FNB

annual report

FOR THE YEAR ENDED 30 JUNE 2023

Reporting suite

We are committed to reporting transparently to our broad range of stakeholders. For our 2023 financial year (1 July 2022 to 30 June 2023), our reporting suite, which is available at www.fnbnamibia.com.na consists of our:

- Integrated annual report
  Our integrated report is the prime report to our stakeholders. It is designed to show the connection between the inter-reliant elements involved in our value creation. This report includes our full consolidated annual financial statements for the year ended 30 June 2023.

NAVIGATION ICONS:

Our capitals:	Manufacturing	Financial	Human	Social	Natural	Intellectual
Our stakeholders:	Customers	Regulators	Employees	Society	Investors	Suppliers
Other icons:	Refer to	Download				

Contents

About this **integrated report**

1.

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

About this **integrated report**

Forward looking statements

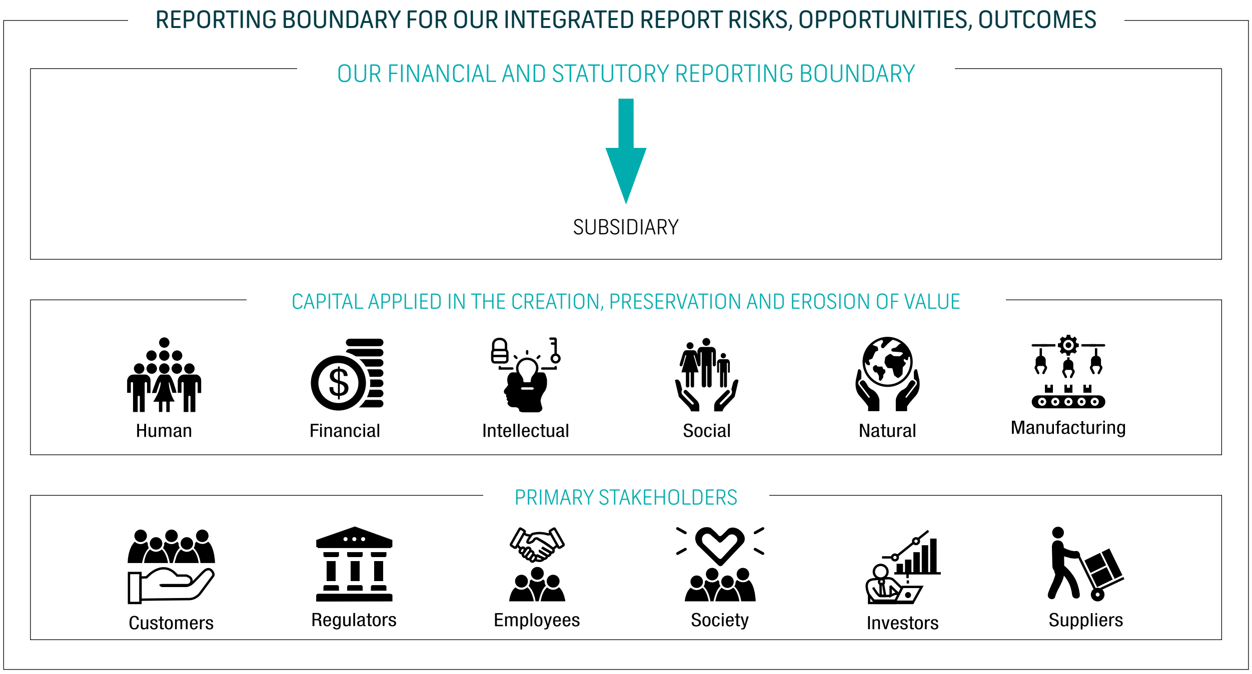
Statements relating to future operations and the performance of the group are not assurances of future operating, financial or other results and involve uncertainty as they are based on assumptions of future developments, some of which are beyond our control. Therefore, the results and outcomes may differ.

The financial reporting boundary covers the performance of the group's main operating businesses FNB and RMB, which focuses on the operations in Namibia where the revenue is generated. The group has 46 branches and also successfully rolling out alternative channels across the country.

The integrated reporting boundary covers risks, opportunities and outcomes relating to the group's operating environment, its operating businesses and engagement with key stakeholders that could influence the group's ability to create and sustain value.

The integrated report is targeted at our investors, who are our primary providers of capital, and the broader investment community, while we also acknowledge the role of our customers, employees, suppliers, industry regulators and funding institutions in the process of value creation, preservation and erosion.

FNB



About this **integrated report** continued

REPORTING PRINCIPLES

Integrated Annual Report (IAR) A review of the group's strategy, material issues, risks and opportunities and our operational and financial performance for the period.

Annual Financial Statements (AFS) The audited group and company annual financial statements for the 2023 financial year. The report includes our audit, risk and compliance committee and directors' reports.

Our report complies with the following reporting standards and frameworks:

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

ASSURANCE

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

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

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

About this **integrated report** continued

INTEGRATED REPORTING PROCESS

The following processes were employed in the preparation and approval of our reports. The group's integrated reporting process is managed by a working group led by the Chief Financial Officer (CFO). The process commences each year with an evaluation of the previous year's Integrated Report to identify opportunities to enhance disclosure and continually align with best reporting practices. The individual reports included in the Integrated Report are drafted based on discussions with executives, written submissions, internal presentations, and board and committee papers. Draft reports are initially reviewed by responsible executives, including the CFO, and finally by the Chief Executive Officer.

The draft of the integrated report is provided to all board members for review and their feedback, advice and suggestions are then incorporated into the final report.

MATERIALITY

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

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APPROVAL BY THE BOARD

The board acknowledges its responsibility for ensuring the integrity of the Integrated Report. The directors confirm that the report fairly represents the group's performance for the period under review as well as the growth strategies, material issues, risks and opportunities, and prospects of the group.

The board has applied its collective mind to the preparation and presentation of this report and is confident that it has been prepared in accordance with the <IR> Framework and approved for publication on 23 August 2023.

P Grüttemeyer	C Dempsey	E van Zyl	R Makanjee
IN Nashandi	MJ Lubbe	ON Shikongo	LD Kapere
J Coetzee	LP Smit	E Tjipuka	

At a **glance**

2.

Who we are and **what we do?**

FirstRand Namibia's **promises**

As a large corporate company, FNB Namibia subscribes to strong values, which is encapsulated in the FirstRand Namibia promises.

build **trust,** not territory.

Create a **culture** **of sharing.**

always **do the right thing.**

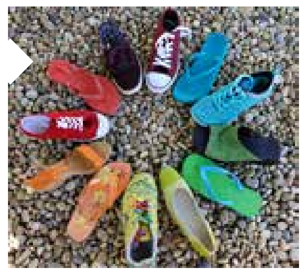
Question behaviours that are inconsistent with our beliefs.

have **courage.**

Nothing limits our imagination like **fear.**

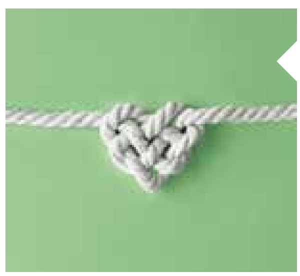
value our **differences.**

Continue to build an environment that **values differences**



stay **curious.**

Think differently.



be **deeply invested.**

Care for the business as if it were your own.

Who we are and **what we do?** continued

First National Bank of Namibia Limited

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

our purpose

Building a globally competitive Namibia, providing access to opportunities

our mission

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

our brand promise

FNB - How can we help you?
RMB - Traditional values. Innovative ideas.

FNB

FNB - retail and commercial banking

FNB represents activities in retail and commercial banking It is growing its franchise on the back of a compelling customer offering that provides a broad range of innovative financial services products.

FNB's strategy is to:

- grow and retain core transactional accounts;
- provide market-leading digital platforms to deliver cost-effective and innovative propositions to its customers;
- use its deep customer relationships and sophisticated data analytics to effectively cross-sell and up-sell a broad range of financial services products;
- apply disciplined lending solutions; and
- provide innovative savings products to grow its retail deposit franchise; and right-size its physical infrastructure to achieve efficiencies.

RMB

RMB – corporate and investment banking

RMB Namibia represents FirstRand Namibia's activities in the corporate and investment banking segments. The strategy leverages an entrenched origination franchise, a strong market-making and distribution product offering, and a competitive transactional banking platform to ensure delivery of an integrated corporate and investment banking value proposition to corporate and institutional clients.

Overview of FNB Namibia Group

FNB Namibia is a portfolio of integrated financial services businesses and offers a universal set of transactional, lending, investment products and services.

FNB Namibia's objective is to build long-term franchise value and deliver superior and sustainable returns within acceptable levels of volatility.

FNB Namibia's range of comprehensive products and services, combined with a deep understanding of the customers and communities it serves through a country-wide network of branches and agencies, means it is uniquely positioned to provide financial services to every sector of the Namibian economy.

Credit loss ratio

0.58 %

(2022: 0.29%) ▲
Impairment losses on loans and advances

Deposits

N$ 43 billion

(2022: N$37 billion) ▲
Client savings entrusted to us

Return on equity

26.2 %

(2022: 21.5%) ▲
The return on capital that shareholders have invested into FNB Namibia

Advances

N$ 35 billion

(2022: N$32 billion) ▲
The credit we have extended to our clients

Employees

2 138

(2022: 1 972) ▲
Our human capital

Earnings

N$ 4 499 million

(2022: N$3 895 million) ▲
The profits we make for our shareholder

Tier 1

16.1 %

(2022: 19.3%) ▼
The strength of our balance sheet

Overview of FNB Namibia Group continued

What **differentiates** us?

While financial services have become gradually more commoditised, we have many characteristics that set us apart from our peers. These include the following:

Experienced financial services management

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

Top-tier client satisfaction metrics

Net Promoter Score (NPS) on the scale of:
-100 to **+100**

2023 - Retail: 46 / Commercial: 30
2022 - Retail: 44 / Commercial: 0

Sound risk management

Track record – ECL coverage at 0.58%, in line with pre-Covid-19 levels of 0.69%.

Purpose led business

Our purpose is to help build a globally competitive Namibia, providing access to opportunities where a future of shared prosperity is created through enriching the lives of its customers, employees and the societies it serves.

Environmental guardian

Committed to the future of environmental sustainability

Strong balance sheet

To protect against risks – key ratios well above historical levels

Overview of FNB Namibia Group continued

Access to the largest banking network in Namibia

strong franchises | A strong Corporate and Investment Bank (RMB), a competitive Retail and Commercial Bank (FNB), that positions us well for future growth.

DO WHAT matters

Largest Banking Network

Branches (including digital service hub) – **46** (2022: 46)

Point of sale devices – **9 149** (2022: 6 972)

ATMs – **213** (2022: 231)

ADTs – **120** (2022: 102)

Cash@Till merchants – **932** (2022: 666)

CashPlus agents – **252** (2022: 177)

Recognition awards:

FNB

2023
PMR Awards:

PMR

Diamond Arrow Award: Business Banking
Diamond Arrow: Digital Banking Services
Golden Arrow: Personal Banking
Golden Arrow: Credit Cards
Golden Arrow: Agriculture

RMB

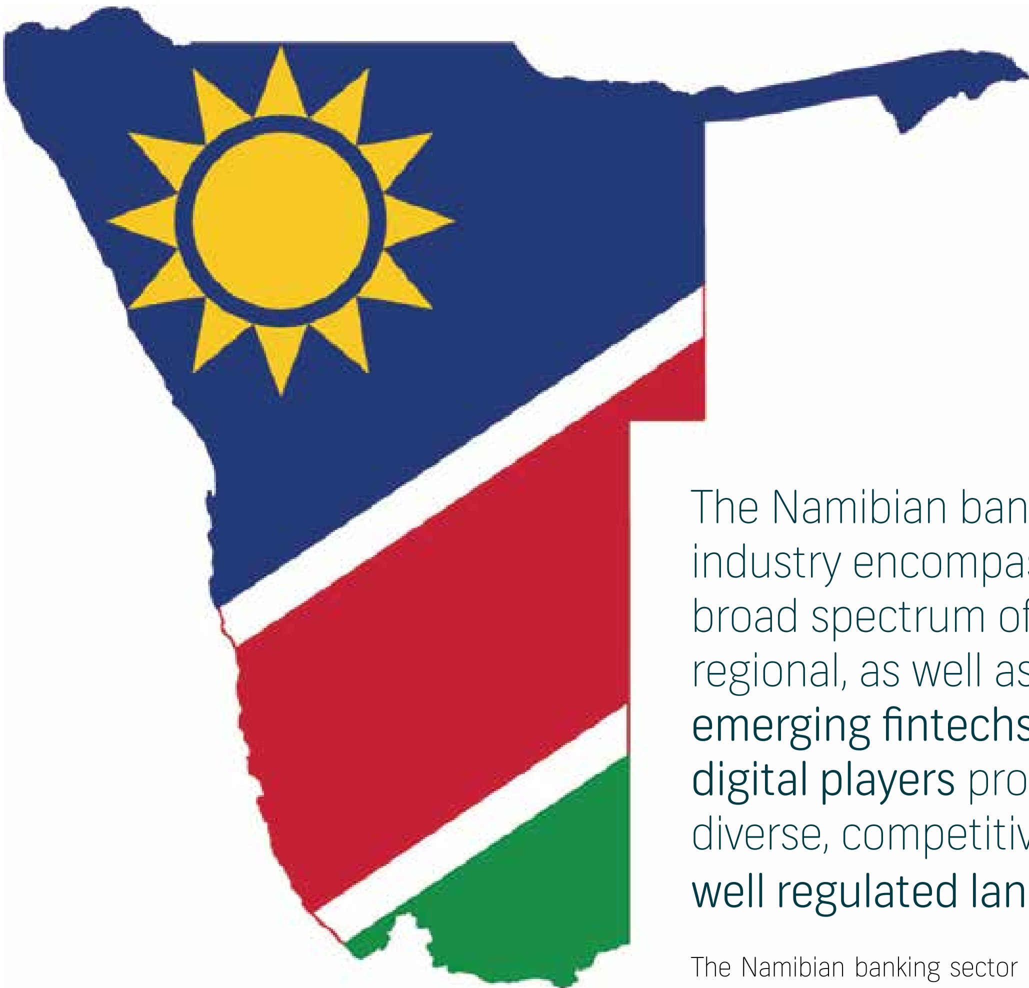
2023 Best Trade Finance Bank

2023 Best Bank in Namibia

2023 Best Treasury & Cash Management Bank in Namibia

2022 Best Treasury & Cash Management Bank in Namibia

FNB Namibia Group
- a domestic, systemic important banking group

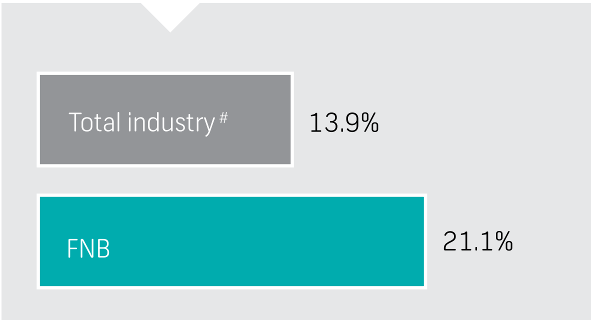


The Namibian banking industry encompasses a broad spectrum of local, regional, as well as **emerging fintechs** and **digital players** providing a diverse, competitive and **well regulated landscape.**

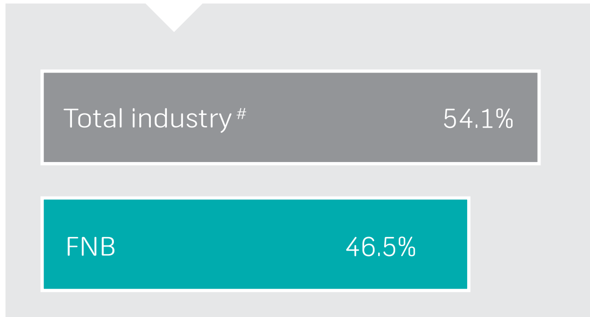
The Namibian banking sector has circa N$111 billion in advances, of which FNB Namibia has a 31% share. We have a 34% share of the c. N$125 billion Namibian deposit market, an important indicator of franchise strength.

FNB Namibia Group – a domestic, systemic important banking group continued

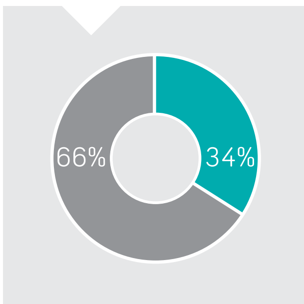
Return on equity (ROE %)



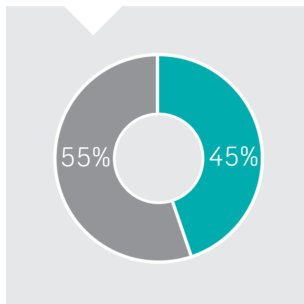
Cost-to-income (CTI %)



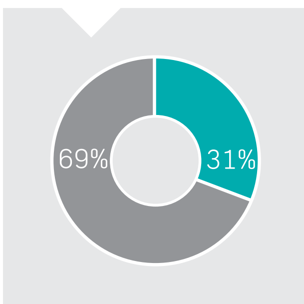
Total assets



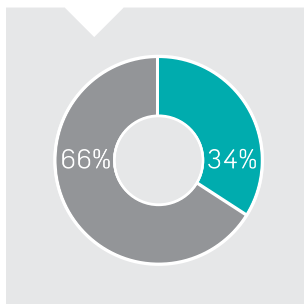
Profit after tax



Total advances



Total deposits



FNB *
Total industry #

* Banking Operations
\# including FNB
Source: Bank of Namibia Consolidated Returns, March 2023

Our organisational structure, products and services

FNB

Clients

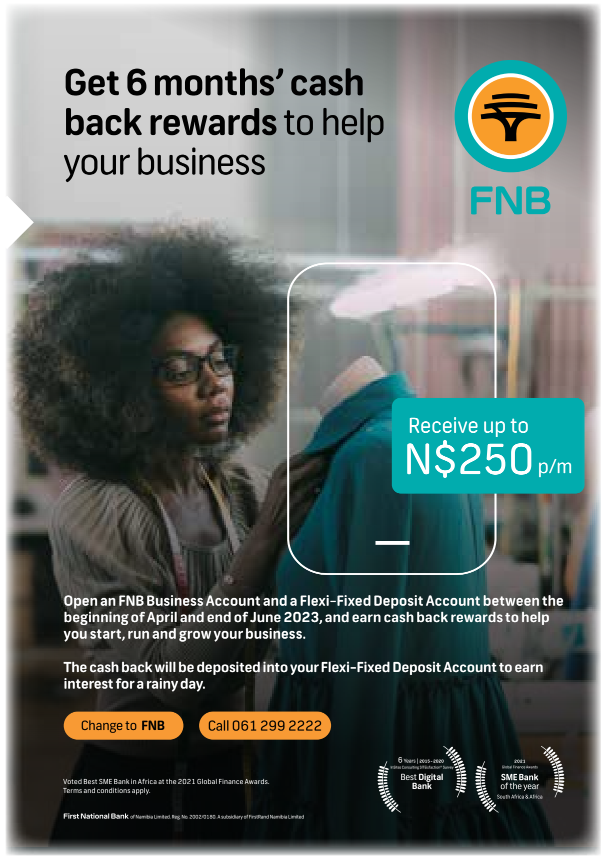
Individuals; micro, small and medium enterprises with revenues < N$10 million; financial institutions; non-governmental organisations and public sector institutions.

Products and services

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

Areas of strengths and differentiation

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



Our **organisational structure, products** and **services** continued

Clients

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

Products and services

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

Areas of strengths and differentiation

- Market leader with strong expertise in corporate advances, advisory and renewable energy financing.
- Market-leading trading franchise with excellent trading and structuring capabilities across all asset classes.
- Leading industry expertise in public sector, mining and resources, infrastructure, retail and telecoms.
- Integrated model, delivering high levels of client service and better coverage.
- Capability to appeal and preserve high-quality intellectual capital.
- Resourceful franchise with excellent service and operational efficiencies.

Our **business model** for value creation

Our business model

Our business model enables us to manage our resources and relationships responsibly to deliver the best outcomes for all our stakeholders.

Manufactured Capital

Aimed at enhanced service delivery through:

- Easy access to 45 branches, 1 digital service hub, and 9 482 self-service terminals
- Streamlining operational processes for greater efficiency through automation and digitalisation
- Strong internet and mobile banking platforms.

Social Capital

Our commitment to the communities we serve is underlined by:

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

Human Capital

Empowered by our PROMISES:

- Comprising a diversified workforce of over 2000 employees across the country
- A distinguishable culture that is client- and people-focused, innovative, and strong in compliance and governance
- Spent N$10.3 million on training and skills development to support our strategy (2022: N$8.4 million).

INPUTS

Natural Capital

Our responsibility as guardians of natural resources considers the direct usage and effect we have on natural resources through our own operations, including energy, water and climate, and our influence through our business undertakings.

Financial Capital

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

Intellectual Capital

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

The availability and quality of our six capital **INPUTS** ...

... enable us to deliver on our strategy ...

OUTPUTS and **OUTCOMES** ...

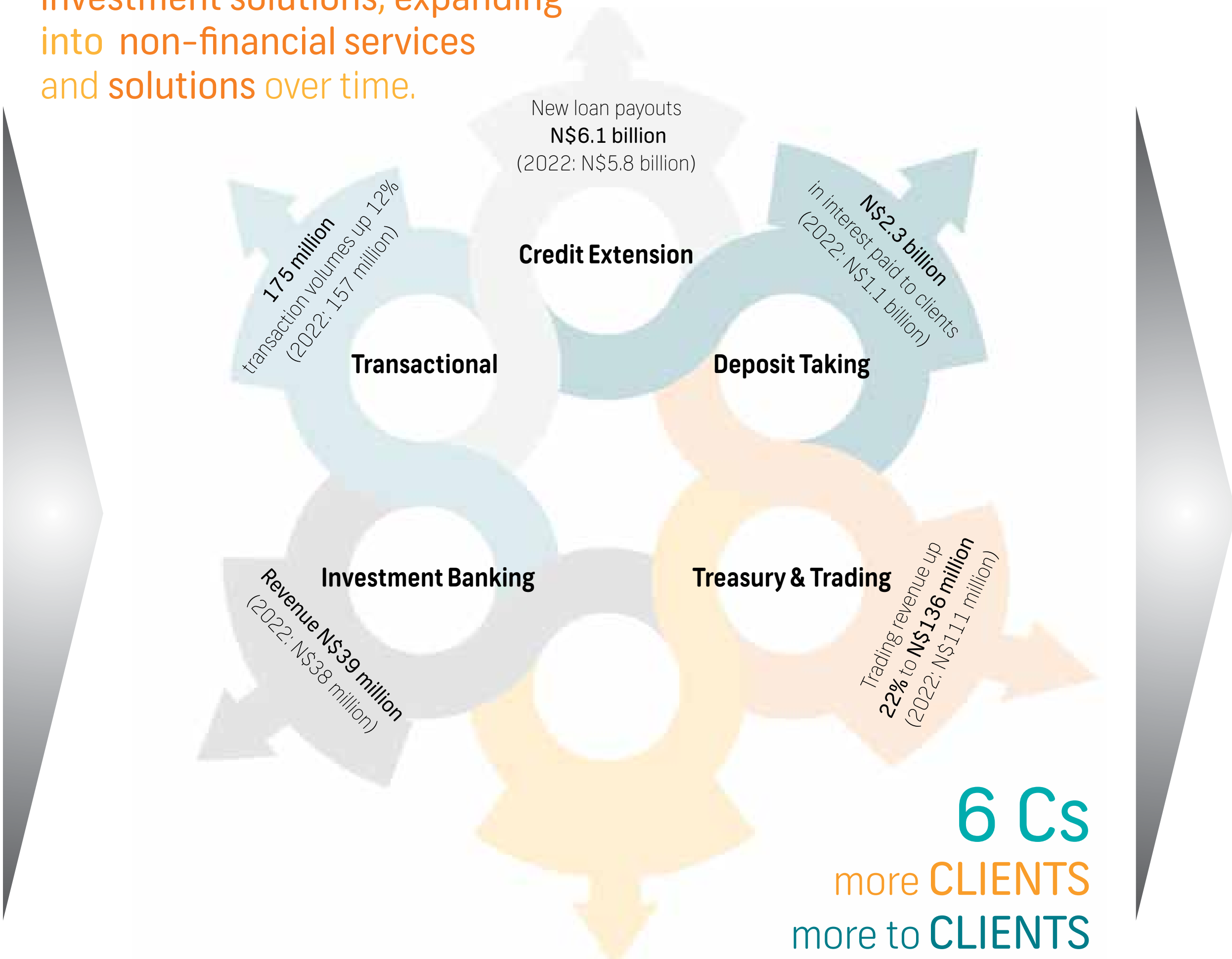
Our business model for value creation continued

by enabling business activities ...

... that produce purpose-led products and services ...

... that unlocks our strategic value ...

Our key activities include banking, insurance, and investment solutions, expanding into non-financial services and solutions over time.



6 Cs

more CLIENTS

more to CLIENTS

more COST efficiently

CONDUCT excellence

Impactful COMMUNICATION

CARE

BUSINESS ACTIVITIES
and its **OUTPUTS ...**

Our **business model** for value creation continued

… for **long-term value** for our stakeholders …

and **outcomes** …

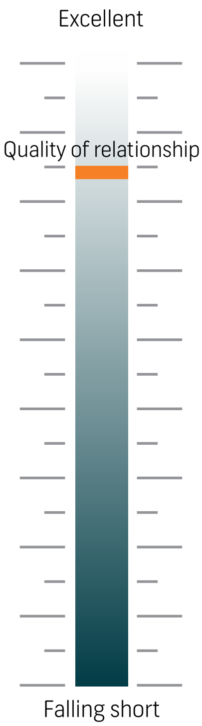
	customers	regulators	employees	society	investors	suppliers
Financial Capital						
√ Equity: N$6 billion (2022: N$6 billion); + 26.2% Return On Equity (2022: 21.5%);	+	+	+	+	+	+
Social Capital						
+ N$573 million direct and indirect tax paid; √ Compliance with regulatory requirements; • 87% localised procurement in Namibia (2022: 89%); + Number of customer complaints 916 (2022: 2 038); + N$85 million disbursed under SME rescue plan of the Bank of Namibia	√	+	+	+	√	√
Manufactured Capital						
+ Technology platform investment N$375 million; + Physical presence: Branches: 46 (covering more than 85% of Namibia), SSD: 333 and point-of-sale devices: 9 149 (2022: 46, 333 and 6 972 respectively); + Digital logins by customers up 6% year-on-year; + FNB app penetration by retail customers at 84% (2022: 81%).	+	√	√	√	√	√
Human Capital						
+ N$1 219 million paid in salaries and benefits; + N$10.3 million invested in training; + 45% women in senior management (2022: 43%); √ 47% black senior management. (2022: 47%).	√	√	+	+	√	√
Natural Capital						
+ All of the green bonds raised have been lent out; 82% on green building financing and 18% on renewable loans; √ Basin water is reused in the toilets, lights switch off at 6PM, motion sensors lights.	+	√	√	+	√	√
Intellectual Capital						
√ Availability of internet and mobile banking; + Refreshed FNB brand; + Recognised most valuable banking brand in the world (FNB).	+	√	+	√	√	√

• value erosion √ value preservation + value creation

Our stakeholders – their needs and expectations

Customers

As a financial services provider, we are genuinely linked to the environment we function in and the communities we serve. Our capability to generate and safeguard value is reliant on our relationship, our actions and the solutions we provide to our stakeholders. By providing for their needs and delivering on their expectations, we create and protect value for our stakeholders while finding ways to eliminate value destruction.



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

- Digital touchpoints, e.g. FNB App, FNB website, Mobile devices, branches, business centres, self-service terminals;
- Customer contact centers, sales representatives, e.g., Client advisors, relationship managers, personal advisors and client coverage teams;
- Reinforce awareness and education about the alternative banking options provided focusing on cash@till, eWallet@till and CashPlus;
- Social media platforms and Customer satisfaction surveys.

Their needs and expectations

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

Key objectives and metrics we track

- NPS and client satisfaction ratings;
- Client complaints;
- Impactful solutions that make a difference.

Relevant material matters

- Macroeconomic challenges;
- Digital innovation to meet customer needs;
- Enhancing the customer experience.

Capitals impacted:

Intellectual

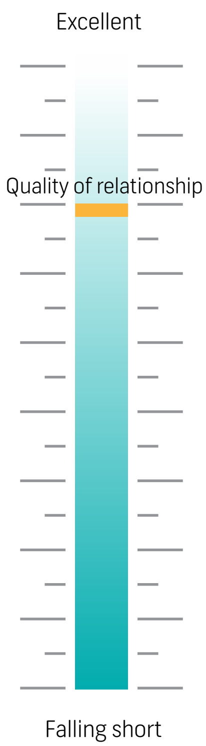
Social

Our stakeholders – their needs and expectations continued

Employees

To remain an employer of choice where employees can have exceptional career experiences, we reviewed and enhanced our Employee Value Proposition to provide additional benefits. As part of our Promises we continue to value our differences, and remain focused on driving employment equity. To understand and cater to our employees' diverse needs, we engage with them via:

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



Their needs and expectations

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

Key objectives and metrics we track

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

Relevant material matters

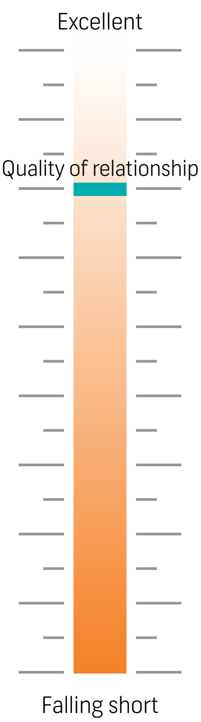
- Embodying sustainability within our workforce;
- Talent attraction, development and engagement;
- Diversity, equity and inclusion;
- Financial inclusion;
- Cyber crime.

Capitals impacted: Human Intellectual Social

Our stakeholders – their needs and expectations continued

Regulators

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



Their needs and expectations

Local regulators:

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

International agencies and standard-setters:

- Sustainable and responsible banking practices.

Key objectives and metrics we track

- Financial and non-financial targets met;
- Timeous, regular and transparent reporting;
- CAR 17.0% (FY22: 20.3%).

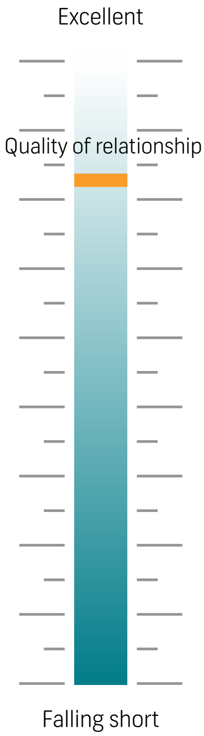
Relevant material matters

- Regulatory constraints related to digital transformation;
- Responsible and ethical banking practices;
- Financial crime prevention.

Capitals impacted: Financial, Intellectual, Social

Our stakeholders – their needs and expectations continued

Society



During 2023 we sustained good relationships with the communities within which we operate.

Their needs and expectations

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

Key objectives and metrics we track

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

Relevant material matters

- Investing in our communities;
- Managing the environmental impact of our operations;
- Developing sustainability-focused products and services.

Capitals impacted

Human

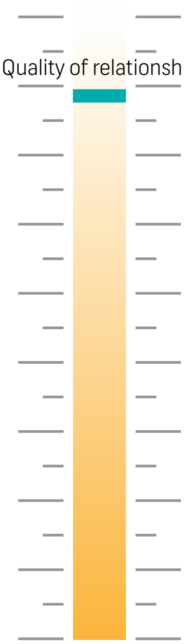
Intellectual

Social

Our stakeholders – their needs and expectations continued

Investors

The quality of our relationship with the investor community was evaluated in 2023 by considering, amongst others, the benefits to shareholders as a result of an improving financial performance and a promising balance sheet, share price out performance, striking dividend payments, and consummate investor relations.



Their needs and expectations

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

Key objectives and metrics we track

- NAV per share;
- ROE and cost-to-income ratios;
- Price-to-book ratios;
- Dividends paid and dividend cover;
- Relative share price performance.

Relevant material matters

- Operational and financial resilience;
- Partnerships and acquisitions for future growth;
- Integrated strategy, which is people-led and digitally enabled.

Capitals impacted:


Human


Intellectual


Social

Value created and preserved through **strong governance**

3.

Message from our **Chairperson**

"Namibia is ready to foster regional cooperation and support the sustainable development that will lead to the realisation of our collective plan for transforming Africa into the global powerhouse of the future.

~ Namibian Vice President Dr Nangolo Mbumba, July 2023

Peter Grüttemeyer - Chairperson

Said by the Vice-President at the time of writing at the 2023 US-Africa Business Summit held in July this year, these positive sentiments augur well for Namibia. They certainly resonate with the FirstRand Namibian group's activities over the period under review, and with our ongoing commitment to help build a globally competitive Namibia.

Over the past year, the FNB Namibia group has continued to increase its shared value activities as the country moved quickly into a post-pandemic optimism. However, a challenging operating environment prevailed as a backdrop to the green shoots we had started to see in the market, and key macro indicators showed little upward movement to merit the optimism at first. At the time of writing, ongoing interest rate hikes and decreasing employment figures continue to negatively impact business growth and individual living standards.

On the investment front, however, Namibia began to see increased investments over the last 12 months, primarily related to mining sector exploration activity, green hydrogen pilot projects and NamPower's renewable energy projects. While in the short to medium term, this heralds the opportunities the Vice President spoke to at the US-Africa Summit, the government's fiscal consolidation programme has kept public capital expenditure subdued.

At the same time, the group has long held the view that Namibia's legal framework policy requires attention to be ready for investor activity. Now that the country has garnered international interest it has never been more important to set the right tone, and access parameters, especially for potential partners and investors, especially when our young country still struggles with skills scarcity in the area of policy development and the legal international experience, and expertise needed, to both capitalise on and protect Namibia's resources.

Now, more than ever before, Namibia needs a decisive approach to its national growth strategy. Our government must move quickly and ethically on tough policy decisions. Given the scale and urgency of Namibia's opportunities, all sectors of the economy need to step up as partners and ensure that enablement is embedded throughout the value-chain to ensure the development outcomes to which we all aspire.

Message from our **Chairperson** continued

In this regard, the government recently and hurriedly pushed through a number of intended enabling laws that has an effect on foreign direct investment, also lowering expectations on its initial NEEEF 25% local ownership requirement for investors. However, there is concern about the level of consultation process on these new laws with private sector, and with limited transparency on these availed to the public for comment.

We understand that government sought to update and enact laws quickly to, amongst others, mitigate the threat of greylisting. This is indeed a necessary action, following this recently noted blow to the South African economy, bringing in turn a threat to all in the region. At the same time, the flurry of summits and conferences with international attendance over the past 6 months certainly also hastened the thinking around ensuring an enabling governance framework to allow for focused networking and subsequent negotiations in the energy sector.

I have no doubt that engaging with the talent and skills already in country, and securing through these, the commitment of international expertise in the new fields of opportunity, will help stabilise the current whirlwind of information gathering and networking and policy development. And it will take strong private and public sector partnerships to help lead Namibia into a clear plan for growth, housed within a useful and tested sustainability framework. The FNB Namibia group is certainly well-equipped to be this partner to government, and in ongoing engagements will continue to showcase its expertise and experience, as ready and willing to deliver to the country's globally competitive goals.

Even closer to home for the group, is the dependency on a strong local banking system, and the need for agile, visionary, and enabling engagement with its regulators. Considering that there is no credible plan for Namibia to prosper without the private sector playing a strong role and continuing to support state coffers, all industry stakeholders are obligated to work together for the greater good.

It is clear that economic recovery requires local investment into credit extension, housing, entrepreneurship, financial inclusion, and social upliftment, which in turn requires not only policy development but also political will and on-the-ground enablement.

The board is proud to note the group's leadership in PSCE, extending 63% of the total credit in the market, as well as the bank's leading support of small-medium enterprise development through credit guarantee partnerships, its affordable housing projects with local authorities and NGOs, and its annual commitment to double up on industry norms for CSR investment into communities.

More than only its position as a leading corporate taxpayer in Namibia, the group's commitment to 'doing what matters' brings with it a determination to partner government in its long-term goals, ensuring the issues of national concern, are our concern, too.

How the group fosters and attracts talent to ensure delivery to our local promises, is articulated in our Human Capital strategy, and is well-nurtured across our franchises. The group's drive to unlock opportunities for all, includes our own employees as we continue to extend our employee value proposition year on year, in our ongoing goal to remain an employer of choice.

For their great attitude and approach to living out our promises, the board thanks every employee, every team, every department, and every franchise. Passion, hard work, talent, energy, and delivery are the hallmarks of a strong culture of real care.

I am optimistic about the future. Having recently taken up the position of Chairperson, after three years on the board, I am particularly excited about the level of skills recently appointed as board directors. While this means we are mostly a young board again, the opportunity for skilled, targeted support to the FNB executive committee has increased, and I look forward to seeing these new skills applied.

Banks are increasingly subjected to more intrusive regulatory changes that will impact heavily on business models and practices. Although there is some understanding of the objectives of the regulator in this regard, there will undoubtedly be negative and unintended consequences at various levels, ranging from board level to information technology platforms and product offerings in general.

Nevertheless, for this now regulated short-term, I have committed to deliver to the legacy contribution of the past, while working with the energy and vision of our new board going forward. Along with the executive committee, we will continue delivering to our high performing, digitally focused, and future ready vision.

To our various executive committees, the board extends its gratitude for another year well-spent; and joins with our many stakeholders and local and international shareholders, to congratulate you all, and wish you well for the new financial year.

I am convinced that FNB Namibia will continue growing its portfolio of multi-branded businesses successfully. Innovative thinking and a solutions mindset, built out of an inclusive shared value commitment, has again stood us in good stead. Best wishes to all who make this happen daily.

P Grüttemeyer
Chairperson

Board profiles, responsibilities and oversight areas

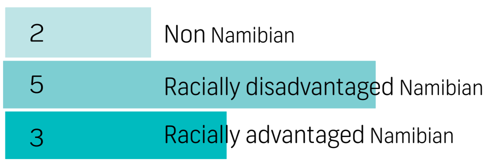
Board of directors

Our directors have profound experience and varied skills, empowering the board to deliver knowledgeable direction, rigorous oversight and liberated questioning in leading integrated thinking in the group. Non-executive directors offer independent and impartial decision-making insight. They positively challenge and monitor executive management's execution of strategy within the authorisation framework and risk landscape agreed by the board.

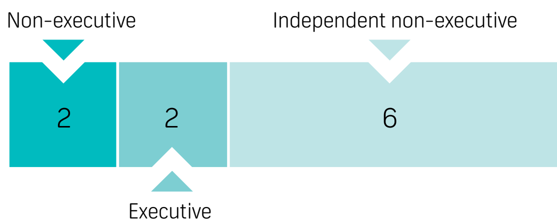
AGE

NATIONALITY

RACE

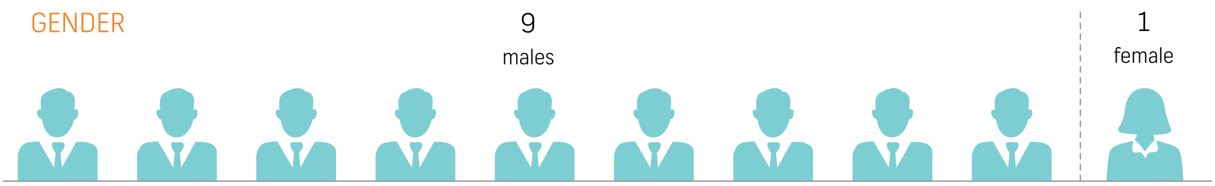


INDEPENDENCE

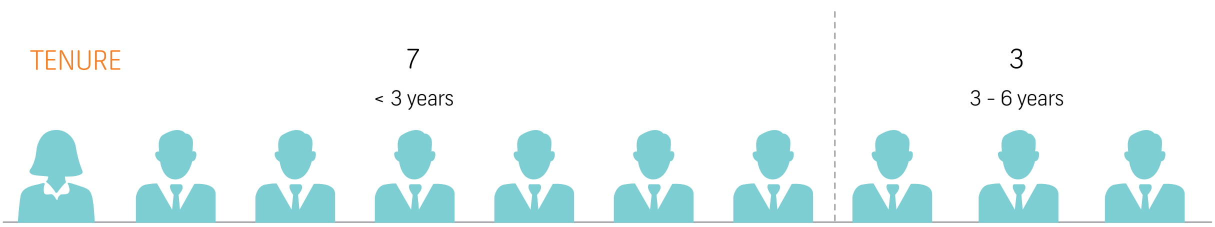


BOARD COMPOSITION AT 30 JUNE 2023

GENDER



TENURE



Board profiles, responsibilities and oversight areas continued

PETER GRÜTTEMEYER

(Independent Non-Executive Director)

Appointed: April 2020

Board meeting attendance: **4/4**

Qualifications: CA (NAM) (SA).

FirstRand Namibia group directorships, trusteeships and memberships: FirstRand Namibia Ltd; First National Bank of Namibia Ltd; Risk, Capital and Compliance Committee; Talent and Remuneration Committee; Directors Governance Committee; FNB Employee Share Incentive Trust.

Other directorships, trusteeships and memberships: Ohlthaver & List Group of Companies; Goreangab Trust; Namibian Lloyds representative.

CONRAD DEMPSEY

(Chief Executive Officer)

Appointed: October 2020

Board meeting attendance: **4/4**

Qualifications: CA (NAM) (SA), CGMA (UK), AMCT (UK), M.Phil (future studies).

FirstRand Namibia group directorships, trusteeships and memberships: FirstRand Namibia Ltd; First National Bank of Namibia Ltd; Swabou Investments (Pty) Ltd; Talas Properties (Windhoek) (Pty) Ltd; RMB Investments (Pty) Ltd; FNB Nominees Namibia (Pty) Ltd; FNB Insurance Brokers (Namibia) (Pty) Ltd; FNB Staff Assistance Trust; FirstRand Namibia Retirement Fund; FirstRand Namibia Foundation Trust; FNB Easy Loans Ltd.

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

Board profiles, responsibilities and oversight areas continued

OSCAR CAPELAO

(Chief Financial Officer)

Resigned: April 2023

Board meeting attendance: 4/4

Qualifications: CA (NAM) (SA), Global MBA in Digital Business.

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Ltd, First National Bank of Namibia Ltd, FNB Short Term Insurance Company Ltd, FNB Staff Assistance Trust.

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

LIZETTE SMIT

(Chief Financial Officer)

Appointment: July 2023

Board meeting attendance: n/a

Qualifications: CA (NAM)

FirstRand Namibia group directorships, trusteeships and memberships: FirstRand Namibia Ltd; First National Bank of Namibia Ltd; FNB Staff Assistance Trust; Swabou Investments (Pty) Ltd, Talas Properties (Windhoek) (Pty) Ltd, FNB Easy Loans Ltd.

Board profiles, responsibilities and oversight areas continued

ERWIN TJIPUKA

(Executive Director)

Resigned: September 2023

Board meeting attendance: **4/4**

Qualifications: CA (Nam)

FirstRand Namibia group directorships, trusteeships and memberships: First National Bank of Namibia Ltd, FNB Staff Assistance Trust, FNB Easy Loans Ltd; FNB Short Term Insurance Company Limited, Talas Properties (Windhoek) (Pty) Ltd, Swabou Investments (Pty) Ltd.

Other directorships, trusteeships and memberships: African Leadership Institute.

CHRISTIAAN RANGA HAIKALI

(Independent Non-Executive Director)

Retired: October 2022

Board meeting attendance: **2/2**

Qualifications: BBA (Entrepreneurship)

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

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

Board profiles, responsibilities and oversight areas continued

INGE ZAAMWANI-KAMWI

(Chairperson)

Retired: November 2022

Board meeting attendance: **1/2**

Qualifications: LLB (Honours); LLM

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

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

EMILE VAN ZYL

(Independent Non-Executive Director)

Appointed: March 2022

Board meeting attendance: **4/4**

Qualifications: B.Comm, B.Comm (Hons), M.Comm.

FirstRand Namibia group directorships, trusteeships and memberships: First National Bank of Namibia Ltd; FirstRand Namibia Ltd; Talent and Remuneration Committee; Audit Committee; Risk, Capital and Compliance Committee; Senior Credit Risk Committee; Directors Governance Committee; FNB Employee Share Incentive Trust.

Other directorships, trusteeships and memberships: Nammed Investment Committee; Emla Trust; Cornerstone Body Corporate; LI Roans Farming CC.

Board profiles, responsibilities and oversight areas continued

I-BEN NASHANDI

(Non-Executive Director)

Appointed: January 2019

Board meeting attendance: 4/4

Qualifications: Bachelor of Commerce; Master of Science in Financial Economics; Master's in Development Finance.

FirstRand Namibia group directorships, trusteeships and memberships: FirstRand Namibia Ltd; First National Bank of Namibia Ltd; FNB Fiduciary (Namibia) (Pty) Ltd; Social, Ethics and Transformation Committee.

LIBERTHA KAPERE

(Independent Non-Executive Director)

Appointed: December 2022

Board meeting attendance: 2/2

Qualifications: B Juris, LLB (Hons), Admitted Legal Practitioner (High Court of Namibia)

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

Other directorships, trusteeships and memberships: Debmarine Namdeb Foundation (Association not for gain); Namibia Evangelical Theological Seminary.

Board profiles, responsibilities and oversight areas continued

JAN COETZEE

(Independent Non-Executive Director)

Appointed: October 2021

Board meeting attendance: 4/4

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

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

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

OTTO SHIKONGO

(Independent Non-Executive Director)

Appointed: February 2023

Board meeting attendance: 2/2

Qualifications: M.Eng, Mechanical Engineers Certificate of Competency, Professional Engineer.

