FIRSTRAND
NAMIBIA

'19

people

partnership

profit

planet

annual integrated report

VISION

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

MISSION

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

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FIRSTRAND NAMIBIA

FNB First National Bank

RMB A division of FNB Namibia Limited

ASHBURTON INVESTMENTS

WesBank

OUTSURANCE

About this report

SCOPE, BOUNDARY AND REPORTING CYCLE

FirstRand Namibia Limited's Integrated Annual Report provides **financial, environmental** and **social performance, operational highlights** and **strategic objectives** of the **FirstRand group** and its **governance,** covering the period 1 July 2018 to 30 June 2019.

Our objective is to provide all relevant stakeholders comprehensive information on the operational and financial performance of the group, governance, material issues, risks and **opportunities** and how these **influence our strategic objectives.** We endeavour to **illustrate our impact** and **sustainable value creation** to the **Namibian economy** and **its people.**

REPORTING PRINCIPLES AND ASSURANCE

FirstRand Namibia has applied the principles contained in the Namibia Code of Governance Principles for Namibia 2014 (NamCode) and the International Integrated Reporting Council's (IIRC) International <IR> Framework. Our annual financial statements, presented on pages 63 to 256, were prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Banking Institution Act, No 2 of 1998 (Banking act) as amended and the Companies Act of Namibia, of 2004 (Companies Act), where appropriate and the NSX Listing Requirements. FirstRand Namibia group applies a combined assurance model to optimise the assurance obtained from its risk management department and the internal and external assurance providers on risks affecting us. For more information, see the audit and risk committee report on page 38.

APPROVALS AND ASSURANCE

In accordance with the Companies Act No. 28 of 2004, as amended, the consolidated annual financial statements were audited by the group's independent external auditors, Deloitte & Touche Namibia, whose unqualified audit opinion may be found on page 64.

MATERIALITY

The objective of this integrated annual report is to provide an accurate, accessible and balanced overview of the FirstRand group strategy, performance and outlook in relation to material economic, financial, social, 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.

While the FirstRand group considers all items raised by stakeholders, it does not report on all of these in its integrated annual report. The process we adopted to determine the issues material to the group and our stakeholders is aligned with our organisational decision-making processes and our strategies. By applying the principle of materiality we determined which issues could influence the decisions, actions and performance of the group.

APPROVAL BY THE BOARD

This report was prepared under the supervision of the Chief Financial Officer, Oscar Capelao CA (NAM) (SA). The Board is ultimately responsible for ensuring the integrity of the integrated annual report, assisted by the audit and risk committee and further supported by FirstRand Namibia group executive committee and management, which convened internal teams with the relevant skills and experience to undertake the reporting process and provided management oversight. Internal parties have devoted significant thought on how best to communicate the FirstRand story. The Board, after applying its collective mind to the preparation and presentation of the report, concluded that it was presented in accordance with the <IR> Framework and approved it for publication on 13 August 2019.

Integrated financial highlights

Our commitment as a group to be the best employer to the best people and create a better world for all our stakeholders continues to be executed through 4 pillars namely: **PROFIT, PEOPLE, PLANET and PARTNERSHIP.**

PROFIT

Creating a sustainable business

The group focuses on building a portfolio business delivering integrated financial services to Namibians. Appropriate frameworks balance risk, growth and returns. We envisage sustainable profit will not generate only organic growth, but also through improved efficiencies.

PLANET

Best people working for the best employer

We achieve our PLANET strategy through internal practices, the FirstRand Foundation and the staff volunteer programme. We consider the environment when dealing with our supplier networks. Our infrastructure team looks at ways to improve our environmental footprint and promote sustainable resource use. We support Namibian products and services.

PEOPLE

Developing and protecting the economy, environment and society

Our PEOPLE strategy is based on developing employees who share our values and feel a personal responsibility to the success of the business. We make sure they have a clear channel of contribution. We want them to live our culture because it dictates how we do business.

PARTNERSHIPS

Creating rewarding relationships through brands, market segmentation and customer value propositions

We value the relationships we establish with all our partners, including customers, we continue to navigate the changing competitive environment. We focus on:

- Simplifying our customer value propositions;
- Enhancing these propositions through innovation and electronic based solutions;
- Simplifying fee structures; and
- Diversifying revenue streams by increasing focus on investment and insurance products.

	2019	2018
Profit for the year (million)	N$1 086	N$1 061
Earnings yield	2.9% (2019: 11.7)	0.1% (2018: 8.8%)
Dividend declared per share	208c	204c
Basic earnings per share	409.9c	398.1c
Headline earnings per share	3.0% (2019: 409.9c)	4.4% (2018: 397.9c)
Cost to income ratio	52.9%	50.3%
Return on equity	20.8%	22.1%
Return on assets	0.1% (2019: 2.6%)	0.3% (2018: 2.7%)
Market capitalisation (million)	22.2% (2019: N$9 366)	4.5% (2018: N$12 036)

	2019	2018
Number of employees	3.5% (2019: 2 316)	2.1% (2018: 2 399)
Previously disadvantaged	88% (2019: 2 041)	87% (2018: 2 110)
Women	63% (2019: 1 459)	64% (2018: 1 535)
Training costs	2.0% (2019: N$8.9m)	6.4% (2018: N$8.7m)

N$1.8 million
Leadership development programme

250 cents
Special dividend

N$10.3 million
FirstRand Namibia Foundation

N$ 867 890
Bursary Programme

N$ 8.0 million
Contributions to the National Training Authority

	2019	2018
Electronic channels volumes	17.8% (2019: 71.1m)	16.0% (2018: 60.4m)
Mobile volumes (million)	22.4% (2019: 22.9m)	16.6% (2018: 18.7m)
ATM volumes	3.0% (2019: 33.0m)	5.3% (2018: 32.1m)
Branch volumes	15.3% (2019: 5.0m)	5.8% (2018: 6.6m)
Credit card purchases volumes	16.8% (2019: 1.5m)	16.8% (2018: 1.3m)
Online volumes	2.9% (2019: 16.2m)	9.0% (2018: 15.8m)

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5 year review

STATEMENT OF COMPREHENSIVE INCOME

	IFRS 9	IAS 39			
N$ million	2019	2018	2017	2016	2015
Net interest income before impairment of advances	2 012	1 820	1 765	1 654	1 453
Impairment and fair value of credit of advances	(215)	(128)	(59)	(48)	(50)
Net interest income after impairment of advances	1 797	1 692	1 706	1 606	1 403
Non-interest income	1 820	1 796	1 553	1 507	1 260
Net insurance income	81	89	79	86	72
Income from operations	3 698	3 577	3 338	3 199	2 735
Operating expenses	(2 069)	(1 981)	(1 663)	(1 417)	(1 222)
Net income from operations	1 629	1 596	1 675	1 782	1 513
Share of profit from associates	3	1	3	1	1
Income before tax	1 632	1 597	1 678	1 783	1 514
Indirect tax	(47)	(46)	(41)	(32)	(27)
Profit before tax	1 585	1 551	1 637	1 751	1 487
Income tax expense	(499)	(490)	(524)	(533)	(488)
Profit for the year	1 086	1 061	1 113	1 218	999
Other comprehensive income for the year	(1)	(3)	(1)	(14)	(16)
Total comprehensive income for the year	1 085	1 058	1 112	1 204	983
Profit attributable to:					
Equity holders of the parent	1 071	1 040	1 093	1 198	982
Non-controlling interests	14	21	20	20	17
Total comprehensive income for the year attributable to:					
Equity holders of the parent	1 071	1 037	1 092	1 184	966
Non-controlling interests	14	21	20	20	17
	1 085	1 058	1 112	1 204	983
Reconciliation of earnings attributable to ordinary shareholders and headline earnings:					
Earnings attributable to ordinary shareholders	1 071	1040	1093	1 198	982
Headline earnings adjustments		(1)	(7)	(62)	
Headline earnings	1 071	1 039	1 086	1 136	982

