 18% over the performance period. Real GDP and CPI are advised by the Group Treasury, macro strategy unit. For vesting to occur, the criteria must be met or exceeded. However, the scheme rules allow the remuneration committee the discretion to determine whether the conditional awards will vest in full or partially in circumstances where the performance conditions were not fulfilled. During the current year, the company failed to achieve the targets set for the cumulative growth in normalised earnings per share and Remco notified qualifying employees that the scheme would consequently not vest.

2018 (vests in 2021) – FirstRand Limited must achieve growth in normalised earnings per share which equals or exceeds the South African CPI plus Real Gross Domestic Product ("GDP") growth, on a cumulative basis, over the performance period from the base year end, being 30 June 2019, to the year end immediately preceding the vesting date, and the company delivers ROE of at least 18% over the performance period. If real gross domestic product is negative, then growth in normalised earnings should equal or exceed CPI over the same period. Real GDP is advised by the FirstRand Limited Group Treasury Macro Strategy Unit. For vesting, the criteria must be met or exceeded. However, the scheme rules allow the remuneration committee the discretion to determine whether the conditional awards will vest in full or partially in circumstances where the performance conditions were not fulfilled.

2019 (vests in 2022) – The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment and the remaining 50% of the awards remain subject to performance conditions. For the awards subject to performance conditions, graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a super stretch target with linear grading between targets. The minimum ROE and earnings growth conditions will vest at 70% and if these are not met the award will lapse.

27. Remuneration schemes continued

	Performance conditions		
	ROE target (average over the 3-year performance period)	Normalised earnings per share growth requirement (3-year compound annual growth rate)	Vesting level should both conditions be met
		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	≥ 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	70%
On target performance	≥ 20.5%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 1.5% to 3%	100%
Stretch target	≥ 21%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >5% to 7%	120%
Super stretch target	≥ 22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >7% to 10%	150% (maximum vesting)

Linear vesting applies between each vesting level based on the achieved normalised earnings per share growth rate. The ROE is based on NAV without material adjustments resulting from dividend policy changes, regulatory changes, IFRS changes or volatile reserves. Under the new structure, Remco cannot apply upward vesting judgement if performance criteria are not met.

27. Remuneration schemes continued

	FirstRand Namibia share incentive scheme		FirstRand Ltd conditional share plan	
	2020	2019	2020	2019
Weighted average share price (N$)	1 180 - 2 452	1 180 - 2 452	-	-
Expected volatility (%)	402 - 16	402 - 16	-	-
Expected option life (years)	5	5	2 - 3	2 - 3
Expected credit free rate (%)	-	581 - 769	391 - 532	699 - 761
Share option schemes				
Number of options in force at the beginning of the year (N$'000)	548	2 097	1 788	1 651
Granted prices ranging between (cents)	1 180 - 2 452	1 180 - 2 452	-	-
Number of options granted during the year (N$'000)	-	-	620	587
Granted at prices ranging between (cents)	-	-	-	-
Number of options exercised during the year (N$'000)	(548)	(1 548)	(573)	(490)
Market value range at the date of exercise/release (cents)	3 178 - 3 500	3 500 - 4 498	5 105 - 6 520	6 662 - 6 662
Number of options cancelled/lapsed during the year (N$'000)	-	-	(5)	(14)
Granted at prices ranging between (cents)	-	-	-	-
Number of options in force at the end of the year (N$'000)	-	548	1 830	1 788
Granted at prices ranging between (cents)	-	1 180 - 2 452	-	-

Impact of COVID-19 on existing schemes

As noted, due to the impact of COVID-19, the 2017 scheme has failed and will not vest, the vesting of the 2018 scheme is also in doubt. As such Remco is considering mechanism to mitigate the increased retention risk resulting from the COVID-19 impact.

	Conditional share plan (FirstRand shares)			
	2020		2019	
Share awards outstanding**	Weighted average remaining life (years)	Outstanding awards (millions)	Weighted average remaining life (years)	Outstanding awards (millions)
Vested during 2019	-	-	0.32	0.560
Vesting during 2020#	0.30	0.654	1.30	0.664
Vesting during 2021	1.30	0.564	2.30	0.564
Vesting during 2022	2.29	0.612	-	-
Total conditional awards	-	1.830	-	1.788
Number of participants	-	159	-	175

* *Market values indicated above include those instances where a probability of vesting is applied to accelerated share award vesting prices due to a no-fault termination, as per the rules of the scheme.*

** *Years referenced in the rows relate to calendar years and not financial years.*

Scheme vesting during 2020 failed to vest due to not achieving the performance conditions attached to the scheme.

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

28. Cash flow information

Reconciliation of cash flows from operating activities:

N$'000	2020	2019
Interest and fee commssion receipts		
Interest and similar income	3 838 809	3 850 615
Trading and other income		
Other non-interest income	1 909 526	1 821 590
Net insurance premium received	158 133	166 494
	2 067 659	1 988 084
Interest payments and payments made to suppliers		
Interest expenses and similar charges	(1 847 630)	(1 855 282)
Net claims and benefits paid	(78 164)	(87 690)
	(1 925 794)	(1 942 972)
Operating expenses		
Total other operating expenses	(1 940 720)	(1 901 287)
Income tax paid		
Amounts payable at beginning of the year	(216 238)	(217 415)
Indirect tax	(44 724)	(47 372)
Current tax charge	(518 798)	(417 778)
Amounts payable at end of the year	88 082	216 238
	(691 678)	(466 327)
Increase in income earning assets		
Liquid assets and trading securities	(2 365 770)	(2 528 070)
Advances	(242 119)	(1 966 823)
Other assets	53 917	(56 885)
	(2 553 972)	(4 551 778)
Increase in deposits and other liabilities		
Deposits	2 541 092	4 339 983
Creditors	139 575	(167 439)
Other liabilities	(309 827)	(469 632)
	2 370 840	3 702 912

29. Structured entities

Consolidated structured entities

The group assess whether it has control over structured entities in terms of IFRS 10. Where the group has control over a structured entity it is consolidated in terms of IFRS 10.

Interest in unconsolidated structured entities

The group has financial interests in other structured entities that expose the group to the variable income of those entities without resulting in control. Below set out, is the nature of those relationships and the impact that those relationships have had on the financial position and performance of the group.

Fund management

The group manages a number of unit trusts, ranging from income funds to equity funds, which are managed by third party asset managers. Unit trusts are regulated by the Namibia Financial Institution Supervisory Board and the Unit Trust Control Act of 1981. The group's interest is generally restricted to fund service and administration fees. The group may hold direct interests in a number of the funds; however the magnitude of such interest varies with sufficient regularity. The group earns service and administration fees from its administration of the funds, as well as unrealised gains and losses as a result of revaluations of the units held directly in the funds.

N$'000	2020	2019
Investments and other securities		
Unit trust investments	407 443	474 622
Maximum exposure to loss	407 443	474 622
Assets under management		
- Traditional products	9 982 843	11 875 330
- Alternative products	4 136 022	4 122 470
	14 118 865	15 997 800

Notes to the consolidated annual financial statements
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30. Related parties

Details of subsidiaries	Nature of business	Date of acquisition	Country of incorporation	Number of shares	Effective holding % 2020	Effective holding % 2019
Banking operations:						
First National Bank of Namibia Limited	Commercial bank	1-Jun-03	Namibia	1200 of N$ 1 each	100	100
Swabou Investments (Proprietary) Limited	Home loan investment company	1-Jul-03	Namibia	2 of N$ 0.05 each	100	100
Insurance operations:						
OUTsurance Insurance Company of Namibia Limited	Short-term finance	1-Jul-03	Namibia	4 000 000 of N$ 1 each	51	51
Other:						
FNB Fiduciary (Namibia) (Proprietary) Limited	Estate and trust services	1-Oct-96	Namibia	200 of N$ 1 each	100	100
FNB Insurance Brokers (Namibia) (Proprietary) Limited	Short-term insurance broker	1-Jul-11	Namibia	100 of N$ 1 each	100	100
Ashburton Unit Trust Management Company Limited	Unit trusts management company	1-Jan-06	Namibia	4 000 000 of N$ 1 each	100	100
Talas Properties (Windhoek) (Proprietary) Limited	Property company	31-Mar-98	Namibia	100 of N$ 1 each	100	100
RMB Investments (Pty) Ltd	Financial advisory services	14-Nov-13	Namibia	100 of N$ 1 each	100	100
FNB Easy Loans Limited	Financial services	30-Mar-17	Namibia	1 624 183 of N$ 1 each	100	100
Ashburton Investments Namibia Holdings (Proprietary) Limited	Investment company	1-Feb-17	Namibia	100 of N$ 1 each	100	100
Ashburtonn Fund Managers Namibia (Proprietary) Limited	Investment company	1-Feb-17	Namibia	100 of N$ 1 each	100	100
Pointbreak Trusts and Estates	Financial and investment services	30-Mar-17	Namibia	100 of N$ 1 each	100	100
Pointbreak Wealth Management (Proprietary) Limited	Financial and investment services	30-Mar-17	Namibia	17 000 of N$ 1 each	100	100
Pointbreak Equity (Proprietary) Limited	Financial and investment services	30-Mar-17	Namibia	100 of N$ 1 each	100	100
Pointbreak Investment Management (Proprietary) Limited	Financial and investment services	30-Mar-17	South Africa	100 of N$ 1 each	100	100
Pointbreak Unit Trust Management Company (Proprietary) Limited	Unit trust management company	30-Mar-17	Namibia	2 000 000 of N$ 1 each	100	100
Pointbreak Property Unit Trust Management Company Limited	Property unit trust management company	30-Mar-17	Namibia	2 000 000 of N$ 1 each	100	100

FirstRand Namibia Limited is listed on the Namibian Stock Exchange and is 58.4% (2019: 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.