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

Other directorships, trusteeships and memberships: Namibia Consulting Engineers (Pty) Ltd; Tsothi Investments (Pty) Ltd; Twine Investments (Pty) Ltd; Nitecall (Pty) Ltd; The Nakasole Shikongo Family Trust; Auctioneering Corporation of Namibia; Circuit Investments (Pty) Ltd; Intermix Investments (Pty) Ltd; Acasia Car Rentals (Pty) Ltd; National Petroleum Corporation of Namibia (Pty) Ltd.

Board profiles, responsibilities and oversight areas continued

RAJENDRA MAKANJEE

(Non-Executive Director)

Appointed: August 2022

Board meeting attendance: **4/4**

Qualifications: CA (SA).

FirstRand Namibia group directorships, trusteeships and memberships: First National Bank of Namibia Ltd; FirstRand Namibia Ltd; Talent and Remuneration Committee, Directors Governance Committee.

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

MARKUS LUBBE

(Independent Non-Executive Director)

Appointed: February 2023

Board meeting attendance: **2/2**

Qualifications: CA (Nam) (SA).

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

Other directorships, trusteeships and memberships: Finkenstein Home Owners Association.

> "To set aside one's prejudices, one's present needs, and one's own self interest in making a decision as a director for a company is an intellectual exercise that takes constant practice. In short, intellectual honesty is a journey and not a destination."
>
> \- Mervyn King

Corporate governance report

FNB Namibia's overarching governance objective is to ensure that an adequate and effective process of corporate governance is established and maintained, one that is consistent with the nature, size, complexity, and risk inherent to the group and responds to changes in the group's environment and conditions. In addition, hereto, the Directors and management of FNB Namibia regard excellence in governance, transparency, fairness, responsibility, and accountability as essential for its long-term sustainability, helping to protect and enhance the interests of its stakeholders. FirstRand Namibia is committed to and accepts responsibility for applying these principles and objectives to ensure that the Group is managed ethically within prudent risk parameters.

Corporate governance can be defined as an ethically driven business process that is committed to values aimed at enhancing an organisation's wealth generating capacity. This concept further means that companies are no longer profit driven but that they take the Triple P bottom line into action (Profit, Planet and People). In conducting business FNB Namibia ensures that good corporate governance is at the forefront, by taking ethical business decisions and conducting our business with a firm commitment to our values, while meeting stakeholders' expectations and by ensuring that our company affairs are always managed in a fair and transparent manner. This is imperative in ensuring that we gain and retain the trust of our stakeholders.

The group is subject to and endorses the ongoing disclosure, corporate governance, and other conditions required by the Namibia Stock Exchange (NSX). In response to the notice by the NSX contained in Government Gazette No. 139, the group supported and continues to apply the principles of The Corporate Governance Code of Namibia (NamCode).

FirstRand Namibia is the duly registered controlling company of First National Bank of Namibia Limited pursuant to the Banking Institutions Act No. 2 of 1998, as amended. Additionally, FirstRand Namibia is listed on the NSX, and complies with the Stock Exchanges Control Act No. 1 of 1985, the NamCode, and the NSX Listings Requirements. As a response to protect value and as the custodian of corporate governance, the group has developed and complies with programmes, frameworks, policies, and standards which allow the company to maintain its value across the Board and in the society, including responsibility towards our stakeholders.

The three key aspects of the NamCode are highlighted as good governance being essentially about good leadership; the concept of corporate citizenship which flows from the fact that a company is a person and should operate in a sustainable manner and; that sustainability is the primary moral and economic imperative of the 21st century. FNB Namibia, in subscribing to the NamCode, ensures that all its decisions are influenced by ongoing evolvement of corporate governance standards.

We believe that an active, well-informed, and independent board is necessary in ensuring the highest standards of corporate governance. It is well-recognised that an effective Board is a pre-requisite for strong and effective corporate governance. At FNB Namibia, the Board of Directors is at the core of our corporate governance practices and oversees how management serves and protects the long-term interests of all our stakeholders. The Board is regularly trained on topical issues relating to the business, corporate governance, as well as on relevant legislation affecting the financial services industry. During the financial year the following training topics were covered:

- Compliance Training (including Regulatory Risk, Financial Crime, Ethics and Conduct, Data Privacy, Anti-Bribery and Corruption);
- Information Governance;
- Information Management;
- Access to Information Act;
- The Electronic Communications Transaction Act;
- Restrictive Business Practices in terms of Competition legislation; and
- Managing Interest Rate Risk in the Banking Book (IRRBB) and liquidity risk management.

During the financial year, and in line with the business strategy, the company adopted and renewed several frameworks, policies, standards, and charters relating to capital management, corporate governance, climate risk, information technology, various sub-committee charters, anti-bribery and corruption and all related matters.

CHIEF EXECUTIVE OFFICER

Conrad Dempsey was appointed as the Chief Executive Officer of First National Bank of Namibia Limited 20 October 2020, where he also serves as an Executive Director. He is responsible for leading the implementation and execution of approved strategy, policies, and operational planning and is the direct link between management and the Board.

Corporate governance report continued

GROUP COMPANY SECRETARY

Nelago Makemba was appointed as the Group Company Secretary of FNB Namibia in May 2015. The company secretary plays a critical role as the gatekeeper of corporate governance and is ultimately responsible for ensuring that the Board and Management have access to professional services and advice on corporate governance principles and practices. The appointment and removal of the company secretary is a matter of the board. The Board is satisfied with the services provided by the company secretary in ensuring that the needs of the Boards are met.

COMPOSITION OF BOARD AND DEMOGRAPHICS

As at 30 June 2023, FNB Namibia had a unitary board of ten directors with majority being independent non-executive directors. In complying with good corporate governance principles, FNB Namibia ensures that the Chairperson of the Board is an independent non-executive director and that the role of the Chief Executive Officer is separate from the role of the Chairperson as required by the NamCode and the relevant Banking Determination. The Board further conforms to the board composition as laid out therein, which requires that the board comprises a balance of power, with majority directors being non-executive directors and further that the majority of those non-executive directors be independent.

FNB Namibia Board

Record of Attendance

Director Name	FNB Namibia Board		Board Strategy Session		Directors Training		Directors Induction	
Number of Meetings/Training Sessions	4	%	1	%	4	%	1	%
Independent Non-Executive Directors								
II Zaamwani [1]	1/2	50	N/A	N/A	0/1	0	N/A	N/A
CLR Haikali [2]	2/2	100	N/A	N/A	N/A	N/A	N/A	N/A
P Grüttemeyer [3]	4/4	100	1/1	100	4/4	100	N/A	N/A
J Coetzee	4/4	100	1/1	100	3/4	75	N/A	N/A
E van Zyl	4/4	100	1/1	100	4/4	100	N/A	N/A
MJ Lubbe [4]	2/2	100	1/1	100	3/3	100	1/1	100
LD Kapere [5]	2/2	100	1/1	100	3/3	100	1/1	100
ON Shikongo [6]	2/2	100	1/1	100	3/3	100	1/1	100
Non-Executive Directors								
IN Nashandi	4/4	100	1/1	100	1/4	25	N/A	N/A
R Makanjee [7]	4/4	100	1/1	100	1/4	25	N/A	N/A
Executive Directors								
C Dempsey	4/4	100	1/1	100	4/4	100	N/A	N/A
OLP Capelao [8]	4/4	100	1/1	100	2/2	100	N/A	N/A
E Tjipuka [9]	4/4	100	1/1	100	2/4	50	N/A	N/A

Notes:

[1] Retired 30 November 2022
[2] Retired 20 October 2022
[3] Appointed as Board Chairperson 1 December 2022
[4] Appointed 1 February 2023
[5] Appointed 1 December 2022
[6] Appointed 1 February 2023
[7] Appointed 1 August 2022
[8] Resigned 28 April 2023
[9] Resigned 4 September 2023

Corporate governance report continued

KEY BOARD DISCUSSIONS

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

The committee discharged its duties during the financial year:			
August 2022	October 2022	February 2023	April 2023

- Approved the Annual Financial Statements 30 June 2022.
- Approved the Consolidated Financial Results for Interim Period 31 December 2022.
- Resolved to declare a final and interim dividend.
- Approved Board Sub-Committee Charters.
- Discussed the proposed changes emanating from Bank of Namibia Determination 1 (BID-1).
- Approved the FNB Namibia Ltd Houseview.
- Noted the retirement and resignation of Directors.
- Discussed the Annual FirstRand Namibia Foundation Corporate Social Investment Report.
- Approved the rotation of External Auditors Deloitte & Touche with Ernst & Young Namibia for the 2024 financial year.
- Noted the director recruitment and Board succession update.
- Approved the re-election of the Board Chairperson for the 2023 calendar year.
- Approved the Macroeconomic Scenarios.
- Interrogated and approved the Board Budget and Strategy Plan for the 2024 Financial Year.

Audit committee report

The Audit Committee assists the Board in fulfilling its oversight responsibilities in areas such as financial reporting, internal control systems, internal and external audit functions. The Committee works closely with the Risk, Capital, and Compliance Committee to identify common risks, control themes and achieve synergy between combined assurance processes. This ensures that these functions can leverage off each other as necessary. The Committee is constituted as a statutory committee of the Board in respect of its duties. The objectives and functions of the committee are detailed in its charter.

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

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 satisfaction with the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function. The finance function follows the group structure in that each segment / brand has its own finance team reporting to the respective Executive Officers of the segment or support unit head.

The Committee opined and confirmed that they are satisfied that the newly appointed Chief Financial Officer and Executive Director. LP Smit possesses the appropriate expertise and experience to perform her duties as the Chief Financial Officer following the resignation of OLP Capelao as Chief Financial Officer and Executive Director of the group, effective 28 April 2023.

Expertise and Adequacy of the Internal Audit Function

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

Member	Meeting attendance		Special Meeting		Appointment / resignation date
Number of meetings (% attendance)	4	%	1	%	
E van Zyl (Chair)	4/4	100	1/1	100	Appointed 06 April 2022
MJ Lubbe	2/2	100	1/1	100	Appointed 07 February 2023
LD Kapere	1/1	100	1/1	100	Appointed 14 March 2023
P Grüttemeyer	3/3	100	N/A	N/A	Resigned 07 February 2023
CLR Haikali	2/2	100	N/A	N/A	Retired 20 October 2022

Group Internal Audit provides risk-based and objective assurance, advice, and insight to enhance and protect organisational value with a mandate that spans across FirstRand Namibia Ltd and its subsidiaries. Group Internal Audit's approach to audit engagements requires agile risk assessments to ensure focus on key risks. Involvement in key projects and entity-wide areas of risk exposure are incorporated into the audit plans, together with ad hoc requests for independent assurance. Group Internal Audit continually engages with combined assurance role players to obtain insights into business strategies and to ensure integration, coordination and alignment of assurance activities to maintain sufficient coverage of high-risk areas over the three lines of defence.

Group Internal Audit is headed by the Chief Audit Executive Silvia Rosado appointed on 17 July 2023 who reports administratively to the Chief Executive Officer and has unrestricted access to the Audit Committee Chairperson. The Committee has assessed and is satisfied with the arrangements of the internal audit function and are further satisfied that the internal audit function is independent and appropriately resourced. The internal audit function continues to provide assurance to the Board on the adequacy and effectiveness of the group's internal control and risk

Audit committee report continued

Expertise and Adequacy of the Internal Audit Function continued

management practices, and the integrity of financial reporting systems. Internal audit duly assisted management by making recommendations for improvements to the control and risk management environment during the year. The Committee received regular reports from group Internal Audit on weaknesses in controls that were identified, including financial controls, and considered corrective actions to be implemented by management.

External Audit Function

The Audit Committee has satisfied itself as to the performance and quality of the external audit and that the external auditors and lead partners were independent from the group. The Audit Committee confirmed satisfaction with the efficacy and independence of the independent auditor, Deloitte & Touche, who performed the audit for the financial year and further confirms that the appointment of Deloitte & Touche, together with that of the designated individual audit partner, was assessed in accordance with the NSX Listings Requirement, the Banking Institutions Act, 1998, and the Companies Act, 2004.

The Audit Committee discharged its duties by, inter alia, complying with its legal and regulatory responsibilities, as well as:			
August 2022	October 2022	February 2023	April 2023

- Overseeing the internal and external audits, including reviewing and approving of the internal and external audit plans, reviewing of significant audit findings, monitoring progress reports on corrective actions required to rectify any reported internal control shortcomings;
- Reviewing and approving the Audit Committee Charter;
- Reviewing legal and compliance matters that could have a significant impact on the Annual Financial Statements;
- Confirming and monitoring the internal audit process and assessing the effectiveness of the internal audit function;
- Reviewing the quality, independence and cost-effectiveness of the statutory audit and non-audit engagements;
- Monitoring internal control frameworks and procedures, including accounting policies, legislative compliance, regulatory matters and governance;
- Reviewing the effectiveness of the systems of internal control, including IT internal controls and risk management, based on written reports from the previous Chief Audit Executive;
- Recommending the appointment of external auditors, who in the opinion of the Committee are independent of the company, for approval by shareholders at the Annual General Meeting;
- Approving the remuneration of the external auditors and assessment of their performance;
- Performing an annual assessment of the independence of the external auditors;
- Setting the principles for recommending the use of external auditors for non-audit services;
- Advising and updating the board on issues ranging from accounting standards to published financial information;
- Providing independent oversight of the integrity of the Annual Financial Statements and other external reports issued and recommending the Annual Integrated Report to the Board for approval;
- Assessing combined assurance from the external auditors, internal auditors and management ensuring that the combined assurance received is adequate to address all material risks;
- Approving the appointment of the external auditors and recommending appointment to the Board for final approval;
- Approving the rotation of the external auditors and the process to be followed in appointing the incoming External Auditors; and
- Assessing the expertise, resources and experience of the Chief Financial Officer and finance function.

The Audit Committee confirms that it was able to carry out its work to fulfil its mandate under normal and unrestricted conditions. The Committee is satisfied that the assurance obtained during the meetings, corroborated by the review of the documentation deemed necessary and its analyses, sustain its conclusion reached for the 2023 financial year end.

E van Zyl
Chairperson

Risk, Capital and Compliance Committee (RCCC) report

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

The composition and attendance of the Committee is as follows:

Member	Meeting attendance		Appointment / resignation date
Number of Meetings / % Attendance	4	%	
J Coetzee (Chair)	4/4	100	Appointed 09 February 2022
P Grüttemeyer	4/4	100	Appointed 19 August 2020
E van Zyl	3/3	100	Appointed 19 October 2022

The committee discharged its duties during the financial year by:

August 2022	October 2022	February 2023	April 2023

- Approving group frameworks, policies and process documents;
- Continuously reviewing the risk management progress and maturity of the company, the effectiveness of risk management activities, the key risks facing the company, and the responses to address key risks this included monitoring the risk management process;
- Monitoring, on an ongoing basis, and approving the overall effectiveness of the processes relating to corporate governance, internal controls, risk management, capital management and capital adequacy, capital targets, market risk and trading limits, and thresholds;
- Monitoring the various risks found within the enterprise risk management risks, being, strategic risk, capital risk, accounting and tax risk, market risk in the trading book, market risk in the banking book, liquidity risk, people risk, information technology risk, reputation risk, and credit risk;
- Ensure that the various risk types are adequately addressed through the risk management, monitoring and assurance processes;
- Reviewing the environmental and social risks, potential impact thereof and ensuring the group aligns to on-going international best standards;
- Discussing the Compliance Strategy and approving the Compliance Annual Resource Adequacy Check;
- Aligning the group's strategy to the risk appetite of the group to ensure adequate performance and sustainability of the group, the Committee ensures that business plans and the risks are thoroughly examined before decisions are made;
- Executing the requirements as provided in the Business Performance and Risk Management Framework, the Regulatory Risk Management Framework, the Internal Capital Adequacy Assessment Process (ICAAP), Liquidity Management and all related Frameworks by the Committee;
- Monitoring the implementation of Tax Framework and the management of tax risks across the Group by monitoring the risk exposures and the effectiveness of Tax Risk Management;
- Discussing the Internal Financial Control Assessment which ensures that management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide assurance regarding the reliability of the financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act;
- Approving, including monitoring the progress of the Regulatory and Conduct Risk Management Monitoring Plan and the Regulatory Risk Universe and Monitoring Plan;
- Forming part of the Liquidity simulation activities held in terms of BID-6 and all the processes that emanated from the plan, the simulation examined the appropriateness of the Group's liquidity risk assumptions and analysis; and
- Discussing matters received from the various sub-committees. Where necessary, the committee, noted/approved and escalated matters to FirstRand Namibia Ltd Board for noting/approval.

J Coetzee
Chairperson

Talent and Remuneration Committee report

1. SCOPE

The Talent and Remuneration Committee (REMCO) is charged with overseeing group remuneration and ensuring that remuneration practices align between 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 FNB Namibia group.

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

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

2. COMMITTEE MEMBERSHIP AND ATTENDANCE

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

The committee met two times during the 2023 financial year. Attendance of meetings held during the financial year are as follows:

3. REMUNERATION PHILOSOPHY

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

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

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

- Attracting and retaining the best talent in the market is a critical enabler for FNB 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 NIACC before they can start sharing.

- Management also has a responsibility to other stakeholders: regulators, customers, deposit holders, employees and society at large. These are all considered by the Committee when determining and assessing remuneration so that sustainable long-term growth for the benefit of all stakeholders is achieved.

- The Committee considers total remuneration across fixed salaries, STIs and LTIs as encapsulated below.

Member	Meeting attendance		Appointment / resignation date
Number of meetings/ % attendance	2	%	
CLR Haikali (Chair)	1/1	100%	Retired 20 October 2022
P Grüttemeyer	2/2	100%	Appointed 07 April 2021
E van Zyl (Chair)	2/2	100%	Appointed 06 April 2022
R Makanjee	1/1	100%	Appointed 12 April 2023

Talent and Remuneration Committee report continued

4. REMUNERATION POLICY AND STRUCTURES

4.1. Guaranteed pay

Cash Package (Based on Cost-to-Company)

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

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

Guaranteed Pay Benchmarking

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

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

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

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

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

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

Retirement contribution

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

Medical Aid contribution

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

Talent and Remuneration Committee report continued

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

Short-Term Incentive (STI) Scheme

STIs reward both group and individual performance achieved during objectives and strategic priorities.

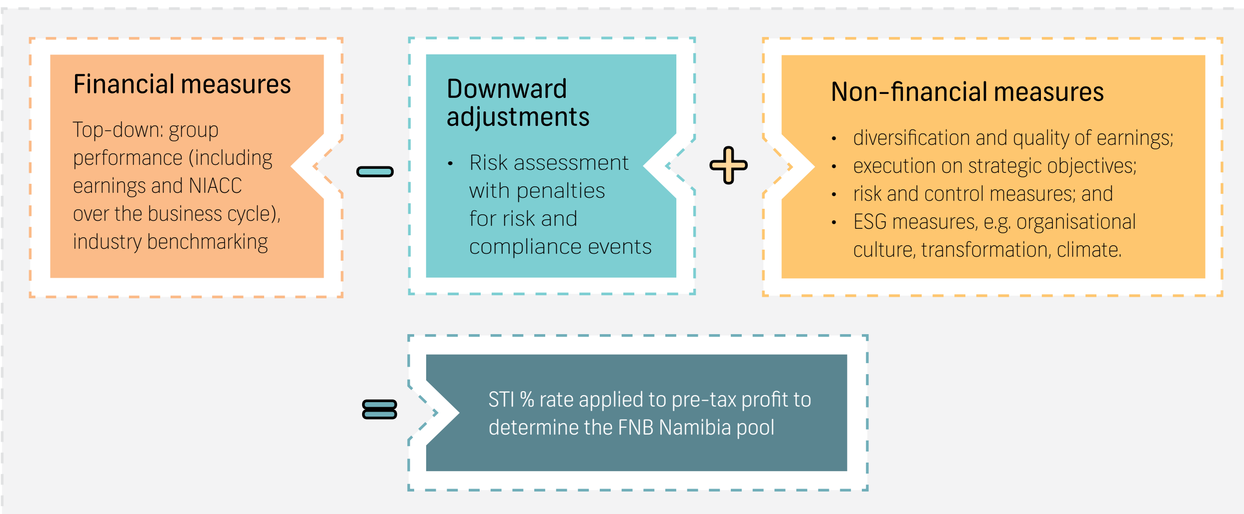
The STI pool for managerial employees of FNB Namibia group is determined by FirstRand SA Remuneration Committee by using a combination of both financial and non-financial performance measures.

With regard to financial measures, the STI pool is determined using such performance measures as return on equity (ROE), normalised earnings growth and NIACC for the year. STIs that exceed a certain threshold are deferred into cash and share price linked awards.

Pool determination

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

FNB Namibia pool determination



Talent and Remuneration Committee report continued

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

Long-Term Incentive (LTI) Scheme

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

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

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

Performance conditions should support motivation and retention and as such the Talent and Remuneration Committee considers several factors, including:

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

FirstRand Conditional Incentive Plan (CIP)

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

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

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

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

Talent and Remuneration Committee report continued

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

Other LTI considerations

Outstanding LTIs

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

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

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

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

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

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

Other LTI considerations

Corporate performance targets (CPT)

The FirstRand remuneration committee sets the CPTs for each award based on expected macroeconomic conditions, group earnings and returns forecasts over the performance period. These criteria vary from year to year, depending on the expectations for each of the aforementioned variables. For vesting to occur, the criteria must be met or exceeded. If the performance conditions are not met, the award fails. The awards have a graded vesting structure. The level of vesting is correlated to the earnings growth achieved relative to macroeconomic variables or set normalised earnings per share growth targets and minimum return on equity requirements. The vesting outcome is based on the delivery of the performance conditions and this level is finally determined and calculated by the group remuneration committee. The remuneration committee is permitted to adjust the final outcome of the graded vesting level downwards for pre-determined issues. In terms of the scheme rules, participants are not entitled to dividends on their conditional share awards during the vesting period. For the 2019 and 2020 awards, 50% of the awards granted to non-senior employees are subject only to continued employment for the award to vest, with the remaining 50% subject to performance conditions. From 2021, awards with only time-based vesting conditions were introduced as a short-term incentive category for staff not eligible for the conditional incentive plans (CIP). These are referred to as the deferred incentive plan (DIP). Awards that include both performance and time-based vesting conditions are referred to as CIP.

The criteria for the expired and currently open schemes are set out below.

Talent and Remuneration Committee report continued

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

Other LTI considerations

Corporate performance targets (CPT)

Expired schemes

2019 (Did not vest at the vesting date of September 2022) – The vesting conditions of the 2019 award are set out below, with the apportionment to vesting without conditions described below.

The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment with the group and the remaining 50% of the award remains subject to performance conditions. For the awards subject to performance conditions, graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a super stretch target with linear grading correlated to normalised earnings per share growth between targets. If the minimum ROE and normalised earnings per share growth conditions are met, vesting will commence at 70% and if these are not met the award will lapse.

	Performance conditions		
	Vesting level should both conditions be met	ROE target (average over the 3-year performance period) *	Normalised earnings per share growth requirement (3-year compound annual growth rate) FirstRand Limited must achieve growth in normalised earnings per share relative to the South African CPI plus real GDP growth** on a cumulative basis over the performance period from the base year end, being 30 June 2019, as set out for each vesting level indicated below:
Minimum vesting, below which the award lapses	70%	≥ 20%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI
On target performance	100%	≥ 20.5%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 1.5% to <3%
Stretch target	120%	≥ 21%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >5% to <7%
Super stretch target	120.1 to 150% (maximum vesting)	≥ 22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 7% to 10%

* The ROE calculation is based on net asset value (NAV) taking into consideration adjustments (if required) resulting from, for example, material dividend policy changes, regulatory changes, IFRS changes or changes in volatile reserves.

** The event that the three-year compound annual growth rate (CAGR) of real GDP is negative, CPI will be referenced.

Linear vesting applies between each vesting level based on the achieved normalised earnings per share growth rate. The lower of the outcome based on the ROE or the outcome based on earnings growth will apply.

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

Talent and Remuneration Committee report continued

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

Currently open

2020 (Vesting date in September 2023) – The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment of the group. The remaining 50% of the award is subject to performance conditions. For the awards subject to performance conditions, graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a maximum target with linear grading correlated to normalised earnings per share growth between targets. If the minimum conditions are met, vesting will commence at 70% and if these are not met, the award will lapse. Remco has the right to adjust the vesting level down by up to 20% if material negative outcomes for the business occur that are within management control.

Examples would include:

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

The performance conditions for the 2020 award include prudential targets relating to liquidity and capital ratios, a normalised earnings per share growth target and an ROE target. The table below further stipulates the performance conditions to be fulfilled by the company and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. To achieve minimum vesting of 70%, the group must exceed the liquidity and capital targets set by the board and measured at 31 March 2023. If the conditions set for 70% vesting are not met, the award lapses and none of the other conditions described below are assessed. For any vesting above 70%, both the ROE and normalised earnings growth targets below must be met.

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

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

** In the event that the ROE target is not met for the higher vesting level, the vesting outcome will be constrained to the outcome relative to the ROE target even if the earnings growth outcome could result in higher vesting outcomes.

Talent and Remuneration Committee report continued

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

Currently open continued

2021 (Vesting date in September 2024) – From 2021, all CIP awards have performance conditions applied to 100% of the award. The group implemented a DIP without performance conditions for certain employees and no longer issues CIP awards with only employment as a condition for vesting. Graded vesting applies to all CIP awards. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a maximum (super stretch) target with linear grading correlated to normalised earnings per share growth between targets.

Remco has the right to adjust the vesting level downwards by up to 20% if material negative outcomes for the business occur that are within management control. Examples would include:

- Issues that materially damaged the group's businesses, including its reputation;
- Material enterprise-wide risk and control issues, as recommended to it by the RCCC;
- Concerns regarding the adherence to the liquidity and capital management strategies in place; and
- Lack of compliance over the three-year period with the group's climate roadmap.

The following table stipulates the performance conditions to be fulfilled by the group and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. If the conditions set for 50% vesting are not met, the award lapses and none of the other conditions described below is assessed. Both performance conditions must be met for vesting to occur.

		Performance conditions	
	Vesting level should both conditions be met*	ROE target Minimum ROE requirement at 30 June 2024**	Normalised earnings per share growth requirement (3-year compound annual growth rate)
			FirstRand Limited must achieve growth in normalised earnings per share relative to the South African CPI plus real GDP growth# on a cumulative basis over the three-year performance period from the base year end, being 30 June 2021, as set out for each vesting level indicated below:
Threshold (Minimum vesting, below which the award lapses)	50%	≥ 17%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 1%
On-target performance	100%	≥ 18%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 3%
Stretch †	120%	≥ 20%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 5%
Super stretch †	150%	≥ 20%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 8%

* Linear grading between these vesting levels based on the growth achieved. The lower of the vesting outcome based on the ROE or the vesting outcome based on earnings growth will apply.

** The ROE target is measured at 30 June 2024. The ROE calculation is based on NAV taking into consideration adjustments (if required) resulting from, for example, material dividend policy changes, regulatory changes, IFRS changes or changes in volatile reserves.

In the event that the three-year CAGR of real GDP is negative, CPI will be referenced.

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

Talent and Remuneration Committee report continued

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

Currently open continued

2022 (Vesting date in September 2025) - All CIP awards are subject to performance conditions. For all the awards graded, vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a super stretch target with linear grading correlated to normalised earnings per share growth between targets.

Remco has the right to adjust the vesting level down by up to 20% if material negative outcomes for the business occur that are within management control. Examples would include:

- Issues that materially damaged the group's businesses, including its reputation;
- Material enterprise-wide risk and control issues, as recommended to it by the risk, capital management and compliance (RCCC) committee;
- Concerns regarding the adherence to the liquidity and capital management strategies in place; and
- Lack of compliance over the three-year period with the group's climate roadmap.

The following table stipulates the performance conditions to be fulfilled by the group and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. If the conditions set for 50% vesting are not met, the award lapses and none of the other conditions described below is assessed. Both performance conditions must be met for vesting to occur.

		Performance conditions (both conditions must be met)	
	Vesting level*	Minimum ROE requirement**	Normalised earnings per share growth requirement (3-year compound annual growth rate) #
			FirstRand Limited must achieve growth in normalised earnings per share relative to the South African CPI plus real GDP growth on a cumulative basis over the three-year performance period from the base year end, being 30 June 2022, as set out for each vesting level indicated below:
Threshold (minimum vesting, below which the award lapses)	50%	≥ 19%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 1.5%
On-target performance	100%	≥ 20.5%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 2.5%
Stretch †	120%	≥ 22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 5%
Super stretch †	150%	≥ 22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 9%

* Linear grading between these vesting levels based on the earnings growth achieved. The lower of the vesting outcome based on the ROE or the vesting outcome based on earnings growth will apply.

** The ROE target is measured as the average over the three-year performance period. The ROE calculation is based on NAV taking into consideration adjustments (if required) resulting from, for example, material dividend policy changes, regulatory changes, IFRS changes or volatile reserves.

In the event that the three-year CAGR of real GDP is negative, CPI will be referenced.

† For vesting at 120% or above, ROE of ≥ 22% is required. The vesting level between 120% and 150% will be determined through linear grading linked to the earnings growth CAGR, with the maximum vesting at 150% at a level of real GDP growth plus CPI plus 9% over the three-year period.

Talent and Remuneration Committee report continued

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

Currently open continued

For the most part, the group delivered on this strategy. Earnings recovered faster than expected, with ROE and NIACC improving strongly. The group's Tier 1 ratio decreased to 17.0% (2022: 20.2%) and the group is in a position to pay a full-year dividend at the bottom end of its cover range.

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

Key financial performance metrics for the year ended 30 June 2023 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.

The group understands that CIPs are a valuable long-term incentive tool for retaining its best and most promising talent and acknowledges that the reason the performance conditions were not met is completely outside of the control of the group.

Therefore, similar to the retention measures implemented in 2022, the remuneration committee has approved that discretionary payments for eligible employees will be considered during the annual salary review. Employees who are allocated a retention payment will be informed in the 2023 annual salary review letter.

	ROE (%)	NIACC (N$million)	NAV growth (%)	Dividends per share growth (%)	Headline earnings growth (%)
2023	25.5%	N$669	(4.8%)	62%	23%
2022	21.4%	N$413	10.3%	100%	24%

What retention measures are being considered?

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

- For senior employees, including the FNB Namibia executive directors and prescribed officers, the retention condition is for three years (rolling every 12 months) in the form of an LTI with only timebased vesting and no performance conditions;
- This retention instrument was awarded in September 2020. The value will be converted to a FirstRand LTI on the award date and will vest in equal proportions (tranches) over the three years (September 2021, 2022 and 2023); and
- Should an employee who receives this award resign within 12 months of a tranche of the award vesting, they will be required to repay the full amount of the vested tranche. Thereby the instrument represents a retention period of up to four years.

In order to align better with market practices for share awards, FirstRand introduced three types of vesting conditions for the 2021 CIP (share) awards. Employees receiving a share award will be allocated into one of the three categories based on the role that they fulfil:

Professionals	Senior leadership	Executives
De RiskedTime based	50% Company performance conditions	100% Company performance conditions
Individual performance requirement to be rated a 3 or above	Individual performance requirement to be rated a 3 or above	Individual performance requirement to be rated a 3 or above
Rest of employees	EXCO	CEO

Talent and Remuneration Committee report continued

4. REMUNERATION POLICY AND STRUCTURES continued

DIRECTORS REMUNERATION

Executive Directors

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

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

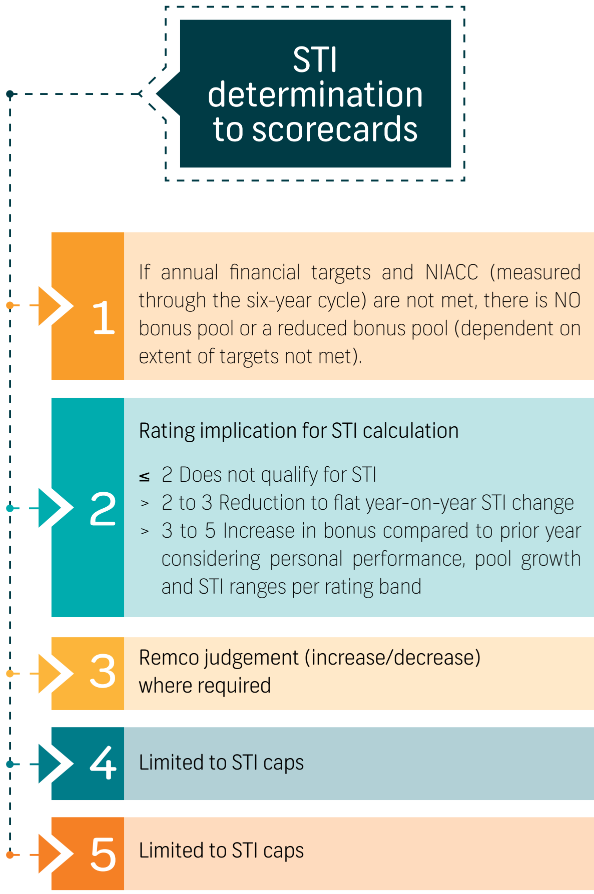
The Committee ensures an optimal balance between operational stability, superior value creation and sustaining appropriate alignment of employee performance with the medium-to long-term interests of the group's stakeholders.

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

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

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

After the group STI pool has been determined, Remco considers STIs for executive directors and prescribed officers using a scorecard. The STI scorecard categories and hurdles are only considered if STI pools are available for the year, i.e. the financial metrics have been met. STI pool determination is based on financial metrics (earnings and NIACC through the cycle). As such achievement of financial metrics is a first requirement before the below scorecards are considered for individual STI allocations.



The structure of executive scorecards fully incorporates various measures into the main scorecard, resulting in four high-level sections that each contains several categories of metrics that determine executive directors' and prescribed officers' STIs. The Committee further refined executive scorecards in the year under review.

Note 5 for the details of the executive directors remuneration.

Talent and Remuneration Committee report continued

4. REMUNERATION POLICY AND STRUCTURES continued

SECTION	CATEGORY	EXAMPLES OF KPIs	WEIGHT
FINANCIAL	FirstRand group earnings and returns	Growth in Pre-provision operating profit (PPOP)	35%
		Core Earnings measured against budget / business case	
		Normalised earnings measured against budget / business case	
		Year on Year NIACC growth	
STRATEGIC	Protect and grow banking business	Growth in active customers	25%
		Increase cross sell for FNB	
		Increase number of primary bank relationships	
		Grow deposit franchise	
		Targeted origination strategies in line with risk appetite	
		Cost management - Good control of run the bank cost	
	Sustainable Earnings	Diversify the offering and approach - sustainable earnings delinked from the macros	
	Grow and improve market leading businesses	Higher wallet share and higher profit pool participation	
	FirstRand Platform Journey	Building out a platform-based financial services business in line with the group's platform roadmap	
	BID 34	Proactive preparation and partnership of the Group in terms of Bid 34 implementation	
	Disciplined management of financial resources	Adherence to FRM guidelines	
	Enhanced quality of earnings	More efficient and cost-effective operating model	
	KYC	Execution of KYC refresh	
RISK AND CONTROL	Control environment	Audit issues per risk maturity scorecards	25%
	Market and business conduct	Regulatory, incl Conduct rating per risk scorecards	
	Risk appetite and volatility	Risk Maturity Rating per risk scorecards	
	Credit loss/impairments	Credit loss ratio	
	Reduce NPL ratio over time	NPL ratio	
	Operational, market and investment risks	Ops Losses Per Risk Maturity Scorecards	
		AML scored based on outstanding high risk EDDs, overall programme status	
SUSTAINABILITY, TALENT AND ESG	Ensuring the health of organisational culture and good corporate governance	Strong leadership and focus on the FirstRand Promises and people matters in the business, as well as focus on providing leadership and resources to FirstRand employees such that they can perform optimally.	15%
	Health of key relationships	Health of regulatory relationship, Feedback from Board Chair and Audit Committee Chair	
	Shared value	Effective operating model for social investing activities	
	Climate	Compliance with and progress made in line with FirstRand's climate roadmap Incorporation of climate risk into credit risk models and/or underwriting criteria.	
	Transformation (where applicable)	Measure progress on improvement in diversity at senior and top management level, taking consideration of the group's affirmative action (AA) plans and targets.	
	Talent management and succession planning	Ensure appropriate succession for critical roles (emergency, "ready now" and medium- to long-term). Appropriate processes in place to identify and develop diverse pool of candidates. Effective retention strategies for top talent. Evidence of growing talent internally.	

Talent and Remuneration Committee report continued

4. REMUNERATION POLICY AND STRUCTURES 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 committee and are approved by shareholders at the annual general meeting.

Non-executive directors do not receive share options or other incentive awards.

Actual remuneration paid to non-executive directors is detailed in the note 5 to the consolidated annual financial statements.

FNB Staff Assistance Trust

The FNB Staff Assistance Trust's mandate is to assist non-managerial, racially disadvantaged employees as well as their immediate families, with their tertiary education and healthcare needs. For the 2022/2023 school cycle the trust assisted employees to the value of N$1.8 million.

FirstRand Namibia Annual General Meeting

In line with NamCode, King IV and the NSX Listings Requirements, the 2022 remuneration policy was tabled at the FirstRand Namibia AGM for separate non-binding advisory votes by shareholders. The group's remuneration policy and report received an endorsement of 86%.

The committee is comfortable that it has rewarded FNB Namibia 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.

E van Zyl
Chairperson

Social, Ethics and Transformation Committee report

The Social, Ethics and Transformation Committee's is constituted as a sub-committee of the FNB Namibia Risk Capital and Compliance Committee (RCCC) and is appointed as a standing committee, whose mandate is to ensure compliance with the Namibia Stock Exchange (NSX) Gazette No 159, the committee charter and other legal requirements or prevailing codes of best practice in respect of social, transformation and economic development matters.

The Committee composition is depicted below, with invitees from business areas or disciplines who are responsible for the various functions or significantly affected by the nature of the FNB Namibia Ethics & Conduct Committee's deliberations:

Member	
I Nashandi (Chair)	Non-Executive Director
C Dempsey	Chief Executive Officer
P Chapman	CEO: RMB Namibia
E Tjipuka	CEO: FNB Namibia (resigned 4 September 2023)

Ethical Culture

The board has endorsed the FirstRand Namibia code of ethics, which represents a very important framework for the business. The code provides guidance on ethical decision-making and behaviour. It creates a common understanding of how the group expects its people to behave. As a financial services group, looking after the financial interests, personal and other information of customers is a responsibility that requires the highest standards of integrity and confidentiality. The board promotes ethical conduct and directors hold each other accountable for decision-making and acting in a way that is consistent with the code. The group ethics office is the custodian of the code with employees who are required to adhere to the code.

The Committee discharged its duties during the financial year			
August 2022	October 2022	February 2023	April 2023

- Advise on and escalate to the FirstRand Namibia Board of Directors and RCCC on matters related to social, environmental, governance, organisational ethics, conduct, responsible corporate citizenship, sustainable development and transformation.
- Coordinate critical events of an ethical or reputational importance within the FNB Namibia group.
- Provided oversight and received reports on:
  - Reputational risk.
  - Ethics audits.
  - Market Conduct and the fair treatment of FNB Namibia customers.
  - Sustainable development initiatives.
  - Stakeholder relationships.
  - Transformation, Culture and People risk.
  - The management of ESG-related risks and opportunities.
- Ensuring the integration of Environmental Social and Governance (ESG) factors into business strategy, organisational culture and operational practices in a way that supports the long-term profitability and viability of FNB Namibia.
- Analysing Declaration of Interests for the Group including assisting the Board of Directors with approval of all Principal Officers/ the Executive Officer: Points of Presence, all Area Managers and Branch Managers with the provisions of section 41(9)(b) of the Banking Institutions Act, 1998 as amended, in as far as engaging in commercial activity falling outside the scope of banking, financial services and any other activities or related thereto are concerned to the Chief Executive Officer; and
- Reviewing and approving the FirstRand Namibia Ethics and Conduct Risk Management Programme.
- Corporate Social Investment and monitoring the group's progress on corporate social investment activities, principally undertaken through the FirstRand Namibia Foundation and the FNB Staff Assistance Trust.

I Nashandi
Chairperson

Directors Governance Committee report

The purpose of the Directors Governance Committee (DGC) is to evaluate the adequacy, efficiency and appropriateness of the corporate governance practices of the group and assist the board in discharging its duties in respect of governance, Board continuity and Board succession planning.

Committee Composition and Attendance

Member	Meeting Attendance		Director Interviews		Appointment/ Resignation Date
Number of Meetings	4	%	3	%	
II Zaamwani-Kamwi (Chair)	1/2	50	1/1	100	Retired 30 November 2022
P Grüttemeyer (Chair)	2/2	100	1/1	100	Appointed 8 February 2023
CLR Haikali	2/2	100	N/A	N/A	Retired 20 October 2022
E van Zyl	4/4	100	N/A	N/A	Appointed 17 August 2022
R Makanjee	2/3	67	N/A	N/A	Appointed 19 October 2022

Induction and ongoing board development programme

New directors were subject to an appropriate induction programme to ensure maximum contribution as quickly as possible. Other ongoing training and education courses allow directors to familiarise themselves with FNB Namibia's operations, its business environment, fiduciary duties and responsibilities, and the board's expectations in respect of a director's commitment, ethical behaviour and keeping abreast of regulatory changes and trends. The Directors Governance Committee oversaw directors' induction and ongoing training programmes, and will continue to make the professional development of its members a priority. Directors have full and unrestricted access to management, group information and property. They are entitled to seek independent professional advice in support of their duties at the group's expense.

Committee Members Attendance

The Committee is satisfied that committee members duly attended the committee meetings of a banking institution or controlling company in both years. This is to ensure that they will discharge their duties and responsibilities effectively.

Board Evaluations

An external service provider was engaged to conduct the Board Evaluations for the FY2022-2023. The purpose was to measure the success of the board, identify any problems and highlight areas where performance can be enhanced. The evaluation assessed the effectiveness of the board charter, committee charters, board and committee meetings, board and committee responsibilities, board and committee composition, executive director, chairperson, and the company secretary, which results were reviewed by the committee.

Director Succession

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

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

Directors Governance Committee report continued

Governance Review

FirstRand Namibia Limited underwent a governance review. The desired outcome of the project is to produce a framework that adequately documents the prudent management and oversight of the business within the group and to adequately protect the interests of all stakeholders. This framework will describe the governance structures and decision-making processes applicable, including articulating the corporate governance arrangements within the entities and segments.

Chairperson Succession

In line with on-going succession plans, the Committee reviewed and deliberated the Chairperson succession plan, having due regard to the legislative considerations contained in the Banking Institutions Determination 1, NamCode and all applicable legislation. Due process was followed in proposing a succession plan for the Board Chairperson, with ongoing transitional arrangements made to ensure that there is an orderly transition process to apply the duty of care appropriate for the business's size, complexity and systemic importance of FNB Namibia. The succession plan included the composition of the Board Committees.

Board evaluations

An external service provider was engaged to conduct the Board Evaluations for the financial year. The purpose was to measure the success of the board, identify any problems and highlight areas where performance can be enhanced. The evaluation assessed the effectiveness of the board charter, committee charters, board and committee meetings, board and committee responsibilities, board and committee composition, executive director, chairperson, and the company secretary, which results were reviewed by the committee.

An overview of the board evaluation results are as follows:

- It was commonly remarked that the board's understanding of the organisation's mission statement is very well aligned.
- The board satisfactorily identified and communicated to management the board's informational needs, including appropriate benchmarks to monitor results and to identify potential areas of performance concern.
- The board receives clear and concise background information before board meetings that help it to understand and evaluate board agenda items.
- The board's makeup is diverse in experience, knowledge, skills, ethnicity, gender, resources, size, age group, and demographics. The board has the right mix of characteristics, knowledge, experiences, and skills to accomplish its role. The board size is adequate to effectively govern the company.
- The board strategically directs, controls, set the values, aligns management to the latter, and promotes the stakeholder-inclusive approach to governance.
- The board effectively ensures the company's ethics are managed effectively through building an ethical culture, setting ethics into its risk management, operations, performance management and disclosure.
- The board found that succession planning for the Chief Executive Officer and other management positions requires attention and can be improved on.
- Despite the short tenure to date the directors confirm that, the board has participated fully and positively.
- The board maintains healthy independence in its relationship with management, maintains an arm's length relationship.
- Board Committees function properly, Committees address the issues of substance, important issues are escalated to the Board in writing, which solidifies the appropriateness in reporting.

The Chairman, duly assisted by the Company Secretary will develop concrete action plans to address highlighted areas where the Board can improve, inclusive of the following:

- The Board leading the agenda on customer-centric service.
- The Board being aware of regulatory changes and effects, and where possible engagement with the regulator where detrimental regulations with unintended consequences are proposed.
- The Board enhancing and maintaining its corporate citizenship.
- The Board monitoring and maintaining sustainability.
- The Board considering a diversification strategy.