5 year review continued

STATEMENT OF FINANCIAL POSITION

	IFRS 9	IAS 39			
N$ million	2019	2018	2017	2016	2015
Assets					
Cash and cash equivalents	1 390	1 346	1 466	2 120	795
Due from banks and other financial institutions	2 804	2 782	2 668	1 772	1 585
Derivatives financial instruments	459	94	95	209	159
Advances	30 298	28 532	28 259	25 776	22 833
Investment securities	7 807	5 266	3 866	3 237	3 366
Other assets	1 382	1 390	1 456	1 071	1 046
Total assets	44 140	39 410	37 810	34 185	29 784
Equity and liabilities					
Liabilities					
Deposits	35 886	31 546	30 488	27 794	23 952
Due to banks and other financial institutions	428	897	1 193	801	1 020
Derivative financial instruments	481	110	116	219	172
Other liabilities	1 931	1 841	1 472	1 330	1 251
Total liabilities	38 726	34 394	33 269	30 144	26 395
Equity					
Equity attributable to equity holders of the parent	5 352	4 943	4 479	3 990	3 349
Non-controlling interests	62	73	62	51	40
Total equity	5 414	5 016	4 541	4 041	3 389
Total equity and liabilities	44 140	39 410	37 810	34 185	29 784

RATIOS AND SELECTED FINANCIAL INFORMATION

	IFRS 9	IAS 39			
	2019	2018	2017	2016	2015
Ratios:					
Return on assets (earnings on average assets) (%) - normalised	2.6	2.7	3.0	3.6	3.5
Return on equity (headline earnings on average equity)(%)	20.8	22.1	25.6	31.0	32.2
Cost to income ratio (%) - normalised	52.9	50.3	48.4	43.7	43.9
Share statistics:					
Closing share price - ordinary (cents)	3 500	4 498	4 711	4 754	3 278
Price / Earnings ratio	8.5	11.3	11.2	10.9	8.7
Earnings yield (%)	11.7	8.8	8.9	9.7	11.5
Price to Book	1.7	2.4	2.7	3.2	2.8
Basic earnings per share (cents)	409.9	398.1	418.9	459.7	377.5
Headline earnings per share (cents)	409.9	397.9	416.2	435.9	377.6
Net asset value per share (cents)	2 050	1 892	1 716	1 534	1 291
Market capitalisation (millions)	9 366	12 036	12 606	12 721	8 772
Dividend information:					
Dividends per share - ordinary dividend declared (cents) *	208	204	204	213	183
* based on current year profits					
Dividends per share - ordinary dividend paid (cents) **	204	204	213	203	138
** based on dividends paid within financial year					
Dividend yield - ordinary dividend (%)	5.8	4.5	4.3	4.5	5.6
Dividend cover (times) based on total dividends	2.0	2.0	2.0	2.0	2.0
Capital adequacy					
Banking group (%)	19.4	18.7	17.2	17.8	17.4
Consolidated group (%)	19.9	19.1	17.4	18.5	17.8
OUTsurance - solvency margin	51.8	63.3	50.0	39.5	39.1
Number of staff	2 316	2 399	2 350	2 411	2 164

our value creation process

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Inputs

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

Financial	- Entrusted with shareholder contributions. - Funding from investors and clients are managed optimally.
Infrastructure	- Continued capital investment. - To deliver financial services through convenient physical outlets as well as secure electronic delivery platforms.
Our People	- 2 316 dedicated and motivated employees. *"The best people working for the best employer"*. - Skilled and engaged workforce with high internal moral.
Natural and Social	- Continued commitment of 1% of NPAT to the FirstRand Namibia Foundation. - Contributions for the upliftment of the Namibian environment and community.

Client centric

- Offering clients the opportunity to be part of leading brands
- Receive innovative financial solutions
- Digital transformation for more accessible banking services

Activities

We are committed to building a shared future of prosperity through enriching the lives of our customers, employees and the societies we serve. This is the foundation to a sustainable future and will preserve the group's enduring promise to create a long-term value and superior returns for its shareholders.

Value added through our operations

N$ 000	2019	2018
Income earned by providing financial services	3 865	3 583
Cost of services	(2 067)	(1 891)
Value added by financial services	1 797	1 692
Non-operating and other income and expenditure	1 063	1 063
Value added by operations	2 861	2 755

Income generated from value adding activities

Lending	N$ 3 370 million generated from loans issued to clients.
Investments	N$ 495 million generated through liquid asset portfolio.
Insurance	N$ 167 million generated through premiums.
Infrastructure	N$ 1 820 million generated through providing convenient channels through which clients can transact.

Our value adding activities rests on 4 pillars- PEOPLE, PARTNERSHIP, PROFIT and PLANET

- Identifying new markets
- Cross-sell between brands, segments and group companies
- Complying with new regulations
- Finding new customers
- Diversifying revenue streams
- Inventing new products
- Using technology to increase efficiency

Outcomes

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

Government	N$ 465 million paid in the form of taxes
Shareholders	N$ 533 million paid to providers of capital
Employees	N$ 1 126 million paid to employees
Insurance	N$ 86 million claims paid to OUTsurance clients
Expansion and Growth	N$ 736 million for depreciation deferred tax and retained income
Natural and Social	N$ 10.3 million spent as part of continued investment in society

Extracting value

- Operation excellence through reduced costs and increased efficiencies.
- Product excellence through massive R&D, quality product experience and capability.
- Hyper-personalised client experience through investment in client understanding and focus.

social impact report

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Social impact report

The **nature, size** and **scale** of **FirstRand Namibia's business activities** means that it **inevitably impacts society** in its broadest sense, as a **systemic provider** of **credit; keeper** of **the country's deposits** and **savings; provider** of **channels** for **people** to **access their funds** and **spend**; material taxpayer and large employer. Given this position, FirstRand Namibia recognises that it has a responsibility to **deliver shared value to multiple stakeholders.**

The Group's total impact on society extends from the **CSI spend by its foundations** to how it **manages its operations** and, most importantly, **how it deploys its balance sheet** and **core business activities.** The Group believes, to **earn public trust it must,** by design, align business priorities with that of society. This will **ensure the Group's sustainable growth** and **relevance in the long-term.**

Social investing

Social investing (or CSI) occurs through the FirstRand Namibia Foundation that has a systemic social investing strategy, designed to confront the root causes of Namibia's social ills, and develop new scalable and replicable models for development. The portfolio of areas supported by the Foundation is Education and Financial Literacy, Community and Health Development, Environmental Guardianship, Skills and Capacity Building, as well as development in Sports, Arts and Culture.

The Foundation operates under an independent Chairperson, with independent and sponsor Trustees; who are guided by an approved Trust Deed and Corporate Social Investment Policy, utilising 1% NPAT annually.