Related party balances

N$'000	2020	2019
Deposits		
FirstRand SA group companies	2 332 216	2 354 744
Associates	-	36 236
Advances		
FirstRand SA group companies	14 193	418 411
Associates	-	9 768
Derivative assets		
FirstRand SA group companies	139 793	291 586
Derivative liabilities		
FirstRand SA group companies	(407 275)	(186 895)
Related party transactions		
Interest paid to / (received from) related parties		
FirstRand SA group companies	(64 412)	(102 282)
Associates	720	151
FirstRand SA group companies	-	9 039
Non-interest expenditure		
FirstRand SA group companies	347 552	320 558
Associates	17 780	18 085
Details of transactions with relevant related parties appear below:		
Directors fees	13 197	12 427

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

30. Related parties continued

N$'000	2020	2019
Advances	17 860	16 324
Current and credit card accounts	15 463	2 505
Instalment finance	2 698	4 146
Investment products	20 530	10 011

No impairment has been recognised for loans granted to key management (2019: Nil).

Mortgage loans are repayable monthly over 20 years.

N$'000	2020	2019
Key management compensation (Group exco)		
Cash package	27 766	27 673
Retirement contributions	4 231	3 767
Performance related benefits	14 531	14 084
	46 528	45 524

A lisiting of the board of directors of the group is detailed on page 28 of the annual report.

30. Related parties continued

Post-employment benefit plans

Refer to note 22 on detailed disclosure of the movement on the post-employment benefit liability.

Non-controlling interests

OUTsurance Insurance Company of Namibia Ltd is the subsidiary which has non-controlling interests in the group. The voting rights of the non-controlling interest is limited to their ownership percentage.

It is the group's investment strategy to limit the non-controlling interests in its subsidiary holdings. The group generally holds 100% interest in its subsidiaries.

N$'000	2020	2019
Interest owned by non-controlling interest	49%	49%
Voting rights owned by non-controlling interest	49%	49%
Profit or loss attributable to non-controlling interests	14 030	14 440
Accumulated balance of non-controlling interests	62 405	61 605
Dividends paid to non-controlling interests	13 230	25 480
The following balances have been included in the consolidated statement of financial position and statement of comprehensive income in respect of OUTsurance Insurance Company of Namibia Ltd:		
Total Assets	147 966	167 372
Total Liabilities	47 118	68 158
Net interest income	10 663	11 285
Non-interest income	83 625	81 016
Profit before tax	42 250	43 655
Total comprehensive income	28 633	29 470

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

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 own equity instrument is measured using the quoted price in an active market of the identical item, if that price is available, or using observable inputs (such as the quoted price in an inactive market for the identical item) or using another valuation technique.

Where the group has any financial liability with a demand feature, such as demand deposits, the fair value is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid where the time value of money is significant.

Non-recurring fair value measurements
Non-recurring fair value measurements are those triggered by particular circumstances and include the classification of assets and liabilities as non-current assets or disposal groups held for sale under IFRS 5 where fair value less costs to sell is the recoverable amount, IFRS 3 business combinations where assets and liabilities are measured at fair value at acquisition date, 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.

31. Fair value measurements continued

Financial instruments not measured at fair value
Other fair value measurements include assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS e.g. financial instruments at amortised cost. The fair value for these items is determined by using observable quoted market prices where these are availble, such as market prices quoted on BESA, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included under point 36.4 below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair vlaue.

Non-financial instruments
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.

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

31. Fair value measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable	Significant unobservable inputs of Level 3 items
- Investment banking book	Level 3	Discounted cash flows	Certain of the group's investment banking advances do not meet the requirements to be carried at amortised cost and are measured at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances. As such, these advances are classified as level 3 on the fair value hierarchy. Future cash flows are discounted using a market -related interest rate, adjusted for credit inputs.	Market interest rates and curves	Credit inputs
Investment securities and other investments					
- Equities / bonds listed in an inactive market	Level 2	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e. Level 1). However if the market is not active and the listed price is not representative of fair value, these are classified as Level 2 and a valuation technique is used, for example the discounted cash flow is used for listed bonds. This will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable
- Unlisted bonds	Level 2 and Level 3	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	Growth rates and P/E ratios
- Negotiable certificates of deposit	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and curves	Not applicable
- Treasury Bills	Level 2	JSE debt market	The BESA bond pricing model uses the BESA mark to market bond yield.	Market interest rates and curves	Not applicable

31. Fair value measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable	Significant unobservable inputs of Level 3 items
Deposits					
- Call and non-term deposits	Level 2	None - the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand i.e. the undiscounted amount of the deposit.	None - the undiscounted amount approximates fair value and no valuation is performed	Not applicable
- Deposits that represent collateral on credit linked notes	Level 3	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs on related advance
- Other deposits	Level 2 and Level 3	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs
Other liabilities and Tier 2 liabilities	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Level 2 and Level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate and curves adjusted for credit inputs.	Market interest rates and curves	Credit inputs

The group has elected to designate certain investment banking book advances at fair value through profit or loss. The designation is on a deal basis. Credit risk is not observable and has significant impact on the fair value measurement of these advances and as such, these advances are classified as Level 3 on the fair value hierarchy.

For non-recurring fair value measurements, the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the model would be in line with those as set out in the table. Where the underlying assets or liabilities are not items for which recurring fair value measurements are required, for example property and equipment or intangible assets, the carrying value is considered to be equal to or a reasonable approximation of the fair value. This will be assessed per transaction and details will be provided in the relevant notes. There were no assets or liabilities measured at fair value on a non-recurring basis in the current and prior year.

Refer to page 244 for the effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonably possible alternatives.

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

31. Fair value measurements continued

The following table presents the fair value measurements and fair value hierarchy of assets and liabilities of the group which are recognised at fair value:

2020

N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities	-	474 981	21 929	496 910
Advances	-	-	310 042	310 042
Derivative financial instruments	-	519 294	-	519 294
Total financial assets	**-**	**994 275**	**331 971**	**1 326 246**
Liabilities				
Recurring fair value measurement				
Derivative financial instruments	-	534 035	-	534 035
Other liabilities	-	-	607	607
	-	**534 035**	**607**	**534 642**

2019

N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities	-	595 030	67 738	662 768
Advances	-	-	368 932	368 932
Derivative financial instruments	-	459 072	-	459 072
Total financial assets	**-**	**1 054 102**	**436 670**	**1 490 772**
Liabilities				
Recurring fair value measurements				
Derivative financial instruments	-	480 490	-	480 490
Other liabilities	-	-	40 560	40 560
	-	**480 490**	**40 560**	**521 050**

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

31. Fair value measurements continued

Sensitivity of fair values to changing significant assumptions to reasonably possible alternatives

Fair values of financial instruments recognised in the financial statements may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data. In these instances, the net fair value recorded in the financial statements is the sum of three components:

(i) The value given by application of a valuation model, based upon the group's best estimate of the most appropriate model inputs;

(ii) Any fair value adjustments to account for market features not included within the valuation model (for example, bid mid spreads, counterparty credit spreads and / or market data uncertainty; and

(iii) Day one profit or loss, or an unamortised element thereof, not recognised immediately in the income statement in accordance with the group's accounting policy, and separately detailed within the derivative note above.

The group classifies financial instruments in Level 3 of the fair value hierarchy when significant inputs into the valuation model are not observable. In addition to the valuation model for Level 3, financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

Changes in the gorup's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on the statement of financial postion and the movement in fair values recognised in the statement of comprehensive income. However, changing these inputs to reasonably possible alternatives would change the fair vlaue using more positive reasonable assumptinos to N$ 365 miilion (2019: N$ 480 million) and using more negative reasonable possible assumptions to N$ 299 million (2019: N$ 393 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

2020

N$'000	Fair value as at June 2019	Gains or losses recognised in profit or loss	Purchases / (sales) / issues / (instruments)	Fair value as at June **2020**
Advances	368 932	43 408	(102 298)	310 042
Investment securities	67 738	(45 809)	-	21 929
Total financial assets at fair value	**436 670**	**(2 401)**	**(102 298)**	**331 971**

2019

N$'000	Fair value at June 2018	Gains or losses recognised in profit or loss	Purchases / (sales) / issues / (settlements)	IFRS 9 adjustment	Fair value at June **2019**
Advances	419 769	46 415	(95 705)	(1 547)	368 932
Investment securities	52 617	15 121	-	-	67 738
Total financial assets at fair value	472 386	61 536	(95 705)	(1 547)	436 670

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

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 fair value related to both observable and unobservable inputs. The table below presents the total gains / (losses) relating to financial instrument classified in Level 3 that are still held on 30 June. With the exception of interest on funding instruments all of these gains or losses are recognised in non-interest revenue.

2020

	2020		2019	
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	43 408	-	46 415	-
Investment securities	(45 808)	-	15 121	-
	(2 400)	-	61 536	-

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.

	2020			2019		
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
Assets						
Advances	29 689 823	-	29 675 467	29 929 001	-	29 898 172
Total investment securities at amortised cost	8 037 567	8 097 623	-	7 144 544	7 214 253	-
	37 727 390	8 097 623	29 675 467	37 073 545	7 214 253	29 898 172
Liabilities						
Total deposits at amortised cost	38 427 237	38 429 200	-	35 886 144	35 825 376	-
Tier 2 liabilities	402 774	405 282 133	-	402 804	406 788	-
Other liabilities	219 928	219 530	-	220 486	219 530	-
	39 049 939	443 930 863	-	36 509 434	36 451 694	-

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.

	2020			2019		
		Change in fair value due to credit risk	Change in fair value due to credit risk		Change in fair value due to credit risk	Change in fair value due to credit risk
N$'000	Fair value	Current period	Cumulative	Fair value	Current period	Cumulative
Advances	310 042	(537)	1 579	368 932	1 547	2 116
Investment securities	419 794	-	-	532 782	-	-
Total	729 836	(537)	1 579	901 714	1 547	2 116

The change in the fair value of these liabilities due to own credit risk is not material.