Directors Governance Committee report continued

The Committee discharged its duties during the financial year by:

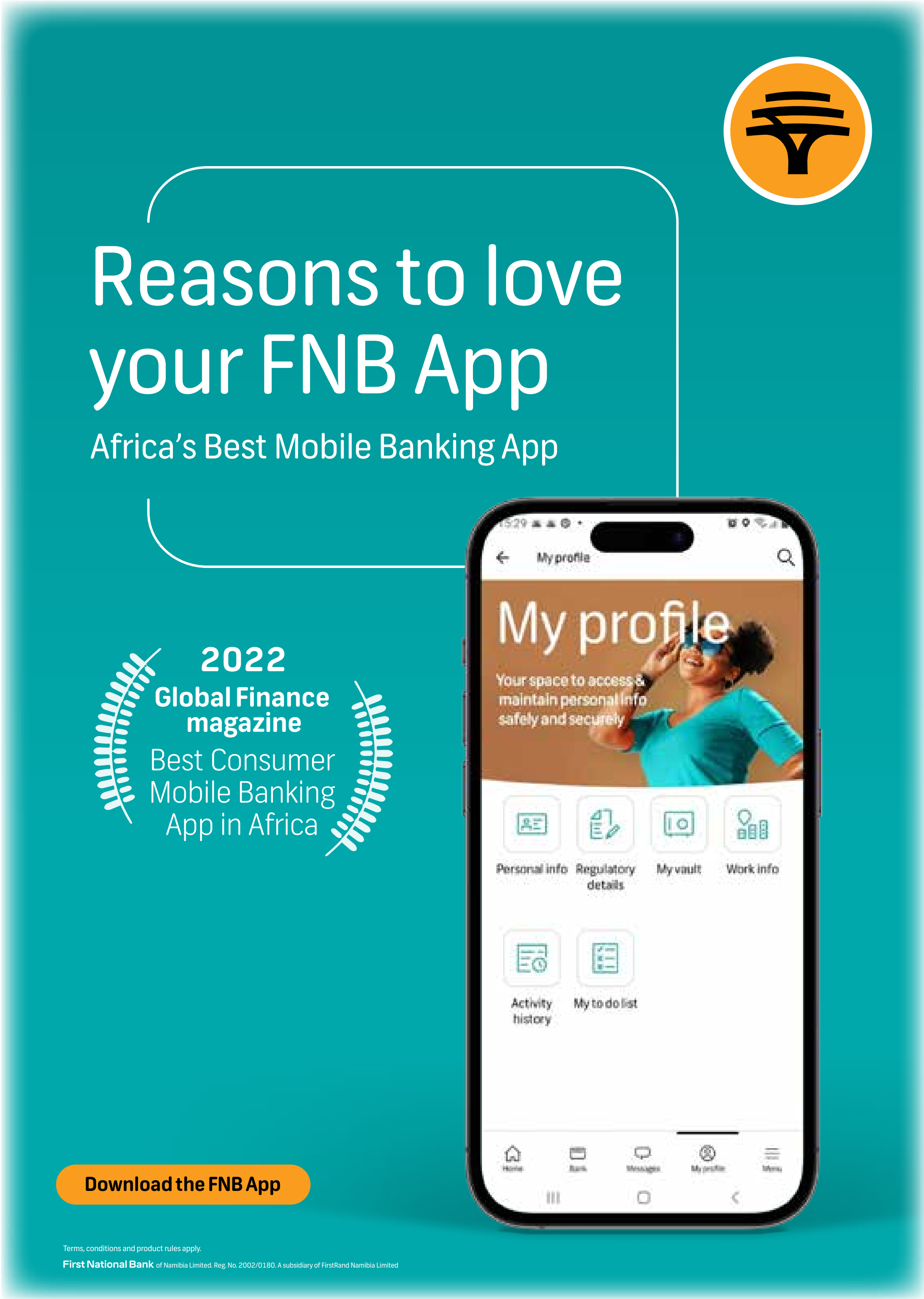
August 2022	October 2022	February 2023	April 2023

- Discussing and monitoring the progress in resolving any audit or compliance findings relating to governance.
- Advising the Board on the ongoing director and chairperson succession planning and board continuity.
- Monitoring any adverse media in relation to any of the Directors.
- Managing any possible conflicts of interests in relation to any of the Directors before they arose.
- Overseeing and considering the outcome of the annual assessments of the group processes relating to Corporate Governance structures and practices.
- Overseeing the board induction training and development programme. Considering and opining on group nominations, group committee changes, including appointments and retirements.
- Considering and assessing the independence of the non-executive directors.
- Conducting annual board evaluations in order to review the effectiveness of the board and board committees; the performance and independence of the board chair, individual non-executive directors and the company secretary.
- Monitoring compliance with applicable laws relating to governance, including the Banking Institutions Determination 1 (BID-1), the Namibian Stock Exchange Listing Requirements and the NamCode.
- Monitoring the re-election of directors retiring by rotation in terms of the articles of association and the Companies Act.
- Ensuring the fitness and probity of the Directors were reviewed.
- Ensuring succession planning for the Board Committees.
- Ensuring compliance with applicable legislation insofar as it relates to Directors.

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

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

P Grüttemeyer
Chairperson


Reasons to love your FNB App
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Our strategy to create value

4.

Reflections from our **Chief Executive Officer**

Through continuous development and reach of our digital platforms we have been able to make financial services more accessible everywhere, more affordable and this significantly enhances national financial inclusion

CONRAD DEMPSEY

Namibia remains a good place to do business and add meaningful value for investors and society alike. We know that FNB Namibia is also an enabler of economic growth and social upliftment. As a group we are intentional about doing what matters. Using our core business to deliver shared value broadly in the economy, to society, the environment, and our shareholders. We believe that through solving for societal constraints within our mandate and improving the financial wellbeing of our customers, we will naturally also be successful, and by extension achieve sustainable bottom-line growth as an outcome. It remains our professional duty to deliver sustainable returns at any point in the economic cycle.

As a leading corporate citizen, we actively participate in protecting and developing our economy and democracy. We understand that the much-needed job creation is a factor of meaningful domestic and foreign investment and as such, our ability to compete for financial capital and human capital remains important. Our purpose statement of helping to ***build a globally competitive Namibia by providing access to opportunities*** drives the decisions we make, the scenarios we consider and the talent we recruit and develop.

Our journey of broad financial inclusion, while deepening the capital markets and offering world class solutions to our entire client base, continues.

We made great strides on financial inclusion this past year. Through continuous development and reach of our digital platforms we have been able to make financial services everywhere more accessible, more affordable, and significantly enhance national financial inclusion. Removing the need for physical proximity to a bricks and mortar branch through digital capabilities, increases access to banking, saving, insurance and general financial services.

With our CashPlus solution we are seeing the results of how intentional solutions to societal constraints are benefiting our retail and commercial customers by removing transactional friction to be more efficient and cost effective. FNB launched DigiPlus, a disruptive and market-leading fully digital bank account that is acquired and serviced via USSD and intended to significantly enhance financial inclusion in the country. DigiPlus allows customers seamless entry to formal banking, providing customers with access to basic financial services. This suite of products continues to build on our commitment for national financial inclusion. True financial inclusion is only possible with technological inclusion and as such solving for both in parallel remains important.

Reflections from our **Chief Executive Officer** continued

Our people remain the heartbeat of the organisation. Growing our talent pool is one of our best future investments and as such we've significantly scaled up our internships, graduate programme, bursaries and leadership development programs.

Our people remain the heartbeat of the organisation. Growing our talent pool is one of our best future investments and as such we've significantly scaled up our internships, graduate programme, bursaries and leadership development programs. Beyond our traditional skill sets we are investing in technology related skills and believe that this is a catalyst investment to create new knowledge-based industries in Namibia.

Turning to the year under review, the group's large lending and transactional franchises, together with our loyal customer base and improved trading conditions, have resulted in good earnings over the past financial year. Being able to grow our customer base as well as deliver more to our customers, with more efficiency and convenience, is enabled through an in-depth understanding of our customers and their needs.

Our lending franchises were very successful with unique market opportunities that presented itself and the businesses were ready to extend meaningful credit. More than half of all net credit extended in the economy by banks during the year under review was extended by FNB and RMB.

At a client segment level, the bulk of our growth during the year came from activity in the corporate and commercial space with our markets business growing fast on the back of corporate activity. Our retail and SME business activity grew very strongly in volumes and remains an important underpin to our overall business.

The diversification of our market offering progressed well during the financial year. Ashburton Investments Namibia remains a market leader in fixed income investments and will soon be coming to market offering solutions to clients beyond the traditional asset management offering in Namibia. We also acquired the remaining stake in OUTsurance Namibia to bring our insurance offering fully into the fold of our client value proposition and rebranded it to FNB Insurance. FNB Insurance is now a fully Namibian insurer and set to grow from strength to strength on the leading service model.

Looking towards the future we see opportunities presenting plausible scenarios for meaningful growth. The economy will however remain multi-speed for the foreseeable future and while certain areas are set to flourish, the burden of high interest rates and high inflation will undoubtedly place stress on disposable money and debt servicing. Across our businesses we are making meaningful investment into the future, planting business trees for others to sit under, many years from now.

Our earnings profile afforded us the opportunity to support many social, environmental and cultural projects across the entire country. We were able to significantly scale these investments up this year and look forward to continuing this rewarding responsible journey going forward.

In conclusion I'd like to extend a very special word of thanks to each and every member of the FirstRand Namibia family. It is the work of this group of remarkable women and men, who daily do what matters, to build a remarkable business that's meaningfully contributing to an ever more globally competitive Namibia.

C Dempsey
Group Chief Executive Officer

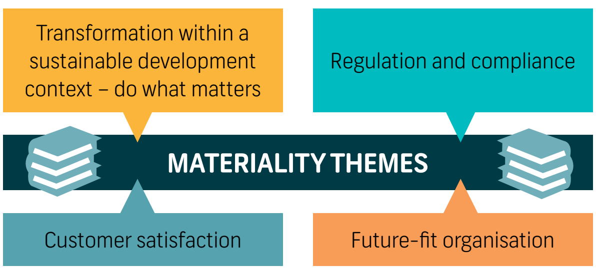
The economy will remain multi-speed for the foreseeable future and while certain areas are set to flourish, the burden of high interest rates and high inflation will undoubtedly place stress on disposable money supply and debt servicing.

Material matters

OUR MATERIALITY THEMES AND TOP RISKS

In determining our materiality themes for the reporting period, our Executive Committee evaluated the top risks and opportunities and material matters in relation to our strategy. Our materiality themes are reassessed on a regular basis to take account of an ever-evolving external environment.

Our materiality themes, the detailed materiality determination approach and our risk and opportunity management process are outlined in this report. We also explain how the materiality themes influenced our group strategy review process, informed adjustments to our business model and our short- and medium-term targets.



OUR MATERIALITY DETERMINATION PROCESS

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

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

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

While our material issues evolve over time, the broad themes are relatively stable. A review of our material issues are undertaken annually, to identify new and emerging priorities. Minor adjustments have been made to reflect changes in the global operating environment, the growing urgency of the climate crisis, and industry developments.

Our materiality determination process is summarised in this infographic.

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

Material matters continued

Transformation within a sustainable development context – doing what matters

WHY IS THIS MATERIALITY THEME IMPORTANT FOR US?

Last year we were focusing on how The Covid-19 pandemic has affected how business is steered, what customers and employees anticipate and where and how personnel work, calling for business operations and people practices to be adapted. This year transformation arose as a material matter that is influencing our economic and strategic momentum. "Transformation requires attacking the root causes that generate and reproduce economic, social, political and environmental problems and inequities, not merely their symptoms" - UNRISD

Our responses

- Developing a culture of doing what matters within the organisation, ensuring sustainability and shared prosperity is integrated in all we do. This is done through intentional solutions, product and service design, training programmes, incentive systems and volunteerism opportunities, so that our employees are empowered to drive sustainable change.
- Ensuring that diversity, equity and inclusion is reflected throughout our culture, by maintaining a workplace where all employees are treated fairly, with dignity and without discrimination.
- Diversified solutions, products and services that enable financial inclusion and generational wealth creation across the spectrum, from the traditionally underserved market to high net worth individuals.
- Solutions, products and services that increase access to financial services – decreasing the distance between the customer and the nearest banking services provision and the resources required to make use of it.
- Innovative products and services that help advance sustainability (i.e. green loans, green bonds, microfinance, etc.) and efforts to encourage customers to shift towards more sustainable performance and consumption patterns.
- Partnering with service providers and other funding institutions to enable enterprise development.
- Enhanced our extensive digital capability
- Responsible financial resource management.
- Efforts to optimise resource consumption with the aim of managing our own environmental footprint (e.g. energy management, waste management, water consumption, etc.).
- Leveraging social investment to create long-term sustainable impact for vulnerable and under-served communities, including access to affordable housing, sanitation, education, improving financial literacy and understanding.

Material matters related to this theme

- Macroeconomic challenges
- Financial stability
- Embedding sustainability within our workforce
- Diversity, equity and inclusion
- Talent attraction, development and engagement
- Managing the environmental impact of our operations
- Investing in our communities
- Developing sustainability-focused products and services

Medium to longer-term actions

- Continued solutions, products and services design that is intentional about societal, environmental and economic impact
- Optimised resource management as concerned with the environmental and societal impact
- Prioritising wellbeing to ensure high levels of engagement of staff
- Enhancing business continuity management
- Aligning CSI initiatives to address societal needs as these evolve

Key performance indicators

- Uptake of diversified product set
- Increased interactions fulfilled via digital channels
- Increased access to financial services through alternative channels
- Staff engagement score
- Growth in advances
- Retention, talent management, succession
- Return on Assets
- Economic profit

Material matters continued

Customers satisfaction

WHY IS THIS MATERIALITY THEME IMPORTANT FOR US?

With greater than before competition in the banking sector, customers are better educated and have wide-ranging choices requiring us to successfully adapt to the moving market trends and evolving customer needs. Ensuring customers receive relevant solutions, products and services that enable them to create and take on the opportunities presented to them.

Material matters related to this theme

- Enhancing the customer experience
- Digital innovation to meet customer needs
- Data as a differentiator
- Security and fraud awareness
- Competitiveness of our customer value proposition
- Customer complaints' resolution

Our responses

- A future-fit repositioning of the FNB brand.
- Improvement in our ability to increase customer acquisitions and activations, as well as capitalise on cross-selling and customer retention opportunities.
- Building relationships with clients across all the brands and financial services offered through the group
- Improved positive customer interactions
- Using robust data metrics to create relevant products and services that enable financial inclusion, wealth management and transactional capabilities.
- Launched ongoing security, cybersecurity and fraud awareness campaigns
- Implemented process optimisation projects to remove pain-points and reduce customer friction across the digital channel including document management system enhancements
- Ongoing investment to ensure continued system stability

Medium to longer-term actions

- Keeping pace with the accelerated digital revolution and need to remain competitive
- Enhancing new digital ways of working
- Working with product designers to remove friction points for better customer experience
- Integrating effectively with fintechs and other partners
- Addressing cybersecurity concerns
- Expanding range of distribution points to maximise customer convenience
- Diversified product set that offer clients more options to enable access to opportunities

Key performance indicators

- NPS score 50+
- Progress individualised digital interactions
- Fulfil real-time interactions
- Consumer financial education programmes
- Develop a small, medium and micro enterprise (SMME) customer base
- 25% more customers by FY26
- Minimise fraud

Material matters continued

Regulation and compliance

WHY IS THIS MATERIALITY THEME IMPORTANT FOR US?

The importance of vigorous governance, compliance and risk management processes are at a historic high, together with the need to focus on regulatory matters including digital transformation and cybersecurity, climate change and ESG, sector-related regulation.

Our responses

- Supported government and regulators to mitigate the risks, contributing to the safety and soundness of the Namibian banking system through good liquidity management, payment relief for qualifying customers and a focus on capital
- Reinforced cybersecurity protocols
- Protection of personal information with systems and policies
- Ensured responsible banking practices
- Addressed conduct standards relating to treating customers fairly
- Implemented additional measures to combat financial crime
- Interacted regularly with our regulators to assess and comment on emerging legislation
- Contributed through industry bodies during regulation formulation

Material matters related to this theme

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

Medium to longer-term actions

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

Key performance indicators

- Strict compliance with all legislation and regulation
- Implementing regulated business processes and projects to meet regulatory effective dates and deadlines
- Ensuring that all compliance reports to regulators continue to be satisfactory
- Implementing ongoing compliance training and awareness programmes
- Improving early identification management processes around compliance risks
- Further enhancing relationships with regulators

Material matters continued

Future-fit organisation

WHY IS THIS MATERIALITY THEME IMPORTANT FOR US?

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

Our responses

- Reassessed our strategy through extensive engagement; ensuring organisation-wide buy-in and alignment as to what a future-fit Bank entails and how we are to work together to achieve it
- Ensured organisational and financial sustainability and building resilience; exploring acquisition and partnership opportunities to serve as a springboard for future growth, aligned to our strategy
- Adopted our sustainability levers as part of our organisational strategy, which balances financial and non-financial targets
- Continued to place our customers at the centre of everything we do; using data analytics to better understand their needs and wants, looking to 2026 and beyond
- Defined future skills and capabilities required to continue to excel
- Continued to prioritise transformation imperatives (within the organisation and the board)
- Redeployed skills and capabilities where needed in the organization
- Maximised the use of digital platforms to deliver training for our people

Material matters related to this theme

- Operational and financial resilience
- National competitive posture and stability of our institutions
- Skills development and competencies required in the future
- Partnerships and acquisitions for future growth
- Improved customer insights through enhanced data science and data analytics
- Integrated strategy, which is people-led and digitally enabled
- Transformation imperatives

Medium to longer-term actions

- Driving growth and ensuring competitive advantage
- Promoting adaptability to achieve scale and to expand
- Embedding digital ways of working
- Ongoing evaluation of our strategy and purpose
- Leveraging opportunities
- Mitigating macroeconomic threats
- Aligning our operating model to deliver the FY26 strategy

Key performance indicators

- NIACC
- ROE range 21% - 24%
- Cost to income ratio
- 25% more customers by FY26

Our operating environment: **FNB**

Introduction

Reflecting on the period under review, the FNB franchise made great strides in advancing our strategy to deliver shared prosperity to all. Despite the lingering economic and social headwinds following the COVID-19 pandemic, optimism started to emerge on the back of early signs of recovery. With a clear focus on being a responsible catalyst in the Namibian economy we continued to facilitate growth and increase inclusion in the formal financial sector.

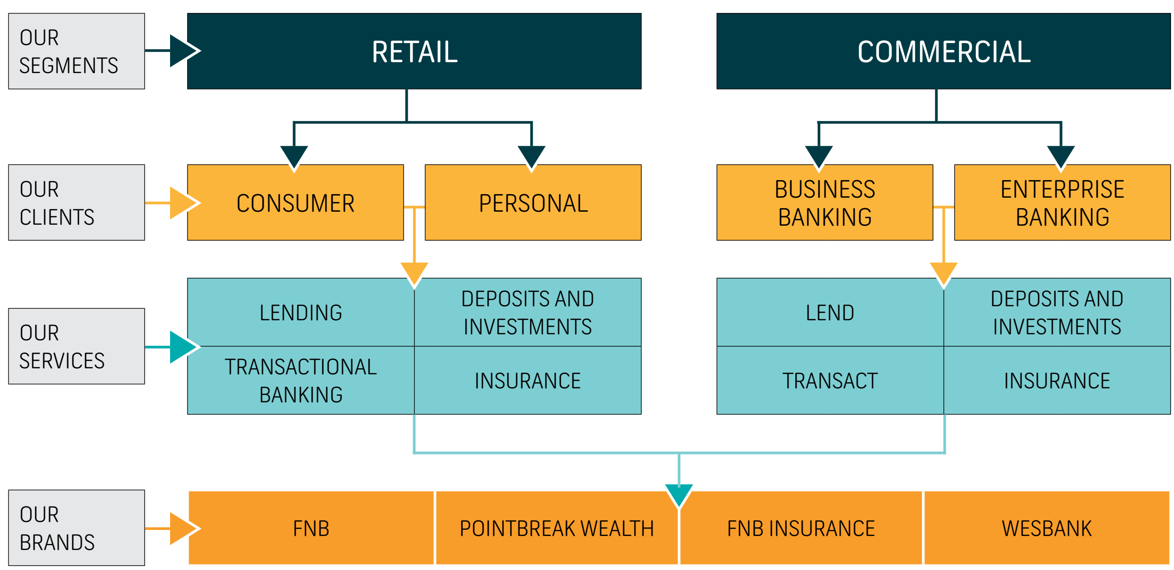
Keeping the principles of shared prosperity at the centre of our strategy, the business has delivered excellent financial and non-financial results.

Outcomes such as these cannot be achieved without significant investment in the critical areas of our people, innovation, business-as-usual technology and regulatory compliance. Furthermore, the investment that FNB makes in its research and development (R&D) capability to ensure continuous development and transformational innovation is critical to the business' long-term sustainability.

Achieving any of this would be impossible without the contributions of our employees and we remain appreciative of their commitment and hard work that have delivered the results for 2023.

Operating model

Our results have been delivered via various brands and entities. This is enabled by a matrix operating construct which enables the delivery of relevant and competitive solutions to an array of clearly defined customer segments.



Our operating environment: **FNB** continued

Financial performance

FNB continued to deliver strong performance in the current financial period, with profit before tax increasing by 20% year-on-year, representing 76% of group profit. The primary drivers for this growth were:

> **27% increase in Net interest income before impairments (NII)** attributable to growth in the balance sheet and improvements in margins due to pricing adjustments and interest rate hikes.

> **9% increase in Non-interest revenue (NIR)** as due to growth in our customer base and the resultant increase in transaction volumes.

> **Impairment losses increased by 123%** mainly due to the interest rate hikes during the year which put customers under further strain, and a lower prior year base which included releases in portfolio impairments.

> **Operating cost increased by 11%** mainly due to investments in systems and compliance related programs, however, **the cost to income ratio reduced from 56% to 52%.**

Advances increased by 6%. In addition to growth in the customer base, new origination strategies that included revised credit appetite, were key to delivering growth above total private sector credit extension.

Deposits increased by 13%. Growth in the customer base and targeted initiates to attract franchise deposits were main contributing factors.

PBT:
N$1 724 million
▲ 20%

ROE:
38%
▲ 13%

NII:
N$2 128 million
▲ 27%

NIR:
N$1 984 million
▲ 9%

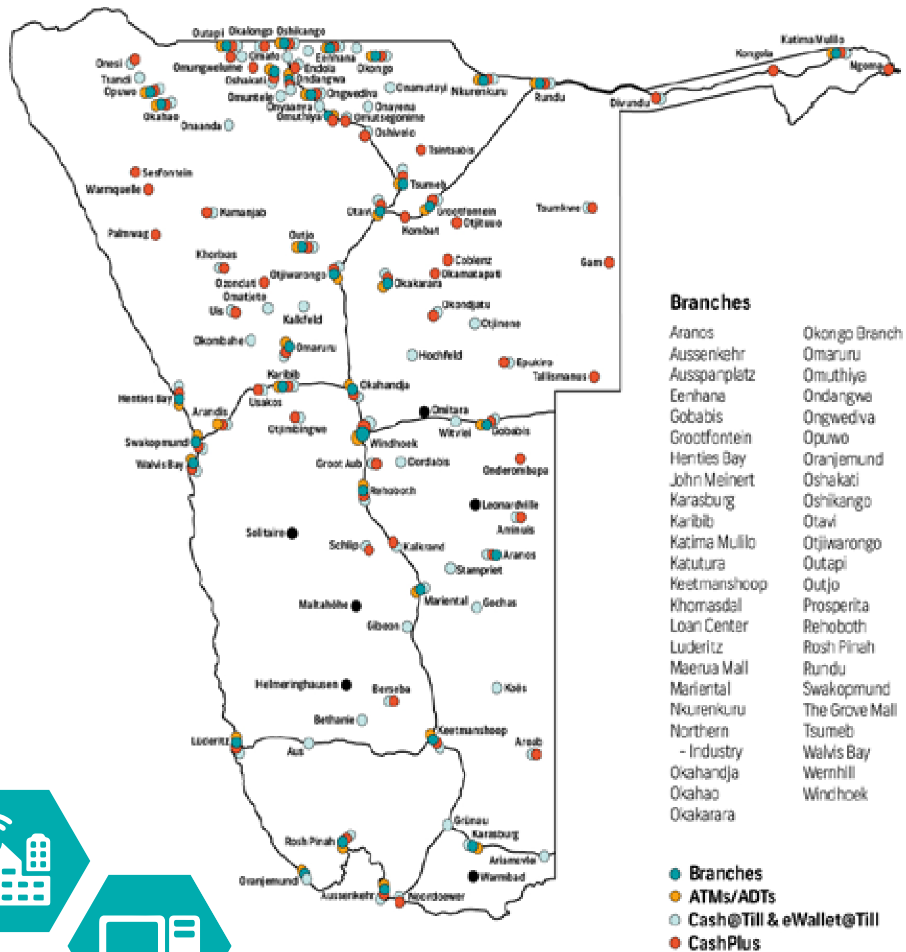
Impairments:
N$213 million
▲ 123%

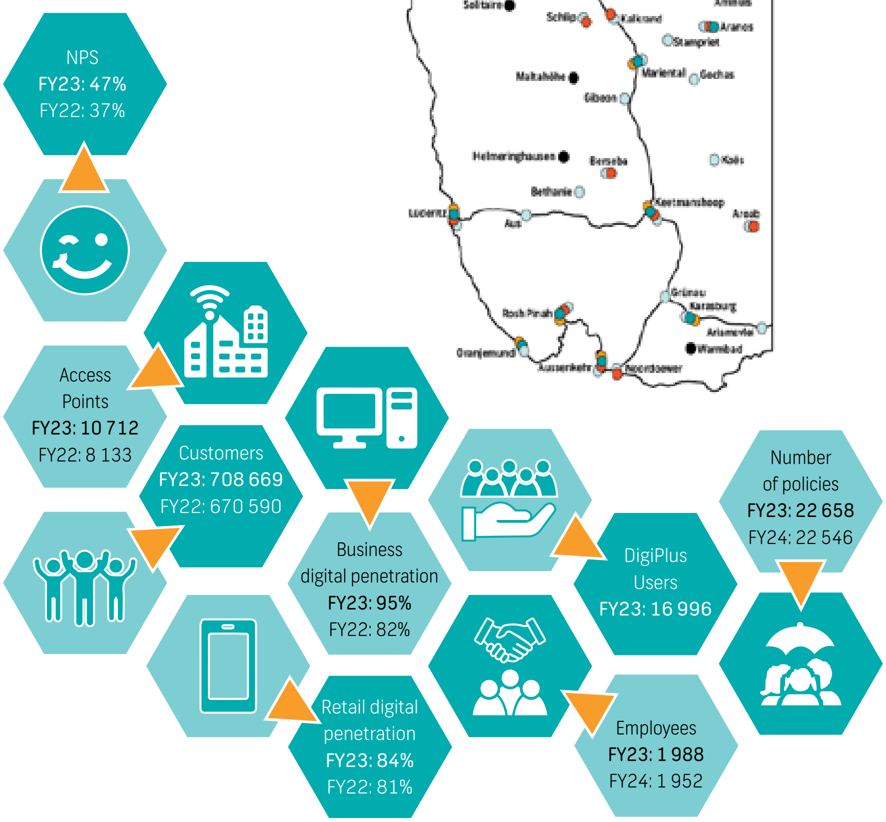
Advances:
N$30.5 billion
▲ 6%

Deposits:
N$24.2 billion
▲ 13%

Our operating environment: FNB continued

Strategic progress





Our operating environment: FNB continued

Delivery on strategy

FNB's strategy contains **four pillars,** which continue to set the business apart as a market leader in Namibia. For the period under review, we have continued with our focus on the strategic pillars of having a **high performance culture, delighted customers, contextual solutions underpinned by platform,** and a **sustainability mindset.**

High performance culture

We continued to lead a culture of high performance, centred on purpose, care and accountability across the retail and commercial segments. 1 988 people were provided employment and contract work, demonstrating our commitment to enabling people to participate formally in the economy. FNB's commitment to attracting, growing and retaining talent saw the business maturing its succession planning and talent management.

Significant investments were made in the growth of our people through meaningful learning and development (L&D) interventions. A deliberate focus was applied to nurturing skills and capabilities that will become increasingly relevant and future-fit as the world as we know it continues to evolve. In addition to critical thinking and solutions orientation, we noted a considerable increase in scarce and critical areas of expertise, such as data scientists, engineers and coders in the employ of FNB across both the retail and commercial segments.

FNB deeply embraces diversity and we firmly believe that a diverse and inclusive workforce is a key enabler of our entrepreneurial and innovative culture. We therefore continue to build an environment that is inclusive and values diversity. During the period under review, we conducted a diversity, equity and belonging through inclusion ('DEBI") survey. The results of the survey have provided us with valuable insights and feedback which will now be incorporated in the human capital strategies accordingly.

Delighted customers

The retail and commercial segments listened actively to the feedback our customers provided during the year, informing the actions FNB took in response. Closed-loop feedback practices enabled management to utilize proactively sought and reactively received customer insights to inform the discipline of continuously improving and innovating to solve for customers needs, wants and pain points in the multiple value propositions offered.

Several processes were re-engineered and automated during the current year to ensure frictionless customer experience. We have also increased the number of call center agents in our contact center from 51 to 78 which resulted in a marked reduction in abandon calls and improvement in calls answering time. In addition, we finalized the piloting of the Q-man system in our branches in the current year with the launch of the system in 13 other branches across the country which has resulted in the reduction in queuing time in branches in the period under review.

The 6% growth in our customer base is a key indicator that FNB's strategy of putting customers at the centre of our business continued to yield tangible results.

This was further evidenced by customers saying that they would highly recommend FNB to their family and friends, with a Net Promoter Score (NPS) of 41 for the year. Our customers' satisfaction with their day-to-day channel interactions increased from a MyService2U rating of 89% to 91% year-on-year.

Our operating environment: FNB continued

Contextual solutions underpinned by platform

The journey to a platform-based business continued to make strides. Beyond delivering delightful experiences to our customers, FNB maintained the pace in creating and providing relevant solutions that meet a diverse set of needs for both individuals and businesses, offered in a meaningful way and at the time that customers required.

Acknowledging the weighty role that credit extension plays in a recovering and growing economy, FNB availed credit to retail and commercial customers, finding solutions-oriented ways to provide credit to them, both in terms of temporary relief and investment in growth. This growth of advances beyond PSCE substantiates our commitment to aiding customers with responsible lending.

Extending the unrivalled offering of digitally-enabled products and services that FNB is known for, remained a critical priority. Some of the new solutions that were launched included automated credit scoring, extension of our enterprise sales platform into the commercial customer base, as well as a self-acquired and serviced bank account that is based on USSD. Our priority of ensuring KYC compliance informed the development of the ability for customers to update and maintain their KYC details digitally in an easy and convenient manner.

The uptake and usage of digital channels continued to reach unprecedented levels. In addition to a significant increase in new users on digital channels from 562 518 to 595 593 further showing that our customers are increasingly moving their banking activities away from physical branches.

Customers continued to shift their transactional banking from traditional branches to the rapidly growing geographical footprint of ADTs, as well as CashPlus agent and Cash@Till points. Whilst the number of branches remained at 46 locations nationwide, the number of SSDs grew to 333.

FNB's merchant and agent base, which consisted of 932 Cash@till and 252 CashPlus agents, increased to a total of 1 184, enhancing the value delivered to customers requiring easier and cheaper access to FNB's channels. This reach was further bolstered by the 9 149 POS devices held by commercial customers, enabling card swipe transactions that reduce the need for costly and less secure cash transactions for making payments, bringing the total to 10 712 access points across the country in the period under review.

Sustainability mindset

FNB management remained true to its commitment to being a 'good ancestor', contributing meaningfully to sustainable growth, keeping shared prosperity and ESG principles at the core of business strategy and execution.

We continued to manage the business on financial resource management principles with both retail and commercial segments owning governance platforms to hold the accountability of deploying the resources of shareholders in meeting the overall business objectives.

We recognise the importance of SMEs in economic development and job creation, and we are committed to supporting their growth and success. We understand that SMEs often face challenges when it comes to accessing financing, which is why we have introduced automated credit scoring and guarantee schemes for loans during the period under review. Our automated credit scoring system is designed to provide SMEs with a faster and more efficient credit application process.

In addition, our guarantee schemes for loans have ensured that more SMEs who might not have other forms of collateral were able to access funding. As a result, in the current year our SME loan recovery scheme in partnership with Bank of Namibia and the Government of Namibia resulted the extension of 89 SME economic recovery loans with a total value of N$85 million.

FNB remains sensitive to the financial pressures that customers are under and during the year we actively looked for ways to provide meaningful help.

Our operating environment: FNB continued

Sustainability mindset

FNB offered a range of solutions for customers struggling to meet their loan repayment obligations to the bank on a case-by-case basis through debt consolidation, restructuring and payment holidays. It should be noted that this was consistently done within the bank's credit risk appetite, management policies and regulation.

In line with FNB's commitment to increasing financial inclusion, we provided solutions to meet the needs of unbanked and underserved Namibians. Specifically, our simple USSD self-acquired and serviced bank account, DigiPlus, saw good growth post-launch with 16 996 DigiPlus accounts being opened.

Home financing provided to customers to enable their access to dignified home ownership remained imperative. The overall home loan exposure in the affordable housing segment of <N$500 000 stood at N$1 346 million at the end of the financial year demonstrating the bank's ongoing commitment to playing an active role in facilitating access to dignified housing.

FNB also progressed in delivering green financing through various solutions aimed at helping customers to either build or modify their homes to be more environmentally sustainable than traditionally.

Conclusion and outlook

Whilst the current landscape continues to have its challenges, we are optimistic that the trend of recovery and emerging growth will continue in the year ahead. FNB will continue to ensure that our data-driven approach to running and growing the bank will continue to inform competitive strategies and the sound management of the business.

FNB's existing strategic goals of high performance, delighted customers, contextual solutions underpinned by platform and a sustainability will continue, with disciplined execution being managed through the rigour applied in cascading them into contracting and progress tracking. Our use of customer insights to develop and enhance value propositions to retail and commercial customers alike, will remain core. We remain confident that leveraging our data, process improvement and automation capabilities will enable continuous improvement and innovation in FNB's delivery of meaningful help, impact and value to all our stakeholders, in particular, our investors, customers and regulators.

E Tjipuka
CEO: FNB Namibia

Our operating environment: **RMB**

Operational Review

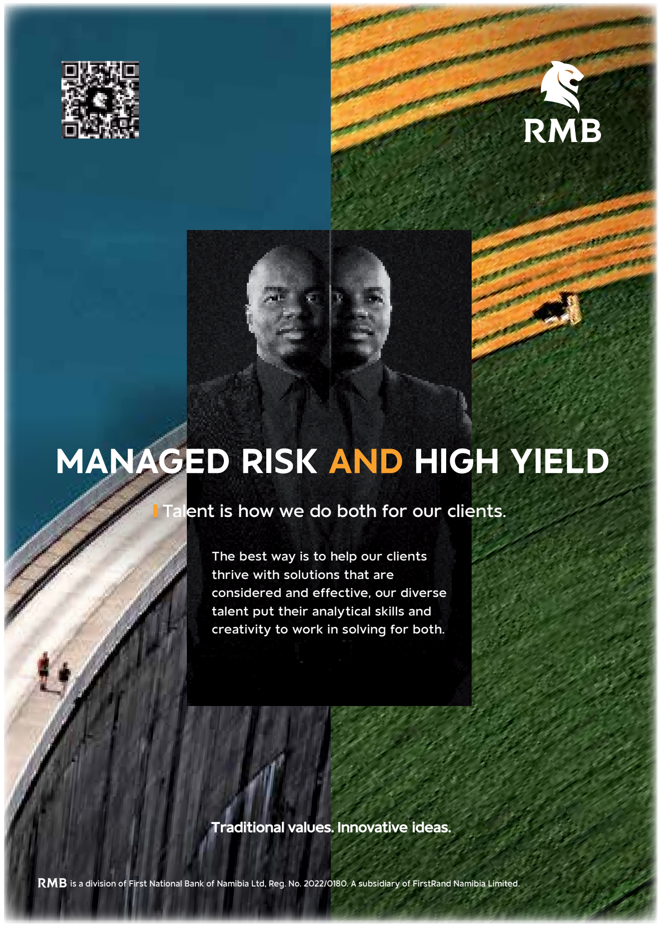
Financial year 2023 has been an exceptional year where RMB remained agilely balanced, while optimising the core business, scaling the emerging business and experimenting with new business. This is all to achieve our three main moonshot goals of creating globally competitive talent, building meaningful scale and relevance and facilitating investments for a sustainable Namibia.

RMB continues to make significant investments to change the bank in order to remain resilient and future fit. RMB has been at the forefront of embracing the technology journey through the investment in various platforms. This was of strategic importance to RMB, as it allowed us to realize our moonshot goal of building scale and relevance in the Namibian market.

Being part of the bigger FirstRand ecosystem allows RMB to leverage off a unique advantage that creates value for all stakeholders (shareholders, employees and clients). The construct allows us to fully entrench ourselves within our clients and their ecosystems and provide them with solutions that meet their needs. This does not only allows us to build scale and relevance, but even facilitate the investments that Namibia desires for its economic development. Through this construct, we are able to offer an enhanced value proposition for the Ashburton talent, but also reap the benefits of economies of scale.

In staying true to our purpose of liberating diverse talent to partner and innovate for a sustainable Namibia, a key result increasing our number of primary banked clients and market share, a great testament to our market leadership position in the Namibian market. RMB has made massive strides in improving brand visibility including major sponsorships in key industry forums, client engagements and brand campaigns. The RMB Namibia team has bagged the Global Finance Best Trade Finance providers for the fourth consecutive year and continues to bag the brand equity obtained from Best Cash Management and Treasury Solutions two times in a row, and a country first was the Best FX provider. These have been great endorsements and accolades, truly echoing our leadership in the Namibian market.

The RMB leadership team pursues the clear opportunity to lead the creation of an authentic differentiated identity that embeds higher purpose. Practising Strategic Foresight to create a more adaptive and future-fit environment is our main goal and understanding and adapting to identified strategic focus areas. This mainly includes scaling the ESG and Sustainable Finance opportunity set, supporting Namibia's energy transition, enhancing our offering and services by capitalizing on the digital economy and understanding where industry lines are blurring in order to contextualize solutions to clients.



The business remained resilient with zero non-performing loans over the years (including Covid). The teams' focused efforts to not get distracted by short-term themes but sticking to the adopted strategy and driving long-term sustainable value means that RMB could deliver an excellent set of results. To complement this, the efforts of our cost containment initiative has helped to sustain our healthy business engine.

Our operating environment: **RMB** continued

Operational Review continued

Since the pandemic, Corporate Transactional Banking (CTB) has seen the benefits of an uptick in repo rate. This was a deliberate tactic to increase operational, long-term liabilities, but an intentional shift to be more than a macro play, by strengthening our EFT comparative advantage, as well as the roll-out of alternative channels with strategic retail clients.

The Lending team has done exceptionally well on originating deals in a rather tight economic cycle, with our skills and capabilities really giving us an edge in client conversations. Yet, as of recent, clients have been putting even greater weighting on pricing and ease of doing business when making their banking purchasing decision. This has been swiftly countered by strong partnership with Group Treasury on how to enhance pricing velocity and to enhance the ease of doing business within the multiple corporate layers that we operate in. The team has also been intentionally building a track record in ancillary advisory and in the DCM space, with deals having come to fruition. Most notably is the ESG credential, having arranged the FNB Green Bond, the largest and second issuance in Namibia to date. Hand-in-hand to this, is the series of Sovereign engagements over the past year, held to grow our relationship as a trusted advisor to government. Our expertise in DCM and Sustainable Finance has been offered and we look forward to helping deliver to Namibia's growth goals.

Our Markets segment had a very good year. The team has focused on building annuity income streams and solution capabilities that truly position us as first to market and market leading in the Namibian economy.

We are intentionally building out a sustainable business, minimising key man dependencies and risks. But also building a future-fit business, meaning that we are continuously building out capabilities and embracing market trends and we remain convinced that the pay-off of our efforts will come to fruition. RMB continues to drive delivery on its purpose statement of liberating diverse talent to partner and innovate for a sustainable Namibia. We believe that profitability remains an outcome of this and a measure of how successful we are in delivering on our purpose. Our unique talent and skills are what provides us a competitive advantage in the market and we continuously invest in our people and culture to ensure we have a globally competitive workforce.

Our key client wins are a testament to our focus areas in terms of providing bespoke solutions, increasing share of wallet and becoming a strategic partner, all underpinned by our client-centric approach. This is supported by deep sector expertise, strong partnerships, as well as effective cross-sell and up-sell strategies. These wins are evidence of RMB's delivery to our purpose of ensuring a sustainable Namibia.

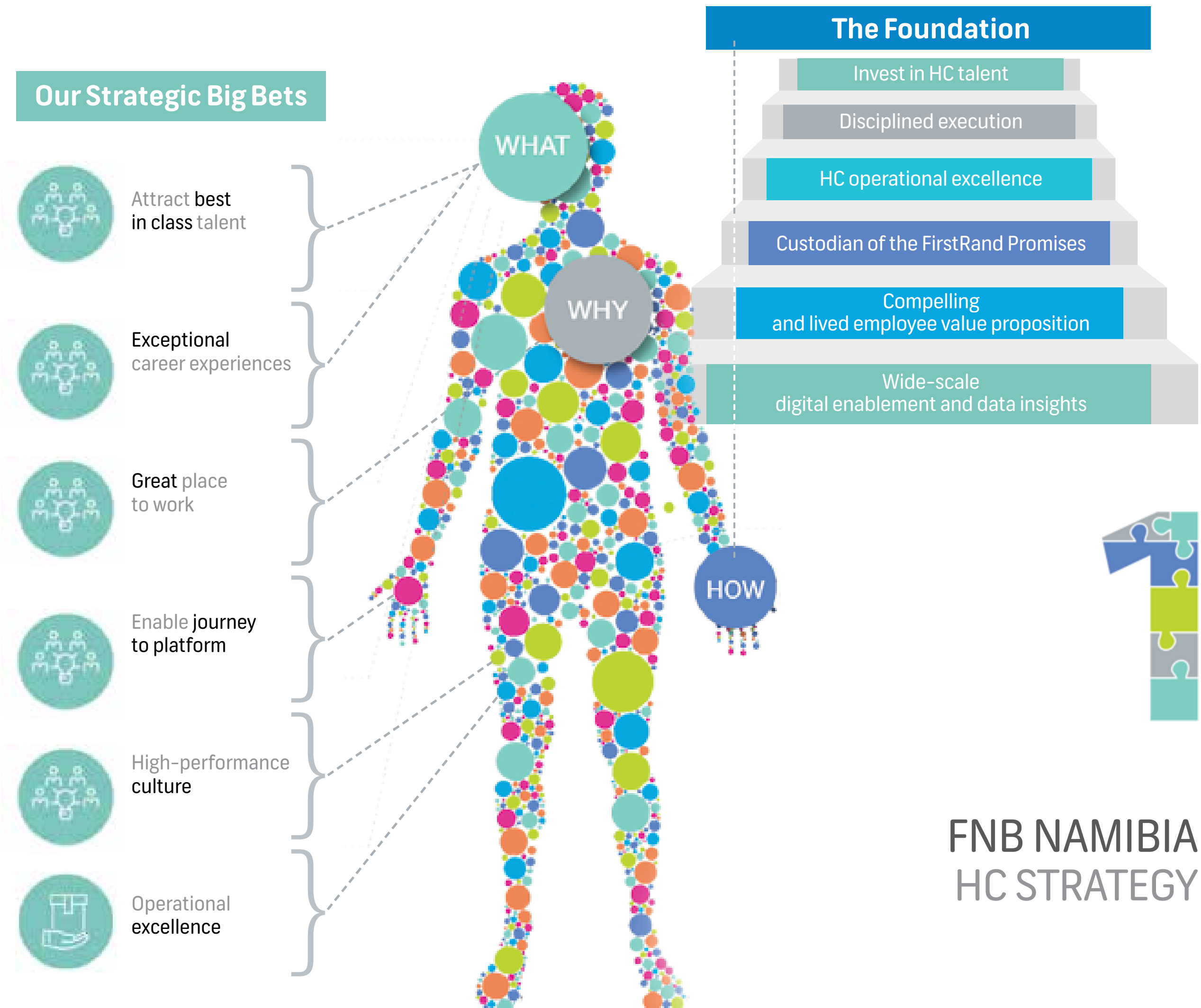
P Chapman
CEO: RMB Namibia

Human capital strategy

FNB Namibia group aspires to have the best Human Capital function in pursuit of excellence. Long term sustainability is intricately linked with the businesses ability to attract, develop and retain deeply invested employees who contribute towards a future of shared prosperity. This capability is demonstrated through our strategic big bets:

Our Purpose

Attract, develop and retain **deeply invested employees** who contribute towards a future of shared prosperity



To be the best **HUMAN CAPITAL FUNCTION IN PURSUIT OF EXCELLENCE**

Human capital strategy continued

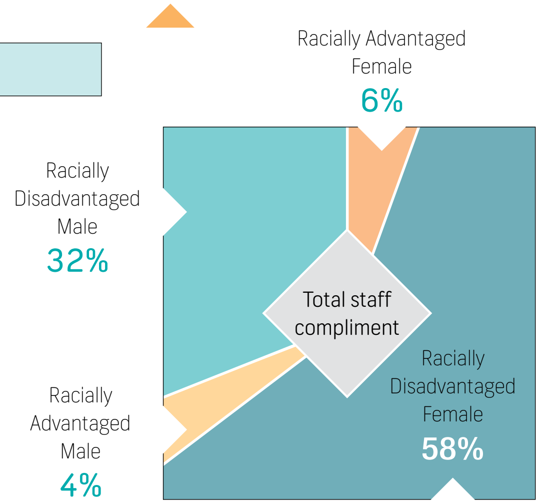
To remain an employer of choice where employees can have exceptional career experiences, we reviewed and enhanced our Employee Value Proposition to provide additional benefits to our employees. As part of our Promises we continue to value our differences, and remain focused on driving employment equity as depicted below.

Gender Equity:
Representation of Women

	2022	2023	Change
Gender Equity	64%	64%	0%

Racial Equity:
Representation of Racially Disadvantaged Employees

	2022	2023	Change
Racial Equity	89%	90%	1%



1. Talent management

Our Philosophy

Talent and people capabilities are core to FNB Namibia group's sustainable current and future outperformance. Succession is an outcome of deliberate strategic talent planning and intentional development. Quality talent and succession planning demonstrates organizational stability and resilience, which breeds market confidence and drives shareholder value.