Social impact report continued

Social investing continued

Below is the analysis of foundation expenditure for the period 2018/2019:

N$'000	2019	2018
Focus area of Sponsorship	10 060	10 671
Community and health development	2 163	2 633
Environmental guardianship	2 036	1 676
Skills and capacity development	1 838	1 927
Educational and financial literacy	2 930	2 448
Sports development	583	1 096
Arts and Culture	510	891

The Foundation invested in and supported 130 projects that contributed toward social development this financial year. Some highlights include:

Skills and capacity development

FirstRand Namibia contributes to economic development and employment, by providing innovative funding solutions for small and medium-sized enterprises (SMEs) – the growth engines of the economy. The Foundation supports SME's Competitiveness, which assists in the improvement of entrepreneurial, management, marketing and information technology skills of SMEs.

Environmental guardianship

Investment in agriculture is important for food security, industry transformation and for ensuring the sector continues to be an important contributor to Namibia's economy.

The Foundation identified drought as one of the major challenges Namibia faced in 2019. As a result, financial assistance was granted to the DARE TO CARE fund to alleviate the plight of drought-stricken farmers in the country. An important principle of the assistance is not to donate feed to farmers, but to make certain feeds more affordable through subsidisation. A fixed subsidy of N$ 50/bag of animal feed was made available to all approved animal feed products.

Community and Health Development

Eradicating poverty and building adequate housing for all is a shared objective of the Foundation. Together with its partners RMB, Ohorongo Cement, Pupkewitz Foundation and NeoPaint have embarked on supporting the Shack Dwellers Federation of Namibia's low-cost housing initiative. Over the years, this partnership has made major strides towards the common ground of a more effective model of solving one of the country's most pressing needs, through an agreed set of indicators to monitor progress. To date 251 houses have been constructed.

Staff Volunteerism

The 111 Random Acts of Kindness initiative was introduced in celebration of FirstRand Namibia's 111th anniversary and to build a corporate culture of caring and responsibility within the organization. In 2018, N$ 111 was allocated to each FirstRand Namibia employee to identify and support welfare organisations of their choice. FirstRand Namibia employees have supported Namibia's Farmers Drought Assistance programme (Namibië Boere Droogtehulp program). Funding from branches across the country was allocated to community projects of their choice.

DIGITAL SOLUTIONS FOR FINANCIAL INCLUSION

Our focus over the past few years has been on developing a strong customer-centric integrated financial service offering, underpinned by digitisation. We invested substantially to introduce helpful digital innovations that move beyond banking, to enhance customers lives and helping consumers, help themselves.

FNB continues to be a leader in banking innovation through the launch of customer-centric digital solutions to address the ever-changing needs of consumers. Through our new cash migration channels launched this financial year, namely; Cash at Till, Ewallet at Till, and CashPlus, we continue to reach important milestones in our digital migration journey.

FirstRand Namibia continues to make strides towards becoming a trusted money manager amongst consumers. Through our leadership position in innovative banking, and consistent pioneering of solutions that prioritise helpful banking. As a result, all current and future innovations are conceptualised with the customer in mind.

Digital Banking remains a core strategic pillar for the Group, both from an enablement and convenience perspective. Our customers not only appreciate a consistent user experience, but also get access to secure digital platforms, allowing them to effortlessly cater for their holistic banking needs.

The major driver has been our effort to show customers how easy, affordable and safe it is to use digital platforms. This digital journey is enabled by our sustained investment in digital infrastructure, intensified through self-service innovation.

In a society where financial inclusion remains a major challenge, it's very important to enable digital adoption through channels that are affordable and accessible to all people. Irrespective of the customer being new to banking or has been banking for a long time, digital remains a remarkably convenient and affordable way to bank.

The migration of customers to digital platforms is not only about cost effectiveness. It's also about efficiency for customers and giving them options to bank in a way that is convenient.

FNB Namibia has a strong presence in Namibia with ATMs, Point of Sale terminals, branches and the availability of all digital channels. However, due to the vastness of the country, there is always room for improvement. Especially when it comes to accessibility of funds for our customers.

Financial services are an important ingredient to poverty reduction, and studies have shown that inclusion can accelerate economic growth, reduce income inequality and spur innovation. We believe that access to services at financial institutions will lead to savings, which in turn could insure against bad debts.

Financial inclusion has been on the Namibian Government radar since Independence. Strides have been made by various financial institutions, including the commercial banks to bring banking closer to all Namibians.

The retail banking sector in particular is a locus of new business models, emerging in response to challenges. Including low levels of banking penetration, heavy use of cash, sparse credit bureau coverage, and limited branch and ATM networks.

Digital adoption is the main solution to address the gaps in financial inclusion. Our digital solutions, explained in more detail shortly, remain critical in extending banking services to unbanked and underbanked populations. Digital gives customers full access to their money and puts them in control.

We remain committed to delivering a consistent brand experience to our customers in a highly competitive market environment. We will continue to innovate and pioneer the use of technology and data to provide customer-centric solutions that address the ever-changing needs of consumers.

Social impact report continued

PEOPLE INVESTING

Our strategic initiatives of our people pillar encompass a holistic approach in building and driving a high performance and owner-manager culture. This is driven by how we live our values. Though skills and competencies are necessary to effectively perform a specific job, the right organisational culture driven by passionate, motivated and engaged employees, will give us a competitive advantage.

We understand that the success of any relationship is dependent on trust. To build and retain the trust of our employees, we annually conduct employee engagement surveys to understand and address any employee concerns. The outcome of these surveys provides us with valuable insight into what the needs of our employees are, and what action plans and initiatives to implement, to address these needs.

Our key people focus areas during 2018-19 was embedding our new Group philosophy. Transformation - focusing on initiatives to embrace our diversity; embedding our culture and values; effectively managing our talent; improved open and transparent communication; reward and recognition, and most importantly the personal wellbeing of our employees.

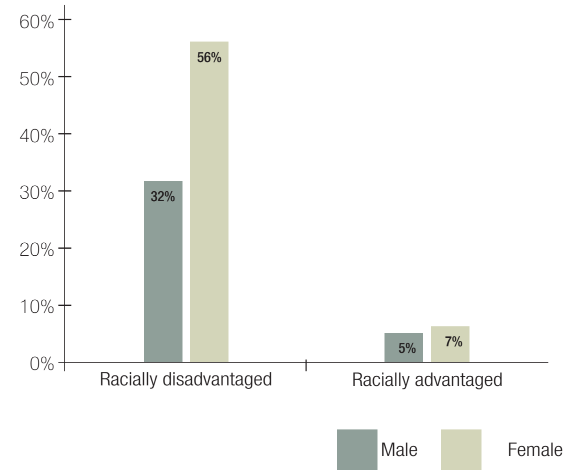
During the last quarter of this financial year, FirstRand South Africa reshaped the Group's philosophy and was adopted by all the subsidiaries. This new philosophy is based on the principle of making a promise. A promise is profoundly human, and it implies ultimate accountability. This reshaped philosophy was well received by FirstRand Namibia. It resonates with the way we do business and the way we engage our customers.

The new philosophy focuses on seven promises, namely:

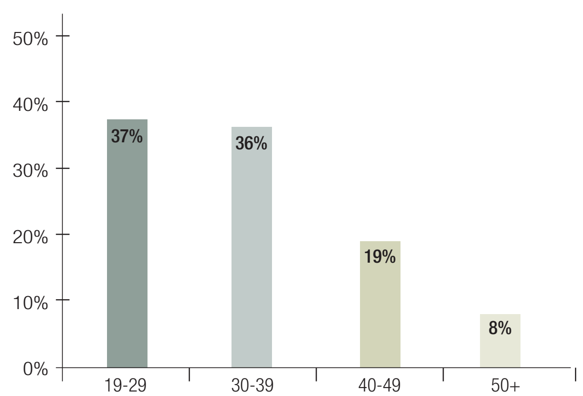
1. Make a promise.
2. Stay curious.
3. Always do the right thing.
4. Have courage.
5. Build trust, not territory.
6. Be deeply invested.
7. Value our differences.