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

31. Fair value measurements continued

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	Unobsevable input to which reasonably possible changes are applied	Reasonably possible changes required
Advances	Credit	Scenario analysis	A range of scenarios are run as part of the group's credit risk management process for advances measured at fair value through profit or loss to determine credit losses and change in credit spreads in various economic conditions. The probability of deflaut is adjusted either upwards or downwards versus the base case.
Investment securities	Credit, growth rates and P/E ratios of unlisted investments	Credit, growth rates and P/E ratios of unlisted investments	Increased and decreased by 10%
Other liabilities	Performance of underlying contracts	Profits on the underlying contracts	Increased and decreased by 10%

	2020			2019		
	Reasonably possible alternative fair value			Reasonably possible alternative fair value		
N$'000	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
Assets						
Advances	310 042	341 046	279 038	368 932	405 825	332 039
Investment securities	21 899	24 089	19 709	67 736	74 510	60 963
Total financial assets measured at fair value in level 3	**331 941**	**365 135**	**298 747**	436 668	480 335	393 002
Liabilities						
Other liabilities	607	667	546	40 560	44 344	36 281
Total financial liabilities measured at fair value in level 3	**607**	**667**	**546**	40 560	44 344	36 281

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	2020	2019
Included in advances	310 042	368 932

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.

There was no change in credit risk due to the difference between fair value of the advances based on the original credit spreads and the fair value of the advances based on the most recent market observable credit spreads.

In accordance with IAS 32 the group offsets financial assets and financial liabilities and presents the net amount in the statement of financial position only if there is both a legally enforceable right to offset and there is an intention to settle the amounts on a net basis or to realise the asset and settle the liability simultaneously.

The group is subject to a MNA in the form of an ISDA agreement with a derivative counterparty. Due to the fact that ISDA agreements under which derivatives are traded are not legally enforceable within Namibia, in the normal course of business or on bankruptcy, the IAS 32 set-off requirements of legal enforceability is not met thus no financial assets and financial liabilities have been presented on the net amount in the statement of financial position.

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

33. Contingent liabilities and capital commitments

N$'000	2020	2019
Contingencies		
Guarantees *	1 222 282	1 450 027
Letters of credit	16 775	67 619
Total contingencies	1 239 057	1 517 646
Irrecoverable unutilised facilities	2 122 750	4 917 200
Committed capital expenditure	190 723	205 900
Total contingencies and commitments	3 552 530	6 640 746

** 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.

Group leasing arrangements:

	2020			2019		
N$'000	Next year	2 to 5 years	5+ years	Next year	2 to 5 years	5+ years
Office premises	-	-	-	39 620	49 189	-
	-	-	-	39 620	49 189	-

Notice periods on operating lease contracts are between 3-6 months, no operating lease contract is fixed and escalation clauses range between 7% and 10% (2019: 7% and 10%).

The group has various operating lease agreements, which may or may not contain renewal options. The lease terms do not contain restrictions on the group's activities concerning dividends, additional funding or further leasing.

The group elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis. Refer to accounting policy note 5.2 for details.

34. Risk management

Overview of financial and insurance risks

The financial instruments recognised on the group's statement of financial position expose the group to various financial risks. The COVID-19 pandemic had 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 described in the sub-section below.

The risk report of the group appears on page 85 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.

Categories of financial instruments

Credit risk

Objective

Credit risk management 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.

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.

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

34. Risk management continued

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 PD	RMB rating (based on S&P) *
FR 1 – 14	0.06%	AAA, AA+, AA, AA-, A+, A, A-
FR 15 – 25	0.29%	BBB+, 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)

34. 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.

N$'000	2020	2019
Total exposure (items where credit risk exposure exist)		
Cash and cash equivalents		
Balances with other banks	9 736	9 389
Balances with central bank	550 315	864 569
Total cash and cash equivalents	560 051	873 958
Due from banks and other financial institutions	4 442 442	2 803 839
Advances		
Residential mortages	13 814 764	13 388 628
Vehicle asset finance	1 755 160	3 438 462
Credit card	404 191	390 944
Personal loans	2 303 430	2 283 019
Other retail	396 083	405 669
FNB Commercial	5 895 910	6 510 451
Commercial vehicle finance	1 402 508	-
RMB Corporate and Investment banking	4 021 692	3 880 760
Total advances	29 993 738	30 297 933
Derivative financial instruments	519 294	459 072
Debt investment securities		
Listed investment securities	2 769 716	2 214 762
Unlisted investment securities	5 764 761	5 592 547
Total debt investment securities	8 534 477	7 807 309
Accounts receivable	244 310	250 937
Reinsurance asset	-	2 938
Guarantees	1 222 282	1 450 027
Letters of credit	16 775	67 619
Irrecoverable commitments	2 122 750	4 917 200
Total	47 656 119	48 930 832

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

34. Risk management continued

2020

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 other banks	9 736	-	9 736	-	9 736	9 736	-
Balances with central bank	550 315	-	550 315	-	550 315	550 315	-
Total cash and cash equivalents	**560 051**	**-**	**560 051**	**-**	**560 051**	**560 051**	**-**
Due from banks and other financial institutions	4 442 442	-	4 442 442	-	4 442 442	4 442 442	-
Advances							
Residential mortgages	14 124 707	(309 943)	13 814 764	350 790	13 463 974	-	13 463 974
Vehicle and asset finance	1 856 543	(101 383)	1 755 160	20 095	1 735 065	-	1 735 065
Credit card	433 254	(29 063)	404 191	-	404 191	404 191	-
Personal loans	2 468 297	(164 867)	2 303 430	-	2 303 430	2 303 430	-
Other retail	472 677	(76 594)	396 083	-	396 083	396 083	-
FNB Commercial	6 326 956	(431 046)	5 895 910	38 329	5 857 581	3 782 712	2 074 869
Commercial vehicle finance	1 481 700	(79 192)	1 402 508	14 552	1 387 956	-	1 387 956
RMB Corporate and Investment banking	4 071 138	(49 446)	4 021 692	251 456	3 770 236	1 518 705	2 251 531
Total advances	**31 235 272**	**(1 241 534)**	**29 993 738**	**675 222**	**29 318 516**	**8 405 121**	**20 913 395**
Investment securities	8 535 742	(1 265)	8 534 477	-	8 534 477	8 534 477	-
Derivatives	519 294	-	519 294	-	519 294	402 957	116 337
Guarantees	1 222 282	-	1 222 282	-	1 222 282	1 053 306	168 977
Letters of credit	16 775	-	16 775	-	16 775	16 775	-
Irrevocable commitments	2 122 750	-	2 122 750	-	2 122 750	2 122 750	-

34. Risk management continued

2019

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 other banks	9 389	-	9 389	-	9 389	9 389	-
Balances with central bank	864 569	-	864 569	-	864 569	864 569	-
Total cash and cash equivalents	**873 958**	**-**	**873 958**	**-**	**873 958**	**873 958**	**-**
Due from banks and other financial institutions	2 083 839	-	2 083 839	-	2 083 839	2 083 839	-
Advances							
Residential mortgages	13 554 950	(166 321)	13 338 629	553 262	12 835 366	-	12 835 366
Vehicle and asset finance	3 521 602	(83 140)	3 438 462	16 596	3 421 866	-	3 421 866
Credit card	432 948	(42 004)	390 944	-	390 944	390 944	-
Personal loans	2 377 687	(94 668)	2 283 019	-	2 283 020	2 283 020	-
Other retail	433 778	(28 109)	405 669	-	405 678	405 678	-
FNB Commercial	6 760 954	(250 503)	6 510 451	-	6 510 450	4 223 882	2 286 568
RMB Corporate and investment banking	3 921 090	(40 330)	3 880 760	112 890	3 767 869	151 873	3 615 996
Total advances	**31 003 009**	**(705 075)**	**30 297 933**	**682 748**	**29 615 193**	**7 455 397**	**22 159 796**
Investment securities	7 808 619	(1 310)	7 807 309	-	7 807 309	7 807 309	-
Derivatives	459 072	-	459 072	-	459 072	348 012	111 060
Account receivable	250 937	-	250 937	-	250 937	250 937	-
Reinsurance assets	2 938	-	2 938	-	2 938	2 938	-
Guarantees	1 450 027	-	1 450 027	-	1 450 027	1 100 369	349 658
Letters of credit	67 619	-	67 619	-	67 619	7 619	60 000
Irrevocable commitments	4 917 200	-	4 917 200	-	4 917 200	4 917 200	-

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

34. Risk management continued

Quality of credit assets

The following table shows the gross carrying amount of advances carried at amortised cost and the fair value of advances measured at fair value through profit or loss, as well as the exposure to credit risk of loan commitments and financial guarantee per class of advances and per internal credit rating.

The amount in stage 3 that do not have a rating of FR 91 - 100 relates to technical cures (performing accounts that have previously defaulted but don't meet the 12-month curing definition remains in stage 3) and paying debt-review customers as the PD's on these customers are lower than operational stage 3 advances and the PD drives the FR rating. In addition, where the groip holds a guarantee against a stage 3 advance, the FR rating would reflect same.

	2020			
	FR 26 - 90		FR 91 -100	
N$'000	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
FNB Retail				
Stage 1	18 991 992	1 678 202	110 003	85 569
Stage 2	493 344	-	388 746	-
Stage 3	79 183	-	812 794	-
Total retail	**19 564 519**	**1 678 202**	**1 311 543**	**85 569**
FNB commercial				
Stage 1	4 814 033	1 042 549	146 543	14 131
Stage 2	464 048	-	403 605	-
Stage 3	3 791	-	473 573	-
Total commercial	**5 281 872**	**1 042 549**	**1 023 721**	**14 131**
RMB corporate banking				
Stage 1	977 258	-	972	340 071
Stage 2	-	-	-	277
Total RMB corporate banking	**977 258**	**-**	**972**	**340 348**
RMB investment banking				
Stage 1	2 765 335	201 007	-	-
Stage 2	17 531	-	-	-
Fair value through profit or loss	310 042	-	-	-
Total RMB investment banking	**3 092 908**	**201 007**	**-**	**-**

34. Risk management continued

Quality of credit assets continued

	2019		
	FR 26-90		FR91-100
N$'000	On balance sheet	Off balance sheet	On balance sheet
FNB Retail			
Stage 1	15 685 023	3 294 157	-
Stage 2	594 383	-	-
Stage 3	-	-	519 958
Total retail	16 279 406	3 294 157	519 958
FNB commercial			
Stage 1	6 019 528	1 605 216	-
Stage 2	480 078	-	-
Stage 3	-	-	261 348
Total commercial	6 499 606	1 605 216	261 348
WesBank			
Stage 1	3 235 350	225 570	-
Stage 2	222 955	-	-
Stage 3	-	-	63 298
Total WesBank	3 458 304	225 570	63 298
RMB corporate banking			
Stage 1	772 389	916 877	-
Total RMB corporate banking	772 389	916 877	-
RMB investment banking			
Stage 1	2 779 765	-	-
Fair value through profit or loss	368 932	-	-
Total RMB investment banking	3 148 697	-	-

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

34. Risk management continued

Analysis of impaired advances (stage 3)

The table represents an analysis of impaired advances for financial assets measured at amortised cost, and debt instruments measured both at fair value through other comprehensive income and fair value through profit or loss, in line with the manner the group manages credit risk.