Our Principles:

Value our differences: Transforming our talent is the right thing to do. *Diversity, equity and inclusion is a critical component of talent pool quality.*

Leadership

Talent development is a leadership priority. We hold leaders accountable for nurturing talent.

One Bar

All talent is held to a single FNB definition of potential, performance and leadership.

To mitigate against biases, we consistently use a data-driven approach to identify talent and build talent pools.

Build

We grow our own timber. We nurture the talent from an early tenure providing development and career experiences that prepare them for the "top jobs".

We buy as a measure of last resort.

Enterprise

The development of talent, once identified, is supported and facilitated across the enterprise through fostering awareness of HiPo talent's needs and enabling low friction mobility.

Empowered

Employees, supported by their line manager, are accountable for their development.

To facilitate this partnership and empower employees there is transparency.

No guarantees are given to anyone.

Human capital strategy continued

1. Talent management continued

Agile and Live: This is a *dynamic process* that must be engaged with and evolved to ensure relevance and effectiveness as the environment changes

Since the previous financial year, our Succession Talent Pool have expanded significantly. We have 114 potential successors identified for our Executive roles, with an additional 119 potential successors identified for Senior Management / Critical roles. Development plans and career experience maps were also concluded for all Executives and their potential successors. Through our dedicated focus on retaining our critical talent, eight of our Executive appointments were internal promotions.

To further upskill our talent pool, one Namibian is currently on a skill-based secondment to South Africa and another Namibian was assigned to Mozambique for 6 months. Succession at all levels in terms of coverage ratio are adequate and the demographic of the country are well represented.

1.1 Targeted Development Pipeline Interventions

We had a massive success with our first year of introducing our internship programme under the FirstJob banner. FirstJob aims to assist unemployed youth by providing them with the skills, mentoring and experience they will need to thrive in the workplace and prepare them for entry into the job market and world of work.

FirstJob focuses on three areas of development:

a) Internships - During the previous financial year, we launched our first intake of Interns who gained on-the-job experience for one year in order to prepare them for appointment of permanent positions within the Group or externally. A total of 15 interns were appointed of which 2 received permanent positions. A further 28 interns were appointed during this financial year.

b) Graduate Trainees - The two Graduate Trainees appointed during 2022 were appointed in permanent roles, whilst five new Graduate Trainees were onboarded during 2023.

c) Experiential Learning - FNB Namibia assisted five Namibian students with Work Integrated Learning in 2022 and this programme is continuing in 2023. The number of students to be assisted will depend on the need as we receive requests from Namibian students.

1.2 Learning and Development

The group strongly believe in developing and upskilling its employees and therefore invested a total of N$5.7 million on various development interventions. In addition, a total of 99 previously disadvantaged non-managerial employees were funded by the Staff Assistance Trust towards tertiary qualification to a total amount of over N$4 million.

Eight employees and four external students were granted bursaries towards tertiary qualifications of which one has been allocated to a person living with disabilities. Total amount invested is N$1.1 million.

We continued with the roll-out of our in-house training academies. These academies are unique and bespoke learning and development experience designed to equip employees with the skills required for the future of banking and position employees to have conversations with clients that position the Bank as a trusted partner. The course content is a combination of external vendor providers as well as internal learning content and is spread over a period of eight months with block sessions for each module.

2. Employee wellbeing

The wellbeing of our employees remains a priority for the group. LifeAssist, our external EWP service provider, continued to offer 24/7 wellness services to staff and their next of kin. Staff have the choice between telephonic, electronic, and face-to-face assistance through self-referrals or management referrals. The programme also provides debriefing sessions to assist our employees in dealing with traumatic events.

This year we have launched a financial wellness campaign which offers employees financial evaluations, personal guidance, training, and post-evaluation over a 6-month period. To further support our employees a total of 27 employees and 8 dependents received financial assistance for medical expenses via the Staff Assistance Trust at a total cost of c. N$260 000.

FNB Namibia has as a key strategic focus area giving back to society at large. We have therefore arranged and successfully implemented five blood donation clinics @Parkside which could potentially save 1139 lives with the blood collected. Due to our blood donation drive, NAMBTS awarded the group a Gold Award, for the second consecutive year, for the Top Corporate Clinic in the country, as well as the Top Clinic Contact for Namibia.

Managing risk strategically

RISK GOVERNANCE

FNB Namibia Group believes that effective risk management, performance and financial resource management are of primary importance to its success and is a key component of the delivery of sustainable returns to shareholders. These disciplines are, therefore, deeply embedded in the group's tactical and strategic decision making.

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.

Risk taking is an essential part of the group's business and the group explicitly recognizes risk identification, assessment, monitoring and management as core competencies and important differentiators in the competitive environment in which it operates. Through its portfolio of leading operating brands namely FNB and RMB, the group aims to be appropriately represented in significant financial services in its chosen markets.

Managing the risk profile

The group's business as a financial intermediary is based on the identification, measurement, pricing, and ultimately the taking and management of risk. It does not aim to eliminate risk entirely but to assume it deliberately in a measured, calculated and controlled fashion pursuant to its business objectives.

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

- A risk-focused culture and effective risk governance structure with multiple points of control applied consistently throughout the organisation;
- A combined assurance process to integrate, coordinate and align risk management and assurance processes within the group in order to optimise the level of risk, governance and control oversight of the group's risk landscape; and
- Strong risk governance through the application of financial and risk management disciplines through frameworks.

The group believes a strong balance sheet and resilient earnings are key to growth, particularly when entering periods of uncertainty, as demonstrated in the group's financial statements.

Pages 151 to 264

Opportunity and risk management focus

The group expects the following risk to materialise worldwide and have planned accordingly

- Cybercrime and IT related disruptions;
- Operational risk including power disruptions, theft, fraud and violent crime;
- Environmental and social risk;
- Data protection and market conduct; and
- War for scarce talent.

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

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

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

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

Managing risk strategically continued

Opportunity and risk management focus

Risk appetite

The group's risk appetite and FRM (Financial Resource Management) process frames all organizational decision making and is fully integrated with the Group's strategic objectives. The risk/reward framework includes the risk appetite statement below and aims to ensure that the Group maintains an appropriate balance between risk and reward. Limits and targets are linked to the statement.

Risk appetite statement

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

The group's strategic objectives and financial targets frame its risk appetite in the context of risk and reward 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 group's risk appetite frames all organisational decision making and is fully integrated with the group's strategic objectives.

The current Risk Appetite Framework as approved by the Board consists of qualitative and quantitative measures. The quantitative measures are mainly focused on credit risk (impairment and NPL tolerance levels) per segment and products, as well as reference to the market risk limits in the trading book. Future enhancements to the framework will include overall profitability measures, focused on sustained delivery of results through economic cycles. Below is a summary of the qualitative principles:

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; • No risk taking without a deep understanding thereof; • Comply with internal targets in various defined states to the required confidence interval; • No business models with excessive gearing through either on or off-balance sheet leverage; • Limit concentration in risky asset classes or sectors; • Ensure the group's sources of income remain appropriately diversified across business lines, products, markets and regions; • Manage the business on a through-the-cycle basis to ensure sustainability; • Identify, measure, understand and manage the impact of downturn and stress conditions; • Strive for operational excellence and responsible business conduct; and • Avoid reputational damage.

The risk appetite statement aims to drive the discipline of balancing risk, return and growth across all the portfolios. It is in this process that the group ultimately seeks to achieve an optimal trade-off between its ability to take on risk and the sustainability of the returns delivered to stakeholders.

Risk appetite for pillar I and II will be formulated with each client facing business unit. This creates the framework to cascade the appetite to other supporting business units.

Managing risk strategically continued

Opportunity and risk management focus

Risk governance structure

The group believes that effective risk management is supported by effective governance structures, robust policy frameworks and a risk-focused culture. Strong governance structures and policy frameworks foster the embedding of risk considerations in the 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, setting risk appetite and ensuring that risks are adequately identified, measured, monitored, managed and reported on.

The risk management structure is set out in the group's Risk Management Framework (GRMF). The framework delineates the roles and responsibilities of key stakeholder in business, support and control functions across the various business units and the group.

The responsibilities of the Board risk committees are included in the following tables. Further detail on the roles and responsibilities of the RCCC relating to each particular risk type is provided in the major risk sections of this report.

The group ultimately seeks to achieve an optimal trade-off between its ability to take on risk and the sustainability of the returns delivered to stakeholders.

The Governance structure is as follows:

Directors Governance Committee (DGC)	Risk, Capital and Compliance Committee (RCCC)	Senior Credit Risk Committee (SCRC)
Audit Committee	Talent and Remuneration Committee (REMCO)	Asset, Liability and Capital Committee (ALCCO)

Management Committees

Executive Committee (EXCO)	Combined Assurance Forum (CAF)	Operational Committee (OPSCO)
Financial Crime Risk Management Committee	Financial Resources Management Committee (FRMC)	Enterprise Risk Management Committee (ERM)
IT Risk Governance Committee (ITRGC)	Policy Committee	Social Ethics and Transformation Committee
Procurement Committee	Process Improvement Committee	Group Physical Security Committee
Balance Sheet Steering Committee	Emerging Legislation Forum	Project Management Committee

Managing risk strategically continued

Opportunity and risk management focus continued

Responsibilities of the Board risk committees

Committee	Responsibility
Audit Committee	• Assists the Board with its duties relating to the safeguarding of assets, operation of adequate systems and controls, assessment of going concern status and ensuring that relevant compliance and risk management processes are in place; • Ensures that a combined assurance model is applied to provide a coordinated approach to all assurance activities; • Oversees and reviews work performed by the external auditors and internal audit function; and • Oversees financial risks and internal financial controls including the integrity, accuracy and completeness of the integrated report, which are provided to all stakeholders.
Risk, Capital and Compliance Committee (RCCC)	• Approves risk management policies, frameworks, strategies and processes; • Monitors containment of risk exposures within the risk appetite framework; • Report assessment of the adequacy and effectiveness of the risk appetite, risk management, ICAAP and compliance processes to the Board; • Monitors the implementation of the risk management strategy, risk appetite limits and effectiveness of risk management. Initiates and monitors corrective action, where appropriate; • Monitors that the group takes appropriate action to manage its regulatory and supervisory risks and complies with applicable laws, rules, codes and standards; • Approves regulatory capital models, risk and capital targets, limits and thresholds; and • Monitors capital adequacy and ensures that a sound capital management process exists.
Asset, Liability and Capital Committee (ALCCO)	• Approves and monitors effectiveness of management policies, assumptions, limits and processes for liquidity and funding risk, capital and market risk in the banking book (interest rate risk and foreign exchange and translation risk); • Monitors the group's funding management; • Monitor the market risk in the trading book • Provides governance and oversight of the level and composition of capital, and considers the supply and demand of capital across the group; • Approves buffers over regulatory capital and monitors capital adequacy ratios; and • Approves frameworks and policies relating to internal funds transfer pricing for the group.
Enterprise Risk Management Committee (ERM)	• Provides governance, oversight and coordination of relevant risk management practices and initiates corrective action where required; • Reviews and recommends the risk appetite for approval to the RCCC; • Approves the Operational Risk Management Framework (ORMF) and all its sub-frameworks used in the management of operational risk in the specialist areas including fraud risk, legal risk, business resilience, information governance, information technology and physical security; • Approves regulatory risk management principles, frameworks, plans, policies and standards; • Monitors the effectiveness of regulatory risk management across the group and initiates corrective action where required; • Monitors tax management processes, effectiveness of tax management processes and corrective actions; and • Include the risk functions deployed.

Combined assurance

The Audit Committee oversees formal enterprise-wide governance structures for enhancing the practice of combined assurance at group level. The primary objective is for the assurance providers to work together with management to deliver the appropriate assurance cost effectively. The assurance providers in this model include GIA, senior management, ERM 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 financial resource management. Combined assurance results in a more efficient assurance process through the elimination of duplication, greater focused risk-based assurance against key control areas and heightened awareness of emerging issues. These actions result in the implementation of appropriate preventative and corrective action plans.

Managing risk strategically continued

MARKET RISK

Market risk in the banking book mainly emanates from interest rate risk (IRRBB), that is the effect that changes in interest rate will have on the financial position and earnings of the group. Market risk in the banking book also includes currency risk. The risk is expressed in the form of Net Open Foreign Exchange Position (NOFP). The latter is however insignificant for the group.

Sources of Interest Rate Risk in the Banking Book (IRRBB):

- Repricing Risk - Repricing Risk arises when assets and liabilities reprices or reset at different dates
- Yield Curve Risk - Yield curve risk is the unanticipated shifts in the yield curve
- Basis Risk - The risk arises when different yield curves set are used for the pricing of assets and liabilities.
- Optionality - The risk emanates from the difference in the actual client behaviour from the contractual profile in terms of prepayments and withdrawal.

To reduce volatility in earnings emanating from IRRBB, the risk managed dynamically within approved board limits.

STAKEHOLDERS IMPACTED

Measurement of IRRBB

Net interest income (NII) sensitivity (earnings sensitivity) and the value at risk sensitivity (economic value of equity (EVE)) using the PV01 metric are the two measurement techniques used to monitor IRRBBs and reported quarterly to the Asset, Liabilities and Capital Committee (ALCCO). The NII sensitivity measures the 12-month impact on NII using various interest rate scenario's. The scenarios being used are instantaneous parallel shifts in the yield curve of 100, 200 and 300 basis points.

The EVE sensitivity estimates the present value of the banking book assets and liabilities and measures how sensitive the Groups net asset value is to changes in the yield curve.

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

Risks emanating from Asset and Liability mismatches are being managed dynamically through the use of structured hedging products and interest rate swaps. FNB Namibia entered in a series of fully collateralised repo/reverse trade to protect and enhance earnings on a through the cycle basis whilst strengthening the Balance Sheet.

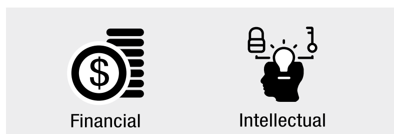
Risk appetite

IRRBB is being managed within board approved limit for both NII sensitivity and EVE sensitivity.

Emerging Risk

Given the uncharted economic cycle observed over the past 24 months, characterised by rapidly slow economic growth, high inflation and rising interest rates, it is imperative to assess if clients transactional behavior has changed and the impact thereof on ALM risk. Specifically, we need to monitor their inclination towards moving money to non-banking institutions such as money market funds, as well as the shift of funds between deposit products and tenors.

CAPITALS IMPACTED



The NII sensitivity measures the 12-month impact on NII using various interest rate scenario's. The scenarios being used are instantaneous parallel shifts in the yield curve of 100, 200 and 300 basis points.

Managing risk strategically continued

LIQUIDITY RISK

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

Management and Measurement of Liquidity risk

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

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

STAKEHOLDERS IMPACTED

Liquidity risk is managed through a series of measures, stress test and reports that are primarily based on contractual maturities with behavioural adjustments as appropriate.

Liquidity risk is managed through a series of measures, stress test and reports that are primarily based on contractual maturities with behavioural adjustments as appropriate. Daily monitoring and forecasts of liquidity positions is performed and includes the following key liquidity risk indicators:

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

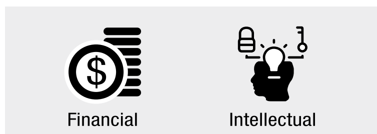
- Available Sources of Stress funding - This measure compares the stressed balance sheet to the available sources of stress funding and indicates whether the bank has sufficient sources of stress funding as per the Contingency Funding Plan to fund the bank in an idiosyncratic stress event.

Emerging Risk

Social media can have a profound impact on a bank's liquidity risk by introducing new dynamics and challenges. One significant impact is the instantaneous spread of news and information. Through social media platforms, news regarding a bank's financial health or market conditions can rapidly reach a vast audience, potentially triggering panic or concerns among depositors.

This instantaneous access to information can lead to a sudden withdrawal of funds as clients become anxious about the bank's stability. Furthermore, digitalisation has made accessing funds easier than ever before. With online banking and mobile apps, clients can now instantly move their money between different banks or even transfer it to non-banking institutions. This quick and convenient access to funds increases the speed at which liquidity can be drained from a bank, intensifying liquidity risk and necessitating proactive risk management strategies

CAPITALS IMPACTED



Social media can profoundly have an impact on a bank's liquidity risk by introducing new dynamics and challenges.

Managing risk strategically continued

OPERATIONAL RISK

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

This includes:

- Fraud and criminal activity (internal and external),
- Project risk,
- Legal risk,
- Business continuity risk,
- Information and IT risk, and
- Process and human resources risk.

Strategic, business, and reputational risks are excluded from the definition.

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

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

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

Risk 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 Identification

- Process based risk and control identification and assessment ("PRCI&A")
- Audit findings
- Analysis of internal operational events and losses
- Data quality assessment and remediation

Risk reporting

Risk profile reporting to support decision making

Risk monitoring

Use of key risk indicators against pre-determined thresholds (risk appetite) to monitor and measure Operational Risk

Capital Calculation

- Risk scenario analysis
- Assessment of internal loss data
- Consideration of external loss data
- Evaluation of control environment within the group

Managing risk strategically continued

OPERATIONAL RISK continued

Operational Risk includes any event that disrupts the normal flow of business processes, and which generates financial loss or damage to the image of the group.

Operational risk measurement and management

FNB Namibia follows the Standardised Approach (TSA) for operational risk and received approval from BON to apply TSA.

Under TSA there are various regulatory requirements regarding risk measurement, management, and governance. Minimum regulatory requirements are detailed in BON regulations. FNB Namibia implementation of these minimum standards is described in the ORMF, with supporting policies for individual risk measurement tools. TSA capital is calculated as specified by BON in Regulation BID5.

Operational losses

	% change year-on-year	FY 2023	FY 2022
Total Operational Losses as a % of Gross Income	(72%)	0.44%	0.34%

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 escalated to the respective governance committees.

Risk management within risk appetite contributes towards limiting loss of confidence or adverse reputational impacts.

Managing risk strategically continued

INFORMATION TECHNOLOGY RISK

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

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

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

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

STAKEHOLDERS IMPACTED

Customers | Employees | Suppliers

CAPITALS IMPACTED

Intellectual | Manufacturing | Natural

IT Risk and security management

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

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

IT Risk and security future enhancements

Continued focus on:

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

The approved frameworks, policies, and standards provide management with the appropriate tools to manage information technology and information security optimally.

Managing risk strategically continued

CREDIT RISK

Credit risk refers to the potential for financial losses arising from the inability or unwillingness of borrowers, counterparties, or debtors to fulfil their contractual obligations to the bank. It encompasses the risk of non-repayment, default, or deterioration in the creditworthiness of borrowers and counterparties, leading to a decrease in the value of loans, advances, debt securities, and other credit exposures held by FNB Namibia.

Credit risk is a fundamental aspect of the bank's operations, representing the potential for financial loss arising from borrowers or counterparties failing to fulfil their contractual obligations. Given its significance, the bank places utmost attention on credit risk management throughout all levels of management. Effective credit risk management is crucial for maintaining the bank's financial stability and ensuring the soundness of its operations.

Credit Risk management structure

The bank has established a senior credit risk committee (SCRC) responsible for overseeing and managing credit risk. This committee operates within the discretionary limits, policies, and procedures approved by the group board. In addition to the Chief Executive Officer (CEO), one other member of the board actively participate in these committee meetings. This governance structure ensures robust oversight and strategic decision-making in credit risk management.

The bank has a well-established and comprehensive credit risk management framework, clearly defining the roles and responsibilities of the board and senior management which is integrated into the overall risk management framework, ensuring a holistic approach to risk management.

The framework aids the bank with the ability to comply with regulatory requirements and to adhere to industry best practices in credit risk management.

Credit Risk management objectives

The bank's credit risk management objectives serve two primary purposes: risk control and management.

I) Risk Control objectives

The bank sets appropriate limits on assuming credit risk and takes necessary steps to ensure the accuracy of credit risk assessments and reports. This responsibility is fulfilled by dedicated credit risk management teams deployed both centrally and across business units. Through meticulous risk control measures, the bank mitigates the potential negative impacts of credit risk on its financial performance.

II) Risk management objectives

Credit risk is managed within the bank's defined risk appetite framework. This framework provides guidelines and parameters for credit risk-taking activities. The credit portfolio is managed at an aggregate level to optimize the bank's exposure to credit risk. Both business units and deployed risk functions play a pivotal role in managing credit risk in alignment with the bank's risk appetite and strategic objectives.

Aligned with the group's credit risk appetite, which is measured based on Return on Equity (ROE), Net income after cost of capital (NIACC), and earnings volatility, credit risk management principles include maintaining adequate capital levels and pricing risk appropriately on both individual and portfolio bases.

The scope of credit risk identification and management practices encompasses the entire credit value chain, encompassing risk appetite, credit origination strategy, risk quantification and measurement, as well as the collection and recovery of delinquent accounts.

Credit Risk management principles

To effectively manage credit risk, the bank adheres to key principles centred around capital and pricing for risk.

I) Capital and pricing for risk

The bank maintains an appropriate level of capital to absorb potential credit losses, considering both regulatory requirements and internal assessments. Furthermore, the bank employs risk-based pricing to accurately reflect the inherent credit risk associated with lending activities. This approach ensures that the bank is adequately compensated for the risks it assumes.

Managing risk strategically continued

CREDIT RISK continued

Credit Risk management principles

II) Credit Risk identification and management practices

The bank adopts comprehensive credit risk identification and management practices that encompass the entire credit value chain. These practices encompass various aspects, including risk appetite, credit origination strategy, risk quantification and measurement, as well as the collection and recovery of delinquent accounts.

By addressing credit risk at each stage of the credit process, the bank enhances its ability to identify, assess, and manage credit risk effectively.

STAKEHOLDERS IMPACTED

Assessment and management of Credit Risk

The bank implements comprehensive policies, processes, and controls to ensure a sound credit risk management environment. These measures cover credit granting, administration, measurement, monitoring, and reporting of credit risk exposure. The bank relies on internally developed quantitative models to assess credit risk, which address both regulatory requirements and the bank's specific business needs.

These models provide insights into the three primary credit risk components: Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD).

Furthermore, the bank manages its credit portfolio by incorporating these credit risk measures. PD, EAD, and LGD serve as essential inputs for portfolio and group-level credit risk assessments. The bank combines these measures with estimates of correlations between individual counterparties, industries, and portfolios to account for diversification benefits and provide a comprehensive view of credit risk.

We maintain appropriate valuation adjustments and reserves for credit losses in accordance with accounting standards and regulatory requirements and measure the provisions for impairments under IFRS 9.

The bank relies on internally developed quantitative models to assess credit risk, which address both regulatory requirements and the bank's specific business needs.

Credit Risk classification and Impairment Policy

The bank follows a robust credit risk classification and impairment policy to accurately reflect potential credit losses.

I) Specific Impairments

Specific impairments represent the quantification of actual and inherent losses arising from individually identified exposures. When determining specific impairments, the bank considers various factors, including its exposure to the customer, the client's cash flow generation capability, the viability of the client's business, expected cash flows, the realizable value of held security, and recovery-related costs. These factors allow the bank to accurately assess the potential credit losses associated with specific exposures.

II) Portfolio Impairments

In addition to specific impairments, the bank applies portfolio impairments to provide additional coverage based on prevailing market conditions and current default statistics. These impairments incorporate forward-looking information, enabling the bank to account for potential credit losses not captured by specific impairments. By considering broader market trends and future projections, the bank enhances its overall credit risk coverage.

CAPITALS IMPACTED

Managing risk strategically continued

COMPLIANCE, REGULATORY AND CONDUCT RISK

These refers to all applicable compliance obligations, including the group's adherence to applicable laws, regulations, regulatory directives, guidelines, and other applicable specifications such as codes of conduct relevant to specific businesses. As such regulatory risk refers to the risk of non-compliance together with related legal or regulatory sanctions, material financial loss, damage to reputation as a result thereof. the group seeks to manage the compliance risk resulting from potential or actual instances of non-compliance with all applicable legislation and manage regulatory supervisory expectations. The group will:

- Ensure that conditions are met to retain its various licenses;
- Limit significant financial losses, civil liability and the risk of imprisonment of Directors, Key Persons and Staff;
- Endeavour to treat its customers and third parties fairly in all respects;
- Minimise reputational damage to the group as a result of compliance risk; and
- Limit abuse of platforms for financial crime or non-compliance.

Ethical behavior is both a keystone and an important contributor to the success of the entire compliance process. In view, thereof, the group expects all employees and entities to maintain standards of honesty, integrity and fair dealing and to act with due skill, care and diligence. FNB Namibia fosters a compliance culture striving to observe both the purpose and the letter of the law as an integral part of its business activities. Deliberate or wilful acts of non- compliance will not be tolerated. The group seeks to achieve full compliance with applicable laws, regulations and supervisory requirements. In cases where there is legal uncertainty, a proper assessment of the facts, compliance obligations and related risks must be undertaken and where appropriate, external legal and/or regulatory opinions should be obtained.

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

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

Over the next 12 months focus will remain on the below key strategic objectives:

Strengthening partnerships

- Embed new Compliance Target Operating Model with revised compliance structure and updated job profiles;
- Execute on approved Combined Assurance Plan & Strengthen relationship with other assurance providers.

Enhancing Regulatory Engagement

- Manage regulatory inspections, progress reports, issue remediation and repository of regulatory correspondence and artefacts;
- Provide substantive inputs on emerging/draft legislation and new draft national policies.

Risk Based Approach

- Update and maintain Financial Crime Risk Assessment (FCRA);
- Conduct Culture Risk Assessment and Anti Bribery and Corruption (ABC) risk assessment; and

Digital Enablement

- Digitise Compliance Risk Management Plans (CRMPs);
- Move Financial Crime Operations onto Platform;
- Migrate all regulatory reporting onto platform; and
- Establish an ESG hub on FirstRand Namibia website.

STAKEHOLDERS IMPACTED

CAPITALS IMPACTED

Managing risk strategically continued

ENVIRONMENTAL AND SOCIAL RISK

The group is committed to the effective management of the environmental and social risk of its lending and investment decisions, its product and service offerings, its own organizational impacts and the promotion of responsible practice through its supply and value chains. In order to achieve this, the group has adopted and implemented an environmental and social risk assessment and monitoring on credit transactions; and introduced environmental and social performance standards that clients are expected to meet.

The assessment is designed to identify the risks associated with a transaction and the client's ability to manage environmental and social issues, as well as the risks associated with the transaction itself such as the nature and value of the loan, and the industry sector involved. The environmental and social risk management processes are integrated into the group's risk governance process, which is monitored by the group social, conduct and ethics committee

The identification, management and mitigation of environmental and social risks are fully integrated into the group's risk management processes and designed to manage and mitigate the following risk:

Climate Change

Climate change is a defining issue of this century, with significant focus being placed on it at governmental, business and societal level. It is a global crisis that has the potential to disrupt business models and markets across all sectors, and to impact the livelihoods and well-being of individuals across the world. Financial institutions should enable rather than undermine the necessary transition to a net-zero economy, our target date to be a net-zero economy is set for 2050, while also building climate resilience through the funding of adaptation measures.

The group acknowledges that climate change is a rapidly evolving area that requires the intervention of both public and private sectors and the society at large to successfully address this global crisis. In response thereto, the group has adopted and implemented a climate-related risk management programme which focuses on governance, strategy, risk management, risk metrics, targets and risk disclosure.

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

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

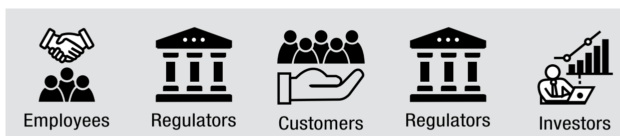
The group's climate risk assessment considers the following objectives:

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

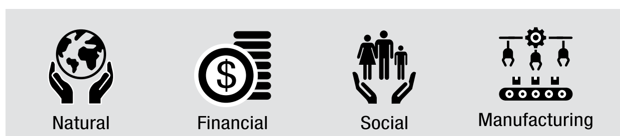
The group's climate risk strategy is centred on the following pillars:

1. Managing our own operations - monitoring and assessing the group's emissions;
2. Supporting client's transition – developing financial products to assist clients with their climate transition journey;
3. Risk management – ensuring that the group's balance sheet is resilient against the impact of physical and transition climate risks; and
4. Governance – embedding climate risk with governance structures and appropriate reporting

STAKEHOLDERS IMPACTED



CAPITALS IMPACTED



Managing risk strategically continued

ENVIRONMENTAL AND SOCIAL RISK continued

Risk impacts

Reputational	Market and liquidity	Credit	Legal and compliance	Operational
Damage to reputation from association with environmental and social impacts	Higher levels of market volatility, shift in asset valuations, dislocations, shift in market appetite with regards to the type of assets funded	Adverse impact on customers' ability to pay, impaired collateral values mainly driven by an increase in physical risks (e.g. drought, property damage,) or transition risks (lower demand of product)	Legal action, regulatory sanction or reputational damage may occur as a result of the group's approach to environmental risk	Disruptions to the group's operations, infrastructure, workforce and supply chain may result from acute environmental events
Immediate		Short/medium term	Long term	

Managing risk strategically continued

LEGAL RISK

Risk is defined as the exposure to an adverse impact on the objectives or sustainability of a business unit; or cause reputational damage that is a consequence of non-compliance with legal or statutory requirements. New laws, case law and changes to the interpretation of laws by appropriate authorities has a significant impact on legal risk.

Legal Risk generally arises through:

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

How we address this risk

- Adopting electronic platforms that empower business to effectively continue operations and conclude agreements;
- Effectively manage a group wide service level agreement sharepoint repository for all the service level agreements within the group;
- Ensure that all the divisions within the group are kept abreast of all legislative developments that have or may potentially have an impact on business operations. To proactively assist business in interpreting and understanding the impact that new pieces of legislation (inclusive of amendments) may have on the business operations.
- Defend the group in litigation and other proceedings against the group by ensuring adequate representation and effective management of these proceedings by the Group Legal Service at different forums;
- Reduce the group exposure to legal risks by managing potential risks and resolving existing risks amicably; and
- Maintaining valuable stakeholder relationships that play a key role within the industry and ensuring that the group is represented at the respective and applicable forums.

Year in review

- Notable legal targets such as the digitization of contract management that was successfully implemented during the course of the year that drives business into the digital era;
- Impactful and important contribution was made to the legislative landscape that has significant impact on operations of the group;
- Litigation matters in which the group is involved were approached with an effective defence strategy to minimise the pending legal risk by seeking alternative litigious solutions.

Potential opportunity

- Leverage potential opportunities to enhance legal programmes and to proactively mitigate legal risks within the group.
- Upgrading existing legal systems to guarantee maximum performance.
- To propel the group into a secure legal and digital environment

STAKEHOLDERS IMPACTED

Customers | Employees | Suppliers

CAPITALS IMPACTED

Financial | Intellectual | Manufacturing | Natural

Delivering promises to **create value**

5.

Reflections from our **Chief Financial Officer**

"I also, once again, want to extend my thanks to the finance team of the group.

I know it's been a tough year on many fronts, but FNB Namibia remains a great business on the back of your hard work and commitment."

OSCAR CAPELAO - Former CFO

In his book The Crux, Richard P Rumelt says "A strategy is a mixture of policy and action designed to surmount a high-stakes challenge. It is not a goal or wished-for end state. It is a form of problem-solving-you cannot solve a problem you do not comprehend. Thus, challenge-based strategy begins with a broad description of the challenges - problems and opportunities - facing the organization. As understanding deepens, the strategist seeks the crux - the one challenge that both is critical and appears to be solvable. This narrowing down is the source of much of the strategist's power, as FOCUS remains the cornerstone of strategy." It's in the real economy, goods are manufactured, infrastructure built, agricultural goods produced, metals and minerals mined, and services provided to individuals, business and government entities.

The sole purpose of the financial system is to serve the real economy. Which brings me back to the opening quote by Rumelt. At the heart of the strategy of financial services must be an understanding of the real economy, and that solutions speak to the problems of the real economy. Financial institutions have the function: ensuring that capital is allocated efficiently throughout the economy between providers of funds (savers) and users of funds (borrowers). All balance sheets have two sides. Simple problems should be amenable to simple solutions, in the midst of all challenges faced by Namibians, shared value must remain on the corporate agenda. It's been an honour to have served as CFO for the past decade, through many macroeconomic realities. I also, once again, want to extend my thanks to the finance team of the group. I know it's been a tough year on many fronts, but FNB Namibia remains a great business on the back of your hard work and commitment.

Reflections from our **Chief Financial Officer** continued

"The group remains well positioned for the year ahead and as I take up the position of Chief Financial Officer, I would like to take this opportunity to express appreciation to my predecessor for his contributions to the success of FNB Namibia."

LIZETTE SMIT - CFO

As 2023 saw the world shaking off the economic weariness caused by the global Covid-19 pandemic, the group delivered a strong set of results for the year despite a challenging and dynamic operating environment. Whilst we benefited from rising interest rates to an extent, efforts to increase the customer base, diversify revenue and cost containment remained key strategic initiatives in supporting continued growth and value provided to our stakeholders.

A combination of lethargic economic growth, higher levels of inflation, weaker industry credit extension, and a depreciating Namibian dollar is likely to bring headwinds for us and our customers, requiring careful consideration in the coming financial year. It is anticipated that consumers will remain under pressure as disposable income and ability to service debt comes under strain. We are confident however, that our continued strategic efforts to offer meaningful and helpful solutions will be key in alleviating some of these pressures in the coming financial year and beyond.

The group remains well positioned for the year ahead and as I take up the position of Chief Financial Officer, I would like to take this opportunity to express appreciation to my predecessor for his contributions to the success of FNB Namibia. As he hands over the baton, I am excited to be part of the journey and look forward to working together with all stakeholders fulfilling FirstRand Namibia's purpose of building a globally competitive Namibia, and delivering on our strategic objectives to achieve this.

Reflections from our **Chief Financial Officer** continued

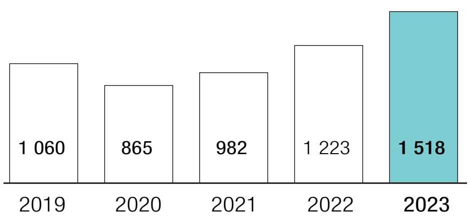
The FNB Namibia group has made substantial strides towards delivering on its strategic targets and growing the business. Our full year results, for the reporting period, shows a net profit after tax of N$1 518 million (2022: N$1 223 million), a 24% improvement on the previous year. Our return on equity (RoE) also improved to 26.2% (2022: 21.5%).

A number of key factors have contributed to the group's strong position, including credit extension exceeding pre-Covid levels, stable credit impairments, and the effective containment of operating costs. Pre provisioning profit increased by 28%, driven primarily by the following: net interest income up 22%, and cost marginally increasing with 9% although above inflation.

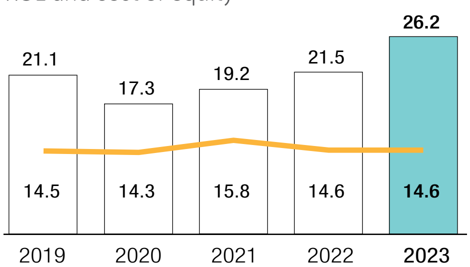
Earnings increased by 16% to N$4 499 million. The main drivers of the increase in earnings are largely due to an improved trading environment, increased credit extended and base growth. This coupled with the interest rate hiking cycle we are currently in has resulted in the improved earnings growth.

ROA improved to 2.8%.

Profit for the period (N$million)

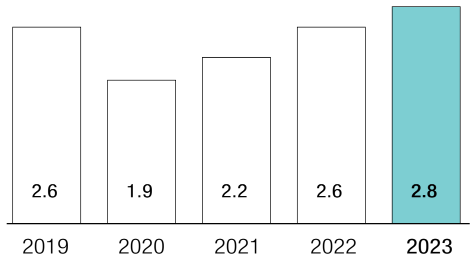


ROE and cost of equity

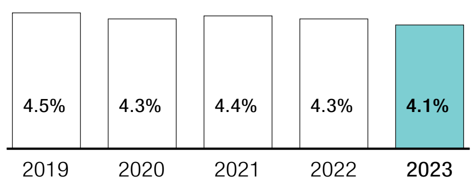


We remain well capitalised, with our Tier 1 ratio standing at 16.1% from 19.3%, given strong capital creation and lower risk-weighted assets. This is still within our Board target of 14% and exceeds regulatory requirements. The strong Tier 1 ratio enabled the group to continue with its capital optimisation strategy enabling healthy dividend payments.

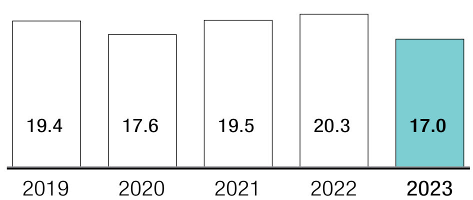
ROA (%)



Opex as % to assets (%)



CAR (%)



Reflections from our **Chief Financial Officer** continued

Earnings drivers:

N$'million	**2023**	2022	%
Net interest income	2 682	2 194	22%
Non-interest revenue	2 031	1 796	13%
Impairment of advances	(214)	(95)	100%
Income from operations	**4 499**	**3 895**	**16%**
Operating expenses	(2 236)	(2 061)	8%
Income before tax	**2 263**	**1 834**	**23%**
Indirect tax	(52)	(39)	33%
Profit before tax	**2 211**	**1 795**	**23%**
Income tax expenses	(693)	(572)	21%
Profit for the year	**1 518**	**1 223**	**24%**

Operating expenses

The increase in expenses of 8% to N$2 236 million shows the effects of higher variable-pay incentives, continuing investment in technology and digital solutions, and some expenses such as marketing and travel returning to its normal state. Cost management remains one of the group's strategic objectives, especially in an environment of rising inflation.

Staff costs increased by 7% to N$1 219 million, accounting for 55% of total operating expenses. Annual salary increases averaged 5.8%.

Other operating costs grew 11%. IT spend increased year-on-year which is reflective of the focused investment in digital platforms. Total IT spend, including IT staff costs, amortisation and depreciation stood at N$623 million making up 27% of group expenses.

Reflections from our **Chief Financial Officer** continued

Net Interest income

Net interest income (NII) grew by 22% off higher average balances and the aggressive rate hikes for the financial year. Interest expense increased by more than 100% while interest income increased by 50%.

NII growth was driven by positive levels of capital, an improved liability mix and active balance sheet management. Interest income performance is mostly driven by the increase of average advances of 5% and an increase in the net interest margins (NIM). The NIM increase is driven by a positive endowment rate impact due to higher interest rates, given that Namibia is in a rising interest rate cycle, we expect to gain an additional c. N$160 million NII (pre-tax) for each 100-bps increase in interest rates over a 12-month period.

Non-interest revenue

Non-interest revenue (NIR) benefited from the economic rebound. NIR increased by 13%, mostly driven by volume growth as pricing for the year only increased on average by 4.7%. Total transaction volumes amounted to 175 million (2022: 157 million), an increase of 12% from prior year. The continued growth in our active client base and the optimisation of existing clients were the primary drivers behind the increase. Total number of customers were 709 532 as at June 2023 up 6% from last year.

In the course of our digitalisation journey and drive to make banking accessible to the greater Namibia, we continue to expand our digital offering, and we have delivered the FNB DigiPlus account in July 22. Improved digital capabilities drove higher adoption rates, growth in activity and in turn revenues from digital platforms. Our growing network of retail partnerships is paying off as reflected in higher volumes and digital fees from CashPlus agents.

Branch, cash, and self-service transactions, which attract a higher fee from our clients, comprise 20% (2022: 21%) of the total transaction income. Our leading reward programs continues to produce meaningful results for our clients, with cash rewards paid out to the customers savings pockets of N$29 million, a growth of 12% on 2022.

Net fee and commission income are up 7% to N$1.9 billion. Fee and commission income make up 86.8% (2022: 87.5%) of total NIR.

Impairment losses

The total impairment charge was higher year-on-year at N$214 million (2022: N$95 million). The impairment charge is 0.58% (2022: 0.29%) of gross advances.

The interest hiking cycle brings more uncertainty than six months ago. The increase in impairment charge reflects the impacts of higher-than-expected interest rates and higher levels of inflation, both having an adverse impact on our clients. Specific impairment increase by 47% to N$319 million. Portfolio model driven impairments decreased by 8%.

The non-performing loans (NPLs) stood at N$1 771 million for June 2023, a slight decrease from prior year. The ratio of NPLs to gross advances stood at 4.8% (2022: 5.4%) at June representing an 11% decrease on the back of strong advances growth and write-offs in-line with policy.

Reflections from our **Chief Financial Officer** continued

Statement of **financial position**

Advances

The group's total assets increased by 11% to N$58 billion (2022: N$52 billion). Net advances, making up 61% (2022: 61%) of the balance sheet, reflected a year-on-year increase of 11% to N$35 billion. Growth in private sector credit extension recorded at 3%, of which FNB and RMB extended 62.5% (normalised) during the year.

When assessing the underlying risk in the balance sheet, the group's asset profile is dominated by a diversified advances portfolio. The composition of the gross advances' portfolio consists of FNB retail secured (51%), FNB retail unsecured (9%), FNB commercial (22%), and RMB corporate (18%).

Mortgage loans increased year-on-year by 5% to N$16 billion and constitute 45% (2022: 47%) of gross advances.

Through providing credit to individuals, FNB Namibia continues to enable home ownership across the social spectrum. 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.

In the face of increasing competition, WesBank focused on protecting its origination franchise and return profile through disciplined risk appetite. This resulted in vehicle and assets financing increasing by 15% to N$3.6 billion, the main driver being Commercial VAF which has seen clients replacing fleets due to improvement in Tourism and other sectors.

Deposits and funding

Deposit growth was ahead of advances, growing by 15% to N$43 billion. The RMB franchise was a significant contributor to the deposit's growth at 36%, FNB deposit growth was 13% year-on-year. This increase was driven by experience aided by the increased demand for savings and investment products on continued product innovation, improved utilisation of channels and cross-sell to existing customers.

Term deposits increased by 16% year-on-year whilst NCDs and Call deposits increased 13% and 17% respectively.

Capital and regulation

Total regulated capital amounted to N$6.2 billion (2022: N$6.5 billion) and has decreased by 5% due to the increased dividend payment as part of our capital optimisation strategy, which has been concluded with the final dividend declared.

The group has remained well capitalised throughout the period, with industry leading levels well above the minimum regulatory requirements. Capital adequacy ratio was 17.1% (2022: 20.3%) and Tier 1 capital 16.1% (2022: 19.3%).

Key drivers of shareholder value creation were positive

We were particularly pleased with the progress we made on the key drivers of shareholder value creation, which included the following:

- ROE increased to 26.2%, above the 21.5% in 2022, well above the 2019 level.

2024 Outlook

There has been enhanced scrutiny in global banking markets with the collapse of Silicon Valley Bank and Signature Bank in the US as well as UBS's government backed takeover of Credit Suisse in Switzerland. Regulatory responses have been prompt and consistent. We don't envisage systemic risk to the Namibian banking sector based on the matters that have impacted global markets. Looking closer to home, some recent changes in the regulatory landscape will require FNB Namibia to become more agile and responsive with regard to the business model. The Namibian Banking sector continues to be liquid and well capitalised with levels well in excess of the regulatory minimums and considerably above the 2008 global financial crisis.

In 2024, we look forward to more real options for real growth across our addressable market, driving customer priority and developing our social importance as an organisation. We will continue to shape on the transformation progress we have made. The effort made since 2019 to deliver against our strategy has ensured that we have a solid foundation in place to accelerate strategy execution and performance, not disregarding the more challenging operating environment, and to ensure our social significance as an organisation. With a dynamic and proficient leadership team and an engaged staff complement, we are well-positioned to help build a globally competitive Namibia that helps our customers and drives sustainable growth.

L Smit
Chief Financial Officer

Value for **Stakeholders**

value creation

In fulfilling the promise to stakeholders in delivering on the purpose, FNB Namibia Group allocates value created in appropriate and meaningful ways. Stakeholders receive incorporeal benefits extending from employee development programmes to enterprise development, supporting a more sustainable future - creating value for society and economy.

Net interest income N$2 681 million - Impairment losses on loans and advances N$214 million + Other revenue N$2 236 million = Value added N$4 499 million

employees 28%

shareholders 38%

foundation N$13 million

suppliers 19%

retained for future growth and investments 3%

government 13%

How value created is allocated **N$4 499 million**

N$1 219 million paid in salaries to employees driving our effort towards significant poverty alleviation.

The **N$964** million paid to suppliers which in turn helps them in creating employment, sustaining smaller suppliers and supporting the economy.

N$573 million paid in total taxes which enables the Namibian Government to meet the social and economic needs of our country and its people, ensuring a better life for everyone.

Capital management

Capital management

FNB Namibia has maintained a sound capital position with the highest capital adequacy ratio (CAR) in the market. The group continues to endeavour to maintain sufficient capital that exceeds regulatory and economic capital requirements. The group's capital is managed on a forward-looking basis, considering the three-year forecast including budget and stress scenarios. The group's long-term strategy is to increase balance sheet resilience, diversify advances exposures, improve market liquidity and increase non institutional funding. The core objective of Capital Management is to maintain sound capital ratios and strong credit rating which is in line with our risk profile and risk tolerance objectives.

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

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

Governance and oversight

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

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

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

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

Capital risk management

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

The ICAAP as stipulated in Pillar III of Basel 3 requires banks to identify and assess risks, maintain sufficient capital to face these risks and apply appropriate risk management techniques to maintain adequate capitalization. The assessment of risks for the ICAAP include credit, market, operational and interest rate risk.

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

Dividend policy

The dividend policy plays a pivotal role in the management of the group's CET1 position. The long-term dividend cover range remains unchanged at 1.5x to 2.5x.

Capital management continued

Capital overview and compliance

The supply of capital consists of the sum of Tier 1 and Tier 2. The criteria of the instruments that qualifies as regulatory capital is stipulated in the BID 5A.