As an example, our commitment towards valuing differences and embracing diversity is further confirmed by being awarded the Affirmative Action Compliance Certificate by the Equity Commissioner. The statistics below provides an overview of our diversity distribution within the Group as at end June 2019.

Gender and Race distribution



Age distribution



PEOPLE INVESTING continued

To further develop and entrench our desired owner-manager high performance culture, we launched our FUSED values campaign during 2016. This campaign is still going strong today. The FUSED campaign aims to embed our Group values and philosophy. The campaign further aims to acknowledge and reward employees who set an example through their daily behaviours in how they live our values. Our 2018 FUSED campaign was concluded with an awards evening in December 2018. The 2019 campaign is currently running and will be concluded in the new financial year.

We understand that attracting and retaining passionate people that will drive and embed our mission of being the best employer, to the best people, will be the key to our future success. We need to remain sustainable in a continuously changing and competitive environment, where the war for talent is ever increasing. Our talent management strategy is therefore a major strategic focus area, and we will continue to invest in this important aspect of our business.

To date, twelve Graduates successfully completed our Graduate Development programme and four Graduates were successful for the 2019 intake. The aim of this intensive and specialised one-year programme, is to attract and retain high potential Namibian Graduates that will be employed in entry level single-dependency professional roles. Where skills are generally not available internally or externally, the Graduate trainees are specifically developed to take over an identified critical or specialist position. To date, 50% of our Graduates were male and 50% female, with 75% coming from the previously disadvantaged group.

Our Bursary programme is one of our flagship Corporate Responsibility programmes. The aim of this programme is to give tertiary education access to financially disadvantaged, yet academically strong students. During the 2018-19 financial year we awarded five bursaries to young and upcoming talent, with an investment value of N$ 867 890. Our bursaries provide full financial support to each student covering all tertiary costs, accommodation, books, travel expenses and a monthly allowance.

As part of the FirstRand Namibia Ltd. transformation, the Group diversified its ownership base by implementing a BEE share incentive scheme. The programme is aimed at distributing wealth and empowering the previously disadvantaged. It caters for staff members and BEE partners. During this process, shares are transferred to the FNB Staff Assistance Trust, which uses annual dividends to assist previously disadvantaged non-managerial staff to pay medical bills and cover educational needs. The FNB Staff Assistance Trust assisted employees with a total amount of N$ 192 302 during this financial year, with tertiary educational and healthcare costs.

To retain our talented workforce, we require highly competent leaders that can motivate and inspire employees to achieve exceptional results. For this reason, we developed and implemented our first in-house Leadership Development programme that is designed to equip our Managers and Supervisors with theoretical and practical tools to be able to implement their learnings in the workplace. This programme is running for the second year and spreads across a period of one-year with the following outcomes as a key result:

- developing the appropriate leadership competence and behaviour at the required delivery levels;
- ensuring alignment of leadership style and brand. Building on the key leadership practices required to underpin the organisation's culture, philosophy, values, vision and mission;
- aligning and enhancing technical / functional competence through the efficient delivery of best practices;
- delivering high performance values based on owner-manager competence; and
- focused development on current and future skill requirements.

During this financial year we invested a total of N$ 1 833 250 in our Leadership Development programme with a total of 165 Middle Managers and Supervisors completing the programme in February 2019.

Social impact report continued

PEOPLE INVESTING continued

The Group also made a significant investment in the development and implementation of a Branch Manager Development programme, a Premium Academy and a Commercial Academy to name but a few.

The purpose of the Branch Manager Development programme is to build in-branch capacity and developing our talent pool to maintain our competitive edge in the market. Seventeen employees were identified to complete this programme at a budgeted cost of N$ 700 000.

The aim of the Premium Academy is to upskill and develop our premium professionals to effectively and efficiently serve our affluent client base. A total of ninety-seven employees were enrolled in this programme with a total investment to date of N$ 100 000.

The purpose of our Commercial Academy is to upskill and train our commercial banking staff on how to effectively build and maintain customer relationships within the commercial space. To date, two hundred and one employees went through this programme with a total investment value of N$ 71 521.

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

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

An annual talent review forum along with business unit specific review forums are in place to track and monitor the development of our succession pool. We currently have a total of fifty-six identified successors for various critical roles within the Group.

The talent and succession management plans will reflect the Group's commitment to affirmative action and diversity in the profile of the business. As such, the Group's Transformation and Employment Equity plan will always be considered to ensure that equal development opportunities are being afforded to deserving employees, and that the EE policy is being upheld and EE targets are being achieved. Currently 68% of our succession pool is made up of previously disadvantaged individuals.

Aside from our specialised training courses, we also provide generic job-specific and soft skills training. A total of seven hundred and seventy-eight employees attended these courses. FirstRand Namibia Group contributed N$ 8.0 million to the skills development fund of the National Training Authority during this financial year.

In line with operational efficiencies as one of our strategic enablers, we continuously focus on process improvements. To this end, we automated our performance management system as well as the personal development plans. The new performance management system provides for openness and transparency as it is employee driven and thereby ensuring that every employee is aligned to our strategic goals.

To further improve efficiencies, we developed and implemented an online Induction programme for the FNB Franchise that is compulsory for all new FNB employees. The benefit of this programme is that new employees are introduced and exposed to the Company's culture, strategy, values, policies, history and business units in the shortest possible time. Without interfering with the employee's daily tasks, they can do the programme in their own time and leisure.

Deployment of robotics to streamline processes and create efficiencies is also a major focus in the Group. Assessments and investigations are underway to establish where robotics and artificial intelligence can be used to improve processes.

PEOPLE INVESTING continued

Open, transparent and regular communication remains critical in creating an engaged workforce that is willingly committed to generating business value. Our first quarterly EXCO roadshows were launched during October 2017. The focus is to share strategic progress and company financial performance information with the entire organisation. These roadshows have now been running for almost two years. Our internal Newsletter, the Insider, remains the key platform where we communicate weekly news and important information which is re-enforced through our weekly or bi-weekly business unit engagement sessions. We also introduced ethics sofa chats where we encourage employees to have open and honest conversations about pertinent ethical concerns within the Group, to report and address unethical behavior.

During September 2018 we launched a remarkable campaign called Accelerate. This campaign focuses on creating awareness amongst employees on transformation, customer centricity, EVP and collaboration.

In January 2018 we launched the Public Recognition Competition to obtain input from our employees on what they deem to be effective ways to recognise and reward employees. The competition was a huge success and the feedback obtained from our employees via this competition was extremely valuable. Aside from this competition, we also have our annual Leadership Conference and Awards.

Due to the uncertainties that arose through constant transformation and change, we implemented a Career Advice Centre to guide employees on further career development and growth opportunities. This initiative aims to create personalised career paths for individuals based on their experience, qualifications and past roles.

The physical and emotional wellbeing of our employees remains a priority for the Group and we therefore continue to embark on a variety of programmes and initiatives to sustain work-life balance.

Our on-site clinic at the Parkside building provides employees with access to our contracted medical practitioner twice a week. A total of four hundred and twenty-four appointments were made between July 2018 and June 2019 and ninety employees received voluntary flu vaccinations and seventeen awareness sessions were conducted across the Group on various topics.