	2020			2019		
N$'000	Gross carrying amount	Expected recoveries from collateral	Loss allowance	Gross carrying amount	Expected recoveries from collateral	Loss allowance
Stage 3 by class						
- Residential mortgages	641 827	470 783	171 044	434 499	327 846	106 653
- Vehicle asset finance	53 330	4 129	49 201	34 814	5 332	29 482
Total retail secured	695 157	474 912	220 245	469 313	333 178	136 135
- Credit card	25 718	(87)	25 805	17 263	479	16 784
- Personal loans	106 847	2 531	104 316	54 327	3 483	50 844
- Other retail	20 740	2 101	18 639	13 869	5 245	8 624
Total retail unsecured	153 305	4 545	148 760	85 459	9 207	76 252
- FNB commercial	477 364	278 764	198 600	261 348	148 605	112 743
- Commercial vehicle finance	43 634	3 379	40 255	28 484	4 362	24 122
- RMB Corporate and investment banking	-	-	-	-	-	-
Total corporate and commercial	520 998	282 143	238 855	289 832	152 967	136 865
Total stage 3	1 369 460	761 600	607 860	844 604	495 352	349 252
Stage 3 by category						
Overdrafts and cash management accounts	190 689	71 689	119 000	95 726	35 154	60 572
Term loans	205 045	138 712	66 333	116 654	75 560	41 094
Card loans	25 718	(787)	26 505	17 263	478	16 785
Instalment sales and hire purchase agreements	90 446	2 737	87 709	59 928	8 007	51 921
Lease payments receivable	6 518	4 771	1 747	3 370	1 688	1 682
Property finance	744 076	541 947	202 129	497 336	370 982	126 354
Personal loans	106 968	2 531	104 437	54 327	3 483	50 844
Total stage 3	1 369 460	761 600	607 860	844 604	495 352	349 252

34. Risk management continued

Quality of credit assets - non-advances

The following table shows the gross carrying amount of non-advances carried at amortised cost and the fair value of non-advances measured at fair value through profit or loss or through other comprehensive income per external credit rating.

	2020			2019		
N$'000	AAA to BBB	BB+ to B-	CCC	AAA to BBB	BB+ to B-	CCC
Investment securites at amortised cost						
Stage 1	-	8 037 567	-	-	7 144 541	-
Investment securities at fair value through other comprehensive income						
Stage 1	-	9 578	-	-	9 578	-
Investment securities at fair value through profit or loss						
Stage 1	-	487 332	-	-	653 190	-
Total investment securities	-	8 534 477	-	-	7 807 309	-
Other assets						
Stage 1	-	14 878	-	-	28 840	-
Cash and cash equivalents						
Stage 1	-	1 115 109	-	-	1 390 195	-
Due from banks and other financial institution	-	-	-	-	-	-
Stage 1	-	4 442 442	-	-	2 803 839	-
Derivative financial instrument						
Stage 1	-	519 294	-	-	459 072	-

Notes to the consolidated annual financial statements
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34. Risk management continued

Sector analysis concentration of advances.

Advances expose the group to concentration risk in various industry sectors. The table below set out the groups exposure to the various industry sectors for total advance and credit -impaired advances.

2020

N$000's	Total advances	Credit impaired advances	Security held and expected recoveries	Specific impairment
Agriculture	1 516 157	155 112	114 960	40 152
Banks and financial institutions	1 433 334	10 675	-	10 675
Building and property development	3 821 930	186 257	102 174	84 083
Government, Land Bank and public authorities	967 760	-	-	-
Individuals	19 368 242	843 657	476 450	367 207
Manufacturing and commerce	2 072 113	120 361	51 109	69 252
Mining	88 371	4 352	780	3 572
Transport and communication	462 116	19 343	2 706	16 637
Other services	1 505 249	29 703	13 421	16 282
	31 235 272	1 369 460	761 600	607 860

2019

N$000	Total advances	Credit impaired advances	Security held and expected recoveries	Specific impairment
Agriculture	1 374 765	84 494	66 063	18 431
Banks and financial institutions	1 209 738	9 687	2 099	7 588
Building and property development	2 458 748	81 574	39 366	42 208
Government, Land Bank and public authorities	1 298 629	-	-	-
Individuals	18 840 702	548 582	338 860	209 722
Manufacturing and commerce	2 503 009	70 418	32 945	37 473
Mining	278 719	872	361	511
Transport and communication	507 302	23 246	5 296	17 950
Other services	2 531 397	25 731	10 362	15 369
	31 003 009	844 604	495 352	349 252

34. Risk management continued

Concentration analysis of deposits

N$'000	2020	2019
Sector analysis		
Deposit current accounts and other loans		
Sovereigns, including central banks	518 872	627 596
Public sector entities	3 744 179	2 006 189
Local authorities	707 781	650 021
Banks	345 747	258 135
Corporate customers	22 049 899	22 654 459
Retail customers	11 060 759	9 689 744
Total deposits	38 427 237	35 886 144
Geographical analysis		
Namibia	38 427 237	35 886 144

Concentration risk

Credit concentration risk is the risk of loss to the group arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, or maturity. This concentration typically exists when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Concentration risk is managed based on the nature of the credit concentration in each portfolio. The group's credit portfolio is well diversified, which is achieved through setting maximum exposure guidelines to individual counterparties. The group constantly reviews its concentration levels and sets maximum exposure guidelines for these.

The group seeks to establish a balanced portfolio profile and closely monitors credit concentrations.

Geographical risk is all is Namibian counter parties.

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

34. Risk management continued

Credit risk mitigation and collateral held

Since taking and managing credit risk is core to its business, the group aims to optimise the amount of credit risk it takes to achieve its return objectives. Mitigation of credit risk is an important component of this, beginning with the structuring and approval of facilities only for those clients and within those parameters that fall within risk appetite.

Although, in principle, credit assessment focuses on the counterparty's ability to repay the debt, credit mitigation instruments are used where appropriate to reduced the group's lending risk, resulting in security against the majority of exposures. These include financial or other collateral, netting agreements, guarantees or credit derivatives. The collateral types are driven by portfolio, product and counterparty type.

Credit risk mitigation instruments:

- Mortgage and instalment sale finance portfolios in FNB and WesBank are secured by the underlying assets financed;
- FNB Commercial credit exposures are secured by the assets of the SME counterparties and commercial property finance deals are secured by the underlying property and associated cash flows;
- Structured facilities in RMB are secured as part of the structure through financial or other collateral, including guarantees, credit derivative instruments and assets;
- Counterparty credit risk in RMB is mitigated through the use of netting agreements and financial collateral. For additional information relating to the use of the netting agreements.
- Personal loans, overdrafts and credit card exposures are generally unsecured or secured by guarantees and securities;
- Invoice finance is secured by the underlying receivables (trade invoices); and
- Working capital facilities in RMB corporate banking are secured.

The group employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally to ensure that title is retained over collateral taken over the life of the transaction. Collateral is valued at inception of the credit agreement and subsequently where necessary through physcial inspection or index valuation methods. For corporate and commercial counterparties, collateral is reassessed during the annual review of the counterparty's creditworthiness to ensure that proper title is retained. For mortgage portfolios, collateral is revalued on an ongoing basis using an index model and physical inspection, which is performed at the beginning of the recovery process. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

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.

34. Risk management continued

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 out internationally accepted valuation and default covenants, which are evaluated and applied daily, including daily margin calls based on the approved CSA thresholds.

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.

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

34. 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.

	2020			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	> 12 months and non-contractual	Total
On-balance sheet exposures				
Deposits and current accounts	26 774 057	9 873 940	3 649 423	40 297 420
Due to bank and other financial institutions	117 948	-	-	117 948
Derivative financial instruments	519 294	-	-	519 294
Creditors, accruals and provisions	160 912	-	-	160 912
Tier 2 liabilities	10 046	19 565	566 358	595 969
Financial libilities	27 582 257	9 893 505	4 215 781	41 691 543
Off-balance sheet exposures				
Financial and other guarantees	1 222 282	16 775	-	1 239 057
Other contingencies and commitments	-	-	-	-
Facilities not drawn	2 122 750	-	-	2 122 750

34. Risk management continued

	2019			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	> 12 months and non-contractual	Total
On-balance sheet exposures				
Deposits and current accounts	24 820 823	8 533 960	4 088 037	37 442 820
Due to bank and other financial institutions	2 803 839	-	-	2 803 839
Derivative financial instruments	459 072	-	-	459 072
Creditors, accruals and provisions	157 340	-	-	157 340
Tier 2 liabilities	12 399	26 836	657 233	696 468
Financial libilities	28 253 473	8 560 796	4 745 270	41 559 539
Off-balance sheet exposures				
Financial and other guarantees	1 517 646	94 396	1 112 229	2 724 271
Other contingencies and commitments	-	-	-	-
Facilities not drawn	4 917 200	-	-	4 917 200

Notes to the consolidated annual financial statements
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34. Risk management continued

Discounted

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 Namibia'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.