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

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

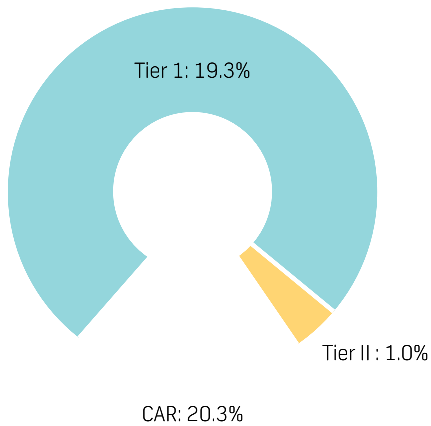
TIER 2

- 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)

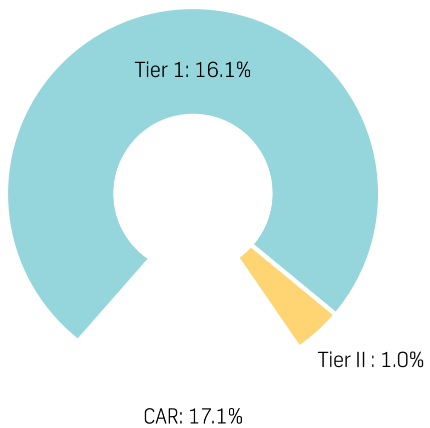
Banking group

The group continues to maintain a position of strength and remained well capitalised with a Common Equity Tier 1 (CET1) ratio of 16.1%. The capital adequacy ratio (CAR) for both Bank and Group exceeds the Board set targets.

June 2022



June 2023



Capital management continued

Regulatory developments and proposals

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, which came into effect on 01 September 2018. The updated determination introduced major adjustments to capital components, measures, limits, and new buffers. The applicable capital minimum ratios per year to the original end-state requirement of 2022 would have been as per below.

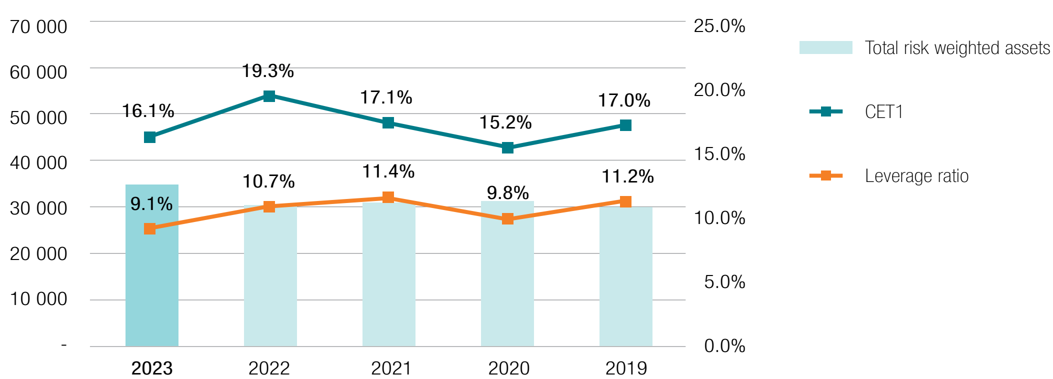
#	Phased-in 2020	Phased-in 2021	End-state 2022	Covid relief	FNBN	FSR group	Board limits
Core equity	6.0%	6.0%	6.0%	6.0%	14.5%	17.0%	0.0%
Capital conservation buffer	1.5%	2.0%	2.5%	0.0%	1.6%	-	0.0%
CET1 minimum	7.5%	8.0%	8.5%	6.0%	16.1%	17.0%	>11.5%
Additional Tier 1	1.5%	1.5%	1.5%	1.5%	-	-	0.0%
Tier 1 (minimum)	9.0%	9.5%	10.0%	7.5%	16.1%	17.0%	0.0%
Tier 2 (maximum)	2.5%	2.5%	2.5%	2.5%	1.0%	0.9%	0.0%
Total CAR minimum	**11.5%**	**12.0%**	**12.5%**	**10.0%**	**17.1%**	**17.9%**	**>14.0%**

However, the capital relief which came into effect in 2020 in response to the COVID-19 (BID-33) pandemic lapsed effective 2 April 2023. Although BON has not indicated the new implementation for end state, the group is adequately capitalised to comply with end-state capital requirements. Furthermore, the single obligor limit of 30% as per the group's qualifying capital, remained unchanged as gazetted in BID33.

BID33 effective 2 April 2023 issued in response to the Covid - 19 pandemic introduced measures to provide relief to the banking institutions and its customers for a period to 1 April 2024 or until revoked.

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

Capital highlights



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

The information in the above table has been audited.

Capital management continued

Capital adequacy of Banking Operations and Regulated consolidated group #

N$'000	Banking operations Year end 30 June 2023	Banking operations Year end 30 June 2022	Regulated consolidated group Year end 30 June 2023	Regulated consolidated group Year end 30 June 2022
Risk weighted assets				
Credit risk	28 826 566	25 308 970	28 898 330	25 457 697
Market risk	104 141	61 931	104 141	61 931
Operational risk	5 628 704	5 155 755	5 818 033	5 307 437
Total risk weighted assets	34 559 411	30 526 656	34 820 504	30 827 065
Regulatory capital				
Share capital and share premium	1 142 792	1 142 792	282 148	282 148
Retained profits	4 468 011	4 821 003	5 760 643	6 033 954
Other disclosure reserves	10 913	4 893	-	-
Capital impairments*	(63 428)	(67 454)	(118 976)	(95 562)
Total tier 1	5 558 288	5 901 234	5 923 815	6 220 540
Eligible subordinated debt	-	-	-	-
General risk reserve, including portfolio impairment	360 332	316 362	360 491	316 384
Capital impairments*	-	-	(50 707)	(19 945)
Total tier 2	360 332	316 362	309 784	296 439
Total tier 1 and tier 2 capital	5 918 620	6 217 596	6 233 599	6 516 979
Consolidated group				
Capital adequacy ratios				
Tier 1	16.1%	19.3%	17.0%	20.2%
Tier 2	1.0%	1.0%	0.9%	1.0%
Total	17.1%	20.3%	17.9%	21.2%
Tier 1 leverage ratio	9.1%	10.7%	10.2%	11.8%

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

The information in the above table has been audited.

FNB Namibia group **annual financial statements**

6.

Directors' **responsibility statement**

To the shareholder of First National Bank of Namibia Limited

The directors of First National Bank Namibia Limited are responsible for the preparation of the consolidated and separate annual financial statements comprising the consolidated and separate statements of financial position, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and , consolidated and separate statement of cash flows and the notes to the consolidated and separate annual financial statements. These annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including interpretations issued by the IFRS Interpretations Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the NSX Listing Requirements, Banking Institutions 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. Lizette Smit, CA (Nam), (Group Chief Financial Officer), supervised the preparation of the annual financial statements for the year.

In preparing the consolidated and separate annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by management. The consolidated and separate annual financial statements incorporate full and responsible disclosure in line with the group philosophy on corporate governance and as required by the Namibian Stock Exchange (NSX). The group has complied in all material respects with the requirements set out in BID2 of the Banking Institution Act 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 113 to 150.

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

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

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

The group's external auditors, Deloitte & Touche, have audited the consolidated and separate financial statements and their report appears on page 108 to 109.

Approval of financial statements

The consolidated and separate annual financial statements of the group and company, which appear on pages 110 to 264 were approved by the board of directors on 23 August 2023 and signed on its behalf by:

P Grüttemeyer
Chairperson

C Dempsey
Chief Executive Officer

Windhoek
23 August 2023

Independent auditor's report

To the members of First National Bank of Namibia Limited

Opinion

We have audited the consolidated and separate financial statements of First National Bank of Namibia Limited set out on pages 110 – 264, which comprise the consolidated and separate statements of financial position as at 30 June 2023 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. We have also audited the schedules identified in the Capital Management note set out on pages 102 – 105.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 30 June 2023 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 First National Bank of Namibia Limited 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.

Other Information

The directors are responsible for the other information. The other information comprises the About this integrated report, At a glance, Value created and preserved through strong governance, Our Strategy to create value, Delivering promises and creating value and Supplementary information; which we obtained prior to the date of this auditor's report. The other information does not include the consolidated and separate financial statements, the 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's 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 or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report continued

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

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

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

We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's 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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated 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: Julius Nghikevali
Partner
Windhoek

28 September 2023

Directors' report

The directors have pleasure in submitting their report on the financial statements of First National Bank of Namibia Limited and the group for the year ended 30 June 2023.

1. Nature of business

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

There have been no material changes to the nature of the group's business from the prior year.

Refer to page 14 for our group structure.

2. Review of financial results and activities

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 Banking Institutions Act and the requirements of the Companies Act of Namibia.

The financial statements on pages 110 to 264 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 chairperson's report (page 26), the chief executive officer's report (page 61) and the chief financial officer's report (page 95).

3. Share capital

The company's authorised share capital remained unchanged at N$4 000.

The company's authorised share capital at year end consists of 4 000 (2022: 4 000) ordinary shares of N$1 each.

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

4. Dividends

During the current year cash dividends of N$1 871 million (2022: N$673 million) were declared in respect of the current and previous financial years.

5. 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.

6. 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 upper age limit for a non-executive director of a banking institution or a controlling company, including the chairperson of the Board, is limited to 70 years and after attaining the age of 70 years, subject to Bank of Namibia approval, a person may continue serving as a non-executive director for a limited period of time to allow for the necessary transitional arrangements to be affected.

Directors' report continued

6. Directorate continued

The First National Bank of Namibia Limited Board Chairperson is an independent non-executive director whose role is separate from that of the chief executive officer.

The directors in office at the date of this report are listed as follows:

Directors	Office	Designation
P Grüttemeyer *	Chairperson	Non-executive Independent
C Dempsey	Chief Executive Officer	Executive
LP Smit	Chief Financial Officer	Executive
E Tjipuka	Other	Executive
R Makanjee **	Other	Non-executive
IN Nashandi	Other	Non-executive
J Coetzee	Other	Non-executive Independent
E van Zyl	Other	Non-executive Independent
LD Kapere	Other	Non-executive Independent
O Shikongo	Other	Non-executive Independent
MJ Lubbe ***	Other	Non-executive Independent

* Appointed as Board Chairperson effective 01 December 2022
** South African
*** South African with Namibian permanent residence

Board changes

During the period under review and at the date of this report, the following changes to the board of directors took place in respect of First National Bank of Namibia Limited:

Resignations/Retirements

CLR Haikali	(20 October 2022)
II Zaamwani	(30 November 2022)
OLP Capelao	(28 April 2023)
E Tjipuka	(04 September 2023)

Appointments

R Makanjee	(1 August 2022)
LD Kapere	(1 December 2022)
O Shikongo	(1 February 2023)
MJ Lubbe	(1 February 2023)
LP Smit	(24 July 2023)

Directors' emoluments

Directors' emoluments are disclosed in note 5 to the annual financial statements

Directors' report continued

7. Management by third parties

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

8. Insurance

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

9. 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.

10. Holding company

The holding company of First National Bank of Namibia Limited is FirstRand Namibia Limited a Namibia Stock Exchange (NSX) listed company and its ultimate holding company is FirstRand Limited which is incorporated in the Republic of South Africa.

11. Subsidiary

Interest in and aggregate profits of the subsidiary is set out in note 14 to the annual financial statements.

12. Events after the reporting period

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

13. Company secretary and registered office

The company secretary is Mrs N Makemba.

Postal address
P O Box 195
Windhoek
Namibia

Registered office
130 Independence Avenue
Windhoek

Accounting policies

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

These financial statements comprise the consolidated and separate statements of financial position (also referred to as the balance sheet) as at 30 June 2023, the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity; consolidated and separate statements of cash flows for the year ended; summary of significant accounting policies and notes to the annual financial statements.

The group prepares consolidated financial statements which include the assets, liabilities and results of the operations of FNB Namibia and its subsidiary. To compile the consolidated financial statements the following information is used:

- Audited information about the financial position and results of operations at 30 June each year for all subsidiaries in the group.

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

Accounting policies continued

1. INTRODUCTION AND BASIS OF PREPARATION

Presentation of financial statements, functional and foreign currency

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

Presentation	The group presents its statement of financial position in order of liquidity. Where permitted or required under IFRS, the group offsets assets and liabilities or income and expenses and presents the net amount in the statement of financial position or the statement of comprehensive income.
Materiality	IFRS is only applicable to material items. Management applies judgement and considers both qualitative and quantitative factors in determining materiality.
Functional and presentation currency of the group	Namibia Dollar (N$)
Level of rounding	The group has a policy of rounding to the nearest thousand. Amounts less than N$500 will therefore round down to N$nil and are presented as a dash.
Foreign currency transactions of the group	Translated into the functional currency using the exchange rates prevailing at the date of the transactions.
Translation and treatment of foreign denominated balances	Translated at the relevant exchange rates, depending on whether it is a monetary item (in which case the closing spot rate is applied) or non-monetary items. For non-monetary items measured at cost the rate applied is the rate on transaction date. For non-monetary items measured at fair value the rate at the date the fair value is determined (reporting date) is applied. Foreign exchange gains or losses are recognised in profit or loss in fair value gains or losses. To the extent that foreign exchange gains or losses relate to financial assets held at fair value through other comprehensive income (FVOCI) the following applies: Equity instruments are recognised in other comprehensive income as part of the fair value movement. Debt instruments are allocated between profit or loss (those that relate to changes in amortised cost) and other comprehensive income (those that relate to changes in the fair value).

Accounting policies continued

1.1 Application of the going concern principle

The directors reviewed the group and company's budgets and flow of funds forecasts for the next three years and considered the group and company's ability to continue as a going concern in light of current and anticipated economic conditions. These budgets and flow of funds forecasts took the impact projections of the impact on the group's capital into consideration, including funding and liquidity requirements, all of which have remained within internal targets and above regulatory requirements.

As part of this assessment, the directors considered the sufficiency of the group's financial resources throughout the endemic. The management of the group's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of the group's stated growth and return targets and is driven by the group's overall risk appetite. Forecast growth in earnings and balance sheet risk weighted assets (RWA) is based on the group's macroeconomic outlook and is evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies. The expected outcomes and constraints are then stress tested, and the group sets targets through different business cycles and scenarios.

On the basis of this review, and in light of the current financial position and profitable trading history, the directors are satisfied that the group has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

Accounting policies continued

1. INTRODUCTION AND BASIS OF PREPARATION continued

1.2 Significant estimates, judgements and assumptions continued

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES				
2	Subsidiary	Consolidation (section 2.1)	Related party transactions (section 2.2)	
3	Income, expenses and taxation	Income and expenses (section 3.1)	Taxation (section 3.2)	
4	Financial instruments	Classification and measurement (section 4.1)	Impairment (section 4.2)	Transfers, modifications and de-recognition (section 4.3)
		Offset and collateral (section 4.4)	Derivatives (section 4.5)	
5	Other assets and liabilities	Property and equipment (section 5.1)	Intangible assets (section 5.1)	Provisions (section 5.1)
		Properties in possession (Section 5.1)	Leases (section 5.2)	
6	Capital and reserves	Other reserves (section 6)	Dividends (section 6)	
7	Transactions with employees	Employee liabilities (section 7.1)	Share-based payment transactions (section 7.2)	
8	Significant accounting estimates, assumptions and judgments	Introduction (section 8.1)	Subsidiaries (section 8.2)	Taxation (section 8.3)
		Impairment of financial assets (section 8.4)	Provisions (section 8.5)	Transactions with employees (section 8.6)

1.3 New standards adopted in the current year

New standards adopted in the current year

There were no new or amended IFRS standards which became effective for the year ended 30 June 2023 that impacted the group's reported earnings, financial position or reserves, or the accounting policies.

Accounting policies continued

2. SUBSIDIARY

2.1 Basis of consolidation

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

Accounting policies continued

2. SUBSIDIARY continued

2.2 Related party transactions

Related parties of the group, as defined, include:

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

The principal shareholder of First National Bank of Namibia is FirstRand Namibia Ltd, with the ultimate holding company FirstRand Limited, incorporated in South Africa.

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

Accounting policies continued

3. INCOME, EXPENSES AND TAXATION

3.1 Income and expenses

Net interest income recognised in profit or loss
Interest income includes: • Interest on financial instruments measured at amortised cost and debt instruments measured at fair value through other comprehensive income, including the effect of qualifying hedges for interest rate risk. • Interest on financial asset debt instruments measured at fair value through profit or loss that are held by and managed as part of the group's funding or insurance operations. • Interest income is calculated using the effective interest rate, which includes origination fees. The original effective interest rate is applied to: – the gross carrying amount of financial assets which are not credit impaired; and – the amortised cost of financial assets which represents the net carrying amount, from the month after the assets become credit-impaired (refer to section 4.2 of the accounting policies). • Modified advances (derecognition not achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. The interest income on the modified financial asset (refer to accounting policy 4.3) is calculated by applying the original effective interest rate to the asset's modified gross carrying amount. • Modified advances (derecognition is achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. New fees or costs charged on the new advance which are integral to the new asset recognised are capitalised to the new loan. Interest expense includes: • interest on financial liabilities measured at amortised cost; • interest on financial liabilities measured at fair value through profit or loss that are held by and managed as part of the group's funding or insurance operations; • interest on capitalised leases where the group is the lessee; and • the difference between the purchase and resale price in repurchase and reverse repurchase agreements where the related advances or deposit is measured at amortised cost, because the amount is in substance interest. The total interest expense is reduced by the amount of interest incurred in respect of liabilities used to fund the group's fair value activities. This amount is reported in fair value income within non-interest revenue.

Accounting policies continued

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

<table>
<tr><th colspan="2">Non-interest and financial instrument revenue recognised in profit or loss</th></tr>
<tr><th colspan="2">Non-interest revenue from contracts with customers</th></tr>
<tr><td colspan="2">Under IFRS 15, where a five-step analysis is required to determine the amount and timing of revenue recognition, the group assesses contracts and determines whether the fees identified in the contract relate to revenue as defined in IFRS 15. The revenue is recognised only if the group can identify the contract and the performance obligation (i.e. the different services) and can determine the transaction price, which is required to be allocated to the identifiable performance obligations.

Unless specifically stated otherwise, the group is the principal in its revenue arrangements as the group controls the goods and services before transferring them to the customer.</td></tr>
<tr><td>Fee and commission income</td><td>Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers.

Fee and commission income is earned by the group by providing customers with a range of services and products, and consists of the following main categories:

• Banking fee and commission income;
• Knowledge-based fee and commission income;
• Management, trust and fiduciary fees; and
• Fee and commission income from service providers.

The bulk of fee and commission income is earned on the execution of a single performance obligation and, as such, it is not necessary to make significant judgements when allocating the transaction price to the performance obligation. As such, fee and commission income, which typically includes transactional banking fees such as bank charges, interchange fees, point-of-sale fees, exchange commissions, cash deposit fees and knowledge-based fee and commission income, is recognised at a point in time.

Where the distinct performance obligation is satisfied over a period of time, the fees are recognised as follows:

• Fees for services rendered are recognised on an accrual basis as the service is rendered and the group's performance obligation is satisfied, e.g. annual card fees and asset management and related fees.
• Commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis.</td></tr>
</table>

Accounting policies continued

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

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

Accounting policies continued

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Fair value gains or losses
Fair value gains or losses of the group recognised in non-interest revenue include the following: • Fair value adjustments and interest on financial instruments at fair value through profit or loss, including derivative instruments that do not qualify for hedge accounting; • Fair value adjustments that are not related to credit risk on advances designated at fair value through profit or loss; • Fair value adjustment on financial instruments designated at fair value through profit or loss in order to eliminate an accounting mismatch, except for such instruments relating to the group's insurance and funding operations, for which the interest component is recognised in net interest income. The change in the fair value of a financial liability designated at fair value through profit or loss attributable to changes in its credit risk is presented in other comprehensive income, unless this would cause or enlarge an accounting mismatch in profit or loss. The total fair value adjustment on policyholder liabilities and non-recourse liabilities (including movements due to changes in credit risk) is included in profit or loss, since the fair value movements on these liabilities are directly linked to fair value movements on the underlying assets; • Ordinary and preference dividends on equity instruments at fair value through profit or loss; • Any difference between the carrying amount of the liability and the consideration paid, when the group repurchases debt instruments that it has issued; and • Fair value gains or losses on commodities acquired for short-term trading purposes including commodities acquired with the intention of resell in the short term or if they form part of the trading operations of the group and certain commodities subject to option agreements whereby the counterparty may acquire the commodity at a future date where the risk and rewards of ownership are deemed to have transferred to the group in terms of IFRS 15.
Gains less losses from investing activities
The following items are included in gains less losses from investing activities: • Any gains or losses on disposals of investments in subsidiaries; • Any gains or losses on the sale of financial assets measured at amortised cost; and • Dividend income on any equity instruments that are considered long-term investments of the group, including non-trading equity instruments measured at fair value through other comprehensive income.

Accounting policies continued

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

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

3.2 Taxation

Income tax includes Namibian corporate tax payable.

Current income tax	
The current income tax expense is calculated by adjusting the net profit for the year for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date, in each particular jurisdiction within which the group operates.	
Deferred income tax	
Recognition	On temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.
Typical temporary differences for which deferred tax is provided	• Provision for loan impairment; • Instalment credit assets; • Revaluation (including ECL movements) of certain financial assets and liabilities, including derivative contracts; and • Remeasurements of defined benefit post employment plans.

Accounting policies continued

3. INCOME, EXPENSES AND TAXATION continued

3.2 Taxation continued

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

Deferred income tax	
Measurement	The liability method under IAS 12 is used, which means applying tax rates and laws applicable at the reporting date which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
Presentation	Deferred income tax is presented in profit or loss unless it relates to items recognised directly in equity or other comprehensive income. Items recognised directly in equity or other comprehensive income relate to: • Fair value remeasurement of financial assets measured at fair value through other comprehensive income; and • Remeasurements of defined benefit post-employment plans. Tax in respect of share transactions is recognised directly in equity. Tax in respect of the other items is recognised directly in other comprehensive income and subsequently reclassified to profit or loss (where applicable) at the same time as the related gain or loss.
Deferred tax assets	The group recognises deferred income tax assets only if it is probable that future taxable income will be available, against which the unused tax losses can be utilised, based on management's review of the budget and forecast information. The group reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.
Substantially enacted tax rates	Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Accounting policies continued

4. FINANCIAL INSTRUMENTS

4.1 Classification and measurement

4.1.1 Initial measurement

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

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

4.1.2 Classification and subsequent measurement of financial assets and liabilities

Classification and subsequent measurement of financial assets
Management determines the classification of its financial assets at initial recognition, based on: • The group's business model for managing the financial assets; and • The contractual cash flow characteristics of the financial asset.
Business model
The group distinguishes three main business models for managing financial assets: • Holding financial assets to collect contractual cash flows; • Managing financial assets and liabilities on a fair value basis or selling financial assets; and • A mixed business model of collecting contractual cash flows and selling financial assets. The business model assessment is not performed on an instrument-by-instrument basis, but at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment is done for each legal reporting entity at least at a franchise level, although franchises will perform the assessment on a portfolio or subportfolio level, depending on the manner in which groups of financial assets are managed in each franchise.

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets and liabilities continued

Classification and subsequent measurement of financial assets
Business model
The main consideration in determining the different business models across the group is whether the objectives of the business model are met primarily through holding the financial assets to collect contractual cash flows, through the sale of these financial assets, by managing assets and liabilities on a fair value basis, or through a combination of these activities. In considering whether the business objective of holding a group of financial assets is achieved primarily through collecting contractual cash flows, among other considerations, management monitors the frequency and significance of sales of financial assets out of these portfolios for purposes other than managing credit risk. For the purposes of performing the business model assessment, the group only considers a transaction a sale if the asset is derecognised for accounting purposes. For example, a repurchase transaction where a financial asset is sold with the commitment to buy back the asset at a fixed price at a future date is not considered a sale transaction because substantially all the risks and rewards relating to the ownership of the asset have not been transferred and the asset is not derecognised from an accounting perspective. If sales of financial assets are infrequent, the significance of these sales is considered by comparing the carrying amount of assets sold during the period and cumulatively to the total carrying amount of assets held in the business model. If sales are either infrequent or insignificant, these sales will not impact the conclusion that the business model for holding financial assets is to collect contractual cash flows. In addition, where the issuer initiates a repurchase of the financial assets which was not anticipated in the terms of the financial asset, the repurchase is not seen as a sale for the purposes of assessing the business model of that group of financial assets. Determining whether sales are significant or frequent requires management to use its judgement. The significance and frequency of sales are assessed on a case-by-case basis at the business model level. The frequency is assessed on an annual basis and sales of assets that take place once or less per annum is considered to be infrequent. If sales take place more than once per annum it doesn't mean that the business models are not to collect contractual cash flows, but rather that the reasons for the sales need to be more carefully considered. Management will consider both the volume and number of sales relatives to the total assets in the business model to determine whether it is significant. A change in business model only occurs on the rare occasion when the group changes the way in which it manages financial assets. Any change in business models would result in a reclassification of the relevant financial assets from the start of the next reporting period.

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets and liabilities continued

Classification and subsequent measurement of financial assets
Cash flow characteristics
In order for a debt instrument to be measured at amortised cost or fair value through other comprehensive income, the cash flows on the asset have to be solely payments of principal and interest (SPPI), i.e. consistent with those of a basic lending agreement. The SPPI test is applied on a portfolio basis for retail advances, as the cash flow characteristics of these assets are standardised. This includes the consideration of any prepayment penalties that are limited by consumer credit regulation. They can therefore be considered reasonable compensation, which would not cause these assets to fail the SPPI test. For wholesale advances, the SPPI test is applied to individual advances at initial recognition, based on the cash flow characteristics of the asset. Wholesale advances that do not pass the SPPI test and that have to be measured at fair value through profit or loss include advances with equity participation features, convertible bonds and payments linked to commodity or other prices. If the contract contains prepayment penalties, the amount of the prepayment penalty is compared to the present value of the margin that will be earned if the loan is not prepaid. If the amount of the prepayment penalty is lower than or equal to the margin lost due to prepayment, this is considered reasonable compensation and the loan passes the SPPI test.
Amortised cost
Financial assets are measured at amortised cost using the effective interest method when they are held to collect contractual cash flows which are solely payments of principal and interest, and sales of such assets are not significant or frequent. These include the majority of the retail, corporate and commercial advances of the group, as well as certain investment securities utilised for liquidity risk management of the group.
Cash and cash equivalents
Cash and cash equivalents comprise coins and bank notes, money at call and short notice, and balances with the central bank. All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition. Money at call and short notice constitutes amounts withdrawable in 32 days or less. Cash and cash equivalents are measured at amortised cost.

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets and liabilities continued

Classification and subsequent measurement of financial assets		
Retail advances		
	Business model	Cash flow characteristics
Retail advances	The FNB and WesBank businesses hold retail advances to collect contractual cash flows. Their business models focus on growing these advances within acceptable credit appetite limits and maintaining strong collection practices. The products included under this business model include: • Residential mortgages; • Vehicle and asset finance; • Personal loans; • Credit cards; and • Other retail products such as overdrafts.	The cash flows on retail advances are SPPI. Interest charged to customers compensates the bank 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.
Corporate and commercial advances		
	Business model	Cash flow characteristics
Corporate and commercial advances	The business models of FNB Commercial and RMB Corporate are also focused on collecting contractual cash flows on advances and growing these advances within acceptable credit appetite limits. The products included in this business model include: • Trade and working capital finance; • Specialised finance; • Commercial property finance; and • Asset-backed finance. These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return.	The cash flows on corporate and commercial advances are solely payments of principal and interest. Interest charged to customers compensates the group for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets and liabilities continued

Classification and subsequent measurement of financial assets		
Corporate and commercial advances		
	Business model	Cash flow characteristics
Corporate and commercial advances	Within RMB's Investment Banking Division (IBD), debt for large corporates and institutions is structured. These advances are held primarily to realise the related contractual cash flows over the life of the instruments, and earn a lending margin in return.	The cash flows on these advances are considered to be SPPI if the loan contract does not contain equity upside features, conversion options, payments linked to equity or commodity prices or prepayment penalties that exceed reasonable compensation for early termination of the contract. Any advances that do contain such features are mandatorily measured at FVTPL.
Investment securities		
	Business model	Cash flow characteristics
Investment securities	Group Treasury holds investment securities with lower credit risk (typically government bonds and treasury bills). These investment securities are held in a business model with the objective of collecting contractual cash flows.	The cash flows on these investment securities are solely payments of principal and interest.
Other assets	Other assets are short-term financial assets that are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.
Cash and cash equivalents		
Cash and cash equivalents	Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. These assets are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets and liabilities continued

<table>
<tr><th colspan="2">Mandatory at fair value through profit or loss</th></tr>
<tr><td colspan="2">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>Investment securities</td><td>RMB Global Markets holds portfolios of investment securities (including corporate and government bonds) to hedge risks or for short-term profit realisation. These securities are managed on a fair value basis.

All equity investments of the group are managed on a fair value basis, either through profit or loss (FVTPL) or designated at fair value through other comprehensive income.</td></tr>
<tr><td>Derivative assets</td><td>Derivatives are either held for trading or to hedge risk. These instruments are managed on a fair value basis.</td></tr>
<tr><th colspan="2">Equity investments at fair value through other comprehensive income</th></tr>
<tr><td>Investment securities</td><td>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>
<tr><th colspan="2">Financial liabilities and compound financial instruments</th></tr>
<tr><td colspan="2">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. Other funding liabilities are presented in separate lines on the statement of financial position of the group.</td></tr>
<tr><th colspan="2">Financial liabilities measured at amortised cost</th></tr>
<tr><td colspan="2">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; and
• Other funding liabilities.</td></tr>
<tr><th colspan="2">Financial liabilities measured mandatory at fair value through profit or loss</th></tr>
<tr><td colspan="2">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.</td></tr>
</table>

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

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

Refer to accounting policy note 8.4 where all risk parameters, scenarios and sources of estimation are detailed more extensively.

<table>
<tr><th colspan="4">Expected credit losses</th></tr>
<tr><th colspan="4">Loss allowance on financial assets</th></tr>
<tr><td rowspan="2"></td><td>Credit risk has not increased significantly since initial recognition (stage 1)</td><td>Credit risk has increased significantly since initial recognition, but asset is not credit-impaired (stage 2)</td><td>Asset has become credit-impaired since initial recognition (stage 3)</td></tr>
<tr><td>12-month expected credit losses</td><td>Lifetime expected credit losses (LECL)</td><td>LECL</td></tr>
<tr><th colspan="4">Advances</th></tr>
<tr><td>Significant increase in credit risk since initial recognition (SICR)</td><td colspan="3">In order to determine whether an advance has experienced a significant increase in credit risk, the PD of the asset calculated at the origination date is compared to that calculated at the reporting date. The origination date is defined as the most recent date at which the group has repriced an advance/facility. Where a change in terms is significant and is deemed to be a substantial modification, it results in derecognition of the original advance/facility and recognition of a new advance/facility.

SICR test thresholds are reassessed and, if necessary, updated, on at least an annual basis.

Any facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a significant increase in credit risk.

In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a significant increase in credit risk. One such qualitative consideration is the appearance of wholesale and commercial small and medium-sized enterprise (SME) facilities on a credit watch list.

Any up-to-date facility that has undergone a distressed restructure (i.e. a modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a significant increase in credit risk, and will be disclosed within stage 2 at a minimum.

The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a significant increase in credit risk are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a significant increase in credit risk has occurred. No standard minimum period for transition from stage 2 back to stage 1 is applied across all advances, with the exception of cured distressed restructured exposures that are required to remain in stage 2 for a minimum period of six months before re-entering stage 1.</td></tr>
</table>

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

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

Advances continued	
Low credit risk	The group does not use the low credit risk assumption.
Credit impaired financial assets	Advances are considered credit-impaired if they meet the definition of default. The group's definition of default applied to calculating provisions under IFRS 9 has been aligned to the definition applied to regulatory capital calculations across all portfolios, as well as those applied in operational management of credit and for internal risk management purposes. Exposures are considered to be in default when they are more than 90 days past due or, in the case of amortising products, are more than three instalments in arrears. In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay their credit obligations in full without any recourse by the group to actions such as the realisation of security. Indicators of unlikeliness to pay are determined based on the requirements of Regulation 67 of the Banks Act. Examples include application for bankruptcy or obligor insolvency. Any distressed restructures of accounts which have experienced a significant increase in credit risk since initial recognition are defined as default events. Retail accounts are considered to no longer be in default if they meet the stringent cure definition, which has been determined at portfolio level based on analysis of re-defaulted rates. Curing from default within wholesale is determined judgementally through a committee process.

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

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

Advances continued	
Write-offs	Write-offs must occur when it is not economical to pursue further recoveries, i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised): • By implication, in both retail and wholesale, for secured as well as unsecured exposures, write-offs cannot occur if there is evidence of recent payment behaviour. Each credit portfolio has articulated a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account; • Within retail portfolios, write-off definitions have been determined with reference to analysis of the materiality of post write-off recoveries. The result of this is that retail secured loans are written off on perfection of collateral, and retail unsecured loans are written off when observation of post-default payment behaviour indicates that further material recoveries are unlikely. Write-off points within retail unsecured portfolios are defined on a per-portfolio basis with reference to cumulative delinquency and/or payment recency; • Within wholesale portfolios, a judgemental approach to write-off is followed, based on case-by-case assessment by a credit committee; and • Partial write-offs are not performed within credit portfolios except in limited circumstances within the wholesale portfolio where it is assessed on a case-by-case basis. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur.
Collection and enforcement activities post write-off	For unsecured advances, post write-off collection strategies include outsourcing of the account to external debt collections (EDCs). In addition, settlement campaigns are run to encourage clients to settle their outstanding debt. For secured advances, any residual balance post the realisation of collateral and post write-off is outsourced to EDCs.
Other financial assets	
Cash and cash equivalents	All physical cash is classified as stage 1. Other exposures are classified as stage 1 unless specific evidence of impairment exists, in which case, due to the nature of these assets, they are classified immediately as stage 3. ECL for physical cash is zero. ECL for cash equivalents is calculated using the loss rate approach.
Other assets	ECL for other assets, i.e. financial accounts receivable and where applicable, contract assets, are calculated using the simplified approach. This results in a lifetime ECL being recognised.
Investment securities	Impairment parameters for investment securities Probability of Default ("PD"), Loss Given Default ("LGD"), Exposure at Default ("EAD") are determined using appropriate models, with the models to be applied determined with reference to the issuer of the security and the nature of the debt instrument. The tests for a significant increase in credit risk and default definitions are then applied and the ECL calculated in the same way as for advances. The significant increase in credit risk thresholds applied for investment securities are the same as those applied within the wholesale credit portfolio, to ensure consistency in the way that a significant increase in credit risk is identified for a particular counterparty and for similar exposures. The group does not use the low credit risk exemption for investment securities, including government bonds.

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

4.3 Transfers, modifications and derecognition

Financial instruments are derecognised when:

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

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

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

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

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

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

4.3 Transfers, modifications and derecognition continued

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

Transaction type	Description	Accounting treatment
Transfers without derecognition		
Repurchase agreements	Investment securities and advances are sold to an external counterparty in exchange for cash and the group agrees to repurchase the assets at a specified price at a specified future date. The counterparty's only recourse is to the transferred investment securities and advances that are subject to the repurchase agreement. The group remains exposed to all the underlying risks on the assets including counterparty, interest rate, currency, prepayment and other price risks.	The transferred assets continue to be recognised by the group in full. Such advances and investment securities are disclosed separately in the relevant notes. The group recognises an associated liability for the obligation for the cash received as a separate category of deposits.
Securities lending	Investment securities are lent to external counterparties in exchange for cash collateral as security for the return of the securities. The group's only recourse in respect of the return of the securities it has lent is to the cash collateral held and as such, the group generally requires cash collateral in excess of the fair value of the securities lent.	
Modification without derecognition		
Modification of contractual cash flows	Debt restructuring is a process that is applied to accounts whereby the new terms of the contract (such as a lower interest rate) are mandated by law and do not have the same commercial terms as a new product that the group would be willing to offer a customer with a similar risk profile.	Existing asset is not derecognised. The gross carrying amount of the financial asset is recalculated as the present value of the estimated future cash receipts through the expected life of the renegotiated or modified financial asset, discounted at the financial asset's original effective interest rate. Distressed modifications are included in ECL.
Modifications with derecognition (i.e. substantial modifications)		
Retail advances	The process for modifying an advance (which is not part of a debt restructuring) is substantially the same as the process for raising a new advance, including reassessing the customer's credit risk, repricing the asset and entering into a new legal agreement.	Existing asset is derecognised and a new asset is recognised at fair value based on the modified contractual terms.

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

4.4 Offsetting of financial instruments and collateral

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

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

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

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

4.5 Derivative financial instruments

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

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

Accounting policies continued

5. OTHER ASSETS AND LIABILITIES

5.1 Classification and measurement

<table>
<tr><th>Classification</th><th>Measurement</th></tr>
<tr><td colspan="2">Property and equipment (owned and right of use)</td></tr>
<tr><td>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.</td><td>Historical cost less accumulated depreciation and impairment losses, except for land, which is not depreciated.

Depreciation is recognised on the straight-line basis over the useful life of the asset, except for assets capitalised under leases where the group is the lessee, in which case it is depreciated per the leases accounting policy 5.2.

Leasehold premises are measured on the shorter of estimated life or period of lease

Freehold property and property held under leasing agreements:

- Buildings and structures: 50 years
- Motor vehicle: 5 years
- Sundries: 3 - 5 years
- IT equipment: 3 - 5 years
- Other equipment: various: 3 - 10 years
- Furniture and fixtures: 5 - 10 years</td></tr>
<tr><td colspan="2">Intangible assets</td></tr>
<tr><td>Intangible assets of the group include:

• Internally generated intangible assets (including computer software and other assets such as trademarks or patents) are capitalised when the requirements of IAS 38 relating to the recognition of internally generated assets have been met;
• External computer software development costs are capitalised when they can be clearly associated with a strategic and unique system which will result in a benefit to the group exceeding the costs incurred for more than one financial period; and
• Material acquired trademarks, patents and similar rights are capitalised when the group will receive a benefit from these intangible assets for more than one financial period.

All other costs related to intangible assets are expensed in the financial period incurred.</td><td>Cost less accumulated amortisation and any impairment losses.

Amortisation is on a straight-line basis over the useful life of the asset. The useful life of each asset is assessed individually.

The benchmarks used when assessing the useful life of the individual assets are:

- Software development costs: 3 years
- Trademarks: 10 - 20 years
- Other: 3 - 10 years
- Customer related intangibles: 10 years</td></tr>
<tr><td>Goodwill arising from business combinations is recognised as an intangible asset.</td><td>Tested for impairment annually.</td></tr>
</table>

Accounting policies continued

5. OTHER ASSETS AND LIABILITIES continued

5.1 Classification and measurement continued

Other assets that are subject to depreciation, and intangible assets other than goodwill acquired as part of a business combination (refer to accounting policy 2.1) are reviewed for impairment whenever objective evidence of impairment exists. Impairment losses are recognised in profit or loss as part of operating expenses.

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

Properties in possession
Properties in possession are properties acquired, following the foreclosure on loans that are in default. The properties are initially recognised at cost and are subsequently measured at the lower of cost and its net realisable value.
Provisions
The group will only recognise a provision measured in terms of IAS 37 when there is uncertainty around the amount or timing of payment. Where there is no uncertainty the group will recognise the amount as an accrual. The most significant provisions are related to litigation and claims, as well as provisions for intellectual property fees that arise because of the use of dealer platforms, databases, systems, brands and trademarks when marketing and promoting motor warranty products as part of the motor value-added products and services business. The group recognises a provision when a reliable estimate of the outflow required can be made and the outflow is probable (i.e. more likely than not).

Accounting policies continued

5. OTHER ASSETS AND LIABILITIES continued

5.2 Leases

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

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

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

Accounting policies continued

5. OTHER ASSETS AND LIABILITIES continued

5.2 Leases continued

	Group company is the lessee	Group company is the lessor
Over the life of the lease	Each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROUA is subsequently measured at cost less accumulated depreciation and impairment losses. The asset is depreciated over the lease term on a straight-line basis, where ownership is not transferred at the end of the lease term. If ownership is transferred at the end of the lease term, the asset is depreciated over the shorter of the lease term or useful life. The group applies IAS 36 to determine whether a ROUA is impaired and accounts for any identified impairment loss.	Unearned finance income is recognised as interest income over the term of the lease using the effective interest method. Finance lease receivables are assessed for impairment in terms of IFRS 9, as set out in the impairment of financial assets policy section 4.2. Interest on finance lease receivables that are credit-impaired (stage 3), is recognised and calculated by applying the original effective interest rate to the net carrying amount.
Presentation	The lease liability is presented in other liabilities in the consolidated statement of financial position. The ROUAs are not presented as a separate line in the consolidated statement of financial position, but rather disclosed as ROUA in the property and equipment note.	Finance lease receivables are presented as part of advances in the consolidated statement of financial position.
Operating leases	For short-term and low-value leases, which the group has defined as all other leases except for property and vehicle leases, the lease payments are recognised as an operating expense, spread on a straight-line basis over the term of the lease.	Assets held under operating leases are included in property and equipment and depreciated – refer to accounting policy 5.1. Rental income is recognised as other non-interest revenue on a straight-line basis over the lease term.

Accounting policies continued

6. CAPITAL AND RESERVES

<table>
<tr><th>Transaction</th><th>Liability</th><th>Equity</th></tr>
<tr><td>Shares issued and issue costs</td><td colspan="2">Ordinary shares and any preference shares which meet the definition of equity issued by the group less any incremental costs directly related to the issue of new shares or options, net of any related tax benefit.</td></tr>
<tr><td>Dividends paid/declared</td><td>Recognised as interest expense on the underlying liability.</td><td>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.</td></tr>
<tr><td>Other reserves</td><td>Not applicable</td><td>Other reserves recognised by the group include general risk reserves, capital redemption reserve funds and insurance contingency reserves. These reserves are required by legislation governing these subsidiaries and are calculated based on the requirements outlined in the relevant legislation applicable.</td></tr>
</table>

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.

<table>
<tr><th colspan="2">Defined benefit plans</th></tr>
<tr><td rowspan="2">Defined benefit obligation liability</td><td>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.</td></tr>
<tr><td>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.</td></tr>
<tr><td>Profit or loss</td><td>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.</td></tr>
<tr><td>Other comprehensive income</td><td>All other remeasurements in respect of the obligation are included in other comprehensive income and never reclassified to profit or loss.</td></tr>
</table>

Accounting policies continued

7. TRANSACTIONS WITH EMPLOYEES continued

7.1 Employee benefits continued

<table>
<tr><th colspan="2">Termination benefits</th></tr>
<tr><td colspan="2">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.</td></tr>
<tr><th colspan="2">Liability for short-term employee benefits</th></tr>
<tr><td>Leave pay</td><td>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.</td></tr>
<tr><td>Bonuses</td><td>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.</td></tr>
</table>

7.2 Share-based payment transactions

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

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

Accounting policies continued

8. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

8.1 Introduction

In preparing the financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise, the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting estimates, assumptions and judgements made by the group, except those related to fair value measurement, which are included in note 26.

8.2 Subsidiaries

<table>
<tr><th colspan="2">Subsidiaries</th></tr>
<tr><td colspan="2">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.</td></tr>
<tr><td>Decision-making power</td><td>Some of the major factors considered by the group in making this determination include the following:

• The purpose and design of the entity;
• What the relevant activities of the entity are;
• Who controls the relevant activities and whether control is based on voting rights or contractual agreements;

This includes considering:

- What percentage of voting rights is held by the group and the dispersion and behaviour of other investors;
- Potential voting rights and whether these increase/decrease the group's voting powers;
- Who makes the operating and capital decisions;
- Who appoints and determines the remuneration of the key management personnel of the entity;
- Whether any investor has any veto rights on decisions;
- Whether there are any management contracts in place that confer decision-making rights;
- Whether the group provides significant funding or guarantees to the entity; and
- Whether the group's exposure is disproportionate to its voting rights.

• Whether the group is exposed to any downside risk or upside potential that the entity was designed to create;
• To what extent the group is involved in the setup of the entity; and
• To what extent the group is responsible to ensure that the entity operates as intended.</td></tr>
</table>

Accounting policies continued

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.2 Subsidiaries continued

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

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

Accounting policies continued

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.3 Taxation

The group is subject to direct tax in Namibia. As such there may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business.

The group recognises liabilities for uncertain tax positions in accordance with the criteria defined within IAS 12 and IFRIC 23, based on objective estimates of the amount of tax that may be due, which is calculated, where relevant, with reference to expert advice received. Where payment is determined to be possible but not probable, the tax exposure is disclosed as a contingent liability. The group recognises probable liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, the difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

8.4 Impairment of financial assets

Impairment of advances
In determining whether an impairment loss should be recognised, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans. The objective of the measurement of an impairment loss is to produce a quantitative measure of the group's credit risk exposure. The group adopts the PD/LGD approach to calculate ECL for advances. The ECL is based on a weighted average of the macroeconomic scenarios selected, weighted by the probability of occurrence. Regression modelling techniques are used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the group of accounts to which the model will be applied. Models are used to estimate impairment parameters probability of default, loss given default and exposure at default (PD, LGD and EAD) based on the predictive characteristics identified through the regression process.
Forward-looking information (FLI)
Forward-looking information has been incorporated into expected loss estimates through the application of quantitative modelling and expert judgement-based post-model adjustments. Both quantitative models and expert judgment-based adjustments consider a range of forecast macroeconomic scenarios as inputs. The macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for various scenarios. Development of these scenarios is overseen by the FirstRand macro forum, which is responsible for oversight and is independent from credit and modelling functions. To arrive at the macroeconomic forecasts teams of economists, both locally and within the various subsidiaries, assess the micro- and macroeconomic developments to formulate the macroeconomic forecasts. A number of internal and external economists are then requested to assign a probability to each scenario. During the year global economic growth continued to moderate. With the invasion of Ukraine having exacerbated the already elevated cost-of-living pressures in both developed and emerging economies, central banks persisted with aggressive interest rate hikes to stem inflation, resulting in further downward revisions to growth expectations and increased risk aversion. These hikes were coupled with plans to reduce fiscal stimulus, but this had to be balanced with shielding consumers from the impacts of slowing growth and higher inflation. The complexity of these policy actions, combined with a significant increase in geopolitical risk, resulted in ongoing market volatility.