Our Employee Wellness Programme (EWP) is a comprehensive programme where wellness and health assistance are provided to our employees and their next of kin, free of charge. Telephonic, electronic and face-to-face assistance is provided to our employees either through self-referrals or management referrals. The programme also provides debriefing sessions to assist our employees in coping with traumatic events.

The Workplace Absence Management programme is ongoing and used to monitor absenteeism trends. Where required, contact is made with the employee to understand the reasons for regular absenteeism and to identify possible routes for assistance.

The Group understands that delivering shared value requires innovation, deep thinking, constant change and an unrelenting commitment. Our journey is starting, and our commitment to the destination is firm. We believe the outcome will be a sustainable growing business which has proven, it consistently delivers value, both financial and social, thus earning the trust of all our stakeholders.

02 LEADERSHIP AND GOVERNANCE

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Chairperson's report

Financial services are an important ingredient to poverty reduction, and studies have shown that inclusion can accelerate economic growth, reduce income inequality and spur innovation.

Inge Zaamwani - Kamwi

Chairperson's report continued

We find ourselves in **particularly challenging times. Globally, emerging markets** are **enduring macroeconomic headwinds.** The **latest annual figures reaffirm** the **recessionary pressures experienced by all economic agents,** with **-0.1%** recorded at the end of 2018. **Negative investment growth eroded any gains** experienced by the improving trading balance with foreign and domestic gross fixed capital formation, printing -14.1%.

Despite this mixed economic and political backdrop, FirstRand Namibia's portfolio of businesses **once again produced quality results** for the year to June 2019. The Group has maintained its vision of an **integrated financial services model** that ensures the Group fully **capitalises** on its **portfolio** of leading businesses to **deliver long-term sustainable returns for our shareholders.** It is a very compelling strategy which accommodates a broad set of **growth opportunities** across the financial services universe from a product, market, segment and geographic perspective.

Our focus over the past few years has been on developing a strong customer-centric integrated financial services offering, underpinned by digitisation. We have invested substantially to introduce helpful digital innovations that move beyond just banking, but enhance customers' lives. By helping consumers to help themselves.

As a fully integrated, proudly Namibian, financial services provider, our relationships with customers and the ability to understand their needs and circumstances has enabled us to deliver industry changing innovations that prioritise helpful banking and remove friction to create seamless, safe and market leading banking solutions.

FNB continues to make strides towards becoming a trusted money manager amongst consumers. Through our leadership position in innovative banking, and consistent pioneering of solutions that prioritise helpful banking. As a result, all current and future innovations are conceptualised with the customer in mind.

Digital Banking remains a core strategic pillar for the bank, both from an enablement and convenience perspective. Our customers not only appreciate a consistent user experience, but also get access to secure digital platforms, allowing them to effortlessly cater for their holistic banking needs.

The major driver has been our effort to show customers how easy, affordable and safe it is to use digital platforms. This digital journey is enabled by our sustained investment in digital infrastructure, intensified through self-service innovation.

In a society where financial inclusion remains a major challenge, it's very important to enable digital adoption through channels that are affordable and accessible to all people. Irrespective of the customer being new to banking or has been banking for a long time. Digital remains a remarkably convenient and affordable way to bank.

The migration of customers to digital platforms is not only about cost effectiveness. It's also about efficiency for customers and giving them options to bank in a way that is convenient. From an FNB point of view, this also increases the potential of getting cash back rewards from using the qualifying channels and product sets.

FNB Namibia has a strong presence in Namibia with ATM's, Point of Sale terminals, branches and the availability of all digital channels. However, due to the vastness of the country, there is always room for improvement. Especially when it comes to accessibility of funds for our customers.

Financial services are an important ingredient to poverty reduction, and studies have shown that inclusion can accelerate economic growth, reduce income inequality and spur innovation.

As a systemic integrated financial services Group, the nature, size and scale of FirstRand Namibia's business activities means it inevitably impacts society, and is, therefore, a natural role player in addressing many of Namibia's, and indeed Africa's, social, economic and environmental needs. Our commitment as a Group is to be the best Namibian financial services provider, to the best people and create a better world for all our stakeholders. This we do through four pillars of our FirstRand Namibia Foundation Trust namely: Planet, Partnership, Profit and People.

We invested heavily in the development and protection of the environment, economy and the society in which we operate, through considered and long-term corporate social responsibility in excess of N$60 million across the country, over the last six years.

This investment and commitment to profit with a purpose, despite many of the risks mentioned at the beginning, gives me great optimism for the future. We should not forget how despondent we were this time last year and that 2019 started in a much more positive light. All our small victories and successes should be celebrated.

Looking forward, I remain hopeful that the government will continue to partner with business to successfully implement the measures that can lift economic activity meaningfully, and could bear fruit towards the end of this year and into 2020.

FirstRand Namibia has proved time and again, it can weather difficult operating conditions. I believe with the addition of Erwin Tjipuka, as the new CEO of FNB Namibia, new growth strategies are gaining traction, making us strategically well positioned to benefit from renewed system growth.

In closing, I would like to send a heartfelt thank you to all of the employees of the Group. It is your commitment and hard work that drives continued outperformance.

Inge Zaamwani - Kamwi
Chairperson

Board of directors

INGE ZAAMWANI-KAMWI
Namibian (60)
Chairperson
Independent non-executive director
Appointed April 2003
LLB (Hons) - London; LLM - Dundee

STUART MOIR
South African with Namibian Permanent Residence (71)
Deputy Chairperson
Independent non-executive director
Appointed November 2005
PMD (Harvard), CAIB (SA), B.Com, CIS

GERSON HINDA
Namibian (57)
Independent non-executive director
Appointed February 2017
B.Juris, LLB, LLM

SAREL VAN ZYL
Namibian (57)
Chief Executive Officer
Executive director
Appointed December 2014
BBA Certificate in Applied Management, BBA, MBA

OSCAR CAPELAO
Namibian (40)
Chief Financial Officer
Executive Director
Appointed March 2016
BCom Hons (Accounting), CA(Nam)(SA)

JABULANI KHETHE
South African (56)
Non-executive director (*no longer employed by FirstRand Group)*
Appointed August 2006
BCom (Banking), MBA

JANTJE DAUN
Namibian (52)
Independent non-executive director
Appointed March 2017
CA (SA), B.Com (Hon)

ROBERT HAMER
South African (51)
Non-executive director (*Resigned from the board December 2018)*
Appointed March 2018
MCom, CA (SA) ACA (UK) and BCom (Honours), Higher Diploma in Tax

GERT KRUGER
South African (46)
Non-executive director
Appointed June 2018
BCom (Acc) (Honours), CA (SA), MSc Financial Economics

CHRISTIAAN **RANGA** HAIKALI
Namibian (50)
Independent non-executive director
Appointed February 2006
BBA (Entrepreneurship)

JUSTUS HAUSIKU
Namibian (40)
Independent non-executive director
Appointed April 2017
Post Graduate Diploma (Accounting) and CTA Honours Degree, Bachelor of Accounting

I-**BEN** NASHANDI
Namibian (48)
Non-executive director
Appointed January 2019
BCom, MSc Financial Economics, Masters Development Finance

Board of directors continued

DIRECTORSHIPS, TRUSTEESHIPS AND COMMITTEE MEMBERSHIP

INGENESIA INGE ZAAMWANI-KAMWI Namibian

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Limited, First National Bank of Namibia Limited, FNB Employee Share Incentive Trust
FirstRand Namibia group committee membership: Directors' Affairs and Governance Committee
External directorships: Swakop Uranium (Pty) Ltd, Tungeni Africa Investments (Pty) Ltd, Zan Tag Investment (Pty) Ltd, Farm Rimini, Feist Investments CC