	2020			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	> 12 months and non-contractual	Total
Total financial assets	12 746 113	5 506 636	26 367 189	44 619 938
Total financial liabilities	26 721 295	10 018 974	3 123 172	39 863 441
Net liquidity gap	(13 975 182)	(4 512 338)	23 244 017	-
Cumulative liquidity gap	(13 975 182)	(18 487 520)	4 756 497	-

	2019			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	> 12 months and non-contractual	Total
Total financial assets	13 281 299	5 260 408	23 045 482	42 787 189
Total financial liabilities	25 407 120	8 261 822	3 946 657	37 615 600
Net liquidity gap	(12 925 821)	(3 001 414)	21 098 825	-
Cumulative liquidity gap	(12 925 821)	(15 927 235)	5 171 590	-

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.

34. Risk management continued

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.

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/NAV 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 at management of the group's discretion. This assumption is based on historical product behaviour.

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$ 10.8 billion. (2019: N$ 9.8 billion).

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34. Risk management continued

Non-traded market risk continued

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$ 287 million (2019: N$ 272 million). A similar increase in interest rates would result in an increase in projected 12-month NII of N$ 283 million (2019: N$ 265 million).

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

%	2020 Change in period 12-month NII	2019 Change in period 12-month NII
Downward 200 bps	(17.30%)	(5.28%)
Upward 200 bps	17.00%	5.12%

Short-term insurance products

The risk arises from the group's short-term insurance operations.

The terms and conditions of short-term insurance contracts have a material effect on the amount, timing and uncertainty of future cash flows. The key risks associated with general insurance contracts are claims experience. The provisions for these contracts are refinded at least annually. As claims experience develops, certain claims are settled, further claims are revised and new claims are reported. The reasonableness of the estimation process is tested by management and reviewed on a regular basis. The group believes that the liability for claims carried at end of the year is adequate.

The short-term insurance products offered by the group include:

- Liability - provides cover for risks relating to the incurring of a liability other than from risk covered more specifically under another insurance contract.
- Motor - provides indemnity cover relating to the possession, use or ownership of a motor vehicle. The cover includes comprehensive cover, third party, fire and theft, and third-party liabilities.
- Personal accident - provides compensation arising out of the death or disability directly caused by an accident occurring anywhere in the world, provided that death or disability occurs within 12 months of this injury.
- Property - provides indemnity relating to movable and immovable property caused by perils such as fire, explosion, earthquakes, acts of nature, burst geyser and pipes, malicious damage, impact, alterations and additions.

35. Segment information

35.1 Reportable segments

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 FirstRand 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	**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, short-term insurance, investment and savings – and include mortgage loans, credit and debit cards, personal loans, funeral, credit life, 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). OUTsurance ,short-term insurance was previously reported seperately as a segment, this is now included under FNB as the FNB CEO reports OUTsurance performance to the chief operating decision maker as part of FNB performance.
RMB	RMB represents the group's activities in the corporate and investment banking. RMB offers advisory, financing, trading, corporate transactional banking and principal investing solutions.
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, 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. Ashburton Investments offers focused traditional and alternative investment solutions to individual and institutional investors and combines established active fund management expertise with alternative investment solutions from product providers across the FirstRand group. Ashburton Investments' results are included in this reportable segment as these are not material on a segmental basis.

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

Prior year segment numbers are restated due to change in segments.

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

35. Segment information continued

	Group		FNB	
N$'000	2020	2019	2020	2019
Net interest income	2 013 439	2 012 222	1 733 195	1 663 454
Impairment and fair value of credit advances	(559 672)	(214 809)	(550 557)	(219 275)
Net impairment income after impairment of advances	1 453 767	1 797 413	1 182 638	1 444 179
Non-interest income	1 905 019	1 820 161	1 609 104	1 516 140
Net insurance premium income	161 092	167 217	161 092	167 217
Net claims and benefits paid	(77 467)	(86 201)	(77 467)	(86 201)
Income from operations	3 442 411	3 698 590	2 875 367	3 041 334
Operating expenses	(2 173 695)	(2 068 996)	(1 814 808)	(1 769 876)
Net income from operations	1 268 716	1 629 594	1 060 559	1 271 458
Share of profit/losses from associates	(14 248)	2 758	1 492	3 730
Income before tax	1 254 468	1 632 352	1 062 050	1 275 190
Indirect tax	(44 724)	(47 372)	(31 647)	(35 136)
Profit before tax	1 209 744	1 584 980	1 030 403	1 240 054
Direct tax	(376 388)	(499 170)	(329 729)	(388 793)
Profit for the year	833 356	1 085 810	700 674	851 260
The income statement includes:				
Depreciation	125 808	102 180	124 735	101 545
Amortisation	14 811	17 259	591	2 688
Impairment charges	51 456	306	-	306
The statement of financial position includes:				
Investment securities	8 534 477	7 807 309	130 680	149 723
Advances	29 993 738	30 297 933	25 972 046	26 417 174
Deposits	38 427 237	35 886 144	19 526 200	16 703 237
Total assets	45 867 671	44 139 773	24 413 574	21 037 672
Total liabilities	40 867 435	38 725 541	23 450 547	20 831 392

35. Segment information continued

	RMB		FCC and other	
N$'000	2020	2019	2020	2019
Net interest income	264 180	229 948	16 064	118 820
Impairment and fair value of credit advances	(9 118)	4 466	2	(0)
Net impairment income after impairment of advances	255 062	234 414	16 066	118 820
Non-interest income	218 553	183 211	77 362	120 810
Net insurance premium income	-	-	-	-
Net claims and benefits paid	-	-	-	-
Income from operations	473 614	417 625	93 429	239 630
Operating expenses	(206 140)	(195 433)	(152 747)	(103 687)
Net income from operations	267 475	222 192	(59 318)	135 944
Share of profit/losses from associates	-	-	(15 740)	(972)
Income before tax	267 475	222 192	(75 058)	134 971
Indirect tax	(4 430)	(2 014)	(8 647)	(10 222)
Profit before tax	263 045	220 178	(83 705)	124 749
Direct tax	(84 174)	(70 457)	37 515	(39 920)
Profit for the year	178 871	149 721	46 190	84 830
The income statement includes:				
Depreciation	129	97	944	537
Amortisation	-	-	14 220	14 571
Impairment charges	-	-	51 456	-
The statement of financial position includes:				
Investment securities	147 863	120 408	8 255 934	7 537 178
Advances	4 021 692	3 880 759	(0)	(0)
Deposits	9 112 263	7 423 312	9 788 774	11 759 595
Total assets	8 453 097	6 673 515	13 001 000	16 428 586
Total liabilities	8 223 845	6 702 215	9 193 043	11 191 933

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

36. Standards and Interpretations issued but not yet effective

The following new and revised standards and interpretations are applicable to the group. The group will comply with these from the stated effective date.

Standard	Impact assessment	Effective date
Conceptual framework	The improvements to the conceptual framework include: revising the definitions of an asset and liability, updating the recognition criteria for including assets and liabilities in financial statements and the following concepts have been clarified; prudence, stewardship, measurement uncertainty and substance over form. Minor amendments have also been made to various other standards. The amendments are not expected to have a significant impact on the bank's accounting policies.	Annual periods commencing on or after 1 January 2020
IFRS 3	Business Combinations – Amendments to clarify the definition of a business The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment is only applicable to business combinations for which the acquisition date is on or after the effective date going forward and the clarified requirements will be applied on a transaction-by-transaction basis.	Business combinations entered into on or after 1 January 2020
IAS 1 and IAS 8	Amendments regarding the definition of material The amendments aligns the definition of material across the IFRS Standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendment must be applied prospectively. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2020

Standard	Impact assessment	Effective date
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	The IASB issued amendments to the following standards as part of the interest rate (IBOR) benchmark reform that has a direct impact on the bank's hedging relationships. These impacts are: The highly probable requirement under IFRS 9 and IAS 39: When a forecast transaction is designated as a hedged item, that transaction must be highly probable to occur. When determining whether a forecast transaction is highly probable, a company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform. Prospective assessments: When performing prospective assessments for effectiveness, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based are not altered as a result of the interest rate benchmark reform. Separately identifiable risk components: IFRS 9 and IAS 39 require a risk component (or a portion) to be separately identifiable to be eligible for hedge accounting. The amendment allows for hedges of a non-contractually specified benchmark component of interest rate risk. A company shall apply the separately identifiable requirement only at the inception of such hedging relationships. These reliefs are essential to mitigate the hedge accounting issues that could arise during the period of uncertainty before IBOR contracts are amended to new ARRs. The bank has evaluated the impact of these amendments and concluded that the amendments will benefit future hedging transactions the bank is likely to enter into. The IASB is now finalising phase two of the IBOR reform project, which addresses issues that could affect financial reporting when an existing interest rate benchmark is replaced with an ARR.	Annual periods commencing on or after 1 January 2020

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

36. Standards and Interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
Annual improvements 2016 - 2018	Improvements to IFRS The IASB issued the Annual improvements to IFRS standards 2016-2018 Cycle. These annual improvements include amendments to the following standards: • IFRS 9 – The amendment clarifies that fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
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

36. Standards and Interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
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

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FirstRand Namibia Limited

Company Annual Financial Statements

FirstRand Namibia Limited
Company statement of comprehensive income
for the year ended 30 June

N$'000	Note	2020	2019
Interest and similar income	2	2 441	1 035
Net interest income		**2 441**	1 035
Non-interest revenue			
- gains less losses from investing activities	3	1 281 475	620 057
Income from operations		**1 283 916**	621 092
Operating expenses	4	(132 722)	(2 226)
Income before tax		**1 151 194**	618 866
Indirect tax	5	(222)	(239)
Profit before tax		**1 150 972**	618 627
Income tax expense	5	(781)	(331)
Profit for the year		**1 150 191**	618 296
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**1 150 191**	618 296

FirstRand Namibia Limited

Company statement of financial position

for the year ended 30 June

N$'000	Note	2020	2019
Assets			
Loan to group companies	8	139 441	123 119
Investment securities	9	17 325	13 007
Investments in subsidiaries	10	1 263 171	1 393 949
Cash and cash equivalents		15 119	-
Total assets		**1 435 056**	**1 530 075**
Equity and liabilities			
Liabilities			
Creditors and accruals		16 451	1 219
Tax liability		129	207
Total liabilities		**16 580**	**1 426**
Equity			
Ordinary shares	11	1 338	1 338
Share premium	11	280 810	280 810
Retained earnings		1 136 328	1 246 501
Capital and reserves attributable to ordinary equity holders		**1 418 476**	**1 528 649**
Total equity and liabilities		**1 435 056**	**1 530 075**