Accounting policies continued

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Forward-looking information (FLI)

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

The following scenarios were applied at 30 June 2023:

Scenario	Probability	Description
Baseline regime	57.6% (2022: 55.5%)	Assumes global inflation continues to slow but remains above central bank targets, thus keeping interest rates elevated and growth muted. Domestic growth will remain above its medium-term average.
Upside regime	10.5% (2022: 13.3%)	Assumes global inflationary pressures reduce materially, financial conditions loosen and growth remains above trend. Domestic growth is supported by a stronger global backdrop and increased government stimulus.
Downside regime	31.9% (2022: 31.2%)	Assumes global inflation lifts, central banks tighten monetary conditions and growth falls below trend. Domestic growth faces headwinds from fiscal pressures, increase in prices, tighter monetary policy and a stretched consumer.

Namibia

In 2022, the Namibian economy recorded GDP growth of 4.6%, the highest since 2015, primarily led by improved offshore diamond mining activity.Further support was provided by services sectors which recovered from their pandemic lows. We forecast growth to slow to 3.3% in 2023 and 2.8% in 2024. The slowdown is on account of a number of factors namely: 1) depressed activity in major trading partners (South Africa and China); 2) a contraction in real (short term) credit extension; and 3) poor agricultural output because of dry weather conditions. Notwithstanding these factors, growth should remain above its medium-term historical average primarily supported by continued expansion in mining activity, oil and gas exploration, renewable energy projects, tourism and higher SACU revenues.

Headline inflation will continue to moderate on account of base effects in transport inflation and a deceleration in food price inflation. Still, inflation should settle above its pre-pandemic levels over the forecast horizon. This is owing mainly to higher electricity tariffs and a weak exchange rate. In the latter part of the forecast horizon, we have incorporated modest inflationary pressures emanating from more vibrant spending resulting from an expected increase in expat arrivals related to buoyancy in the oil, gas and renewable energy sectors.

In August the BoN kept the repo rate at 7.75% - 50bps below the policy rate of South Arica. Given healthy foreign exchange reserves of 5.7 months import cover, moderating inflation and growing concerns of the impact of tight monetary policy on household indebtedness (and credit extension more generally) we expect 7.75% to be the peak for this cycle, with the BoN likely maintaining the 50bps differential until the SARB starts cutting rates in 2H-2024.

Accounting policies continued

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Significant macroeconomic factors

The table below sets out the most significant macroeconomic factors used to estimate the forward-looking information relating to ECL provisions.

June 2023

	Upside scenario			Baseline scenario			Downside scenario		
(%)	2024	2025	2026	2024	2025	2026	2024	2025	2026
Real GDP growth	5.60	6.30	6.70	2.90	3.00	2.90	0.40	(0.30)	0.00
CPI inflation	4.60	5.10	5.10	5.50	4.80	4.60	7.30	7.80	7.80
Repo rate	5.30	5.30	5.30	8.00	7.25	7.00	10.00	7.50	7.50

June 2022

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

Accounting policies continued

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Significant macroeconomic factors continued

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

IFRS 9 impairment provision at 30 June 2023	N$'000	% change on total IFRS 9 provision
Scenarios		
Baseline	1 310 986	(1.4%)
Upside	1 208 746	(9.1%)
Downside*	1 476 679	11.1%

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

* Applicable to the secured portfolio.

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

Accounting policies continued

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

<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</td><td>Parameters are determined on a pooled basis, with exposures pooled on a portfolio level at a minimum. Where appropriate, more granular pooling is applied. The inputs used to determine parameter values include historically observed behaviour, as well as behavioural and demographic information related to individual exposures currently on book.

PD parameters are determined through assessment of the influence that various risk drivers have had on historical default rates.

EAD parameter estimates are based on product characteristics and historical drawdown and payment behaviour.

LGDs are determined by estimating expected future cash flows and are adjusted for forward-looking information such as the house price index, prime lending rate and GDP. These cash flows include direct costs and proceeds from the sale of collateral. Collateral recovery rates are based on historically observed outcomes.

The statistical models applied implicitly assume that risk drivers that influence default risk, payment behaviour and recovery expectations within the historical data will continue to be relevant in the future.</td><td>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.</td></tr>
<tr><td colspan="2">Parameters are calibrated for the calculation of 12-month and lifetime ECL using term structures that consider borrower risk, account age, historical behaviour, transaction characteristics and correlations between parameters.

Term structures have been developed over the entire remaining contractual lifetime of an instrument. The remaining lifetime is limited to the contractual term of instruments in the portfolio, except for instruments with an undrawn commitment such as credit cards, where there is no contractual expiry date. In such instances the remaining term is determined with reference to the change in client requirements that would trigger a review of the contractual terms, for example an increase in limit.

Expected credit losses on open accounts are discounted from the expected date of default to the reporting date using the asset's original effective interest rate or a reasonable approximation thereof.</td></tr>
</table>

Accounting policies continued

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Judgement	Retail and retail SME	Wholesale and commercial SME
Determination of whether the credit risk of financial instruments have increased significantly since initial recognition (SICR)	SICR triggers continue to be based on client behaviour, client-based behaviour scores and judgemental factors. In the prior year, additional judgemental triggers that arose due to the impact of Covid-19, such as employment in industries in distress, were calibrated into the SICR triggers. Additional enhancements were incorporated including SICR rules that cater for behaviour that had not been previously captured. These specific updates catered for performing customers, in particular those in severely impacted sectors that may have exhausted or close to having exhausted their emergency savings, but for which the strain of this was likely to only become evident shortly after year end. In the current year, no additional judgemental triggers have been added.	SICR triggers continue to be determined based on client behaviour, client internal FirstRand rating or risk score, as well as judgemental factors, which includes triggers for industries in distress, which may result in the client being added to the watch list through the group's ongoing risk management process. These triggers are determined at a deal and client level and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk.

8.5 Provisions

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

8.6 Transactions with employees

Employee benefits – post employment plans	
Determination of present value of post employment plan obligations	The cost of the benefits and the present value of the post-employment medical obligations depend on a number of factors that are determined annually on an actuarial basis, by independent actuaries, using the projected unit credit method which incorporates a number of assumptions. The key assumptions used in determining the charge to profit or loss arising from these obligations include the expected long-term rate of return on the relevant plan assets, discount rate and expected salary and pension increase rates. Any changes in these assumptions will impact the charge to profit or loss and may affect planned funding of the pension plans.

Group annual financial statements

Statements of comprehensive income

for the year ended 30 June 2023

		Group		Company	
N$'000	Note(s)	2023	2022	2023	2022
Interest and similar income	1	4 948 389	3 318 502	4 934 042	3 303 355
Interest expense and similar charges	2	(2 266 844)	(1 124 137)	(2 256 109)	(1 119 057)
Net interest income before impairment of advances		2 681 545	2 194 365	2 677 933	2 184 298
Impairment and fair value of credit on advances	12	(213 300)	(94 983)	(212 939)	(92 139)
Net interest income after impairment of advances		2 468 245	2 099 382	2 464 994	2 092 159
Non-interest revenue	3	2 030 976	1 795 647	2 030 067	1 884 339
Net fee and commission income		1 795 336	1 648 391	1 794 666	1 647 557
- Fee and commission income		2 062 098	1 864 567	2 061 428	1 863 733
- Fee and commission expenses		(266 762)	(216 176)	(266 762)	(216 176)
- Fair value gains		155 469	136 940	155 469	136 940
- Gains less losses from investing activities		(130)	967	(130)	90 967
- Other non-interest revenue		80 301	9 349	80 062	8 875
Income from operations		4 499 221	3 895 029	4 495 061	3 976 498
Operating expenses	4	(2 235 920)	(2 060 858)	(2 231 790)	(2 052 553)
Net income from operations		2 263 301	1 834 171	2 263 271	1 923 945
Income before indirect tax		2 263 301	1 834 171	2 263 271	1 923 945
Indirect tax	6	(52 009)	(39 488)	(51 878)	(39 073)
Profit before income tax		2 211 292	1 794 683	2 211 393	1 884 872
Income tax expense	6	(693 245)	(572 023)	(693 161)	(571 652)
Profit for the year		1 518 047	1 222 660	1 518 232	1 313 220

Statements of comprehensive income

for the year ended 30 June 2023 continued

		Group		Company	
N$'000	Note(s)	2023	2022	2023	2022
Other comprehensive income:					
Items that may not be subsequently reclassified to profit or loss:					
Remeasurements on net defined benefit post-employment plan	21	8 869	(2 120)	8 869	(2 120)
Deferred income tax		(2 838)	679	(2 838)	679
Total items that may not be subsequently reclassified to profit or loss		6 031	(1 441)	6 031	(1 441)
Other comprehensive (loss)/income for the year net of taxation		6 031	(1 441)	6 031	(1 441)
Total comprehensive income for the year		1 524 078	1 221 219	1 524 263	1 311 779
Total comprehensive income attributable to:					
Owners of the parent		1 524 078	1 221 219	1 524 263	1 311 779
		1 524 078	1 221 219	1 524 263	1 311 779

Statements of financial position
as at 30 June 2023

		Group		Company	
N$'000	Note(s)	2023	2022	2023	2022
Assets					
Cash and cash equivalents	8	1 805 929	2 317 619	1 805 929	2 317 619
Due from banks and other financial institutions	8	9 468 313	9 231 508	9 468 313	9 231 508
Derivative financial instruments	9	375 785	93 610	375 785	93 610
Investment securities	10	9 826 216	7 302 955	9 826 216	7 302 955
Advances	11	35 448 707	31 989 299	35 328 824	31 845 259
Other assets	13	237 011	315 195	236 304	316 759
Investments in subsidiary	14	-	-	158 405	182 892
Property and equipment	15	906 109	888 830	846 919	829 481
Intangible assets	16	63 428	67 455	63 428	67 454
Total Assets		58 131 498	52 206 471	58 110 123	52 187 537

Statements of financial position
as at 30 June 2023 continued

		Group		Company	
N$'000	Note(s)	2023	2022	2023	2022
Equity and Liabilities					
Liabilities					
Short trading position	19	-	31 864	-	31 864
Derivative financial instruments	9	404 096	227 448	404 096	227 448
Creditors and accruals	18	820 671	840 132	820 558	843 120
Current tax liability		57 013	62 154	61 284	66 414
Deposits	20	50 522 280	44 530 451	50 520 358	44 527 981
- Deposits from customers	20	36 969 399	31 825 765	36 967 477	31 823 295
- Debt securities		6 075 700	5 476 351	6 075 700	5 476 351
- Due to banks and other financial institutions		7 477 181	7 228 335	7 477 181	7 228 335
Employee liabilities	21	248 509	229 081	248 509	229 081
Other Liabilities	22	161 440	195 979	161 440	195 979
Deferred tax	17	295 767	120 683	296 492	121 492
Total liabilities		52 509 776	46 237 792	52 512 737	46 243 379
Equity					
Share capital	23	1	1	1	1
Share premium	23	1 142 791	1 142 791	1 142 791	1 142 791
Reserves		4 478 930	4 825 887	4 454 594	4 801 366
Total equity		5 621 722	5 968 679	5 597 386	5 944 158
Total Equity and Liabilities		58 131 498	52 206 471	58 110 123	52 187 537

Statements of changes in equity
for the year ended 30 June 2023

Group

N$'000	Share capital	Share premium	Total share capital	Defined benefit post-employment reserve
Balance at 1 July 2021	1	1 142 791	1 142 792	6 334
Profit for the year	-	-	-	-
Other comprehensive loss	-	-	-	(1 441)
Total comprehensive income for the year	-	-	-	(1 441)
Transfer between reserves	-	-	-	-
Dividends	-	-	-	-
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-	-
Balance at 1 July 2022	1	1 142 791	1 142 792	4 893
Profit for the year	-	-	-	-
Other comprehensive income	-	-	-	6 031
Total comprehensive income for the year	-	-	-	6 031
Dividends	-	-	-	-
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-	-
Balance at 30 June 2023	1	1 142 791	1 142 792	10 924
Note(s)	23	23	23	

Statements of changes in equity
for the year ended 30 June 2023 continued

Group continued

N$'000	General risk reserve	Retained earnings	Total equity
Balance at 1 July 2021	95 423	4 175 579	5 420 128
Profit for the year	-	1 222 660	1 222 660
Other comprehensive loss	-	-	(1 441)
Total comprehensive income for the year	-	1 222 660	1 221 219
Transfer between reserves	(95 423)	95 423	-
Dividends	-	(672 668)	(672 668)
Total contributions by and distributions to owners of company recognised directly in equity	(95 423)	(577 245)	(672 668)
Balance at 1 July 2022	-	4 820 994	5 968 679
Profit for the year	-	1 518 047	1 518 047
Other comprehensive income	-	-	6 031
Total comprehensive income for the year	-	1 518 047	1 524 078
Dividends	-	(1 871 035)	(1 871 035)
Total contributions by and distributions to owners of company recognised directly in equity	-	(1 871 035)	(1 871 035)
Balance at 30 June 2023	-	4 468 006	5 621 722

Note(s)

Statements of changes in equity

for the year ended 30 June 2023 continued

Company

N$'000	Share capital	Share premium	Total share capital	Defined benefit post-employment reserve
Balance at 1 July 2021	1	1 142 791	1 142 792	6 334
Profit for the year	-	-	-	-
Other comprehensive loss	-	-	-	(1 441)
Total comprehensive income for the year	-	-	-	(1 441)
Transfers between reserves	-	-	-	-
Dividends	-	-	-	-
Balance at 1 July 2022	1	1 142 791	1 142 792	4 893
Profit for the year	-	-	-	-
Other comprehensive income	-	-	-	6 031
Total comprehensive income for the year	-	-	-	6 031
Dividends	-	-	-	-
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-	-
Balance at 30 June 2023	1	1 142 791	1 142 792	10 924
Note(s)	23	23	23	

Statements of changes in equity

for the year ended 30 June 2023 continued

Company continued

N$'000	General risk reserve	Retained earnings	Total equity
Balance at 1 July 2021	95 423	4 060 498	5 305 047
Profit for the year	-	1 313 220	1 313 220
Other comprehensive loss	-	-	(1 441)
Total comprehensive income for the year	-	1 313 220	1 311 779
Transfers between reserves	(95 423)	95 423	-
Dividends	-	(672 668)	(672 668)
Balance at 1 July 2022	-	4 796 473	5 944 158
Profit for the year	-	1 518 232	1 518 232
Other comprehensive income	-	-	6 031
Total comprehensive income for the year	-	1 518 232	1 524 263
Dividends	-	(1 871 035)	(1 871 035)
Total contributions by and distributions to owners of company recognised directly in equity	-	(1 871 035)	(1 871 035)
Balance at 30 June 2023	-	4 443 670	5 597 386

Note(s)

Statements of cash flows

for the year ended 30 June 2023

		Group		Company	
N$'000	Note(s)	2023	2022	2023	2022
Cash flows from operating activities					
Interest and commission receipts		6 622 884	5 083 811	6 608 214	5 069 633
- Interest received		4 827 548	3 435 420	4 813 548	3 422 075
- Fee and commission income		2 062 098	1 864 567	2 061 428	1 863 733
- Fee and commission expense		(266 762)	(216 176)	(266 762)	(216 175)
Other non-interest revenue		235 639	10 371	235 403	99 897
Interest payments		(2 146 930)	(1 124 137)	(2 136 196)	(1 119 057)
Other operating expenditure		(2 129 375)	(1 733 342)	(2 126 692)	(1 728 565)
Cash flows from operation activities	29	2 582 218	2 236 703	2 580 729	2 321 908
Liquid assets and trading securities		(2 700 868)	(6 535 043)	(2 700 868)	(6 535 043)
Advances		(3 648 977)	(1 798 866)	(3 672 423)	(1 836 467)
Deposits		5 840 051	8 612 527	5 840 599	8 612 422
Other assets		78 186	84 891	79 817	163 834
Creditors		(18 072)	281 252	(21 189)	309 764
Employee liabilities		13 402	15 056	13 397	15 056
Other liablities		(39 139)	(42 295)	(39 139)	(42 295)
Taxation paid		(578 137)	(614 514)	(578 872)	(637 759)
Net cash flows from operating activities		1 528 664	2 239 712	1 502 051	2 371 420

Statements of cash flows
for the year ended 30 June 2023 continued

N$'000	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
Cash flows from investing activities					
Acquisition of property and equipment	15	(119 071)	(87 617)	(115 772)	(80 165)
Reduction/(increase) in loan to subsidiary		-	-	24 487	(139 160)
Proceeds from the sale of property and equipment	15	4 247	20 777	3 074	20 777
Acquisition of other intangible assets	16	(11 585)	-	(11 585)	-
Net cash from investing activities		(126 409)	(66 840)	(99 796)	(198 548)
Cash flows from financing activities					
Dividends paid		(1 871 035)	(672 668)	(1 871 035)	(672 668)
Principle payments on lease liabilities		(21 852)	(23 041)	(21 852)	(23 041)
Principle payments on other liabilities		(21 058)	(23 065)	(21 058)	(23 065)
Redemption of Tier 2 liabilities		-	(400 000)	-	(400 000)
Net cash from financing activities		(1 913 945)	(1 118 774)	(1 913 945)	(1 118 774)
Total cash movement for the year		(511 690)	1 054 098	(511 690)	1 054 098
Cash at the beginning of the year		2 317 619	1 263 521	2 317 619	1 263 521
Total cash at end of the year	8	1 805 929	2 317 619	1 805 929	2 317 619

Notes to the annual financial statements
for the year ended 30 June 2023

1. Interest and similar income

	Group		Company	
N$'000	2023	2022	2023	2022
Analysis of interest and similar income				
Instruments at amortised cost	4 948 389	3 318 502	4 934 042	3 303 355
Advances				
- Overdrafts and cash managed accounts	367 652	260 016	367 659	260 016
- Term loans	325 344	344 331	325 344	344 331
- Card loans	65 712	46 865	65 711	46 865
- Instalment sales and hire purchase agreements	358 293	252 840	358 293	252 816
- Lease payments receivable	11 399	8 989	11 399	8 989
- Homeloans	1 674 072	1 211 934	1 660 427	1 196 969
- Commercial property finance	345 735	142 902	345 416	142 744
- Personal loans	399 226	277 324	399 226	277 324
- Preference share agreements	70 443	55 337	70 443	55 337
- Other advances	23 678	14 006	23 289	14 006
- Invoice finance	16 021	17 097	16 021	17 097
	3 657 575	2 631 641	3 643 228	2 616 494
Cash and cash equivalents	663 470	205 814	663 471	205 814
Investment securities	625 872	478 908	625 871	478 908
Accrued on off-market advances	1 472	2 139	1 472	2 139
Interest and similar income	4 948 389	3 318 502	4 934 042	3 303 355

Notes to the annual financial statements

for the year ended 30 June 2023 continued

2. Interest expense and similar charges

	Group		Company	
N$'000	2023	2022	2023	2022
Analysis of interest and similar income				
Instruments at amortised cost	2 266 844	1 124 137	2 256 109	1 119 057
Deposits from customers				
- Current acconts	177 464	55 821	177 464	55 821
- Savings deposit	22 236	11 606	22 236	11 606
- Call deposit	511 504	256 098	511 504	256 098
- Fixed and notice deposits	608 129	367 400	608 129	367 400
	1 319 333	690 925	1 319 333	690 925
Debt securities				
- Negotiable certificates of deposit	407 946	234 348	407 946	234 348
- Fixed and floating rate notes	33 477	28 882	32 852	28 882
	441 423	263 230	440 798	263 230
Deposits from banks and other financial Institutions	492 598	136 876	482 488	131 796
Other funding liabilities				
- Other liabilities	11 217	8 995	11 217	8 995
- Lease liabilities	2 273	2 505	2 273	2 505
- Tier 2 Liabilities	-	21 606	-	21 606
	13 490	33 106	13 490	33 106
	2 266 844	1 124 137	2 256 109	1 119 057

Notes to the annual financial statements

for the year ended 30 June 2023 continued

3. Non-interest revenue

N$'000	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
Analysis of non-interest revenue					
Fee and commission income		2 062 098	1 864 567	2 061 428	1 863 733
Instruments at armotised cost		2 062 098	1 864 567	2 061 428	1 863 733
Fee and commission expense		(266 762)	(216 176)	(266 762)	(216 176)
Net fee and commission income	3.1	1 795 336	1 648 391	1 794 666	1 647 557
- Mandatory		154 821	130 224	154 821	130 224
- Designated		648	6 716	648	6 716
Fair value gains or losses	3.2	155 469	136 940	155 469	136 940
Gains less losses from investing activities	3.3	(130)	967	(130)	90 967
Other non-interest income	3.4	80 301	9 349	80 062	8 875
Total non-interest revenue		**2 030 976**	**1 795 647**	**2 030 067**	**1 884 339**

Notes to the annual financial statements
for the year ended 30 June 2023 continued

3. Non-interest revenue continued

N$'000	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
3.1 Net fee and commission income					
- Card commissions		319 860	273 634	319 860	273 634
- Cash deposit fee		101 443	101 436	101 443	101 436
- Commissions: bills and drafts		26 021	23 164	26 309	23 420
- Bank charges		1 527 408	1 378 644	1 526 739	1 377 812
Banking fee and commission income		1 974 732	1 776 878	1 974 351	1 776 302
- Documentation and administration fees		46 128	43 219	45 839	42 961
- Cash handling fees		41 238	44 470	41 238	44 470
Fee and commission income *		2 062 098	1 864 567	2 061 428	1 863 733
Transaction processing fee		(197 976)	(152 763)	(197 977)	(152 763)
Cash sorting handling and transportation charges		(25 919)	(24 504)	(25 919)	(24 504)
Customer loyalty programmes		(29 335)	(26 202)	(29 335)	(26 202)
ATM commission paid		(7 925)	(8 139)	(7 925)	(8 139)
Other		(5 607)	(4 568)	(5 606)	(4 568)
Fee and commission expenses		(266 762)	(216 176)	(266 762)	(216 176)
Net fee and commission income		1 795 336	1 648 391	1 794 666	1 647 557

* Revenue from contract with customers

Notes to the annual financial statements
for the year ended 30 June 2023 continued

3. Non-interest revenue continued

		Group		Company	
N$'000	Note(s)	2023	2022	2023	2022
3.2 Fair value gains					
Foreign exchange		135 944	111 124	135 943	111 124
Designated at fair value through profit or loss		19 525	25 816	19 526	25 816
Total fair value gains		155 469	136 940	155 469	136 940
3.3 Gains less losses from investing activities					
Gains on investment securities designated at fair value through profit or loss (money market funds)		-	2 816	-	2 816
Dividends received (unlisted investments) (money market funds)		-	-	-	90 000
Loss allowance on investment securities		(130)	(1 849)	(130)	(1 849)
Gains less losses from investing activities		(130)	967	(130)	90 967
3.4 Other non-interest income					
Gain / (Loss) on sale of property and equipment		12	(5 613)	(227)	(5 613)
Rental income		6 864	5 522	6 864	5 048
Other income		73 425	9 440	73 425	9 440
Other non-interest income		80 301	9 349	80 062	8 875

Notes to the annual financial statements

for the year ended 30 June 2023 continued

4. Operating expenses

	Group		Company	
N$'000	2023	2022	2023	2022
Auditor's remuneration – external				
Audit fees	9 831	9 129	9 433	8 758
Fees for other services	214	452	214	358
	10 045	9 581	9 647	9 116
Non-capitalised lease charges				
- Short term leases	4 637	5 547	6 716	6 841
- Leases of low value assets	3 219	5 272	3 219	5 272
	7 856	10 819	9 935	12 113
Staff costs				
Salaries wages and allowances	983 508	914 731	983 508	914 731
Defined contribution schemes: pension	97 888	92 965	97 888	92 965
Defined contribution schemes: medical	98 506	93 912	98 506	93 912
Severance pay: death in service	510	592	510	592
Post retirement medical expense	4 688	3 684	4 688	3 684
Social security levies	1 910	1 857	1 910	1 857
Share-based payments	20 435	19 419	20 435	19 419
Skills development levies	9 206	10 199	9 206	10 199
Other staff related costs	2 840	2 066	2 840	2 066
Total staff costs	1 219 491	1 139 425	1 219 491	1 139 425

Notes to the annual financial statements

for the year ended 30 June 2023 continued

4. Operating expenses continued

	Group		Company	
N$'000	2023	2022	2023	2022
Other operating costs				
Amortisation of intangible assets	15 612	14 144	15 612	14 144
Depreciation of property and equipment	97 558	98 904	95 871	95 376
Insurance	11 869	10 870	11 779	10 761
Advertising and marketing	68 586	55 014	68 586	55 014
Donations	13 013	13 581	13 013	13 581
Property and maintenance	74 955	78 035	73 019	74 885
Computer	474 116	421 118	474 115	421 118
Stationery	7 692	4 282	7 688	4 282
Telecommunications	22 250	20 411	22 250	20 411
Legal and other related expenses	15 780	13 802	15 780	13 802
Postage	2 968	2 742	2 968	2 742
Professional fees	14 549	19 711	14 548	19 710
Business travel	13 027	7 194	13 027	7 194
Total directors remuneration	16 658	16 006	16 658	16 006
Other operating expenditure	149 895	125 219	147 803	122 873
Other Operating costs	998 528	901 033	992 717	891 899
Total operating expenses	2 235 920	2 060 858	2 231 790	2 052 553

Notes to the annual financial statements
for the year ended 30 June 2023 continued

5. Directors' emoluments

N$'000	Group 2023	Group 2022	Company 2023	Company 2022
Executive directors	13 854	13 430	13 854	13 430
Non-Executive directors	2 804	2 576	2 804	2 576
Total directors' emoluments	16 658	16 006	16 658	16 006

N$'000	2023	2022
Non-executive – Group and company		
Zaamwani II (Resigned 30 November 2022)	130	390
Daun JG (Resigned 31 December 2021)	-	253
Gruttemeyer P	592	562
Haikali CLR (Resigned 20 October 2022)	300	613
Hausiku JH (Resigned 30 June 2022)	-	164
Khethe JR (Resigned 31 December 2021)	-	106
Nashandi IN	238	172
Coetzee J (Appointed 01 October 2021)	310	203
van Zyl E (Appointed 01 March 2022)	782	113
Kapere LD (Appointed 01 December 2022)	158	-
Shikongo O (Appointed 01 February 2023)	114	-
Lubbe M (Appointed 01 February 2023)	180	-
	2 804	2 576

Executive and non-executive directors appointed by the Bank do not receive directors fees for services.

Notes to the annual financial statements
for the year ended 30 June 2023 continued

5. Directors' emoluments continued

Executive – Group and company

	2023	2022
C Dempsey – CEO		
Cash packages paid during the year*	2 151	2 057
Retirement contributions paid during the year	444	430
Other allowances	748	756
Guaranteed package	3 343	3 243
Cash:		
- within 6 months	2 031	1 792
- within 1 year	725	590
Variable pay	2 756	2 382
Total guaranteed and variable pay	6 099	5 625
E Tjipuka – CEO FNB Franchise		
Cash packages paid during the year*	2 369	2 498
Retirement contributions paid during the year	392	406
Other allowances	167	128
Guaranteed package	2 928	3 032
Cash		
- within 6 months	1 324	1 086
- Within 1 year	353	226
Variable pay	1 677	1 312
Total guaranteed pay	4 605	4 344

Notes to the annual financial statements
for the year ended 30 June 2023 continued

5. Directors' emoluments continued

Executive – Group and company continued

	2023	2022
OLP Capelao (CFO – resigned 28 April 2023)**		
Cash packages paid during the year*	1 433	1 708
Retirement contributions paid during the year	242	275
Other allowances	354	139
Guaranteed package	2 029	2 122
Cash:		
- within 6 months	1 121	845
- within 1 year	-	100
Variable pay	1 121	945
Total guaranteed and variable pay	3 150	3 067

* Cash package performance related retirement contributions and other allowances reflect what was paid during the year ended 30 June 2023 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 i.e August, December and June.

** Pro rata 2023 remuneration disclosed to reflect the period of the year he was executive director until resignation on 28 April 2023.

Notes to the annual financial statements
for the year ended 30 June 2023 continued

5. Directors' emoluments continued

OLP Capelao

	Opening Balance	Granted during the year	Expiry date	Forfeited this year	Taken this year (vested/sold)	Closing balance as at 30 June 2023	Value on settlement
FirstRand SA Ltd Shares	10 618	-	Oct-22	(10 618)	-	-	
FirstRand SA Ltd shares	53 434	-	Oct-23	(53 434)	-	-	-
FirstRand SA Ltd shares	19 476	-	Oct-24	(19 476)	-	-	-
FirstRand SA Ltd shares	-	20 941	Oct-25	(20 941)	-	-	-
	83 528	20 941	-	(104 469)	-	-	-

C Dempsey

	Opening Balance	Granted during the year	Expiry date	Forfeited this year	Taken this year (vested/sold)	Closing balance as at 30 June 2023	Value on settlement
FirstRand SA Ltd shares	9 981	-	Oct-22	-	(9 981)	-	-
FirstRand SA Ltd shares	71 145	-	Oct-23	-	-	71 145	4 873
FirstRand SA Ltd shares	46 256	-	Oct-24	-	-	46 256	3 044
FirstRand SA Ltd shares	-	53 762	Oct-25	-	-	53 762	3 399
	127 382	53 762	-	-	(9 981)	171 163	11 316

E Tjipuka

	Opening Balance	Granted during the year	Expiry date	Forfeited this year	Taken this year (vested/sold)	Closing balance as at 30 June 2023	Value on settlement
FirstRand SA Ltd shares	6 371	-	Oct-22	-	(6 371)	-	-
FirstRand SA Ltd shares	6 371	-	Oct-23	-	-	6 371	436
FirstRand SA Ltd shares	53 516	-	Oct-23	-	-	53 516	3 666
FirstRand SA Ltd shares	28 403	-	Oct-24	-	-	28 403	1 865
FirstRand SA Ltd shares	-	32 216	Oct-25	-	-	32 216	2 115
	94 661	32 216		-	(6 371)	120 506	8 082

Notes to the annual financial statements

for the year ended 30 June 2023 continued

6. Taxation

	Group		Company	
N$'000	2023	2022	2023	2022
Indirect tax				
Stamp duties	12 995	9 007	12 995	9 007
Value-added tax (net)	39 014	30 481	38 883	30 066
Total indirect tax	52 009	39 488	51 878	39 073
Direct tax				
Current				
Current year	520 999	526 804	520 999	526 058
Deferred				
Originating and reversing temporary differences	172 246	45 219	172 162	45 594
Total income tax expense	693 245	572 023	693 161	571 652
Tax rate reconciliation – Namibian income tax				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	32.00%	32.00%	32.00%	32.00%
Total tax has been affected by:				
Other non-taxable income*	(1.02%)	(0.99%)	(1.02%)	(0.99%)
Other	0.02%	(0.08%)	0.02%	(1.72%)
Disallowed expenditure **	0.35%	0.94%	0.35%	0.94%
Effective rate of tax	31.35%	31.87%	31.35%	30.23%

* Includes fair value income which is non-taxable.

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

Notes to the annual financial statements

for the year ended 30 June 2023 continued

7. Analysis of assets and liabilities

Group - 2023

N$'000	Amortised cost	At fair value through profit or loss Mandatory	At fair value through profit or loss Designated	Non-financial instruments	Total carrying value	Current	Non-current and Non contractual
Assets							
Cash and cash equivalents	1 805 929	-	-	-	1 805 929	1 805 929	-
Due from banks and other financial institutions	9 468 313	-	-	-	9 468 313	3 472 444	5 995 869
Derivative financial instruments	-	375 785	-	-	375 785	156 001	219 784
Investment securities	9 376 851	-	449 365	-	9 826 216	5 100 168	4 726 048
Advances	35 448 707	-	-	-	35 448 707	9 873 593	25 575 114
Other assets	89 702	-	-	147 309	237 011	67 742	169 269
Non-financial assets	-	-	-	969 537	969 537	-	969 537
Total assets	56 189 502	375 785	449 365	1 116 846	58 131 498	20 475 877	37 655 621
Equity and Liabilities							
Total equity	-	-	-	5 621 722	5 621 722	-	5 621 722
Liabilities							
Derivative financial instruments	-	404 096	-	-	404 096	355 226	48 870
Creditors accruals and provisions	619 017	-	-	201 654	820 671	737 761	82 910
Deposits	50 522 280	-	-	-	50 522 280	47 871 110	2 651 170
Other liabilities	126 133	-	-	35 307	161 440	37 191	124 249
Non-financial liabilties	-	-	-	601 289	601 289	199 548	401 741
Total liabilities	51 267 430	404 096	-	838 250	52 509 776	49 200 836	3 308 940
Equity and liabilities	51 267 430	404 096	-	6 459 972	58 131 498	49 200 836	8 930 662

Notes to the annual financial statements

for the year ended 30 June 2023 continued

7. Analysis of assets and liabilities continued

Group - 2022

N$'000	Amortised cost	At fair value through profit or loss Mandatory	At fair value through profit or loss Designated	Non-financial instruments	Total carrying value	Current	Non-current and Non contractual
Assets							
Cash and cash equivalents	2 317 619	-	-	-	2 317 619	2 317 619	-
Due from banks and other financial institutions	9 231 508	-	-	-	9 231 508	3 545 175	5 686 333
Derivative financial instruments	-	93 610	-	-	93 610	93 610	-
Investment securities	7 111 807	191 149	-	-	7 302 956	2 921 713	4 381 241
Advances	31 918 455	-	70 844	-	31 989 299	5 577 753	26 411 546
Other assets	161 737	-	-	153 458	315 195	315 195	-
Non-financial assets	-	-	-	956 284	956 284	-	956 284
Total assets	50 741 126	284 759	70 844	1 109 742	52 206 471	14 771 068	37 435 404
Equity	-	-	-	5 968 679	5 968 679	-	5 968 689
Liabilities							
Derivative financial instruments	-	227 448	-	-	227 448	227 448	-
Creditors accruals and provisions	589 176	-	-	250 956	840 132	765 300	74 840
Short trading position	-	31 864	-	-	31 864	31 864	-
Deposits	44 530 451	-	-	-	44 530 451	42 653 306	1 877 145
Other liabilities	157 203	-	-	38 776	195 979	50 706	145 273
Non-financial liabilties	-	-	-	411 918	411 918	-	411 918
Total liabilities	45 276 830	259 312	-	701 650	46 237 792	43 728 624	2 509 172
Equity and liabilities	45 276 830	259 312	-	6 670 329	52 206 471	43 728 624	8 477 861

Notes to the annual financial statements
for the year ended 30 June 2023 continued

7. Analysis of assets and liabilities continued

Company - 2023

N$'000	Amortised cost	At fair value through profit or loss Mandatory	At fair value through profit or loss Designated	Non-financial instruments	Total carrying value	Current	Non-current and Non contractual
Assets							
Cash and cash equivalents	1 805 929	-	-	-	1 805 929	1 805 929	-
Due from banks and other financial institutions	9 468 313	-	-	-	9 468 313	3 472 444	5 995 869
Derivative financial instruments	-	375 785	-	-	375 785	156 001	219 784
Investment securities	9 376 851	-	449 365	-	9 826 216	5 100 168	4 726 048
Advances	35 328 824	-	-	-	35 328 824	9 868 016	25 460 808
Other assets	89 623	-	-	146 681	236 304	67 675	168 629
Non-financial assets	-	-	-	1 068 752	1 068 752	-	1 068 752
Total assets	56 069 540	375 785	449 365	1 215 433	58 110 123	20 470 233	37 639 890
Equity	-	-	-	5 597 386	5 597 386	-	5 597 386
Liabilities							
Derivative financial instruments	-	404 096	-	-	404 096	355 226	48 870
Creditors accruals and provisions	618 903	-	-	201 655	820 558	737 649	82 909
Deposits	50 520 358	-	-	-	50 520 358	47 871 110	2 649 248
Other liabilities	126 133	-	-	35 307	161 440	37 191	124 249
Non-financial liabilties	-	-	-	606 285	606 285	203 819	402 466
Total liabilities	51 265 394	404 096	-	843 245	52 512 732	49 204 995	3 307 742
Equity and liabilities	51 265 394	404 096	-	6 440 633	58 110 123	49 204 995	8 905 128

Notes to the annual financial statements

for the year ended 30 June 2023 continued

7. Analysis of assets and liabilities continued

Company - 2022

N$'000	Amortised cost	At fair value through profit or loss mandatory	At fair value through profit or loss designated	Non-financial instruments	Total carrying value	Current	Non-current and Non contractual
Assets							
Cash and cash equivalents	2 317 619	-	-	-	2 317 619	2 317 619	-
Due from banks and other financial institutions	9 231 508	-	-	-	9 231 508	3 545 175	5 686 333
Derivative financial instruments	-	93 610	-	-	93 610	93 610	-
Investment securities	7 111 806	191 149	-	-	7 302 955	2 921 712	4 381 243
Advances	31 774 415	-	70 844	-	31 845 259	5 487 313	26 357 946
Other assets	161 735	-	-	155 024	316 759	316 759	-
Non-financial assets	-	-	-	1 079 826	1 079 826	-	1 079 826
Total assets	50 597 083	284 759	70 844	1 234 850	52 187 536	14 682 850	37 505 348
Equity	-	-	-	-	5 944 158	-	5 944 158
Liabilities							
Derivative financial instruments	-	227 448	-	-	227 448	227 448	-
Creditors accruals and provisions	589 160	-	-	253 960	843 120	843 120	-
Short trading position	-	31 864	-	-	31 864	31 864	-
Deposits	44 527 981	-	-	-	44 527 981	42 650 835	1 877 146
Other liabilities	157 203	-	-	38 776	195 979	50 706	145 273
Non-financial liabilties	-	-	-	416 995	416 995	-	416 995
Total liabilities	45 274 344	259 312	-	709 731	46 243 379	43 803 974	2 439 414
Equity and liabilities	45 274 344	259 312	-	709 731	52 187 537	43 803 974	8 384 227

Notes to the annual financial statements
for the year ended 30 June 2023 continued

8. Cash and cash equivalents

8.1 Cash and cash equivalents

	Group		Company	
N$'000	2023	2022	2023	2022
Coins and bank notes	557 756	561 427	557 756	561 427
Balances with central bank	1 248 173	1 756 192	1 248 173	1 756 192
Total cash and cash equivalents	**1 805 929**	**2 317 619**	**1 805 929**	**2 317 619**
Mandatory reserve balance included in above	536 731	461 652	536 731	461 652

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

8.2 Due from banks and other financial institutions

	Group		Company	
N$'000	2023	2022	2023	2022
Due from banks	9 468 313	9 231 508	9 468 313	9 231 508

FNB Namibia (FNBN) entered into a series of fully collateralized repo and reverse repo transactions with FirstRand Bank (FRB SA) for a total value of N$7 billion for the purposes of asset and liability management. The repo transaction is disclosed under due to banks and other financial institutions. Refer to note 20.

ECL for cash and cash equivalents are insignificant

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

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

Notes to the annual financial statements
for the year ended 30 June 2023 continued

9. Derivatives

Use of derivatives

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

For further notes on the valuation of derivaties refer to note 26.

Fair value hedges

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

For further details on the group's approach to managing interest rate risk and market risk refer to note 27.

By using derivative financial instruments to hedge exposures to changes in interest rates the group also exposes itself to credit risk of the derivative counterparty which is not offset by the hedged item. For information on how the group minimises counterparty risk in derivative instruments refer to note 27.

Most of the group's derivative transactions relate to sale activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take on transfer modify or reduce current or expected risk.

The following tables reflect the notional and fair value of the derivatives that are held for trading:

Notes to the annual financial statements
for the year ended 30 June 2023 continued

9. Derivatives continued

	Group and company			
	2023			
N$'000	Assets notional	Fair value	Liabilities notional	Fair value
- Currency derivatives	417 517	126 110	1 250 653	137 260
- Interest rate derivatives	1 628 086	31 956	2 153 086	49 106
- Commodity derivatives	1 525 123	217 152	1 525 123	217 152
- Energy derivatives	4 602	567	4 602	578
Total	3 575 328	375 785	4 933 464	404 096

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

Notes to the annual financial statements
for the year ended 30 June 2023 continued

10. Investment securities

N$'000	Group 2023	Group 2022	Company 2023	Company 2022
Treasury bills	4 641 740	2 687 550	4 641 740	2 687 550
Other government and government guaranteed stock	5 189 130	4 619 929	5 189 130	4 619 929
Total gross carrying amount of investment securities	9 830 870	7 307 479	9 830 870	7 307 479
Loss allowance on investment securities	(4 654)	(4 524)	(4 654)	(4 524)
Total investment securities	9 826 216	7 302 955	9 826 216	7 302 955
Analysis of Investment securities				
Debt instruments	9 826 216	7 302 955	9 826 216	7 302 955
- Amortised cost	9 376 851	7 111 806	9 376 851	7 111 806
- Fair value through profit or loss	449 365	191 149	449 365	191 149
Total investment securities	9 826 216	7 302 955	9 826 216	7 302 955

N$9 376 million (2022: N$7 112 million) of the financial instruments form part of the group's liquid asset portoflio in terms of the Banking Institutions Act (No 2 of 1998 as amended) and other foreign banking regulators requirements.

Information regarding other investments are required in terms of Schedule 4 of the Companies Act 2004 is kept at the company's registered offices. This information is open for inspection in terms of the provisions of Section 120 of the Companies Act.

The loss allowance on investment securities mearesured at armotised cost is N$4.7 million (2022: N$4.5 million).