SAREL VAN ZYL Namibian

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

STUART HILTON MOIR
South African with Namibian Permanent Residence

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Limited, First National Bank of Namibia Limited, Ashburton Unit Trust Management Company Ltd, FNB BEE Trust, Ashburton Investments Namibia Holdings (Pty) Ltd, Ashburton Fund Managers Namibia (Pty) Ltd, Ashburton Management Company Namibia (Pty) Ltd
FirstRand Namibia group committee membership: Audit Committee, Risk, Capital and Compliance, Remuneration Committee, Directors' Affairs and Governance Committee, FNB Employee Share Incentive Trust
External directorships and trusteeships: Stimulus Investments Ltd, The Namibia Procurement Fund I, The Namibia Procurement Fund II

OSCAR CAPELAO Namibian

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

JANTJE DAUN Namibian

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Limited, First National Bank of Namibia Limited, FNB Insurance Brokers (Namibia) (Pty) Limited, Ashburton Fund Managers Namibia (Pty) Ltd, Ashburton Management Company Namibia (Pty) Ltd, Ashburton Investments Namibia Holdings (Proprietary) Limited, FNB Easy Loans Ltd
FirstRand Namibia group committee membership: Audit Committee, Asset, Liabilities and Capital Committee
External directorships & trusteeships: Cornerstone (Pty) Ltd

CHRISTIAAN RANGA HAIKALI Namibian

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

ROBERT HAMER South African

FirstRand Namibia group directorships: FirstRand Namibia Limited, First National Bank of Namibia Limited, Ashburton Investments Namibia Holdings (Proprietary) Limited, Ashburton Management Company Namibia (Proprietary) Limited, Ashburton Fund Managers Namibia (Proprietary) Limited
FNB group committee membership: Audit, Risk, Capital & Compliance Committee, Directors' Affairs and Governance Committee

JUSTUS HAUSIKU Namibian

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Limited, First National Bank of Namibia Limited, Ashburton Fund Managers Namibia (Pty) Ltd, Ashburton Management Company Namibia (Pty) Ltd, Ashburton Investments Namibia Holdings (Proprietary) Limited
FirstRand Namibia group committee membership: Risk, Capital and Compliance Committee
External directorships & trusteeships: Quanta Holdings, Arch Group of Companies, MMI Short Term Insurance, Roads Contractor Company Limited (term of directorship expired December 2018), InoHarrith Capital (Pty) Ltd

GERSON HINDA Namibian

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Limited, First National Bank of Namibia Limited, OUTsurance Insurance Company of Namibia Ltd, FNB Fiduciary Ltd, FNB Easy Loans (Pty) Ltd
External directorships & trusteeships: Sabmiller Breweries ABInbev, P E Minerals (Pty) Ltd, Rosh Pinah Zinc Corporation Limited, Sada Investments (Pty) Ltd, Namport, Daureb Investments CC, Roeder Property Ten CC, Erf One Eight Six Langstrand Extension One, Tristan Enterprises CC, FGK Investments Sixty Seven (Pty) Ltd

JABULANI KHETHE South African

FirstRand Namibia group directorships: FirstRand Namibia Limited, First National Bank of Namibia Limited
FirstRand Namibia group committee membership: Directors' Affairs and Governance Committee, Remuneration Committee
FirstRand group directorships: First National Bank of Botswana Ltd, FNB Moçambique S.A.

GERT KRUGER South African

FirstRand Namibia group directorships: FirstRand Namibia Limited, First National Bank of Namibia Limited
FirstRand Namibia group committee membership: Remuneration Committee
FirstRand group directorships: RMB Australia Holdings, RMB Morgan Stanley, RMB Nigeria

I-BEN NATANGWE NASHANDI Namibian

FirstRand Namibia group directorships: FirstRand Namibia Limited, First National Bank of Namibia Limited
External directorship: GIPF Trustee

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Corporate governance report

The directors and management of FirstRand Namibia Ltd regard **excellence** in **corporate governance, transparency, fairness, responsibility** and **accountability essential** for its **long-term business sustainability.** Helping to protect and enhance the interests of its stakeholders. FirstRand Namibia Ltd is **committed to** and **accepts responsibility** for applying these principles to ensure that the group is **managed ethically** within **prudent risk parameters.**

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

Compliance Statement

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

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

Corporate governance report continued

Governance Framework

The board is committed to ensuring, as the fundamental corporate governance principle for the group, that it maintains adequate and effective processes in place that are consistent with the nature, complexity and risk inherent in the group's business activities. Furthermore, that the processes are able to respond to changes in the environment in which the Group operates.

The group operates within a clearly defined board-approved governance framework, which outlines mechanisms for the group to implement robust governance practices and provides clear direction for decision making across all disciplines. The Company Secretarial team monitors the effective implementation of the group governance framework and is satisfied that the framework contributes to role clarity and the effective exercise of board authority and independence thereof. The board approved governance framework that incorporates its commitment to sound corporate governance and ethical business practices, which is the foundation on which we can build the trust of our stakeholders. The strategy is supported by our governance framework, which is continually reviewed to ensure it supports effective decision making and provides robust controls.

Board Governance Structure

The board has overall responsibility for the group. Including approving and overseeing management's implementation of strategic objectives, governance framework and corporate culture. The board performs its duties and responsibilities in terms of a board charter that is reviewed annually. In discharging its responsibilities, the board is empowered to delegate its responsibilities to committees and management. The board is supported by board committees, senior management and other governance forums and panels. The Board met 4 (four) times during the year under review.

The board charter details the board's role and responsibilities. It reflects the principles incorporated in the Companies Act, Banking Institutions Act, the company's articles of association, NamCode, Basel Corporate Governance for Banks, NSX listing requirements and other applicable law and binding regulatory provisions.

Composition of Board, Independence of Directors and Demographics

The company has a unitary board structure comprising 11 (eleven) directors. The directors are drawn from diverse backgrounds and bring a wide range of experience, insight and professional skills to the board to ensure effective leadership of the company. Board members may collectively or individually consult external professional advisors on any matter of concern as appropriate.

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

The above classification of directors, as independent or otherwise, has been done on the basis of the evaluation of their independence by the Directors' Affairs & Governance Committee (DAGC).

The DAGC conducted a rigorous review of individual directors having regard to various considerations, including tenure, membership to various boards and committees within the group, external directorships, character, judgment and any factors that may impair independence.