FirstRand Namibia Limited

Company statement of changes in equity

for the year ended 30 June

N$'000	Share capital	Share premium	Share capital and share premium	Retained earnings	Total ordinary shareholders' funds
Balance at 30 June 2018	1 338	280 810	282 148	1 174 680	1 456 828
Total comprehensive income for the year	-	-	-	618 296	618 296
Ordinary dividends	-	-	-	(545 890)	(545 890)
Balance at 30 June 2019	1 338	280 810	282 148	1 246 501	1 528 649
Total comprehensive income for the year	-	-	-	1 150 191	1 150 191
Ordinary and special dividends	-	-	-	(1 260 364)	(1 260 364)
Balance at 30 June 2020	**1 338**	**280 810**	**282 148**	**1 136 328**	**1 418 476**
Note(s)	11	11	11		

FirstRand Namibia Limited
Company statement of cash flows
for the year ended 30 June

N$'000	Note	2020	2019
Cash flows from operating activities			
Net cash generated from operations	13	1 292 886	569 939
Indirect tax	5	(222)	(239)
Tax paid	6	(859)	(243)
Net cash flow from operating activities		1 291 805	569 457
Cash flows from investing activities			
Loan repayments from group companies		15 173	-
Loan advances to group companies		(31 495)	(23 567)
Net cash flow from investing activities		(16 322)	(23 567)
Cash flows from financing activities			
Dividends paid	7	(1 260 364)	(545 890)
Total cash movement for the year		15 119	-
Total cash at end of the year		15 119	-

FirstRand Namibia Limited
Notes to the company annual financial statements
for the year ended 30 June continued

1. Accounting policies

The financial statements of FirstRand Namibia Limited are prepared according to the same accounting principles used in preparing the consolidated financial statements of FirstRand Namibia Limited group. For detailed accounting policies refer to pages 107 - 162 of this annual report.

N$'000	2020	2019
2. Analysis of interest income and expenses		
Revenue other than from contracts with customers		
Interest received: loan account with group company	2 441	1 035
3. Non-interest revenue		
Dividend income		
Group entities:		
- Subsidiaries	1 265 815	606 209
- Equities	11 342	10 417
Equity instruments at fair value through profit or loss:		
Gains on investment securities through profit or loss	4 318	3 431
Gross gains less losses from investing activities	1 281 475	620 057
4. Operating expenses		
Audit fees	1 392	1 535
Professional Fees	289	577
Impairment of investment in subsidiary	130 778	-
Other operating expenses	263	114
Total operating expenses	132 722	2 226

Impairment of investment in subsidiary
The group assessed the recoverable amount of the investment in Pointbreak Equity (Pty) Ltd and determined that it is impaired, mainly as a result of the impact of COVID-19 on the expected future cash flows.

FirstRand Namibia Limited
Notes to the company annual financial statements
for the year ended 30 June continued

N$'000	2020	2019
5. Tax		
Indirect tax		
Value added tax	222	239
Direct tax		
Namibian normal tax - current year	781	331
6. Income tax paid		
Amounts payable or receivable at the beginning of the year	(207)	(119)
Current tax per comprehensive income	(781)	(331)
Balance payable at end of the year	129	207
Total income tax paid	(859)	(243)

The company provided for tax at 32% (2019: 32%) of the taxable income (interest income). The effective tax rate is 0.06% (2019: 0.05%).

N$'000	2020	2019
7. Dividends		
Final dividend (13 August 2019: 117 cents), (07 August 2018: 113 cents)	313 084	302 380
Special dividend (13 August 2019: 250 cents)	668 983	-
Interim dividend (12 February 2020: 104 cents), (31 January 2019: 91 cents)	278 297	243 510
	1 260 364	545 890

Final dividend of 50 cents (2019: 117 cents) per share was declared subsequent to year-end.

N$'000	2020	2019
8. Loan to / (from) group companies		
Balances with Talas Properties (Windhoek) (Pty) Ltd	57 331	25 836
Balances with FNB Namibia Incentive Share Trust	82 110	93 783
Balances with FNB Fiduciary (Namibia) (Pty) Ltd	-	3 500
	139 441	123 119
9. Investment securities		
Fair value through profit or loss		
Equity investment (preference shares)	7 749	3 431
Total	7 749	3 431
Equity investments at fair value through other comprehensive income:		
Equity investment (ordinary shares)	9 576	9 576
Total	17 325	13 007

FirstRand Namibia Limited
Notes to the company annual financial statements
for the year ended 30 June continued

9. Investment securities continued

Fair value hierarchy disclosure

The company shows an investment in equities and this is measured at fair value and analysed below by valuation technique. The classification of instruments is based on the lowest level input that is significant to fair value measurement in its entirety. A description of the nature of the techniques used to calculate valuations and definitions of Levels is set out in note 31 of the group financial statements .

N$'000	2020			
	Level 1	Level 2	Level 3	Total carrying amount
Investments in securities				
Investment at fair value through profit or loss	-	-	7 749	7 749
Investment at fair value through other comprehensive income	-	-	9 576	9 576
	-	-	17 325	17 325

	2019			
N$'000	Level 1	Level 2	Level 3	Total carrying amount
Investments in securities				
Investment at fair value through profit or loss	-	-	3 431	3 431
Investment at fair value through other comprehensive income	-	-	9 576	9 576
	-	-	13 007	13 007

The group classifies financial instruments in Level 3 of the fair value hierarchy when significant inputs into the valuation model are not observable. In addition to the valuation model for Level 3, financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

9. Investment securities continued

Fair value hierarchy disclosure continued

2020 N$'000	Fair value on 1 July	Gains recognised in profit or loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales) / issues/ (settlements)	Fair value on 30 June
Assets					
Investment securities	13 007	4 318	-	-	17 325

2019 N$'000	Fair value on 1 July	Gains recognised in profit or loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales) / issues/ (settlements)	Fair value on 30 June
Assets					
Investment securities	9 576	3 431	-	-	13 007

FirstRand Namibia Limited

Notes to the company annual financial statements

for the year ended 30 June continued

10. Investments in subsidiaries

Name of company	% voting power 2020	% voting power 2019	% holding 2020	% holding 2019	Carrying amount 2020	Carrying amount 2019
First National Bank of Namibia Ltd	100	100	100	100	1 142 792	1 142 792
FNB Easy Loans Ltd	100		100		45 975	45 975
RMB Investments (Pty) Ltd	100	100	100	100	-	-
FNB Fiduciary (Namibia) (Pty) Ltd	100	100	100	100	-	-
Talas Properties (Windhoek) (Pty) Ltd	100	100	100	100	2 967	2 967
OUTsurance Insurance Company of Namibia Ltd	51	51	51	51	6 511	6 511
FNB Insurance Brokers (Namibia) (Pty) Ltd	100	100	100	100	27 904	27 904
Ashburton Unit Trust Management Company Ltd	100	100	100	100	5 475	5 475
Ashburton Fund Managers Namibia (Pty) Ltd	100	100	100	100	250	250
Pointbreak Trusts and Estates (Pty) Ltd	100	100	100	100	(728)	(728)
Pointbreak Wealth Management (Pty) Ltd	100	100	100	100	1 549	1 549
Pointbreak Equity (Pty) Ltd	100	100	100	100	30 475	161 253
Pointbreak Investment Management (Pty) Ltd	100	100	100	100	-	-
					1 263 171	1 393 949

The group assessed the recoverable amount of the investment in Pointbreak Equity (Pty) Ltd and determined that it is impaired, mainly as a result of the impact of COVID-19 on the expected future cash flows.

The following trusts are controlled by FirstRand Namibia Limited:

- FNB Namibia Incentive share trust
- FNB Namibia Staff assistance trust

The carrying amount of these investments is N$ nil.

Refer to note 30 in the group financial statements for full related party transactions and balances.

11. Share capital

N$'000	2020	2019
Authorised		
990 000 000 (2019: 990 000 000) ordinary shares with a par value of N$ 0.005 per share	4 950	4 950
10 000 000 (2019: 10 000 000) cumulative convertible redeemable preference shares with a par value of N$ 0.005 per share	50	50
	5 000	5 000
Issued		
267 593 250 (2019: 267 593 250) ordinary shares with a par value of N$ 0.005 per share	1 338	1 338
2 (2019: 2) cumulative convertible redeemable preference shares with a par value of N$ 0.005 per share		
Share premium	280 810	280 810
	282 148	282 148

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

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

All issued shares are fully paid up.

FirstRand Namibia Limited
Notes to the company annual financial statements
for the year ended 30 June continued

12. Liquidity, credit and market risk information

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

Accounts receivable and creditors and accruals are repayable on demand or short notice and within Namibia.