N$'000	Group and company 2023	Group and company 2022
Reconciliation of the loss allowance - investment securities at amortised cost		
Amount as at 1 July	4 524	2 675
- Stage 1	130	1 849
Amount as at 30 June	4 654	4 524

Notes to the annual financial statements
for the year ended 30 June 2023 continued

11. Advances

	Group		Company	
N$'000	2023	2022	2023	2022
Notional value of advances	36 777 786	33 364 517	36 649 877	33 214 550
Category analysis				
Overdrafts and cash managed accounts	4 405 082	3 249 743	4 405 082	3 249 743
Term loans	10 540 845	9 452 075	10 537 745	9 448 483
Card loans	551 041	503 033	551 041	503 033
Installment sales	3 499 579	3 030 232	3 499 579	3 030 232
Lease payments receivable	116 894	104 716	116 894	104 716
Home loans	16 394 784	15 586 088	16 269 980	15 439 713
Assets under agreement to resell	-	41 764	-	41 764
Preference share agreements	852 178	937 611	852 178	937 611
Investment bank term loans	-	29 080	-	29 080
Invoice finance	145 033	248 652	145 033	248 652
Other	272 350	181 523	272 345	181 523
Gross value of advances	36 777 786	33 364 517	36 649 877	33 214 550
Impairment and fair value of credit of advances (note 12)	(1 329 079)	(1 375 218)	(1 321 053)	(1 369 291)
Net advances	35 448 707	31 989 299	35 328 824	31 845 259
Portfolio analysis				
Designated at fair value through profit or loss	-	70 844	-	70 844
Amortised cost	35 448 707	31 918 455	35 328 824	31 774 415
Net advances	35 448 707	31 989 299	35 328 824	31 845 259

Notes to the annual financial statements

for the year ended 30 June 2023 continued

11. Advances continued

Maturity analysis of lease payment receivables

	Group and company	
N$'000	2023	2022
Within 1 year	68 054	58 721
Between 1 and 2 years	40 168	29 097
Between 2 and 3 years	15 501	16 526
Between 3 and 4 years	9 140	6 193
Between 4 and 5 years	2 573	5 731
More than 5 years	2 518	3 044
Total gross amount	137 954	119 312
Less: unearned finance charges	(21 060)	(14 596)
Net amount	116 894	104 716

Notes to the annual financial statements
for the year ended 30 June 2023 continued

11. Advances continued

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

Analysis of advances per class:

Group - 2023

N$'000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	16 408 976	-	(435 073)	15 973 903
Vehicle and asset finance	1 794 879	-	(66 378)	1 728 501
Total retail secured	18 203 855	-	(501 451)	17 702 404
Credit card	532 095	-	(49 562)	482 533
Personal loans	3 117 627	-	(263 058)	2 854 569
Other retail	537 987	-	(75 545)	462 442
Total Retail unsecured	4 187 709	-	(388 165)	3 799 544
FNB Commercial	6 003 963	-	(324 213)	5 679 750
Commercial vehicle and asset finance	2 093 939	-	(61 992)	2 031 947
Total FNB Commercial	8 097 902	-	(386 205)	7 711 697
RMB Corporate and Investment banking	6 288 320	-	(53 258)	6 235 062
Total Corporate and Commercial	14 386 222	-	(439 463)	13 946 759
Total advances	36 777 786	-	(1 329 079)	35 448 707

Notes to the annual financial statements

for the year ended 30 June 2023 continued

11. Advances continued

Group - 2022

N$000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	15 591 269	-	(371 981)	15 219 288
Vehicle and asset finance	1 741 921	-	(56 182)	1 685 739
Total retail secured	17 333 190	-	(428 163)	16 905 027
Credit card	483 267	-	(64 685)	418 582
Personal loans	2 812 672	-	(263 520)	2 549 152
Other retail	513 212	-	(67 588)	445 624
Total Retail unsecured	3 809 151	-	(395 793)	3 413 358
FNB Commercial	6 005 726	-	(393 087)	5 612 639
Commercial vehicle and asset finance	1 545 688	-	(105 833)	1 439 855
Total FNB Commercial	7 551 414	-	(498 920)	7 052 494
RMB Corporate and Investment banking	4 599 918	70 844	(52 342)	4 618 420
Total Corporate and Commercial	12 151 332	70 844	(551 262)	11 670 914
Total advances	33 293 673	70 844	(1 375 218)	31 989 299

Notes to the annual financial statements
for the year ended 30 June 2023 continued

11. Advances continued

Company - 2023

N$000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	16 284 166	-	(427 047)	15 857 119
Vehicle and asset finance	1 794 879	-	(66 378)	1 728 501
Total retail secured	**18 079 045**	**-**	**(493 425)**	**17 585 620**
Credit card	532 095	-	(49 562)	482 533
Personal loans	3 117 628	-	(263 059)	2 854 569
Other retail	537 987	-	(75 545)	462 442
Total Retail unsecured	**4 187 710**	**-**	**(388 166)**	**3 799 544**
FNB Commercial	6 000 863	-	(324 213)	5 676 650
Commercial vehicle and asset finance	2 093 939	-	(61 992)	2 031 947
Total FNB Commercial	**8 094 802**	**-**	**(386 205)**	**7 708 597**
RMB Corporate and Investment banking	6 288 320	-	(53 257)	6 235 063
Total Corporate and Commercial	**14 383 122**	**-**	**(439 462)**	**13 943 660**
Total advances	**36 649 877**	**-**	**(1 321 053)**	**35 328 824**

Notes to the annual financial statements
for the year ended 30 June 2023 continued

11. Advances continued

Company -2022

N$000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	15 441 298	-	(366 054)	15 075 244
Vehicle and asset finance	1 741 921	-	(56 182)	1 685 739
Total retail secured	17 183 219	-	(422 236)	16 760 983
Credit card	483 267	-	(64 685)	418 582
Personal loans	2 812 672	-	(263 520)	2 549 152
Other retail	513 216	-	(67 588)	445 628
Total Retail unsecured	3 809 155	-	(395 793)	3 413 362
FNB Commercial	6 005 726	-	(393 087)	5 612 639
Commercial vehicle and asset finance	1 545 688	-	(105 833)	1 439 855
Total FNB Commercial	7 551 414	-	(498 920)	7 052 494
RMB Corporate and Investment banking	4 599 918	70 844	(52 342)	4 618 420
Total Corporate and Commercial	12 151 332	70 844	(551 262)	11 670 914
Total advances	33 143 706	70 844	(1 369 291)	31 845 259

Notes to the annual financial statements

for the year ended 30 June 2023 continued

11. Advances continued

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

Group - 2023

	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amortised cost	28 745 062	2 760 686	1 787 925	33 293 673	269 857	332 249	773 068	1 375 174
Fair value	70 844	-	-	70 844	44	-	-	44
Amount as at 1 July 2022	28 815 906	2 760 686	1 787 925	33 364 517	269 901	332 249	773 068	1 375 218
Transfer from stage 1 to stage 2	(1 329 936)	1 329 936	-	-	(11 674)	11 674	-	-
Transfer from stage 1 to stage 3	(131 778)	-	131 778	-	(2 494)	-	2 494	-
Transfer from stage 2 to stage 3	-	(145 855)	145 855	-	-	(18 844)	18 844	-
Transfer from stage 2 to stage 1	281 555	(281 555)	-	-	15 675	(15 675)	-	-
Transfer from stage 3 to stage 2		101 858	(101 858)			23 861	(23 861)	
Transfer from stage 3 to stage 1	777	-	(777)	-	546	-	(546)	-
Opening balance after transfer*	27 636 524	3 765 070	1 962 923	33 364 517	271 954	333 265	769 999	1 375 218
Current period provision created/(released)***	4 421 692	(816 801)	162 927	3 767 818	(24 144)	(59 309)	391 863	308 410
Change in exposure of back book in the current year	(1 312 035)	(1 263 344)	96 160	(2 479 219)	(69 391)	(95 541)	346 619	181 687
- Attributable to change in measurement basis	-	(67 678)	-	(67 678)	-	29 517	-	29 517
- Attributable to change in risk parameter	(1 312 035)	(1 195 666)	96 160	(2 411 541)	(69 391)	(125 058)	346 619	152 170
Change in exposure due to new business in the current year	5 733 727	446 543	66 767	6 247 037	45 247	36 232	45 244	126 723
Bad debts written off **	-	-	(354 549)	(354 549)	-	-	(354 549)	(354 549)
Amount as at 30 June 2023	32 058 216	2 948 269	1 771 301	36 777 786	247 810	273 956	807 313	1 329 079
Amortised cost	32 058 216	2 948 269	1 771 301	36 777 786	247 810	273 956	807 313	1 329 079

Notes to the annual financial statements
for the year ended 30 June 2023 continued

11. Advances continued

Group - 2022

	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amortised cost	25 835 134	3 926 081	1 645 094	31 406 309	346 605	344 515	672 095	1 363 215
Fair value	241 294	-	-	241 294	1 125	-	-	1 125
Amount as at 1 July 2021	26 076 428	3 926 081	1 645 094	31 647 603	347 730	344 515	672 095	1 364 340
Transfer from stage 1 to stage 2	(499 637)	499 637	-	-	(5 300)	5 300	-	-
Transfer from stage 1 to stage 3	(141 748)	-	141 748	-	(2 494)	-	2 494	-
Transfer from stage 2 to stage 3	-	(75 901)	75 901	-	-	(14 706)	14 706	-
Transfer from stage 2 to stage 1	1 008 138	(1 008 138)	-	-	33 883	(33 883)	-	-
Transfer from stage 3 to stage 2	-	27 491	(27 491)	-	-	5 691	(5 691)	-
Transfer from stage 3 to stage1	26 470	-	(26 470)	-	3 375	-	(3 375)	-
Opening balance after transfer *	26 469 651	3 369 170	1 808 782	31 647 603	377 194	306 917	680 229	1 364 340
Current period provision created / (released)	-	-	-	-	(107 293)	25 332	266 216	184 255
Change in exposure of back book in the current year	-	-	-	-	-	-	-	-
- Attributable to change in measurement basis	-	-	-	-	-	14 643	-	14 643
- Attributable to change in risk parameter	-	-	-	-	(145 362)	(16 260)	248 472	86 850
Change in exposure due to new business in the current year	2 346 255	(608 484)	152 520	1 890 291	38 069	26 949	17 744	82 762
Bad debts written off **	-	-	(173 377)	(173 377)	-	-	(173 377)	(173 377)
Amount as at 30 June 2022	28 815 906	2 760 686	1 787 925	33 364 517	269 901	332 249	773 068	1 375 218
Amortised cost	28 745 062	2 760 686	1 787 925	33 293 673	269 857	332 249	773 068	1 375 174
Fair value	70 844	-	-	70 844	44	-	-	44

Notes to the annual financial statements
for the year ended 30 June 2023 continued

11. Advances continued

Company - 2023

N$'000	Gross advances				Loss allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amortised cost	28 639 965	2 736 954	1 766 787	33 143 706	269 592	330 893	768 762	1 369 247
Fair value	70 844	-	-	70 844	44	-	-	44
Amount as at 1 July 2022	28 710 809	2 736 954	1 766 787	33 214 550	269 636	330 893	768 762	1 369 291
Transfer from stage 1 to stage 2	(1 321 476)	1 321 476	-	-	(11 644)	11 644	-	-
Transfer from stage 1 to stage 3	(130 821)	-	130 821	-	(2 309)	-	2 309	-
Transfer from stage 2 to stage 3	-	(145 624)	145 624	-	-	(18 791)	18 791	-
Transfer from stage 2 to stage 1	266 260	(266 260)	-	-	15 306	(15 306)	-	-
Transfer from stage 3 to stage 2	-	101 294	(101 294)	-	-	23 780	(23 780)	-
Transfer from stage 3 to stage 1	487	-	(487)	-	352	-	(352)	-
Opening balance after transfer *	27 525 259	3 747 840	1 941 451	33 214 550	271 341	332 220	765 730	1 369 291
Current period provision created / (released)	4 438 549	(815 354)	166 682	3 789 875	(23 544)	(58 993)	388 849	306 311
Change in exposure of back book in the current year	(1 295 178)	(1 261 897)	99 915	(2 457 161)	(68 791)	(95 226)	343 606	179 588
- Attributable to change in measurement basis	-	(67 678)	-	(67 678)	-	29 517	-	29 517
- Attributable to change in risk parameter	(1 295 178)	(1 194 219)	99 915	(2 389 483)	(68 791)	(124 743)	343 606	150 071
Change in exposure due to new business in the current year	5 733 727	446 543	66 767	6 247 036	45 247	36 233	45 243	126 723
Bad debts written off **	-	-	(354 549)	(354 549)	-	-	(354 549)	(354 549)
Amount as at 30 June 2023	31 963 808	2 932 485	1 753 584	36 649 876	247 797	273 226	800 030	1 321 053
Amortised cost	31 963 808	2 932 485	1 753 584	36 649 876	247 797	273 226	800 030	1 321 053

Notes to the annual financial statements
for the year ended 30 June 2023 continued

11. Advances continued

Company - 2022

	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amortised cost	25 664 899	3 926 080	1 625 262	31 216 241	343 445	342 462	671 726	1 357 633
Fair value	241 294	-	-	241 294	1 125	-	-	1 125
Amount as at 1 July 2021	25 906 193	3 926 080	1 625 262	31 457 535	344 570	342 462	671 726	1 358 758
Transfer from stage 1 to stage 2	(473 167)	473 167	-	-	(9 643)	9 643	-	-
Transfer from stage 1 to stage 3	(140 442)	-	140 442	-	(2 494)	-	2 494	-
Transfer from stage 2 to stage 3	-	(75 901)	75 901	-	-	(14 706)	14 706	-
Transfer from stage 2 to stage 1	1 008 138	(1 008 138)	-	-	33 883	(33 883)	-	-
Transfer from stage 3 to stage 2		27 491	(27 491)	-	-	5 691	(5 691)	-
Transfer from stage 3 to stage 1	26 470	-	(26 470)	-	3 375	-	(3 375)	-
Opening balance after transfer *	26 327 192	3 342 699	1 787 644	31 457 535	369 691	309 207	679 860	1 358 758
Current period provision created / (released)	-	-	-	-	-	-	-	-
Change in exposure of back book in the current year	-	-	-	-	-	-	-	-
- Attributable to change in measurement basis	-	-	-	-	-	14 643	-	14 643
- Attributable to change in risk parameter	-	-	-	-	(131 945)	(19 908)	248 472	96 619
Change in exposure due to new business in the current year	2 383 617	(605 745)	152 520	1 930 392	31 890	26 951	13 807	72 648
Bad debts written off **	-	-	(173 377)	(173 377)	-	-	(173 377)	(173 377)
Amount as at 30 June 2022	28 710 809	2 736 954	1 766 787	33 214 550	269 636	330 893	768 762	1 369 291
Amortised cost	28 639 965	2 736 954	1 766 787	33 143 706	269 592	330 893	768 762	1 369 247
Fair value	70 844	-	-	70 844	44	-	-	44

Notes to the annual financial statements

for the year ended 30 June 2023 continued

11. Advances continued

* The reconciliations have 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 current year movement is split between new business and back book. The group transfers opening balances (back book) at the value as at 1 July based on the impairment stage at the end of the reporting period. Any change in exposure and additional ECL raised or released is included in the impairment stage as at the end of the reporting period. Exposures that are in the back book can move directly from stage 3 to stage 1 if the curing requirements have been met in a reporting period. The opening balances as at 1 July is transferred to the impairment stage at 30 June in the transfers section and the current year movements in the back book (changes in exposure and net movement on GCA and ECL provided/(released) are reflected separately in the reconciliation. The current year movement for stage 2 advances is split between exposure where there has been a change in the measurement basis from 12 months to lifetime ECL and changes in other risk parameters.

** Decrease in the advance as a result of write-off is equal to the decrease in ECL as exposures are 100% provided for before being written off. The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is N$354.5 million (2022: N$173.3 million).

Analysis of the gross advances and loss allowance on total advances per class:

Group - 2023	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Total Retail	18 577 476	2 503 444	1 310 644	22 391 564	143 484	155 193	590 939	889 616
FNB Commercial	5 298 634	280 583	424 746	6 003 963	51 630	73 863	198 720	324 213
Commercial vehicle finance	1 943 578	114 450	35 911	2 093 939	16 365	27 973	17 654	61 992
RMB Corporate and Investment banking	6 238 528	49 792	-	6 288 320	36 331	16 927	-	53 258
	32 058 216	2 948 269	1 771 301	36 777 786	247 810	273 956	807 313	1 329 079

Company - 2023	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Total Retail	18 486 167	2 487 661	1 292 927	22 266 755	143 477	154 463	583 656	881 596
FNB Commercial	5 295 534	280 583	424 746	6 000 863	51 624	73 863	198 720	324 207
Commercial vehicle finance	1 943 578	114 450	35 911	2 093 939	16 365	27 973	17 654	61 992
RMB Corporate and Investment banking	6 238 528	49 792	-	6 288 320	36 331	16 927	-	53 258
	31 963 807	2 932 486	1 753 584	36 649 877	247 797	273 226	800 030	1 321 053

Notes to the annual financial statements

for the year ended 30 June 2023 continued

11. Advances continued

Group - 2022	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Total Retail	17 868 393	2 036 853	1 237 095	21 142 341	158 504	160 611	504 843	823 958
FNB Commercial	4 918 476	589 346	497 904	6 005 726	45 307	126 211	221 568	393 086
Commercial vehicle finance	1 376 050	116 712	52 926	1 545 688	31 202	27 973	46 657	105 832
RMB Corporate and Investment banking	4 652 987	17 775	-	4 670 762	34 887	17 455	-	52 342
	28 815 906	2 760 686	1 787 925	33 364 517	269 900	332 250	773 068	1 375 218

Company - 2022	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Total Retail	17 763 296	2 013 121	1 215 957	20 992 374	162 582	154 911	500 537	818 030
FNB Commercial	4 918 476	589 346	497 904	6 005 726	45 307	126 211	221 568	393 086
Commercial vehicle finance	1 376 050	116 712	52 926	1 545 688	31 203	27 973	46 657	105 833
RMB Corporate and Investment banking	4 652 987	17 775	-	4 670 762	34 887	17 455	-	52 342
	28 710 809	2 736 954	1 766 787	33 214 550	273 979	326 550	768 762	1 369 291

Notes to the annual financial statements

for the year ended 30 June 2023 continued

12. Impairment of Advances

Analysis of the gross advances and loss allowance on total advances per class:

Group

	2023				2022			
	Loss allowance				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amount as at 30 June								
Included in the total loss allowance	**247 810**	**273 956**	**807 313**	**1 329 079**	**269 900**	**332 250**	**773 068**	**1 375 218**
On and off balance sheet exposure*	245 208	273 956	807 313	1 326 477	264 029	331 976	773 068	1 369 073
Letters of credit and guarantees	2 602	-	-	2 602	5 871	274	-	6 145
Components of total loss allowance								
- Forward looking information **	1 618	12 655	183	14 456	33 965	16 773	-	50 738
- Changes in models ^	(1 398)	(2 985)	-	(4 383)	1 495	(452)	-	1 043
- Interest on stage 3 advances "	-	-	301 551	301 551	-	-	284 544	284 544

Company

	2023				2022			
	Loss allowance				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amount as at 30 June								
Included in the total loss allowance	**247 797**	**273 226**	**800 030**	**1 321 053**	**269 636**	**330 893**	**768 762**	**1 369 291**
On and off balance sheet exposure*	245 195	273 226	800 030	1 318 451	263 764	330 619	768 762	1 363 145
Letters of credit and guarantees	2 602	-	-	2 602	5 872	274	-	6 146
Components of total loss allowance								
- Forward looking information **	1 618	12 655	183	14 456	33 965	16 773	-	50 738
- Changes in models ^	(1 398)	(2 985)	-	(4 383)	1 495	(452)	-	1 043
- Interest on stage 3 advances"	-	-	301 551	301 551	-	-	284 544	284 544

Notes to the annual financial statements
for the year ended 30 June 2023 continued

12. Impairment of Advances continued

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

** This represents the total ECL closing balance as at 30 June that is attributable to incorporating FLI macro information into the ECL calculations. For more detail on the process of incorporating FLI into the ECL calculation refer to the accounting policy note 9.4.

^ This represents the total ECL closing balance as at 30 June that is attributable to significant model changes, such as model recalibrations or changes in the impairment methodology used that has been approved by a governance body. The amount reflected is the additional ECL recognised at the point/date that the model change was implemented.

'' Cumulative balance as at 30 June.

Breakdown of impairment charge recognised during the year:

Group -2023

N$'000	Amortised cost	Fair value	Total
Increase in loss allowance	238 427	-	238 427
Recoveries of bad debts	(25 127)	-	(25 127)
Impairment of advances recognised during the period	213 300	-	213 300

Company - 2023

N$'000	Amortised cost	Fair value	Total
Increase in loss allowance	238 066	-	238 066
Recoveries of bad debts	(25 127)	-	(25 127)
Impairment of advances recognised during the period	212 939	-	212 939

Notes to the annual financial statements
for the year ended 30 June 2023 continued

12. Impairment of Advances continued

Breakdown of impairment charge recognised during the year:

Group -2022

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

Company - 2022

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

Notes to the annual financial statements
for the year ended 30 June 2023 continued

12. Impairment of Advances continued

Group - 2023

Reconciliation of the loss allowance on total advances per class:

N$'000	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other Retail	FNB Commercial	Commercial vehicle asset finance	RMB Corporate and Investment banking	Total
Amount as at 30 June 2022	371 981	56 182	64 685	263 520	67 588	393 087	105 833	52 342	1 375 218
Transfer to stage 1	77 437	9 489	12 859	45 880	21 911	45 307	31 203	34 887	278 973
Transfers to stage 2	92 514	6 546	5 045	25 009	22 424	126 211	27 973	17 455	323 177
Transfers to stage 3	202 030	40 147	46 781	192 631	23 253	221 569	46 657	-	773 068
Bad debts written off	(26 152)	(14 458)	(464)	(103 688)	(42 015)	(139 303)	(28 469)	-	(354 549)
Provision created/(released) for current period	89 244	24 654	(14 659)	103 224	49 974	70 429	(15 372)	916	308 410
Stage 1	(30 864)	14 839	(410)	(3 859)	(3 799)	6 322	(14 838)	1 445	(31 164)
Stage 2	(10 874)	-	1 478	747	12 304	(52 347)	-	(529)	(49 221)
Stage 3	130 982	9 815	(15 727)	106 336	41 469	116 454	(534)	-	388 795
Amount as at 30 June 2023	435 073	66 378	49 562	263 056	75 547	324 213	61 992	53 258	1 329 079
Stage 1	46 573	24 328	12 449	42 022	18 112	51 629	16 365	36 332	247 810
Stage 2	81 640	6 546	6 523	25 756	34 728	73 864	27 973	16 926	273 956
Stage 3	306 860	35 504	30 589	195 279	22 707	198 720	17 654	-	807 313

Notes to the annual financial statements
for the year ended 30 June 2023 continued

12. Impairment of Advances continued

Company - 2023

Reconciliation of the loss allowance on total advances per class:

N$'000	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other Retail	FNB Commercial	Commercial vehicle asset finance	RMB Corporate and Investment banking	Total
Amount as at 30 June 2022	366 054	56 182	64 685	263 520	67 589	393 087	105 833	52 342	1 369 292
Transfers to stage 1	77 437	9 489	12 859	45 880	21 912	45 307	31 203	34 887	278 974
Transfers to stage 2	90 893	6 546	5 045	25 009	22 424	126 211	27 973	17 455	321 556
Transfers to stage 3	197 724	40 147	46 781	192 631	23 253	221 569	46 657	-	768 762
Bad debts written off	(26 152)	(14 458)	(464)	(103 688)	(42 015)	(139 303)	(28 469)	-	(354 549)
Provision created/(released) for current period	87 145	24 654	(14 660)	103 225	49 973	70 429	(15 372)	916	306 310
Stage 1	(30 877)	14 839	(410)	(3 858)	(3 800)	6 322	(14 838)	1 445	(31 177)
Stage 2	(9 983)	-	1 478	747	12 304	(52 347)	-	(529)	(48 330)
Stage 3	128 005	9 815	(15 728)	106 336	41 469	116 454	(534)	-	385 817
Amount as at 30 June 2023	427 047	66 378	49 561	263 057	75 547	324 213	61 992	53 258	1 321 053
Stage 1	46 560	24 328	12 449	42 022	18 112	51 629	16 365	36 332	247 797
Stage 2	80 910	6 546	6 523	25 756	34 728	73 864	27 973	16 926	273 226
Stage 3	299 577	35 504	30 589	195 279	22 707	198 720	17 654	-	800 030

Notes to the annual financial statements

for the year ended 30 June 2023 continued

12. Impairment of Advances continued

Group - 2022

Reconciliation of the loss allowance on total advances per class:

N$'000	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other Retail	FNB Commercial	Commercial vehicle asset finance	RMB Corporate and Investment banking	Total
Amount as at 30 June 2021	323 150	78 427	54 494	216 678	63 825	471 449	103 781	52 536	1 364 340
Transfer to stage 1	78 609	38 856	13 189	44 666	21 622	101 429	35 628	14 870	348 869
Transfers to stage 2	83 386	6 047	4 628	28 094	13 465	146 585	23 510	37 666	343 381
Transfers to stage 3	161 155	33 524	36 677	143 918	28 738	223 435	44 643	-	672 090
Bad debts written off	(14 108)	-	(467)	(52 062)	(25 592)	(76 220)	(4 928)	-	(173 377)
Provision created/(released) for current period	62 441	(22 244)	10 657	98 905	29 851	(2 142)	6 981	(194)	184 255
Stage 1	(1 173)	(14 528)	(330)	1 215	(8 312)	(71 451)	(19 263)	6 553	(107 289)
Stage 2	(1 911)	1 804	1 887	1 501	29 494	(5 044)	4 463	(6 747)	25 447
Stage 3	65 525	(9 520)	9 100	96 189	8 669	74 353	21 781	-	266 097
Amount as at 30 June 2022	371 981	56 182	64 684	263 521	68 084	393 087	105 834	52 342	1 375 218
Stage 1	77 437	9 489	12 859	45 880	21 911	45 307	31 203	34 887	278 973
Stage 2	92 514	6 546	5 045	25 009	22 424	126 211	27 973	17 455	323 177
Stage 3	202 030	40 147	46 781	192 631	23 253	221 569	46 657	-	773 068

Notes to the annual financial statements
for the year ended 30 June 2023 continued

12. Impairment of Advances continued

Company - 2022

Reconciliation of the loss allowance on total advances per class:

N$'000	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other Retail	FNB Commercial	Commercial vehicle asset finance	RMB Corporate and Investment banking	Total
Amount as at 30 June 2021	342 552	78 427	54 494	218 678	36 840	471 448	103 792	52 537	1 358 768
Transfers to stage 1	103 160	38 856	13 189	46 666	5 455	101 428	35 639	14 870	359 263
Transfers to stage 2	82 897	6 047	4 628	28 094	14 460	146 585	23 510	37 667	343 888
Transfers to stage 3	156 495	33 524	36 677	143 918	16 925	223 435	44 643	-	655 617
	-	-	-	-	-	-	-	-	-
Bad debts written off	(14 108)	-	(467)	(52 062)	(25 592)	(76 220)	(4 928)	-	(173 377)
Provision created/(released) for current period	62 096	(22 244)	10 657	98 905	29 851	(2 142)	6 981	(194)	183 910
Stage 1	(1 173)	(14 528)	(330)	1 215	(8 312)	(71 451)	(19 263)	6 553	(107 289)
Stage 2	(1 911)	1 804	1 887	1 501	29 494	(5 044)	4 463	(6 747)	25 447
Stage 3	65 180	(9 520)	9 100	96 189	8 669	74 353	21 781	-	265 752
	-	-	-	-	-	-	-	-	-
Amount as at 30 June 2022	366 054	56 182	64 685	263 520	67 588	393 087	105 835	52 342	1 369 291
Stage 1	77 437	9 489	12 859	45 880	21 912	45 307	31 203	34 887	278 974
Stage 2	90 893	6 546	5 045	25 009	22 424	126 211	27 972	17 455	321 555
Stage 3	197 724	40 147	46 781	192 631	23 253	221 569	46 657	-	768 762

Notes to the annual financial statements

for the year ended 30 June 2023 continued

13. Other assets

	Group		Company	
N$'000	2023	2022	2023	2022
Items in transit	68 468	127 398	68 479	129 045
Deferred staff cost	3 273	19 905	3 273	19 905
Property in possession	45 777	66 595	45 777	66 595
Prepayments	78 895	72 913	78 895	72 909
Other receivable	45 704	29 023	44 961	28 919
Loss allowance	(5 100)	(639)	(5 075)	(614)
Total other assets	237 011	315 195	236 304	316 759
Split between non-current and current portions				
Current assets	237 006	315 195	236 299	316 759
Financial instrument and non-financial instrument components of other assets				
Financial instruments	89 702	161 737	89 623	161 735
Non-financial instruments	147 309	153 458	146 681	155 024
	237 011	315 195	236 304	316 759

Information about the credit quality of the above balances is set out in the risk management note 27.

The carrying value of other assets approximates the fair value.

ECL for other assets is N$5.1 million (2022: N$0.64 million).

Notes to the annual financial statements
for the year ended 30 June 2023 continued

14. Investment in subsidiary

Significant subsidiary

N$'000	Nature of business	Date of acquisition	Country of incorporation	Listed/ unlisted	% 2023	% 2022
Swabou Investments (Pty) Ltd	Property finance	1-Jul-03	Namibia	Unlisted	100	100
Swabou Investments (Pty) Ltd						
Aggregate income of subsidiary (before tax)					2 057	(6 211)
Total indebtedness					158 405	182 892
Total investment					158 405	182 892

Interest paid by Swabou Investments (Pty) Ltd to First National Bank of Namibia Limited totalled N$10.7 million (2022: N$5.1 million).

Swabou investment (Pty) Ltd paid a dividend to First National Bank of Namibia of N$ Nil (2022: N$90 million).

Notes to the annual financial statements

for the year ended 30 June 2023 continued

15. Property and equipment

Group

	2023			2022		
N$'000	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Freehold land and buildings	710 010	(72 207)	637 803	711 028	(63 980)	647 048
Leasehold property	76 040	(47 391)	28 649	65 463	(45 899)	19 564
Right of use asset	73 764	(40 782)	32 982	111 124	(76 312)	34 812
Capitalised lease equipment	12 289	(12 289)	-	12 289	(12 289)	-
Computer equipment	365 007	(236 469)	128 538	367 540	(259 275)	108 265
Furniture and fittings	213 491	(149 019)	64 472	209 628	(138 956)	70 672
Motor vehicles	6 827	(3 756)	3 071	7 855	(4 992)	2 863
Office equipment	117 287	(106 693)	10 594	113 048	(107 442)	5 606
Total	1 574 715	(668 606)	906 109	1 597 975	(709 145)	888 830

Company

	2023			2022		
N$'000	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Freehold land and buildings	635 359	(55 980)	579 379	635 082	(47 185)	587 897
Leasehold property	76 040	(47 391)	28 649	65 321	(45 761)	19 560
Right of use asset	73 764	(40 782)	32 982	111 124	(76 312)	34 812
Capitalised lease equipment	12 289	(12 289)	-	12 289	(12 289)	-
Computer equipment	365 002	(236 467)	128 535	367 377	(259 117)	108 260
Furniture and fittings	212 562	(148 732)	63 830	209 260	(138 638)	70 622
Motor vehicles	6 827	(3 756)	3 071	7 816	(4 953)	2 863
Office equipment	117 110	(106 637)	10 473	111 797	(106 330)	5 467
Total	1 498 953	(652 034)	846 919	1 520 066	(690 585)	829 481

Notes to the annual financial statements
for the year ended 30 June 2023 continued

15. Property and equipment continued

Reconciliation of property and equipment

Group - 2023

N$'000	Opening balance	Additions	Disposals	Depreciation	Total
Freehold land and buildings	647 048	3 029	(1 833)	(10 441)	637 803
Leasehold property	19 564	12 909	(103)	(3 721)	28 649
Furniture and fixtures	70 672	13 915	(671)	(19 444)	64 472
Motor vehicles	2 863	1 136	(717)	(211)	3 071
Office equipment	5 606	8 415	(6)	(3 421)	10 594
Computer equipment	108 265	59 826	(416)	(39 137)	128 538
Right of use asset	34 812	19 841	(488)	(21 183)	32 982
	888 830	119 071	(4 234)	(97 558)	906 109

Group - 2022

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

Notes to the annual financial statements
for the year ended 30 June 2023 continued

15. Property and equipment continued

Reconciliation of property and equipment

Company - 2023

N$'000	Opening balance	Additions	Disposals	Depreciation	Total
Freehold land and buildings	587 897	536	(73)	(8 981)	579 379
Leasehold property	19 560	12 908	(98)	(3 721)	28 649
Right of use asset	34 812	19 841	(488)	(21 183)	32 982
Computer equipment	108 260	59 826	(415)	(39 136)	128 535
Furniture and fixtures	70 622	13 124	(665)	(19 251)	63 830
Motor vehicles	2 863	1 136	(717)	(211)	3 071
Office equipment	5 467	8 401	(7)	(3 388)	10 473
	829 481	115 772	(2 463)	(95 871)	846 919

Company - 2022

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

Notes to the annual financial statements
for the year ended 30 June 2023 continued

15. Property and equipment continued

Net carrying amounts of leased assets

	Group		Company	
N$'000	2023	2022	2023	2022
Leasehold property	28 649	19 564	28 649	19 560
IT equipment	(8 251)	(4 983)	(8 251)	(4 983)
	20 398	14 581	20 398	14 577

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.

Notes to the annual financial statements
for the year ended 30 June 2023 continued

16. Intangible assets

Group

	2023			2022		
N$'000	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Trademarks	380 713	(380 713)	-	380 713	(370 221)	10 492
Software	29 931	(14 470)	15 461	60 010	(51 014)	8 996
Goodwill	47 967	-	47 967	47 967	-	47 967
Total	458 611	(395 183)	63 428	488 690	(421 235)	67 455

Company

	2023			2022		
N$'000	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Trademarks	354 099	(354 099)	-	354 099	(343 608)	10 491
Software	29 931	(14 470)	15 461	60 010	(51 014)	8 996
Goodwill	47 967	-	47 967	47 967	-	47 967
Total	431 997	(368 569)	63 428	462 076	(394 622)	67 454

Notes to the annual financial statements

for the year ended 30 June 2023 continued

16. Intangible assets continued

Reconciliation of intangible assets:

Group - 2023

	Opening balance	Additions	Amortisation	Total
Trademarks	10 492	-	(10 492)	-
Software	8 996	11 585	(5 120)	15 461
Goodwill	47 967	-	-	47 967
	67 455	11 585	(15 612)	63 428

Reconciliation of intangible assets:

Group - 2022

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

Notes to the annual financial statements
for the year ended 30 June 2023 continued

16. Intangible assets continued

Reconciliation of intangible assets –

Company - 2023

	Opening balance	Additions	Amortisation	Total
Trademarks	10 492	-	(10 492)	-
Software	8 996	11 585	(5 120)	15 461
Goodwill	47 967	-	-	47 967
	67 455	11 585	(15 612)	63 428

Company - 2022

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

impairment of goodwill

For impairment testing purposes goodwill is allocated to cash generating units (CGU) at the lowest level of operating activity (business) to which it relates and is therefore not combined at group level.

When testing for impairment the recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one year period. Cash flows beyond one year are extrapolated using the estimated growth rate of the CGU. The growth rate does not exceed the long-term average past growth rate for the business in which the CGU operates.

The discount rate used is the weighted average cost of capital for the specific segment adjusted for specific risks relating to the segment. Some of the other assumptions include investment returns expense inflation rates tax rates and new business growth. Discount rate 14.6% (2022: 14.6%) and growth rate 2.8% (2022: 3.9%)

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

Notes to the annual financial statements
for the year ended 30 June 2023 continued

17. Deferred tax

Deferred tax liability

	Group		Company	
N$'000	2023	2022	2023	2022
Deferred tax liability	295 762	120 683	296 487	121 492
Opening balance	120 683	76 141	121 492	76 576
- (Credit)/Charge to profit or loss	172 246	45 220	172 162	45 594
- Deferred tax on amounts charged directly to other comprehensive income	2 838	(678)	2 838	(678)
Total deferred income tax liability	**295 767**	**120 683**	**296 492**	**121 492**

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 carrying amount of deferred tax assets is reviewed at each reporting date and is supported by future cash flow forecasts.

Tax losses have no expiry date.

Notes to the annual financial statements

for the year ended 30 June 2023 continued

17. Deferred tax continued

Reconciliation of deferred tax

	Group		Company	
N$'000	2023	2022	2023	2022
Deductible temporary differences				
Provision for loan impairment	(125 146)	(144 191)	(124 959)	(144 127)
Provision for post-employement benefits	(14 627)	(13 870)	(14 627)	(13 870)
Other provisions	137 080	124 265	132 280	119 673
Financial instruments	(27 024)	(25 796)	(27 024)	(25 796)
Instalment credit assets	51 446	53 385	51 446	53 385
Accruals	279 874	136 371	279 874	136 371
Financial instruments at fair value through other comprehensive income	2 155	(678)	2 155	(678)
Share-based payment	(2 653)	(3 465)	(2 653)	(3 465)
Other	(5 338)	(5 338)	-	-
Total deferred tax liability	295 767	120 683	296 492	121 492
Charge through profit and loss	172 246	45 220	172 162	45 594
Deferred income tax on other comprehensive income	2 838	(678)	2 838	(678)
	175 084	44 540	175 000	44 916

Notes to the annual financial statements
for the year ended 30 June 2023 continued

18. Creditors and accruals

Creditors and accruals

	Group		Company	
N$'000	2023	2022	2023	2022
Items in transit	355 462	240 216	355 459	240 203
Audit fees accrued	7 560	3 455	7 162	3 084
Accrued expenses	33 410	50 643	33 410	50 560
Accounts payable and accrued liabilities	424 239	545 818	424 527	549 273
	820 671	840 132	820 558	843 120

The carrying value of creditors and accruals approximate fair value.

19. Short trading position

	Group		Company	
N$'000	2023	2022	2023	2022
Government and government guaranteed stock	-	31 864	-	31 864

Notes to the annual financial statements

for the year ended 30 June 2023 continued

20. Deposits

	Group		Company	
N$'000	2023	2022	2023	2022
Deposits from customers				
Current accounts	15 201 915	13 097 993	15 199 993	13 095 523
Call deposits	9 885 854	8 431 048	9 885 854	8 431 048
Savings deposits	649 975	586 327	649 975	586 327
Fixed and notice deposits	11 231 655	9 710 397	11 231 655	9 710 397
Total deposits	36 969 399	31 825 765	36 967 477	31 823 295
Debt securities				
Negotiable certificates of deposit	5 721 924	5 080 383	5 721 924	5 080 383
Fixed and floating rate notes	353 776	395 968	353 776	395 968
	6 075 700	5 476 351	6 075 700	5 476 351
Geographical analysis (based on counterparty risk)				
Namibia	43 045 099	37 302 116	43 043 177	37 299 646
Due to banks and other financial instutions				
In the normal course of business	7 477 181	7 228 335	7 477 181	7 228 335
Geographical analysis (based on counterparty risk)				
South Africa	7 477 181	7 228 335	7 477 181	7 228 335
Total Deposit	50 522 280	44 530 451	50 520 358	44 527 981

Notes to the annual financial statements

for the year ended 30 June 2023 continued

21. Employee liabilities

	Group		Company	
N$'000	2023	2022	2023	2022
Liability for short-term employee liabilities	211 701	185 738	211 701	185 738
Defined contribution post-employment benefit liabilities	36 808	43 343	36 808	43 343
	248 509	229 081	248 509	229 081

Defined contribution post-employment benefit liabilities

1. The group has a liability to subsidise the post-retirement medical expenditure of certain of its employees which constitutes a defined benefit plan. All employees who join the employ of the group on or after 1 December 1998 are not entitled to the post retirement medical aid subsidy.

   The actuarial method used to value the liabilities is the projected unit credit prescribed by IAS 19 Employee Benefits. The liability is measured as the present value of the group's share of contributions to the medical scheme. Continuing member contributions are projected into the future year using the assumption rate of health care cost inflation and are then discounted back using the discount rate. The group subsidises medical aid contributions for all eligible members at various rates.

2. A severance pay provision is carried in terms of the Labour Act of 2007 and relates to when employment services are terminated by dismissal under certain circumstances or if employees die while employed.

3. The medical plan is regulated by Namfisa. The medical fund is governed by a board of trustees independent of the group. An external auditor performs an audit of the fund on an annual basis.

The employer contributed N$2.7 million (2022: N$2.4 million) to the post-retirement medical benefit.

The severance pay liability is unfunded and is valued using the projected unit credit method prescribed by IAS 19 Employee Benefits.

The independent actuarial valuations are done on an annual basis.

Notes to the annual financial statements
for the year ended 30 June 2023 continued

21. Employee liabilities continued

Group and Company

N$'000	2023 Medical	2023 Severance	2023 Total	2022 Medical	2022 Severance	2022 Total
Present value of unfunded liabilities	30 121	6 687	36 808	36 505	6 838	43 343

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

Group and Company

N$'000	2023 Medical	2023 Severance	2023 Total	2022 Medical	2022 Severance	2022 Total
Current service cost	263	529	792	263	551	814
Interest cost	4 154	920	5 074	3 446	859	4 305
Included in staff cost	4 417	1 449	5 866	3 709	1 410	5 119
Recognised in other comprehensive income						
Actuarial (gains) / loss recognised	(7 779)	(1 090)	(8 869)	1 948	(507)	1 441
Total	(3 362)	359	(3 003)	5 657	903	6 560

Movement in post-employment liabilities

Group and Company

N$'000	2023 Medical	2023 Severance	2023 Total	2022 Medical	2022 Severance	2022 Total
Present value at beginning of the year	36 505	6 838	43 343	33 203	6 604	39 807
Current service cost	263	529	792	263	551	814
Interest cost	4 154	920	5 074	3 446	859	4 305
Benefits paid	(3 022)	(510)	(3 532)	(2 355)	(669)	(3 024)
Actuarial (gains) / loss from changes in financial assumptions	(7 779)	(1 090)	(8 869)	1 948	(507)	1 441
Present value at end of the year	30 121	6 687	36 808	36 505	6 838	43 343

Notes to the annual financial statements
for the year ended 30 June 2023 continued

21. Employee liabilities continued

The sensitivity analysis illustrates how the value of the liability would change in response to certain changes in actuarial assumptions

	Company	
N$'000	2023	2022
1% increase - effect in current and service cost and interest cost	4 161	4 905
1% decrease- effect in current and service cost and interest cost	3 458	3 999
1% increase - effect in current and service cost and interest cost	1 717	1 631
1% decrease - effect in current and service cost and interest cost	1 451	1 364

The principal actuarial assumptions used for accounting purposes were:

Group and Company

	2023		2022	
N$'000	Medical	Severance	Medical	Severance
Discount rate (%)	12.46%	14.11%	11.77%	12.78%
Medical aid inflation (%)	8.22%	-	8.69%	-
Salary inflation (%)	-	9.69%	-	9.61%
Employees covered	96	2 093	100	1 991

Notes to the annual financial statements

for the year ended 30 June 2023 continued

22. Other liabilities

N$'000	Group 2023	Group 2022	Company 2023	Company 2022
Other liabilities reconcilliaiton				
Lease liabilities	35 308	38 776	35 308	38 776
Other funding liabilities	126 132	157 203	126 132	157 203
Total other liabilities	161 440	195 979	161 440	195 979
Opening balance	195 979	238 281	195 979	238 281
Cash flow movements	(56 185)	(57 575)	(56 185)	(57 575)
- Principal payments towards other liabilities	(21 058)	(23 042)	(21 058)	(23 042)
- Principal payments towards lease liabilities	(21 852)	(23 065)	(21 852)	(23 065)
- Interest paid on other liabilities	(11 002)	(8 963)	(11 002)	(8 963)
- Interest paid on lease liabilities	(2 273)	(2 505)	(2 273)	(2 505)
Non-cash flow movements	21 646	15 273	21 646	15 273
- New leases issued during the year	22 305	14 628	22 305	14 628
- Early termination of lease	(3 922)	3 279	(3 922)	3 279
- Interest accrued	3 263	(2 634)	3 263	(2 634)
Total other liabilities	161 440	195 979	161 440	195 979

The group's significant operating leases relate to property rentals of office premises and the various branch network channels represented by branches and ATM's. The rentals have fixed monthly payments. Escalation clauses are based on market-related rates and vary between 5% and 10%.

The leases are usually for a period of one to five years. The leases are non-cancellable and some of the leases have an option to renew for a further leasing period at the end of the original lease term.

Restrictions are more of an exception than the norm and usually relate to the restricted use of the asset for the business purposes specified in the lease contract.

Notes to the annual financial statements

for the year ended 30 June 2023 continued

23. Share capital

N$'000	Group 2023	Group 2022	Company 2023	Company 2022
Authorised				
4000 Ordinary shares with a par value of N$1 per share	4	4	4	4
Issued				
1 200 (2022: 1 200) ordinary shares with a par value of N$1 per share	1	1	1	1
Share premium	1 142 791	1 142 791	1 142 791	1 142 791
	1 142 792	1 142 792	1 142 792	1 142 792

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

24. Contingent liabilities and capital commitments

N$'000	2023	2022
Contingencies		
Guarantees *	1 728 920	1 886 062
Letters of credit	145 301	60 325
Total contingencies	1 874 221	1 946 387
Irrevocable unutilised facilities	2 360 573	2 373 024
Committed capital expenditure	50 410	133 959
Total contingencies and commitments	4 285 204	4 453 370

* Guarantees consist predominantly of endorsement and performance guarantees. The fair value of guarantees approximates the face value as disclosed.

Legal proceedings

There are a number of legal or potential claims against the group the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or group basis.

Provision is made for all liabilities which are expected to materialise.

Commitments in respect of capital expenditure and long-term investments are approved by the directors.

Notes to the annual financial statements
for the year ended 30 June 2023 continued

25. Related parties

First National Bank of Namibia Limited is 100% (2022:100%) owned by FirstRand Namibia Limited.

FirstRand Namibia Limited is listed on the Namibian Stock Exchange and is 58.4% (2022: 58.4%) owned by FirstRand EMA Holdings (Proprietary) Limited with its ultimate holding company FirstRand Limited which is incorporated in South Africa listed on the JSE Limited and on the NSX. Refer to section 2.2 of the accounting policies.

Details of transactions with relevant related parties appear below:

N$'000	2023	2022
Related party balances		
Advances and balances due from banks and other financial institutions		
FirstRand SA group companies	9 468 313	8 636 081
Fellow subsidiary to banking group	3 769	32 923
Key management personnel	16 379	20 186
Other assets		
FirstRand SA group companies	20	334
Derivative assets		
FirstRand SA group companies	84 908	60 118
Deposits and balances due to banks and other financial institutions		
FirstRand SA group companies	7 477 181	7 218 689
Fellow subsidiaries to banking group	844 426	406 448
Key management personnel	2 484	8 695
Derivative Liabilities		
FirstRand SA group companies	308 010	52 994

Notes to the annual financial statements
for the year ended 30 June 2023 continued

25. Related parties continued

N$'000	2023	2022
Related party transactions		
Interest received from related parties		
FirstRand SA group companies	565 697	187 698
Fellow subsidiaries to banking group	1 775	2 119
Interest paid		
FirstRand SA group companies	489 405	118 378
Fellow subsidiaries to banking group	36 632	12 823
Non-interest revenue		
Fellow subsidiaries to banking group	9 691	5 278
Non-interest expenditure (Information Technology platform and other support services)		
FirstRand SA group companies	443 755	386 707
Dividend paid		
Parent	1 871 035	672 668
Compensation to directors and other key management		
Key management personnel		
- Cash package	21 768	23 301
- Retirement contributions	3 250	3 390
- Performance-related benefits	12 746	11 085

Notes to the annual financial statements

for the year ended 30 June 2023 continued

26. Fair value measurements

26.1 Valuation methodology

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

26.2 Fair value hierarchy and measurements

Measurement of assets and liabilities at level 2 and level 3:

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

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs of Level 2	Unobservable inputs of Level 3
Investment banking book	Discounted cash flows	Certain of the group's investment banking advances do not meet the requirements to be carried at amortised cost and are measured at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances. As such, these advances are classified as level 3 on the fair value hierarchy. Future cash flows are discounted using a market related interest rate, adjusted for credit inputs.	Market interest rates and curves	Not applicable
		Investment securities and other investments		
Equities / bonds listed in an inactive market	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e. Level 1). However if the market is not active and the listed price is not representative of fair value, these are classified as Level 2 and a valuation technique is used, for example the discounted cash flow is used for listed bonds. This will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable
Unlisted bonds	Price earnings ("P/E" model	Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate.	Market transactions	Not applicable
Negotiable certificates of deposit	Discounted cash flows	The future cash flows are discounted using a market related interest rate. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and curves	Not applicable
Treasury bills	Discounted cash flows	The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable

Notes to the annual financial statements
for the year ended 30 June 2023 continued

26. Fair value measurements continued

26.2 Fair value hierarchy and measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs of Level 2	Unobservable inputs of Level 3
		Derivative financial instruments		
Forward rate agreements, forwards and swaps	Discounted cash flow	Future cash flows are projected using a related forecasting curve and then discounted using a market-related discounting curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates, credit and currency basis curves and spot prices	Market interest rates, credit and currency basis curves
Options and equity derivatives	Option pricing and industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and by applying extrapolation techniques to match the appropriate risk profile.	Strike price of the option, market-related discount rate, spot or forward rate, the volatility of the underlying, dividends and listed share prices	Volatilities, dividends and unlisted share prices
		Deposits		
Call and non-term deposits	None - the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand i.e. the undiscounted amount of the deposit.	None - the undiscounted amount approximates fair value and no valuation is performed	Not applicable
Deposits that represent collateral on credit linked notes	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs on related advance
Other deposits	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs
Other liabilities	Discounted cash flows	The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	The future cash flows are discounted using a market related interest rate and curves adjusted for credit inputs.	Market interest rates and curves	Credit inputs

Notes to the annual financial statements
for the year ended 30 June 2023 continued

26. Fair value measurements continued

26.2 Fair value hierarchy and measurements continued

The group has elected to designate certain investment banking book advances at fair value through profit or loss. The designation is on a deal basis. Credit risk is not observable and has significant impact on the fair value measurement of these advances and as such these advances are classified as Level 3 on the fair value hierarchy.