Board Changes

The following changes to the board of directors have taken place:

Appointments		Effective date
IN Nashandi	Non-Executive	31 January 2019

Resignations		Reason for resignation	Effective date
RJC Hamer	Non-Executive	Change in employment circumstances, which resulted in an inability to attend board meetings in-country.	3 December 2018

Attendances		FirstRand Namibia Ltd Board	Audit Committee	Risk, Capital and Compliance Committee	Directors' Affairs and Governance Committee	Remuneration Committee	% of Board Attendance
Meetings held		4	4	4	3	2	%
Director	*Category*						
II Zaamwani-Kamwi	Independent non-executive (Chairperson)	√ √ √ √	NM	NM	√ √ √	NM	100%
SH Moir	Independent non-executive (Deputy Chairperson)	√ √ √ √	√ √ √ √	√ √ √ √	√ √ √	√ √	100%
CLR Haikali	Independent non-executive	√ √ √ √	√ √ √ √	NM	√ √ √	√ √	100%
JR Khethe	Non-executive	√ √ √	NM	NM	√ √ √	√	75%
SJ Van Zyl	Chief Executive Officer	√ √ √ √	NM	NM	NM	NM	100%
OLP Capelao	Chief Financial Officer	√ √ √ √	NM	NM	NM	NM	100%
GS Hinda	Independent non-executive	√ √ √	NM	NM	NM	NM	75%
JH Daun	Independent non-executive	√ √ √ √	√ √ √ √	NM	NM	NM	100%
JH Hausiku	Independent non-executive	√	NM	√ √	NM	NM	25%
IN Nashandi	Non-executive	√ √	NM	NM	NM	NM	50%
GCP Kruger	Non-executive	√ √ √ √	NM	NM	NM	√	100%
RJC Hamer	Non-executive	√ √	√ √	√ √	√ √	√ √	50%

√ - Number of attendances NM - Non Member

Note(s):

- RJC Hamer resigned as director and Committee member effective 3 December 2018;
- IN Nashandi was appointed 31 January 2019 and only 2 board meetings were held during his time of appointment (January 2019 and April 2019); and
- JH Hausiku did not meet the required 75% of meeting attendance. Attendance of 25% was recorded due to connectivity issues.

In addition to the annual board meetings the board is required to attend a strategic session and board training. The board is satisfied that all directors, whether classified as executive, non-executive or independent non-executive, act independently, free of undue influence, and in the best interest of the group.

Corporate governance report continued

The Chairperson and Deputy-Chairperson of the Board

The FirstRand Namibia Ltd Board Chairperson and Deputy-Chairperson are both independent non-executive directors, whose roles are separate from that of the Chief Executive Officer. The Chairperson and Deputy-Chairperson held office till the first board meeting in 2019, where they were duly re-elected after consideration of their independence. The Chairperson, duly assisted by the Deputy-Chairperson continue to provide the FirstRand Namibia Ltd Board the direction necessary for an effective board.

Ongoing Board Development Training Program

The directors are accountable and responsible for all actions of board committees. Ongoing training and education allow directors to familiarise themselves with FirstRand's operations, the business environment, fiduciary duties and responsibilities, the board's expectations in respect of a director's commitment and ethical behaviour, and keeping abreast of regulatory changes and trends. The directors' affairs and governance committee oversees director induction and ongoing training programmes, and will continue to make professional development of its members a priority.

Directors have full and unrestricted access to management, group information and property. They are entitled to seek independent professional advice in support of their duties at the group's expense.

During the year the following training topics were covered:

- Basel Risk Data Aggregation and Risk Reporting Principles (BCBS 239);
- Banking Institutions Determination 1 (BID-1), the Duties and Responsibilities of Directors, Principal Officers and Executive Officers;
- IT Risk and Cyber Security;
- Regulatory and Conduct Risk with an emphasis on Financial Crime Risk Management, Business Conduct (Ethics, Anti-Bribery and Corruption, Market Conduct);
- Environmental and Social Risk Management; and
- Credit Risk Management and Governance.

Limitation to appointment period

Non-executive directors are appointed every three years, subject to re-election and the Companies Act provisions relating to removal and/or retiring by rotation. Re-appointment of non-executive directors is not automatic. The Chief Executive and Chief Financial Officers are excluded from the rotation.

Tenure

Four directors have served more than 9 years on the Board of FirstRand Namibia Ltd. The Directors' Affairs and Governance Committee reviewed the performance of these directors, taking into consideration factors which may impair their independence and found that they were suitable to act as Independent Non-Executive Directors.

Retirement of directors

Notwithstanding any contrary provision contained in the Articles, the office of a director may be vacated at the close of the Annual General Meeting of the Company relating to the financial year of the Company in which the director reaches the age of 70 (seventy) years, but is subject to the discretion and review by the Board.

S Moir, Deputy-Chairperson retired and was re-elected by shareholders to serve as a director at the 24 October 2018 Annual General Meeting. S Moir has indicated his availability for re-election for one further year, which will be put to shareholders at the 24 October 2019 Annual General Meeting. S Moir will thus formally retire from the FirstRand Namibia Ltd Group as an Independent Non-Executive director and Deputy Chairperson with effect 31 December 2020. The group will commence succession planning given the upcoming vacancy.

Nomination and Appointment to the Board

There is a formal transparent board nomination and appointment process which is a matter for the board assisted by the Directors' Affairs and Governance Committee. The committee assists the board in identifying suitable members to the board. The process takes cognisance of the need for appropriate demographics and diversity which applies to, inter alia, academic qualifications, technical expertise, relevant industry knowledge, nationality, age, race and gender diversity at board level, together with the balance between non-executive and independent non-executive directors. In addition, the appointment process includes interviewing the nominees for the role and performance of reference and background checks of candidates prior to nomination. In terms of the banking regulations, all directors are assessed as fit and proper by the Bank of Namibia and the South African Reserve Bank.

Board Committees

While the board has ultimate responsibility for the affairs of the group, various board committees have been established to assist the board in discharging its duties more effectively. The board committees have clearly-defined terms of reference.

Board Committee Composition

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

Chief Executive Officer

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

Corporate governance report continued

Company Secretary

The company secretary plays an essential role in FirstRand Namibia Ltd's corporate governance and is suitably qualified and experienced. The company secretary is responsible to the board for, inter alia, acting as a central source of information and advice to the board on their duties and responsibilities, adherence to good corporate governance principles, and compliance with procedures and applicable statutes and regulations.

Nelago Ashipala was appointed as FirstRand Namibia Ltd's company secretary in May 2015, and is also the company secretary to the board committees. Aligned with good governance practice, the appointment and removal of the company secretary is a matter for the board.

All directors have full access to the services and advice of the group company secretary in all aspects of the board's mandate and operations of the group.

Board and Committee Evaluation

Evaluations during the year were formally conducted internally and identified no material concerns in respect of the areas assessed. During the year, an independence assessment was performed on directors with a tenure of more than nine years. The board is satisfied that the independent non-executive directors who have served continuously for nine years or more are able to act independently in decision making in the best interests of the group.

At June 2019 there are 11 directors, of which four (36%) have served more than nine years. The board is satisfied that the evaluation process is improving its performance and effectiveness, and will continue to find ways to improve on the evaluation process.

A key consideration when selecting directors is the group's competency framework. The financial services sector is complex and suitably qualified directors with the requisite skills and business experience are rare. As such, the group has directors with a tenure greater than nine years.

An overview of the Directors Evaluation results are as follows:

Composition	The board's composition is not effective and designed to ensure efficient operation. Improvement required here.
Board succession	The board and the board committee succession plan require improvement to ensure that it is adequate to ensure board/committee continuity.
Strategic plan	Improvement required in giving the Board sufficient information to enable it to evaluate the strategic plan.
Emerging Issues	Improvement is required in the form of provision of more information. The board can be given sufficient information to enable it to evaluate the strategic plan. The board's involvement in the strategic plan can be improved upon.
Information	Executive Management needs to provide sufficient information to enable an informed decision when approval is sought.
Executive succession	Improvement in ensuring that there is an appropriate succession plan in place for those executives over which the board has discretion.
Remuneration	The company's remuneration structure needs to strive to support sound corporate governance (fair, responsible and transparent) so as to promote the creation of value in a sustainable manner.

Governance Structure

While the board ultimately retains responsibility for the proper fulfilment of all functions, it delegates authority to the Group Chief Executive Officer, Executive Directors and Senior Management for the implementation of the strategy and the ongoing management of the business on a day-to-day basis.