13. Cash generated from operations

N$'000	2020	2019
Income before taxation	1 151 194	618 866
Adjustments for:		
Impairment	130 778	-
Gains on investment securities through profit and loss	(4 318)	(3 431)
Dividend in specie	-	(45 975)
Changes in working capital:		
Creditors and accruals	15 232	479
	1 292 886	569 939

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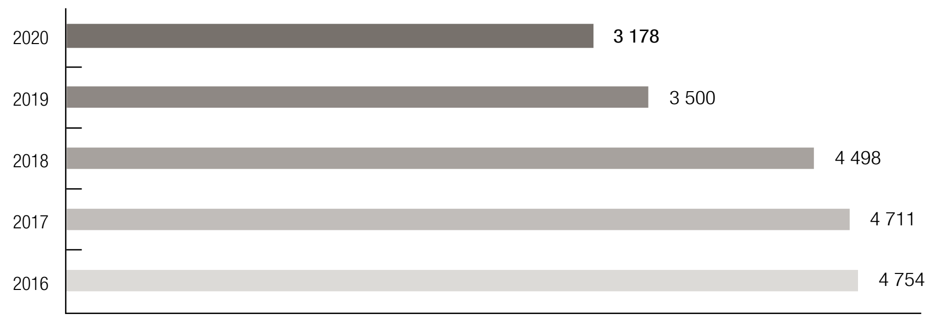
Shareholders' information

Shareholders Diary

Financial Year End	30 June 2020
Declaration Date	19 August 2020
SENS Announcement	10 September 2020
LDR/ Record Date	09 October 2020
Trade Cum Div (last day to trade)	02 October 2020
Trade ex div (first day to trade)	05 October 2020
Payment date	23 October 2020
Annual General Meeting	22 October 2020

Closing share price - Ordinary



Stock exchange performance

	2020	2019
Share price (cents)		
- high for the year	3 500	4 499
- low for the year	3 178	3 500
- closing price per share	3 178	3 500
Number of shares traded (000's)	4 306	1 915
Value of shares traded (N$ '000's)	143 648	82 220
Number of shares traded as persentage of issued shares	1.61	0.72
Average price (cents)	3 336	4 293

Register for electronic communications

FirstRand Namibia Limited recognises that electronic communications promote faster shareholder communications, achieve print and postage cost savings and reduce the impact it has on the environment. All shareholders are requested to register to receive documents electronically by completing the form on the website, which is accessible at:
https://www.fnbnamibia.com.na/downloads/namibia/finresults2018/shareholders-info/Electronic_Communication_Form_(PDF).pdf

Please return the form to Transfer Secretaries (Proprietary) Limited at ts@nsx.com.na.

Updating banking details to receive dividends and outstanding dividends directly into your bank account:

i. Receive dividends directly into your bank account; and/ or

ii. if you have any outstanding dividends owed to you, we encourage you to, completing the form available at:
https://www.fnbnamibia.com.na/downloads/namibia/finresults2018/shareholders-info/Change_of_Address_or_Bank_Information.pdf;

and enclose the following documentation:

1. an originally certified ID copy (front and back side);

2. if a legal entity i.e. a company, closed corporation, trust etc:

   2.1. originally certified copies of the registration documents of that entity; together with
   2.2. a resolution stating the details of all the authorised signatories;

3. original bank account confirmation letter; and

4. proof of residency (i.e. a copy of a municipal bill, lease agreement or your tax certificate).

These documents may be physically delivered to Transfer Secretaries (Proprietary) Limited at:
No. 4 Robert Mugabe Avenue (Entrance in Burg Street), Windhoek, Namibia.

Electronic payment can be done to a cheque or savings account at a bank in Namibia or South Africa.

Dividend payments cannot be done to a third party, a credit card, a fixed investment, post office or building society account.

PLEASE NOTE: NO EMAILS AND SCANS WILL BE ACCEPTED BY THE TRANSFER SECRETARIES FOR:

- updating banking details to received dividends directly into your bank account; and
- updating banking details receive outstanding dividends owed to you.

Scan codes to download documents in pdf:

Electronic Communications Form (pdf)

Change of Address or Bank Information (pdf)

Simplified group structure

General public	FirstRand EMA Holdings (Pty) Ltd	GIPF
26.8%	58.4%	14.8%

FirstRand
NAMIBIA

Banking		Investments Management		Other Activities		Insurance	
100%	First National Bank of Namibia Ltd	**100%**	Ashburton Fund Managers Namibia (Pty) Ltd	**100%**	FNB Fiduciary Namibia (Pty) Ltd	**51%**	OUTsurance Insurance Company of Namibia Limited
100%	Swabou Investments (Pty) Ltd	**100%**	Ashburton Unit Trust Management Company Ltd	**100%**	FNB Nominees (Namibia) (Pty) Ltd		
		100%	Pointbreak Equity (Pty) Ltd	**100%**	FNB Insurance Brokers (Namibia) (Pty) Ltd		
		100%	Pointbreak Investment Management (Pty) Ltd	**100%**	Talas Properties (Windhoek) (Pty) Ltd		
		100%	Pointbreak Property Unit Trust Management Company Ltd	**100%**	Pointbreak Trust and Estates (Pty) Ltd		
		100%	Pointbreak Unit Trust Management Company Ltd	**100%**	FNB Easy Loans Ltd		
		100%	Pointbreak Wealth Management (Pty) Ltd				

Analysis of ordinary shareholders

Share analysis - ordinary shares	Number of shareholders	%	Number of shares	%
Range of shareholders				
1 - 999	1 175	44.1%	416 048	0.2%
1 000 - 1 999	411	15.4%	525 708	0.2%
2 000 - 2 999	195	7.3%	473 824	0.2%
3 000 - 3 999	99	3.7%	336 211	0.1%
4 000 - 4 999	65	2.4%	284 872	0.1%
5 000 - 9 999	213	8.0%	1 436 384	0.5%
over 10 000	509	19.1%	264 120 203	98.7%
	2 667	100%	267 593 250	100.00%
Shareholder type				
Corporate bodies	22	0.8%	159 631 014	59.7%
Nominee companies	117	4.4%	79 139 585	29.6%
Private individuals	2 494	93.5%	20 557 354	7.7%
Trusts	34	1.3%	8 265 297	3.1%
	2 667	100%	267 593 250	100.00%
Geographic ownership				
Namibian including unknown	2 543	95.4%	103 938 029	38.8%
Other Africa	110	4.1%	157 054 345	58.7%
International	14	0.5%	6 600 876	2.5%
Total	2 667	100%	267 593 250	100.00%
Major shareholders				
Firstrand EMA Holdings (Pty) Ltd,			156 271 536	58.4%
Government Institutions Pension Fund			39 668 954	14.8%
Old Mutual Life Assurance Company (Namibia) Ltd			5 759 086	2.2%
FNB Employee Share Incentive Trust			5 643 774	2.1%
Sovereign Capital (Proprietary) Limited			4 758 053	1.8%
Allan Gray Namibia Balanced Fund			4 169 044	1.6%
Chappa'Al Investments Forty Two (Pty) Ltd,			3 018 199	1.1%
Investec Namibia Trustee Account (NAMAN)			3 015 062	1.1%
Retirement Fund for Local Authorities and Utility Services in Namibia			2 285 725	0.9%
The Africa Emerging Markets Fund			1 983 913	0.7%

FirstRand EMA Holdings Limited and Government Institutions Pension Fund are the only shareholders who beneficially hold more than 5% of the issued ordinary shares in the Company.

Corporate information

REGISTERED OFFICE
FirstRand Namibia Ltd
Registration number: 88/024
@Parkside
130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia
Tel: +264 (61) 299 2111
www.fnbnamibia.com.na

CHIEF EXECUTIVE OFFICER
Sarel van Zyl
5th Floor, @Parkside
130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia
Tel: +264 (61) 299 2111

TRANSFER SECRETARIES
Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue, Windhoek
P O Box 2401, Windhoek, Namibia
E-mail: ts@nsx.com.na
Tel: +264 (61) 227 647

EXTERNAL AUDITORS
Deloitte & Touche Namibia
Jan Jonker Road, Maerua Mall Complex
Windhoek, Namibia
PO Box 47, Windhoek, Namibia
Tel: +264 (61) 285 5000
www.deloitte.com/na

CHIEF FINANCIAL OFFICER
Oscar Capelao
5th Floor, @Parkside
130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia
Tel: +264 (61) 299 2111

SPONSOR
Cirrus Securities (Pty) Ltd
Member of the NSX
2nd Floor, Maerua Office Tower
Jan Jonker Road, Windhoek
P O Box 27, Windhoek, Namibia
Registration No. 98/461
E-mail: sponsor@cirrus.com.na
Tel: +264 (61) 256 666

GROUP COMPANY SECRETARY
Nelago Makemba
5th Floor, @Parkside
130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia
Tel: +264 (61) 299 2111

FirstRand Namibia Ltd
(Incorporated in the Republic of Namibia)
(Registration number: 88/024)
ISIN: NA0003475176
Share Code (NSX): FNB
("FirstRand Namibia Ltd" or "the Company")

FirstRand
NAMIBIA

Notice of annual general meeting

Notice is hereby given to all holders of ordinary shares in the Company that the thirty third (33rd) Annual General Meeting (AGM) of the shareholders of the company will be held via electronic media, on 22 October 2020 at 14:00.

FirstRand recognises and values its shareholders' presence at the AGM. The Company believes that this provides a platform for shareholders to actively participate in matters as set forth in the notice of meeting and to raise any matters of concern. Our panel of chairpersons from the various board committees, including senior executive members and external audit, will be present to respond to any questions from the shareholders for the following business:

1. **Ordinary resolution:**
   THAT the Annual Financial Statements for the year ended 30 June 2020 as approved by the board of directors of the Company on 19 August 2020, including the reports of the external auditors, audit committee and directors' report be approved. The financial statements were made available via the Securities Exchange News Service (SENS), have been distributed electronically and are available on the Company's website, https://www.fnbnamibia.com.na/about-fnb/index.html.

2. **Ordinary resolution:**
   THAT the final dividend declared on 19 August 2020 by the board of directors in the amount of 50 cents per ordinary share, which is payable on 23 October 2020 be and hereby is approved by shareholders.

3. **Ordinary resolution:**
   THAT despite II Zaamwani-Kamwi having attended less than 75% of meetings due to conflicting work commitments, that she be declared suitable to continue to serve as a director on the board of FirstRand Namibia Ltd and First National Bank of Namibia Ltd.

4. **Ordinary resolution:**
   TO re-elect directors of the company who retire in terms of the Company's Articles of Association and who, being eligible, offers themselves for re-election. Biographical information of the directors to be re-elected is set out on pages 26 to 29 of the annual report.

   4.1 **I-Ben Natangwe Nashandi** (Non-Executive Director)
   4.2 **Gerson Samuel Hinda** (Independent Non-Executive Director)
   4.3 **Inge Ingenesia Zaamwani-Kamwi** (Independent Non-Executive Director)
   4.4 **Jabulani Richard Khethe** (Independent Non-Executive Director)

5. **Ordinary resolution:**
   UPON the recommendation of the Directors' Affairs & Governance Committee and the board of Directors, P Grüttemeyer was appointed by the board to fill a vacancy in accordance with the Act and the company's Articles of Association and is now recommended by the board for election by shareholders by way of separate resolution.