Non financial instruments

Fair value hierarchy and measurements
For non recurring fair value measurements the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above the technique applied and the inputs into the model would be in line with those as set out in the table. Where the underlying assets or liabilities are not items for which recurring fair value measurements are required for example property and equipment or intangible assets the carrying value is considered to be equal to or a reasonable approximation of the fair value. This will be assessed per transaction and details will be provided in the relevant notes. There were no assets or liabilities measured at fair value on a non recurring basis in the current and prior year.

The following table presents the fair value measurements and fair value hierarchy of assets and liabilities of the group which are recognised at fair value:

2023

N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities	-	-	449 365	449 365
Derivative financial instruments	-	375 785	-	375 785
Total financial assets	-	375 785	449 365	825 150
Liabilities				
Recurring fair value measurement				
Derivative financial instruments	-	404 096	-	404 096
	-	404 096	-	404 096

Notes to the annual financial statements
for the year ended 30 June 2023 continued

26. Fair value measurements continued

2022

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

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.

Notes to the annual financial statements

for the year ended 30 June 2023 continued

26. Fair value measurements continued

Sensitivity of fair values to changing significant assumptions to reasonably possible alternatives continued

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$Nil miilion (2022: N$78 million) and using more negative reasonable possible assumptions to N$Nil million (2022: N$64 million). These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

Changes in level 3 instruments with recurring fair value measurements

N$'000	Fair value as at June 2022	Gains or losses recognised in profit or loss	Purchases / (sales) / issues / (settlements)	Fair value as at June 2023
Advances	70 844	648	(71 492)	-
Total financial assets at fair value	70 844	648	(71 492)	-

N$'000	Fair value as at June 2021	Gains or losses recognised in profit or loss	Purchases / (sales) / issues / (settlements)	Fair value as at June 2022
Advances	241 294	7 319	(177 769)	70 844
Total financial assets at fair value	241 294	7 319	(177 769)	70 844

Notes to the annual financial statements
for the year ended 30 June 2023 continued

26. 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.

	2023		2022	
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	648	-	7 319	-
Total financial assets at fair value	648	-	7 319	-

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.

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.

	2023			2022		
N$'000	Carrying value	Fair value hierarchy level 2	Fair value hierarchy level 3	Carrying value	Fair value hierarchy level 2	Fair value hierarchy level 3
Advances	35 448 745	-	35 387 568	31 989 299	-	31 988 414
Total investment securities at amortised cost	9 376 281	9 315 720	-	7 109 844	6 848 486	-
	44 825 026	9 315 720	35 387 568	39 099 143	6 848 486	31 988 414
Total deposits at amortised cost	43 045 099	32 177 285	10 833 307	37 302 116	28 480 325	8 881 818
Other liabilities	126 133	125 428	-	157 203	155 798	-
	43 171 232	32 302 712	10 833 307	37 459 319	28 636 123	8 881 818

Notes to the annual financial statements

for the year ended 30 June 2023 continued

26. 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.

	2023			2022		
	Change in fair value due to credit risk			Change in fair value due to credit risk		
N$'000	Fair value	Current period	Cumulative	Fair value	Current period	Cumulative
Advances	-	-	-	70 844	(1 081)	44
Total	-	-	-	70 844	(1 081)	44

The change in the fair value of these liabilities due to own credit risk is not material.

Effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonably possible alternatives.

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs:

Asset/liability	Significant unobservable inputs	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%

Notes to the annual financial statements
for the year ended 30 June 2023 continued

26. Fair value measurements continued

	2023			2022		
	Reasonably possible alternative fair value			Reasonably possible alternative fair value		
N$'000	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
Advances	-	-	-	70 844	77 928	63 760
Total financial assets measured at fair value in level 3	-	-	-	70 844	77 928	63 760

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management

The financial instruments recognised on the group's statement of financial position expose the group to various financial risks. The impact on each of the financial risks is decribed in the sub section below.

The risk report of the group appears on page 79 to 93 of this annual report. The report describes the various risks the group is exposed to as well as the methodology and instruments to mitigate these risks. The report includes the disclosures required by IFRS 7 related to the management of credit markets liquidity and interest rate risks. Capital management is dealt with in the Capital Management report. Risk control policies and exposures limits for key risk areas of the group are approved by the board while operational policies and control procedures are approved by the relevant risk committees. The following assets and off balance sheet amounts expose the group to credit risk. For all on balance sheet exposures the carrying amount recognised in the statement of financial position represents the maximum exposure to credit risk before taking into account collateral and other credit.

Credit risk

Objective

Credit risk managment objectives are two fold:

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

- Management: Credit risk is taken within the constraints of the risk appetite framework. The credit portolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions overseen by the group's credit risk management function in ERM and relevant board committees fulfill this role.

Based on the group's credit risk appetite as measured on the ROE NIACC and volatility of earnings basis credit risk management principle 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 riska appetite credit origianlation strategy risk quantifcation and measurement as well as collection and recovery of deliquent 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).

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

Credit risk continued

Assessment and management continued

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

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

Mapping of FR grades to rating agency scales:

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.

Credit risk managment objectives are two fold:

- **Risk control:** Appropriate limits are placed on the assumption of credit risk and steps are taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfill this task.
- **Management:** Credit risk is taken within the constraints of the risk appetite framework. The credit portolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions overseen by the group's credit risk management function in ERM and relevant board committees fulfill this role.

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:

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:

- 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;

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

Credit risk continued

Assessment and management continued

The table below sets out the maximum exposure to credit risk for financial assets at amortised cost and fair value through profit or loss and fair value through comprehensive income debt instruments.

Mapping of FR grades to rating agency scales:

Firstrand rating	Midpoint	RMB (rating based on S&P*)
FR 1 - 14	0.06%	AAA AA+ AA AA- A A-
FR 15 - 25	0.29%	BB+ BBB(upper) BBB BBB-(upper) BBB- BB+(upper)
FR 26 - 32	0.77%	BB+ BB(upper) BB BB-(upper)
FR 33 - 39	1.44%	BB- B+(upper)
FR 40 - 53	2.52%	B+
FR 54 - 83	6.18%	B(upper) B B-(upper)
FR 84 - 90	13.68%	B-
FR 91 - 99	59.11%	CCC
FR 100	100%	D (Defaulted)

Notes to the annual financial statements

for the year ended 30 June 2023 continued

27. Risk management continued

Credit assets

The following assets and off-balance sheet amounts expose the group to credit risk. For all on-balance sheet exposures the gross amount disclosed represents the maximum exposure to credit risk before taking into account collateral and other credit enhancements.

Total exposure (items where credit risk exposure exist)

	Group		Company	
N$'000	2023	2022	2023	2022
Total exposure (items where credit risk exposure exist)				
Cash and cash equivalents				
Balances with central bank	1 248 173	1 756 192	1 248 173	1 756 192
Total cash and cash equivalents	1 248 173	1 756 192	1 248 173	1 756 192
Due from banks and other financial institutions	9 468 313	9 231 508	9 468 313	9 231 508
Advances				
Residential mortgages	15 973 903	15 219 288	15 857 119	15 075 244
Vehicle asset finance	1 728 501	1 685 739	1 728 501	1 685 739
Credit card	482 533	418 582	482 533	418 582
Personal loans	2 854 569	2 549 152	2 854 569	2 549 152
Other retail	462 442	445 625	462 442	445 628
FNB Commercial	5 679 750	5 612 639	5 676 650	5 612 639
Commercial vehicle finance	2 031 947	1 439 855	2 031 947	1 439 855
RMB Corporate and Investment banking	6 235 062	4 618 420	6 235 063	4 618 420
Total advances	35 448 707	31 989 300	35 358 824	31 845 259
Derivative financial instruments	375 785	93 610	375 785	93 610
Debt investment securities				
Listed investment securities	5 189 130	4 619 929	5 189 130	4 619 929
Unlisted investment securities	4 637 086	2 683 026	4 637 086	2 683 026
Total debt investment securities	9 826 216	7 302 955	9 826 216	7 302 955
Guarantees	1 728 920	1 886 062	1 728 920	1 886 062
Letters of credit	145 301	60 325	145 301	60 325
Irrevocable commitments	2 360 573	2 373 024	2 360 573	2 373 024

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

Credit assets continued

The table below sets out the maximum exposure to credit risk for financial assets at amortised cost and fair value through profit or loss debt instruments.

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 represent the difference between the impairment recognised on the statement of financial position using the actual LGD and a proxy unsecured LGD for all secured portfolios. The proxy unsecured 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.

Group - 2023

N$'000	Carrying amount	Loss allowance	Maxium exposure to credit risk	Effects of financial collateral	Net exposure to credit risk	Unsecured	Secured
Total exposure (items where credit exposure exists)							
Cash and cash equivalents							
Balances with central bank	1 248 173	-	1 248 173	-	1 248 173	1 248 173	-
Total cash and cash equivalents	1 248 173	-	1 248 173	-	1 248 173	1 248 173	-
Due from banks and other financial institutions	9 468 313	-	9 468 313	-	9 468 313	9 468 313	-
Advances							
Residential mortgages	16 408 976	(435 073)	15 973 903	644 674	15 329 229	-	15 329 229
Vehicle and asset finance	1 794 879	(66 378)	1 728 501	40 618	1 687 883	-	1 687 883
Credit card	532 095	(49 562)	482 533	-	482 533	482 533	-
Personal loans	3 117 627	(263 058)	2 854 569	-	2 854 569	2 854 569	-
Other retail	537 987	(75 545)	462 442	-	462 442	462 442	-
FNB Commercial	6 003 963	(324 213)	5 679 750	24 748	5 655 002	3 810 553	1 844 449
FNB commercial vehicle finance	2 093 939	(61 992)	2 031 947	6 945	2 025 002	-	2 025 002
RMB Corporate and Investment banking	6 288 320	(53 258)	6 235 062	233 767	6 001 295	1 688 425	4 312 866
Total advances	36 777 786	(1 329 079)	35 448 707	950 752	34 497 955	9 298 522	25 199 429
Investment securities	9 830 870	(4 654)	9 826 216	-	9 826 216	9 826 216	-
Derivatives	375 785	-	375 785	-	375 785	375 785	-
Other assets	237 006	-	237 006	-	237 006	237 006	-
Off balance sheet exposures							
Guarantees	1 728 920	-	1 728 920	-	1 728 920	1 728 920	-
Letters of credit	145 301	-	145 301	-	145 301	145 301	-
Irrevocable commitments	2 360 573	-	2 360 573	-	2 360 573	2 360 573	-

Notes to the annual financial statements

for the year ended 30 June 2023 continued

27. Risk management continued

Credit assets continued

Group - 2022

N$'000	Carrying amount	Loss allowance	Maximum exposure to credit risk	Effects of financial collateral	Net exposure to credit risk	Unsecured	Secured
Total exposure (items where credit exposure exists)							
Cash and cash equivalents							
Balances with central bank	1 756 192	-	1 756 192	-	1 756 192	1 746 192	-
Total cash and cash equivalents	1 756 192	-	1 756 192	-	1 756 192	1 746 192	-
Due from banks and other financial institutions	9 231 508	-	9 231 508	-	9 231 508	9 231 508	-
Advances							
Residential mortgages	15 591 269	(371 981)	15 219 288	966 375	14 252 913	-	14 252 913
Vehicle and asset finance	1 741 921	(56 182)	1 685 739	22 031	1 663 708	-	1 663 708
Credit card	483 267	(64 685)	418 582	-	418 582	418 582	-
Personal loans	2 812 672	(263 520)	2 549 152	-	2 549 152	2 549 152	-
Other retail	513 212	(67 588)	445 624	-	445 624	445 624	-
FNB Commercial	6 005 726	(393 087)	5 612 639	19 406	5 593 233	3 666 124	1 927 109
FNB commercial vehicle finance	1 545 688	(105 833)	1 439 855	15 954	1 423 901	-	1 423 901
RMB Corporate and investment banking	4 670 762	(52 342)	4 618 420	385 428	4 232 992	1 589 230	2 643 762
Namibia	33 364 517	(1 375 218)	31 989 299	1 409 194	30 580 105	8 668 712	21 911 393
Investment securities	7 307 479	(4 524)	7 302 955	-	7 302 955	7 302 955	-
Derivatives	93 610	-	93 610	-	93 610	93 610	-
Other assets	315 195	-	315 195	-	315 195	315 195	-
Off-balance sheet exposures							
Guarantees	1 886 062	-	1 886 062	-	1 886 062	1 886 062	-
Letters of credit	60 325	-	60 325	-	60 325	60 325	-
Irrevocable commitments	2 373 024	-	2 373 024	-	2 373 024	2 373 024	-

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

Credit assets continued

Company - 2023

N$'000	Carrying amount	Loss allowance	Maxium exposure to credit risk	Effects of financial collateral	Net exposure to credit risk	Unsecured	Secured
Total exposure (items where credit exposure exists)							
Cash and cash equivalents							
Balances with central bank	1 248 173	-	1 248 173	-	1 248 173	1 248 173	-
Total cash and cash equivalents	1 248 173	-	1 248 173	-	1 248 173	1 248 173	-
Due from banks and other financial institutions	9 468 313	-	9 468 313	-	9 468 313	9 468 313	-
Advances							
Residential mortgages	16 284 166	(427 047)	15 857 119	644 674	15 212 445	-	15 212 445
Vehicle and asset finance	1 794 879	(66 378)	1 728 501	40 618	1 687 883	-	1 687 883
Credit card	532 095	(49 562)	482 533	-	482 533	482 533	-
Personal loans	3 117 628	(263 059)	2 854 569	-	2 854 569	2 854 569	-
Other retail	537 987	(75 545)	462 442	-	462 442	462 442	-
FNB Commercial	6 000 863	(324 213)	5 676 650	24 748	5 651 902	3 810 553	1 841 349
FNB commercial vehicle finance	2 093 939	(61 992)	2 031 947	6 945	2 025 002	-	2 025 002
RMB Corporate and Investment banking	6 288 320	(53 257)	6 235 063	233 767	6 001 296	1 688 425	4 312 866
Total advances	36 649 877	(1 321 053)	35 328 824	950 752	34 378 072	9 298 522	25 079 545
Investment securities	9 830 870	(4 524)	9 826 346	-	9 826 346	9 826 346	-
Derivatives	375 785	-	375 785	-	375 785	375 785	-
Other assets	236 299	-	236 299	-	236 299	236 299	-
Off balance sheet exposures							
Guarantees	1 728 920	-	1 728 920	-	1 728 920	1 728 920	-
Letters of credit	145 301	-	145 301	-	145 301	145 301	-
Irrevocable commitments	2 360 573	-	2 360 573	-	2 360 573	2 360 573	-

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

Credit assets continued

Company - 2022

N$'000	Carrying amount	Loss allowance	Maximum exposure to credit risk	Effects of financial collateral	Net exposure to credit risk	Unsecured	Secured
Total exposure (items where credit exposure exists)							
Cash and cash equivalents							
Balances with central bank	1 756 192	-	1 756 192	-	1 756 192	1 756 192	-
Total cash and cash equivalents	1 756 192	-	1 756 192	-	1 756 192	1 756 192	-
Due from banks and other financial institutions	9 231 508	-	9 231 508	-	9 231 508	9 231 508	-
Advances							
Residential mortgages	15 441 298	(366 054)	15 075 244	966 375	14 108 869	-	14 108 869
Vehicle and asset finance	1 741 921	(56 182)	1 685 739	22 031	1 663 708	-	1 663 708
Credit card	483 267	(64 685)	418 582	-	418 582	418 582	-
Personal loans	2 812 672	(263 520)	2 549 152	-	2 549 152	2 549 152	-
Other retail	513 216	(67 588)	445 628	-	445 628	445 628	-
FNB Commercial	6 005 726	(393 087)	5 612 639	19 406	5 593 233	3 666 124	1 927 109
Commercial vehicle finance	1 545 688	(105 833)	1 439 855	15 954	1 423 901	-	1 423 901
RMB Corporate and investment banking	4 670 762	(52 342)	4 618 420	385 428	4 232 992	1 589 230	2 643 762
Total advances	33 214 550	(1 369 291)	31 845 259	1 409 194	30 436 065	8 668 716	21 767 349
Investment securities	7 307 479	(2 675)	7 304 804	-	7 304 804	7 304 804	-
Derivatives	93 610	-	93 610	-	93 610	93 610	-
Accounts receivable	316 759	-	316 759	-	316 759	316 759	-
Off-balance sheet exposures							
Guarantees	1 886 062	-	1 886 062	-	1 886 062	1 886 062	-
Letters of credit	60 325	-	60 325	-	60 325	60 325	-
Irrevocable commitments	2 373 024	-	2 373 024	-	2 373 024	2 373 024	-

Notes to the annual financial statements

for the year ended 30 June 2023 continued

27. 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.

2023

	Group				Company			
	FR 33 - 90		FR 91 - 100		FR 33 - 90		FR 91 - 100	
N$'000	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
FNB Retail								
Stage 1	18 798 144	1 653 735	4 376	-	18 673 040	1 653 735	4 376	-
Stage 2	1 250 136	-	1 264 437	-	1 250 136	-	1 264 437	-
Stage 3	-	-	1 310 645	-	-	-	1 310 645	-
Total retail	20 048 280	1 653 735	2 579 458	-	19 923 176	1 653 735	2 579 458	-
FNB Commercial								
Stage 1	6 897 650	1 099 787	26 038	-	6 894 550	1 099 787	26 038	-
Stage 2	272 049	-	205 336	-	272 049	-	205 636	-
Stage 3	-	-	460 656	-	-	-	460 656	-
Total Commercial	7 169 699	1 099 787	692 030	-	7 166 599	1 099 787	692 330	-
RMB Corporate banking								
Stage 1	1 767 507	994 210	62	18 343	1 767 507	994 210	62	18 343
Stage 2	49 764	126 454	22	327	49 764	126 454	22	327
Stage 3	-	-	-	-	-	-	-	-
Total RMB Corporate banking	1 817 271	1 120 664	84	18 670	1 817 271	1 120 664	84	18 670
RMB Investment banking	-	-	-	-	-	-	-	-
Stage 1	4 470 959	419 351	-	-	4 470 959	419 351	-	-
Stage 2	-	-	-	-	-	-	-	-
Total RMB Investment banking	4 470 959	419 351	-	-	4 470 959	419 351	-	-

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

Quality of credit assets continued

2022

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

Notes to the annual financial statements

for the year ended 30 June 2023 continued

27. Risk management continued

Analysis of impaired advances (stage 3)

Group

N$'000	2023 Gross carrying amount	2023 Expected recovery from collateral	2023 Loss allowance	2022 Gross carrying amount	2022 Expected recovery from collateral	2022 Loss allowance
Total retail secured	1 025 633	714 857	310 959	939 339	697 161	242 178
- Residential mortgages	969 725	694 453	275 455	866 135	664 105	202 030
- Vehicle asset finance	55 908	20 404	35 504	73 204	33 056	40 148
Total retail unsecured	285 011	5 031	279 980	297 673	34 434	263 156
- Credit card	60 906	733	60 173	47 748	967	46 781
- Personal loans	196 085	1 775	194 310	224 400	31 769	192 631
- Other retail	28 020	2 523	25 497	25 525	1 698	23 744
Total corporate and commercial	460 657	244 283	216 374	550 913	282 687	268 226
- FNB commercial	424 746	226 026	198 720	497 904	276 335	221 569
- Commercial vehicle finance	35 911	18 257	17 654	53 009	6 352	46 657
- RMB corporate banking	-	-	-	-	-	-
Total stage 3	1 771 301	963 988	807 313	1 787 925	1 014 775	773 068
Stage 3 by category						
Overdraft and cash management	151 160	47 758	103 402	209 147	62 269	146 878
Term loans	206 120	119 758	86 362	189 853	124 272	65 581
Card loans	63 382	5 170	58 212	52 618	4 729	47 889
Instalment sales	88 858	37 227	51 631	119 562	36 568	82 994
Lease payments receivable	2 961	1 434	1 527	6 651	2 842	3 809
Property finance	1 061 064	746 615	314 449	985 694	752 447	233 247
Personal loans	197 756	6 026	191 730	224 400	31 769	192 631
Total stage 3	1 771 301	963 988	807 313	1 787 925	1 014 857	773 068

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

Company

	2023			2022		
N$'000	Gross carrying amount	Expected recovery from collateral	Loss allowance	Gross carrying amount	Expected recovery from collateral	Loss allowance
Total retail secured	1 007 916	704 240	303 676	919 507	682 125	237 382
- Residential mortgages	952 008	683 836	268 172	846 303	649 069	197 234
- Vehicle asset finance	55 908	20 404	35 504	73 204	33 056	40 148
Total retail unsecured	285 011	5 031	279 980	297 673	34 434	263 156
- Credit card	60 906	733	60 173	47 748	967	46 781
- Personal loans	196 085	1 775	194 310	224 400	31 769	192 631
- Other retail	28 020	2 523	25 497	25 525	1 698	23 744
Total corporate and commercial	460 657	244 283	216 374	550 913	282 687	268 226
- FNB commercial	424 746	226 026	198 720	497 904	276 335	221 569
- Commercial vehicle finance	35 911	18 257	17 654	53 009	6 352	46 657
- RMB corporate banking	-	-	-	-	-	-
Total stage 3	1 753 584	953 554	800 030	1 766 782	999 248	768 762
Stage 3 by category						
Overdraft and cash management	151 160	47 758	103 402	209 147	62 269	146 878
Term loans	206 120	119 758	86 362	189 853	124 272	65 581
Card loans	63 382	5 170	58 212	54 618	4 729	47 889
Instalment sales	88 858	37 227	51 631	119 562	36 567	82 994
Lease payments receivable	2 961	1 434	1 527	6 651	2 642	3 809
Property finance	1 043 347	736 181	307 166	962 551	735 772	229 023
Personal loans	197 756	6 026	191 730	224 400	31 769	192 588
Total stage 3	1 753 584	953 554	800 030	1 766 782	998 020	768 762

Notes to the annual financial statements

for the year ended 30 June 2023 continued

27. 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.

Group and Company

	2023	2022
N$'000	BB+ to B-	BB+ to B-
Investment securities		
Investment securities at amortised cost		
Stage 1	9 376 851	7 114 368
Investment securities at fair value through profit or loss		
Stage 1	449 365	193 111
Total investment securities	9 826 216	7 307 479
Other financial assets		
Stage 1	89 702	162 377
Total Other financial assets	89 702	162 377
Cash and cash equivalents	-	-
Stage 1	1 805 929	2 317 619
Total cash and cash equivalents	1 805 929	2 317 619
Derivative assets		
Stage 1	375 785	93 611
Total derivative assets	375 785	93 611
Due from banks and other financial institutions		
Stage 1	9 468 313	9 231 508
Total due from banks and other financial institutions	9 468 313	9 231 508

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. 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.

Group - 2023

N$'000	Total advances	Credit impaired advances	Security held and expected recoveries	Specific impairment	Off-balance sheet
Sector analysis					
Agriculture	1 469 271	117 812	75 302	42 510	63 305
Banks and Financial institutions	577 623	19 361	8 597	10 764	627 848
Building and property development	5 031 030	123 003	61 054	61 949	244 141
Individuals	22 399 671	1 310 551	721 843	588 708	1 474 208
Manufacturing and commerce	3 768 332	131 138	67 326	63 812	713 497
Mining	505 735	3 961	1 515	2 446	665 593
Transportation and communication	652 765	23 035	7 555	15 480	140 773
Other services	1 236 270	42 440	20 796	21 644	263 239
Government and public authorities	1 137 089	-	-	-	119 603
Total	36 777 786	1 771 301	963 988	807 313	4 312 207

The table above reflects the collateral that the group holds that it has the ability to sell or repledge in the case of a default by the owner of the collateral.

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

Sector analysis concentration of advances continued

Group - 2022

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

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

Sector analysis concentration of advances continued

Company - 2023

N$'000	Stage 3/NPLs				
	Total advances	Credit impaired advances	Security held and expected recoveries	Specific impairment	Off-balance sheet
Sector analysis					
Agriculture	1 469 271	117 812	75 302	42 510	63 305
Banks and Financial institutions	577 623	19 361	8 597	10 764	627 848
Building and property development	5 031 030	123 003	61 054	61 949	244 141
Individuals	22 271 762	1 292 834	711 409	581 425	1 474 208
Manufacturing and commerce	3 768 332	131 138	67 326	63 812	713 497
Mining	505 735	3 961	1 515	2 446	665 593
Transportation and communication	652 765	23 035	7 555	15 480	140 773
Other services	1 236 270	42 440	20 796	21 644	262 239
Government and public authorities	1 137 089	-	-	-	119 603
Total	36 649 877	1 753 584	953 554	800 030	4 311 871

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

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Sector analysis concentration of advances continued

Company - 2022

N$'000	Total advances	Stage 3/NPLs Credit impaired advances	Security held and expected recoveries	Specific impairment	Off-balance sheet
Sector analysis					
Agriculture	1 566 088	136 855	83 264	53 592	62 977
Financial institutions	1 413 655	17 902	7 022	10 880	569 510
Building and property development	3 873 899	185 781	102 223	83 558	214 882
Individuals	21 009 009	1 201 443	716 468	501 806	1 660 796
Manufacturing and commerce	2 342 877	158 669	76 167	82 502	594 668
Mining	100 787	5 955	2 093	3 862	522 671
Transportation and communication	458 131	23 152	7 770	15 382	97 288
Other services	1 586 483	37 030	19 580	17 180	569 234
Government and public institutions	863 621	-	-	-	27 386
Total	33 214 550	1 766 782	1 014 587	768 762	4 319 412

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

Concentration analysis of deposits

	Group		Company	
N$'000	2023	2022	2023	2022
Sector analysis				
Deposit current accounts and other loans				
Sovereigns including central banks	1 095 807	965 249	1 095 807	965 249
Public sector entities	4 062 074	3 404 630	4 062 074	3 404 630
Local authorities	647 311	586 947	647 311	586 947
Banks	7 478 706	7 231 132	7 478 706	7 231 132
Corporate customers	23 618 220	20 101 839	23 618 220	20 101 839
Retail customers	13 620 162	12 240 655	13 618 240	12 240 655
Total deposits	50 522 280	44 530 452	50 520 358	44 530 452
Geographical analysis				
Namibia	50 522 280	44 530 452	50 520 358	44 530 452

Concentration risk

Credit concentration risk is the risk of loss to the group arising from an excessive concentration of exposure to a single counterparty industry market product financial instrument or type of security country or region or maturity. This concentration typically exists when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Concentration risk is managed based on the nature of the credit concentration in each portfolio. The group's credit portfolio is well diversified which is achieved through setting maximum exposure guidelines to individual counterparties. The group constantly reviews its concentration levels and sets maximum exposure guidelines for these.
The group seeks to establish a balanced portfolio profile and closely monitors credit concentrations.

Geographical risk is all Namibian counter parties.

27. 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.

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. 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 internationally accepted valuation and default covenant 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 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 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 deposit franchise through innovative and competitive product and pricing, while also improving the risk profile of its institutional funding. 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 structures, platforms and regulatory programmes to efficiently increase the available liquidity holdings.

Liquidity risk arises from all assets and liabilities with differing maturity profiles.

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

Liquidity risk continued

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 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.

Mitigation of market and funding liquidity risks is achieved via contingent liquidity risk management. Buffer stocks of high quality, highly 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 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.

Undiscounted cash flows

The following table presents the group's undiscounted cash flows of financial liabilities and off-balance sheet amounts and includes all cash outflows related to principal amounts as well as future payments. These balances will not reconcile to the statement of financial position for the following reasons:

- Balances are undiscounted amounts whereas the statement of financial position is prepared using discounted amounts;
- The table includes cash flows not recognised on the statement of financial position;
- All instruments held for trading purposes are included in the call to three month bucket and not by maturity as trading instruments are typically held for short periods of time; and
- Cash flows relating to principal and associated future coupon payments have been included on an undiscounted basis.

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

Undiscounted cash flows continued

Group - 2023

N$'000	Term to maturity Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	51 434 312	42 564 672	5 389 215	3 480 425
Derivative financial instruments	404 096	39 509	83 837	280 750
Creditors accruals and provisions	825 421	742 512	-	82 909
Other liabilities	152 275	3 035	39 571	109 669
Lease Liabilities	38 789	234	5 112	33 443
Financial liabilities	52 854 893	43 349 962	5 517 735	3 987 196
Off-balance sheet exposures				
Financial and other guarantees	1 874 222	1 859 722	14 500	-
Other contingencies and commitments	2 360 573	2 360 573	-	-

Group - 2022

N$'000	Term to maturity Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	37 309 513	30 927 627	4 574 355	1 807 531
Derivative financial instruments	227 448	227 448	-	-
Creditors accruals and provisions	836 234	752 469	8 944	74 821
Other liabilities	157 203	774	31 286	125 143
Lease Liabilities	38 776	4 485	14 161	20 130
Financial liabilities	38 569 174	31 912 803	4 628 746	2 027 625
Off-balance sheet exposures				
Financial and other guarantees	1 946 388	975 758	898 972	71 658
Other contingencies and commitments	2 373 024	2 373 024	-	-

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

Undiscounted cash flows continued

Company - 2023

N$'000	Term to maturity			
	Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	51 434 312	42 564 672	5 389 215	3 480 425
Derivative financial instruments	404 096	39 509	83 837	280 750
Creditors accruals and provisions	825 421	742 512	-	82 909
Tier 2 liabilities	-	-	-	-
Other liabilities	152 275	3 035	39 571	109 669
Lease Liabilities	38 789	234	5 112	33 443
Financial liabilities	52 854 893	43 349 962	5 517 735	3 987 196
Off-balance sheet exposures				
Financial and other guarantees	1 874 222	1 859 722	14 500	-
Other contingencies and commitments	2 360 573	2 360 573	-	-

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

Undiscounted cash flows continued

Company - 2022

	Term to maturity			
N$'000	Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	37 309 513	30 927 627	4 574 355	1 807 531
Derivative financial instruments	227 448	227 448	-	-
Creditors accruals and provisions	836 234	752 469	8 944	74 821
Tier 2 liabilities	-	-	-	-
Other liabilities	157 203	774	31 286	125 143
Lease Liabilities	38 776	4 485	14 161	20 130
Financial liabilities	38 569 174	31 912 803	4 628 746	2 027 625
Off-balance sheet exposures				
Financial and other guarantees	1 946 388	975 758	898 972	71 658
Other contingencies and commitments	2 373 024	2 373 024	-	-

Notes to the annual financial statements

for the year ended 30 June 2023 continued

27. Risk management continued

Discounted cash flows

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.

Discounted cash flow analysis – maturity analysis of total assets liabilities and equity based on the present value of the expected payment.

Group

	2023			
	Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 months and non-contractual
Total financial assets	57 014 652	12 729 484	7 684 874	36 600 294
Total financial liabilities	51 671 526	43 448 544	5 529 422	2 693 560
Net liquidity gap	-	(30 719 060)	2 155 452	33 906 734
Cumulative liquidity gap	-	(30 719 060)	(28 563 608)	5 343 126

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

As illustrated in the table above the negative liquidity short-term gap increased slightly in the short end on a cumulative basis. This is aligned to the funding strategy to grow the deposit franchise via transactional deposit accounts. Management continues to align stress-funding buffers taking into account prevailing economic and market conditions.

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

Discounted cash flows continued

Company

	2023			
	Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 months and non-contractual
Total financial assets	56 894 690	12 729 484	7 684 874	36 480 332
Total financial liabilities	51 669 490	43 448 544	5 529 422	2 691 524
Net liquidity gap	-	(30 719 060)	2 155 452	33 788 808
Cumulative liquidity gap	-	(30 719 060)	(17 638 974)	16 149 834

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

As illustrated in the table above the negative liquidity short-term gap increased slightly in the short end on a cumulative basis. This is aligned to the funding strategy to grow the deposit franchise via transactional deposit accounts. Management continues to align stress-funding buffers taking into account prevailing economic and market conditions.

Notes to the annual financial statements

for the year ended 30 June 2023 continued

27. Risk management continued

Average balances and effective interest rates

Group

	2023			2022		
	Average balance	Interest income/ expense	Interest income/ expense	Average balance	Interest income/ expense	Interest income/ expense
N$'000	N$'000	%	N$'000	N$'000	%	N$'000
Assets						
Cash and cash equivalents, including balance with banks	13 447 148	5.0	663 470	6 923 775	3.0	205 814
Advances	32 910 980	11.1	3 657 572	31 161 393	8.4	2 631 641
Investment securities	7 768 466	8.1	625 871	7 108 075	6.7	478 908
Interest-earning assets	54 126 594	9.2	4 946 913	4 946 913	7.3	3 316 363
Non-interest-earning assets	1 366 009		-	1 350 440		-
Total Assets	55 492 603	8.9	4 946 913	46 543 683	7.1	3 316 363
Liabilities						
Deposits and current accounts, balance due to banks	48 009 942	2.3	2 253 354	39 213 127	2.8	1 091 031
Tier two liabilities	-		-	301 016	7.2	21 606
Interest-earning liabilities	48 009 942	2.3	2 253 354	39 514 143	2.8	1 112 637
Non-interest-earning bearing liabilities	1 793 046		-	1 425 436		-
Total liabilities	49 802 988	2.2	2 253 354	40 939 579	2.7	1 112 637
Total equity	5 689 615		-	5 604 104		-
Total equity and liabilities	55 492 603	2.0	2 253 354	46 543 683	2.4	1 112 637

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

Average balances and effective interest rates

Company

	2023			2022		
	Average balance	Interest income/ expense	Interest income/ expense	Average balance	Interest income/ expense	Interest income/ expense
N$'000	N$'000	%	N$'000	N$'000	%	N$'000
Assets						
Cash and cash equivalents, including balance with banks	13 447 148	5.0	663 471	6 923 775	3.0	205 814
Advances	32 780 004	11.1	3 643 230	31 002 511	8.4	2 616 498
Investment securities	7 768 466	8.1	625 871	7 108 075	6.7	478 908
Interest-earning assets	53 995 618	9.2	4 932 572	45 034 361	7.3	3 301 220
Non-interest-earning assets	1 470 314			1 409 818		
Total Assets	55 465 932	8.9	4 932 572	46 444 179	7.1	3 301 220
Liabilities						
Deposits and current accounts, balance due to banks	48 007 539	4.7	2 241 995	39 210 694	2.8	1 084 958
Tier two liabilities	-	-	-	301 016	7.2	21 606
Interest-earning liabilities	48 007 539	4.7	2 241 995	39 511 710	2.8	1 106 564
Non-interest-earning bearing liabilities	1 794 007			1 424 860		
Total liabilities	49 801 546	4.5	2 241 995	40 936 570	2.7	1 106 564
Total equity	5 664 386			5 507 609		
Total equity and liabilities	55 465 932	4.0	2 241 995	46 444 179	2.4	1 106 564

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

Market risk

Non-traded market risk

Interest rate risk in the banking book

Interest rate risk in the banking book originates from the differing repricing characteristics of balance sheet positions/instruments yield curve risk basis risk and client optionality embedded in banking book products.

Sensitivity analysis

A change in interest rates impacts both the earnings potential of the banking book (as underlying assets and liabilities reprice to new rates) as well as in the economic value/PV01 of an entity (as a result of a change in the fair value of any open risk portfolios used to manage the earnings risk). The role of management is to protect both the financial performance as a result of a change in earnings and to protect the long term economic value. To achieve this both earnings sensitivity and economic sensitivity measures are monitored and managed within appropriate risk limits and appetite levels considering the macroeconomic environment and factors which would cause a change in rates.

Earnings sensitivity

Earnings models are run on a monthly basis to provide a measure of the NII sensitivity of the existing banking book balance sheet to shocks in interest rates. Underlying transactions are modelled on a contractual basis and behavioural adjustments are applied where relevant. The calculation assumes a constant balance sheet size and product mix over the forecast horizon. Behavioural assumption is applied in relation to non maturing deposits which reprice on a discretionary basis. This assumption is based on historical product behaviour.

The following tables show the 12 month NII sensitivity for a sustained instantaneous parallel 200 bps downward and upward shock to interest rates.

Most of the NII sensitivity relates to the inability to cut interest rates on certain funding and capital components to the same extent as the cut of the MPC rate. The size of this portfolio is approximately N$11.9 billion. (2022: N$ 11.1 billion).

Assuming no change in the balance sheet and no management action in response to interest rate movements an instantaneous sustained parallel 200 bps decrease in interest rates would result in a reduction in projected 12-month NII of N$180 million (2022: N$285 million). A similar increase in interest rates would result in an increase in projected 12 month NII of N$183 million (2022: N$233 million).

Notes to the annual financial statements
for the year ended 30 June 2023 continued

27. Risk management continued

Effect of IBOR reform

The London Interbank Offered Rate (LIBOR) has been the reference interest rate that underpinned trillions of loans and derivative contracts worldwide. The reform of these reference interest rates and their replacement with ARRs is a priority for global regulators. The group established a steering committee in the 2020 financial year consisting of key finance, risk, IT, treasury, legal and compliance personnel, as well as external advisors to oversee the group's Interbank offered rate (IBOR) reform transition plan. This steering committee developed a transition project for affected contracts and potential future contracts with the aim of minimising the potential disruption to business, mitigating operational and conduct risks and possible financial losses.

On 5 March 2021, LIBOR's administrator, the ICE Benchmark Administration Limited (ICE), announced the cessation of several IBOR settings after 31 December 2021. The publication of EUR, CHF, JPY and GBP LIBOR for all tenors ceased on 31 December 2021. The one-week and two-month USD LIBOR tenors were also discontinued on 31 December 2021. The announcement by ICE noted that the remaining USD LIBOR tenors would be discontinued after 30 June 2023.

The group will continue to transition all other instruments exposed to other IBOR rates, as and when the related ARRs become available and on the instruments reset dates. Aldermore has fully transitioned to the Sterling Overnight Index Average (SONIA).

Although, there is currently no indication as to when JIBAR will be replaced, several proposed ARRs and calculation methodologies have been released by the South African Reserve Bank (SARB).

The group currently has a number of contracts, including derivatives which reference JIBAR and extend beyond 2023. The group has an established steering committee, consisting of key finance, risk, IT, treasury, legal and compliance personnel, and external advisors, that has previously overseen the group's IBOR related reforms and transition planning in respect of USD/GBP LIBOR. The group will apply the same transitioning policies to affected JIBAR contracts with the aim of minimising the potential disruption to business, mitigating operational and conduct risks as well as possible financial losses).

The table below shows the financial instruments, including derivatives, held for trading or used by the group in fair value hedges that are subject to IBOR reforms which have not yet transitioned to the replacement rates as at 30 June 2023 and which will not have matured by the related IBOR cessation date. LIBOR cessation occurred on 31 December 2021 for GBP, EUR, JPY, CHF and USD for one-week and two-months tenors, and is expected to occur on 30 June 2023 for all other USD LIBOR tenors.

Financial assets subject to LIBOR reform that have not transitioned to replacement rates at 30 June 2023:

Financial asset line item

	2023	2022
N$'000	USD LIBOR	USD LIBOR
Advances	-	264 693
Total assets recognised on the balance sheet subject to LIBOR reform	-	264 693

No financial liabilities in the group are subject to LIBOR reform as at 30 June 2023.

Notes to the annual financial statements
for the year ended 30 June 2023 continued

28. Segment Information

28.1 Reportable segments

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. This table below sets out the group's various operating segments and the details of the various products and services provided by each of the reportable segments.

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 FNB 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).
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.

The group operates within the borders of Namibia and no material segment operations are outside Namibia.

Notes to the annual financial statements

for the year ended 30 June 2023 continued

28. Segment Information continued

N$'000	Group 2023	Group 2022	FNB 2023	FNB 2022
Net interest income	2 681 546	2 194 365	2 113 041	1 669 898
Impairment and fair value of credit advances	(213 301)	(94 983)	(212 369)	(95 163)
Net impairment income after impairment of advances	**2 468 245**	**2 099 382**	**1 900 672**	**1 574 735**
Non-interest income	2 030 976	1 795 647	1 790 511	1 634 774
Income from operations	**4 499 221**	**3 895 029**	**3 691 183**	**3 209 509**
Operating expenses	(2 235 920)	(2 060 858)	(1 979 207)	(1 819 554)
Net income from operations	**2 263 301**	**1 834 171**	**1 711 976**	**1 389 955**
Indirect tax	(52 009)	(39 488)	(37 625)	(28 838)
Profit before tax	**2 211 292**	**1 794 678**	**1 674 351**	**1 361 117**
Income tax expense	(693 245)	(572 023)	(524 912)	(434 201)
Profit for the year	**1 518 047**	**1 222 660**	**1 149 439**	**926 916**
Depreciation	(96 467)	(98 904)	(95 604)	(98 336)
Amortisation	15 612	(14 144)	15 612	(14 144)
The statement of financial position includes:				
Investment securities	9 826 216	7 302 955	-	-
Advances	35 448 706	31 989 299	29 213 649	27 368 830
Total assets	58 131 488	52 206 471	30 955 014	26 022 698
Deposits	50 522 281	44 530 451	24 487 107	21 600 727
Total liabilities	52 509 776	46 237 792	29 298 872	26 093 427

Notes to the annual financial statements

for the year ended 30 June 2023 continued

28. Segment Information continued

	RMB		FCC and other	
N$'000	2023	2022	2023	2022
Net interest income	410 415	321 843	158 090	202 630
Impairment and fair value of credit advances	(932)	180	-	-
Net impairment income after impairment of advances	409 483	322 023	158 090	202 630
Non-interest income	280 980	197 007	(40 515)	(36 133)
Income from operations	690 463	519 030	117 575	166 497
Operating expenses	(262 320)	(242 205)	5 607	890
Net income from operations	428 143	276 825	123 182	167 387
Indirect tax	(4 119)	(3 656)	(10 265)	(6 995)
Profit before tax	424 024	273 169	112 917	160 392
Income tax expense	(132 933)	(87 141)	(35 400)	(50 682)
Profit for the year	291 091	186 028	77 517	109 710
Depreciation	(727)	(429)	(136)	(139)
Amortisation	-	-	-	-
The statement of financial position includes:	-	-	-	-
Investment securities	449 935	193 111	9 376 281	7 109 844
Advances	6 235 057	4 620 469	-	-
Total assets	10 137 688	8 238 798	17 038 786	17 944 975
Deposits	11 474 111	9 639 034	14 561 063	13 290 690
Total liabilities	9 746 586	8 209 109	13 464 318	11 935 256

Notes to the annual financial statements

for the year ended 30 June 2023 continued

29. Cash generated from / (used in) operations

	Group		Company	
N$'000	2023	2022	2023	2022
Profit before taxation	2 211 291	1 794 683	2 211 392	1 884 872
Adjustments for:				
Depreciation amortisation and impairment losses	113 170	113 048	111 483	109 520
Impairment of advances	213 300	94 998	212 939	92 154
Provision for post employment benefit obligations	4 688	3 684	4 688	3 684
Other accruals	95 593	56 038	95 593	56 038
Creation and revaluation of derivative financial instruments	(105 526)	131 272	(105 526)	131 273
Profit on disposal of property and equipment	(12)	5 613	227	5 613
Share-based payment	20 435	19 419	20 435	19 419
Accrued on offmarket advances	1 472	2 139	1 472	2 139
Net release of deferred fees and expenses	(22 730)	(22 095)	(22 380)	(20 293)
Off-market staff loans amortisation	(1 472)	(2 139)	(1 472)	(2 139)
Indirect tax	52 009	39 488	51 878	39 073
	2 582 218	2 236 703	2 580 729	2 321 908

Notes to the annual financial statements
for the year ended 30 June 2023 continued

30. Standards and interpretations issued but not yet effective

The following new and revised standards and interpretations are applicable to the business of the group. The group will comply with these from the stated effective date.

<table>
<tr><th>Standard</th><th>Impact assessment</th><th>Effective date</th></tr>
<tr><td>IAS 1</td><td>Amendments to classification of liabilities as current or non-current

The IAS 1 amendments clarify the requirements for classifying liabilities as current or non-current. More specifically:

• The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
• Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.
• The amendments clarify the situations that are considered settlement of a liability.

The group presents its assets and liabilities in order of liquidity in the statement of financial position. The impact of this amendment would impact the disclosure of current versus non-current liabilities in the notes to the financial statements. The group does not expect this amendment to have a significant impact on the annual financial statements.

These are clarifications, not changes, to the existing requirements, and so are not expected to affect entities' financial statements significantly. However, these clarifications could result in reclassification of some liabilities from current to non-current, and vice versa. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined, however not expected to have a significant impact on the company.</td><td>Annual periods commencing on or after 1 January 2024</td></tr>
</table>

Notes to the annual financial statements

for the year ended 30 June 2023 continued

30. Standards and interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IAS 1	Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice Statement 2 The IASB issued amendments to IAS 1 and an update to IFRS Practice Statement 2 Making Materiality Judgements to help preparers provide useful accounting policy disclosures. The key amendments to IAS 1 include: • Requiring companies to disclose their material accounting policies rather than their significant accounting policies; • Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and • Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2023
IAS 8	Definition of accounting estimates The amendments to IAS 8 introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2023
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result a deferred tax asset and a deferred tax liability will need to be recognised for temporary differences arising on initial recognition of a lease and decommissioning provision. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2023

Corporate information

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Notes

FNB

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