   5.1 **Peter Grüttemeyer** (Independent Non-Executive Director)

6. Ordinary resolution:
TO re-elect SH Moir in terms of clause 21.3 of the Article of Association of the Company from 23 October 2020 to 31 December 2020.

6.1 Stuart Hilton Moir (Independent non-executive director)

In terms of clause 21.3 of the Articles of Association, the office of a director may be vacated at the close of the Annual General Meeting of the Company relating to the financial year of the Company in which the director reaches the age of 70 (seventy) years but is subject to the discretion and review by the board. SH Moir reached the age of 70 in 2018, re-elected in terms of clause 21.3 of the Articles of Association at the 24 October 2018 and 24 October 2019 Annual General Meeting. His tenure comes to an end at the 22 October 2020 Annual General Meeting.

The board has considered and has unanimously approved the extension of his tenure as a director from 23 October 2020 to 31 December 2020. Accordingly, being eligible for re-election and having been recommended by the board, Mr. Moir offers himself for re-election.

7. Ordinary resolution:
THAT the following directors be re-appointed as members of the Audit Committee for the periods mentioned below:

7.1 Stuart H Moir (Independent Non-Executive Director) :: 01 July 2020 to 31 December 2020
7.2 Jantje G Daun (Independent Non-Executive Director) :: 01 July 2020 to 30 June 2021
7.3 Christiaan L Ranga Haikali (Independent Non-Executive Director) :: 01 July 2020 to 30 June 2021

8. Ordinary resolution:
THAT

8.1 Deloitte & Touche be appointed as external auditors of the Company as recommended by the audit committee of the Company;
8.2 The directors duly assisted by the Audit Committee be authorised to determine the remuneration of the external auditors and terms of engagement.

9. Ordinary resolution:
THAT all the ordinary shares required for the purpose of carrying out the terms of the FNB Employee Share Incentive Scheme ("the scheme") be and are hereby specifically placed under the control of the trustees of the scheme, who are hereby authorised and shall have the power to allot and issue those shares as they become required for the purposes of carrying out and giving effect to the terms of the scheme.

10. Ordinary resolution:
THAT all the authorised but unissued shares in the capital of the company be and are hereby placed under the control of the directors who are hereby authorised to allot or issue shares on such terms and conditions as they deem fit, subject to the provisions of the Banking Institutions Act 2 of 1998, Companies Act 28 of 2004 ("the Act"), the Articles of Association of the Company and the Listings Requirements of the Namibia Stock Exchange ("NSX"), which provide, inter alia, that such issue of shares shall not in the aggregate exceed 10% of the company's shares in issue.

11. Ordinary resolution:
THAT the annual fees of the non-executive directors, as reflected below and representing a 0% increase be approved for the 2020/2021 financial year:

	Proposed remuneration for the period 01 July 2020 to 30 June 2021 (estimated annual remuneration)	Proposed remuneration for the period 01 July 2020 to 30 June 2021 (calculated remuneration per meeting)
FirstRand Namibia Ltd Board		
Member	62 210.40	15 552.60
Deputy-Chairperson	93 315.60	23 328.90
Chairperson	108 868.20	27 217.05
Audit committee		
Member	79 984.80	19 996.20
Chairperson	217 736.40	54 434.10
Risk Capital and Compliance Committee		
Member	66 654.00	16 663.50
Chairperson	99 981.00	24 995.25
Remuneration Committee		
Member	27 994.68	13 997.34
Chairperson	41 992.02	20 996.01
Directors' Affairs and Governance Committee		
Member	39 992.40	13 330.80
Chairperson	69 986.70	23 328.90
Senior Credit Risk Committee		
Member	266 616.00	8 887.20
First National Bank of Namibia Board		
Member	124 420.80	31 105.20
Deputy-Chairperson	186 631.20	46 657.80
Chairperson	248 841.60	62 210.40
Ad-hoc work		
Standard hourly rate for ad hoc work, including attending board training and board strategy sessions		2 221.80

12. Ordinary resolution:
THAT the renumeration policy as set out in the Renumeration Committee Report to be approved.

13. Ordinary resolution:
THAT each director and/ or the Group Company Secretary, be and are authorised to do all such things, sign all such documents, procure the doing of all such things and the signature of all such documents as may be necessary or incidental to give effect to all of the resolutions proposed and passed at which this resolution is proposed.

Voting:
All holders of FirstRand Namibia Ltd shares will be entitled to attend and vote at the annual general meeting. On a show of hands, every holder of FirstRand Namibia Ltd shares who is present in person, or in the case of a company, the representative appointed in terms of section 196 of the Companies Act, shall have one vote.

On a poll, the holders of ordinary shares present in person or by proxy will each be entitled to one vote for every ordinary share held.

Proof of identification required:
Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents and passports.

Proxies:
Each member entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies (none of whom need be a member of the Company) to attend, speak and, on a poll, to vote in his/her stead. The form of proxy for the annual general meeting, which sets out the relevant instructions for its completion, accompanies this notice. In order to be effective, duly completed forms of proxy must be received at the office of the transfer secretaries of the Company by no later than 15:00 on Monday, 12 October 2020.

By order of the board of FirstRand Namibia Limited

Nelago Makemba
Group Company Secretary
10 September 2020

Registered office
Firstrand Namibia Ltd
@Parkside
130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia

Transfer Secretaries
4 Robert Mugabe Avenue, Windhoek
P O Box 2401, Windhoek, Namibia

Form of Proxy

FirstRand
NAMIBIA

FirstRand Namibia Limited
(Incorporated in the Republic of Namibia)
(Registration number 88/024)
NSX Share Code: FNB
ISIN: NA 0003475176

For completion by the registered ordinary shareholders who hold ordinary shares of the company and who are unable to attend the 2020 Annual General Meeting of the company to be held in the Etosha Boardroom, @Parkside, 130 Independence Avenue, c/o Fidel Castro on Thursday, 22 October 2020 at 14:00 (the Annual General Meeting).

I/We ....
(*Name in full as it appears on the share certificate/ share register*)

Holder number .... Contact number ....

being the holder(s) of .... ordinary shares in the Company do hereby appoint:

1. .... or failing him/her

2. .... or failing him/her

3. the chairperson of the annual general meeting,

as my/our proxy to act for me/us at the Annual General Meeting (as the case may be) which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote on such resolution in respect of the shares in the issued capital of the Company registered in my/our name/s in accordance with the following (see note):

Ordinary Resolutions	For*	Against*	Abstain*
1. Ordinary resolution: Adoption of Annual Financial statements for 30 June 2020.			
2. Ordinary resolution: Approval of final dividend declared			
3. Ordinary resolution: Suitability of II Zaamwani-Kamwi to continue to serve as a director on the board			
4. Ordinary resolution: Re-election of directors by way of separate resolutions::			
4.1 I-Ben N Nashandi, (Non-Executive Director)			
4.2 Gerson S Hinda, (Independent Non-Executive Director)			
4.3 Inge I Zaamwani-Kamwi, (Independent Non-Executive Director)			
4.4 Jabulani R Khethe, (Independent Non-Executive Director)			
5. Ordinary resolution: Election of directors by way of separate resolution:			
5.1 Peter Grüttemeyer, (Independent Non-Executive Director)			
6. Ordinary resolution: Re-election of Director			
6.1 Stuart Hilton Moir (Independent Non-Executive Director)			
7. Ordinary resolution: Re-appointment of Audit Committee members			
7.1 Stuart H Moir, (Independent Non-Executive Director, 01 July 2020 to 31 December 2020)			
7.2 Jantje G Daun, (Independent Non-Executive Director, 01 July 2020 to 30 June 2021)			
7.3 Christiaan L Ranga Haikali, (Independent Non-Executive Director, 01 July 2020 to 30 June 2021)			
8. Ordinary resolution: Re-appointment of external auditors and authority to determine their remuneration			
9. Ordinary resolution: Control of FNB Employee Share Incentive Scheme ordinary shares			
10. Ordinary resolution: Control of unissued shares			
11. Ordinary resolution: Approval of Non-Executive Director remuneration			
12. Ordinary resolution: Approval of the existing remuneration policy			
13. Ordinary resolution 13: Authority to sign documents			

* *Insert an X in the appropriate spaces above to indicate how you wish your votes to be cast. However, if you wish to cast your votes in respect of less than all of the shares that you own in the Company, insert the number of ordinary shares held in respect of which you desire to vote.*

Signed at .... on (date) :: ....

Assisted by me (where applicable) .... :: .... Signature

Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the Company) to attend, speak and, on a poll, vote in place of that shareholder at the annual general meeting.

NOTES:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairperson of the annual general meeting", but any such deletion must be initialed by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.

3. Forms of proxy must be received at the Company's transfer secretaries, Transfer Secretaries (Proprietary) Limited, 4 Robert Mugabe Avenue (entrance on Berg Street), Windhoek, (PO Box 2401) Windhoek, Namibia by no later than 15:00 on Monday, 19 October 2020. Alternatively, forms of proxy may be sent to the Company's transfer secretaries by way of e-mail to ts@nsx.com.na, provided that such e-mails are received by the transfer secretaries by no later than 15:00 on Monday, 19 October 2020.

4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the chairperson of the annual general meeting.

6. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.

7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company.

8. The chairperson of the annual general meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these notes, if the chairperson is satisfied as to the manner in which the shareholder wishes to vote.

9. A proxy may not delegate his/her authority to any other person.

10. Where there are joint holders of ordinary shares:

    i. any one holder may sign the form of proxy;
    ii. the vote of the senior (for that purpose seniority will be determined by the order in which the names of the shareholder appear in FirstRand Namibia Ltd's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote/s of the other joint shareholder/s.

FirstRand Namibia Limited "the Company"
Incorporated in the Republic of Namibia
Registration number: 88/024
Share code (NSX): FNB
ISIN: NA 0003475176

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