The board is supported by its committees which provide in-depth focus on specific areas and make recommendations on matters delegated to them, encompassing, inter alia, risk, internal control, financial reporting, strategy and, appointments and remuneration issues. Through the deliberations and reporting of the various committees, the board ensures that the company and its subsidiaries are being managed in line with its objectives.

Considering the evolving and challenging environment in which the group operates, the board recognises that governance must be dynamic to meet current and future business requirement. Each committee has its own charter, approved by the board and reviewed as deemed necessary. The charter sets out the committees' role, responsibility, composition, powers, structure, resources and any other relevant matters

The following board committees exist:

- FirstRand Namibia Executive Committee;
- Audit Committee;
- Risk, Capital & Compliance Committee;
- Remuneration Committee;
- Directors' Affairs and Governance Committee; and
- The Ethics and Conduct Committee.

The board assures stakeholders that all the board committees met their respective obligations in all material respects.

FirstRand Namibia Ltd Executive Committee

FirstRand Namibia Limited's Executive committee is a committee of the board. The FirstRand Executive Committee is constituted to assist the Chief Executive Officer in managing the group. The assistance is subject to statutory limits and the limitations on delegation of authority as determined from time-to-time by the board. The Executive Committee assists the Chief Executive Officer to guide and control the overall strategic direction of the franchises and support units of the group. It acts as a medium of communication and co-ordination between franchises, business units, subsidiary companies and the board.

The Executive Committee oversees, within the parameters delegated by the Board, the management of the business and affairs of the group. It reviews the groups policies, principles, strategies, values, objectives and performance targets. These include investment and divestment policies. It also endorses such other matters and initiates such special reviews and actions as are appropriate for the prudent management of the group.

Audit Committee

Audit Committee

The fundamental role of the audit committee is to assist the board in fulfilling its oversight responsibilities in areas such as financial reporting, internal control systems, and the internal and external audit functions. The objectives and functions of the committee are set out in its charter. The independence of the audit committee is paramount, the committee is composed of three independent directors.

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

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

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

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

The Audit Committee is satisfied with the efficacy and independence of the independent auditor, Deloitte & Touche, who performed the audit for the year and further confirms that the appointment of Deloitte & Touche, together with that of the designated individual audit partner, was assessed in accordance with the Listings Requirements. The audit firm Deloitte & Touche, will be proposed to the shareholders at the upcoming Annual General Meeting for approval to be the Group's auditor for the 2020 financial year.

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

Audit Committee continued

The audit committee has recommended to the board the entire Integrated Report for approval. The audit committee is of the opinion that it has discharged its functions in terms of its proposed Charter and as ascribed to it by the Companies Act. The audit committee confirms that the company has established appropriate financial reporting procedures and that those procedures are operating.

Expertise and adequacy of finance function

The committee is satisfied that Mr. OLP Capelao, the Group Chief Financial Officer and Executive Director, possesses the appropriate expertise and experience to perform his duties as the finance director. In addition, the committee considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.

The committee is satisfied with:

- The expertise and adequacy of resources within the finance function, and
- The experience, expertise and continuous professional development of the management members of the finance function.

Internal Audit and Internal control

- The committee is satisfied that internal audit function has adequate skills and resources;
- The Head of Internal Audit has unrestricted access to the Audit Committee Chairperson; and
- Internal controls of the group have been effective in all material respects during the year under review.

Assurance to stakeholders

Going concern

The committee has reviewed a documented assessment including key assumptions, prepared by management of the going concern status of the company and accordingly confirmed to the board that the company is expected to be a going concern for the foreseeable future.

SH Moir
Chairperson, Audit Committee

Risk, Capital & Compliance Committee (RCCC)

The objective of this committee is to provide an independent review and challenge the group's risk, capital management and compliance within the FirstRand Namibia group. This includes ensuring that effective policies and plans for risk management have been implemented to improve FirstRand's ability to achieve its desired outcomes and that risk disclosures are timely, sufficiently detailed and relevant to the group's stakeholders.

The committee is also responsible for providing independent and objective oversight of regulatory risk management and compliance, financial crime risk management and enterprise risk across the group. The committee is satisfied that the group has adequate resources, systems, skills and remuneration practices to facilitate the ongoing effectiveness of the risk, capital management and compliance functions.

The RCCC discharged its duties by:

- Approving Group policies, frameworks, strategies and processes, specifically regulatory risk management and financial crime risk management policies;
- Monitoring containment of risk exposures within the risk appetite framework;
- Reporting assessment of the adequacy and effectiveness of the risk appetite, risk management, ICAAP and compliance processes to the board. In doing this the committee approved assumptions underlying the group's ICAAP and stress testing process, including review of management plans to address additional risks arising from risk scenarios;
- Monitoring implementation of the risk and compliance management strategy, risk appetite limits and effectiveness of risk and compliance management;
- Reviewing and approving the group recovery plan;
- Monitoring that the group takes appropriate action to manage its regulatory and supervisory risks, and complies with applicable laws, rules, codes and standards in a way that supports the group in being an ethical and good corporate citizen;
- Approving regulatory capital models, risk and capital targets, limits and thresholds;
- Monitoring capital adequacy and ensuring that a sound capital management process exists;
- Receiving reports on the increased regulatory scrutiny and enforcement across the Group, including initiatives to address these risks. Further initiating and monitoring corrective action, where appropriate; and
- Considering presentations on regulatory and conduct risk matters and considered group-wide monitoring coverage plans for regulatory and conduct risk management.

SH Moir
Chairperson, Risk, Capital & Compliance Committee

Remuneration Committee (REMCO)

REMCO is charged with ensuring that an appropriate remuneration governance framework is in place to attract, retain and incentivise talent in order to sustain the group through superior performance. 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.

COMPOSITION

REMCO is chaired by an independent Non-Executive Director and is constituted by Non-Executive Directors, majority of whom are independent. The Chief Executive Officer and the Chief Human Resources Officer attend all committee meetings in an ex officio capacity and are recused when matters that affect them are discussed.

REMUNERATION GOVERNANCE FRAMEWORK

At the core of the group's remuneration framework is recognition and reward for superior performance and sustainable value creation. The group makes use of a Performance Management System (PMS) to manage performance at individual, team, business unit and group levels relative to targets set at each of these 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 for the particular financial year derived from the group's long-term strategy. Based on such priority areas, an overall group scorecard is agreed upon between the Board and the management team setting out group performance targets for the year. Group targets are set within the group's overall risk appetite.

The performance management framework requires that management produce positive net income after cost of capital (NIACC). Another way of looking at NIACC is the amount of earnings left after shareholders and other capital providers are paid for their investment at the prescribed level. Management only starts to share thereafter.

The group's reward philosophy is underpinned by the performance management framework and is fully aligned to the group's strategic objectives, namely:

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

REMCO is pleased to report that the group's reward philosophy as encapsulated in the following remuneration components is fully aligned to the group's core purpose:

Remuneration Committee (REMCO) continued

GUARANTEED PAY

Guaranteed pay is designed to attract and retain human resources in line with the skills requirements of the role and is benchmarked relative to skills, experience, performance and complexity of the role.

An individual's guaranteed pay is determined by:

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

Remuneration benchmarking forms the cornerstone of determining employees' guaranteed pay and is conducted against the financial services industry and other companies in the market with similar market capitalization, using independent industry salary surveys on a regular basis. The PwC Remchannel® salary survey is used to benchmark against the market. This approach ensures that guaranteed pay packages are competitive allowing FirstRand Namibia Ltd to attract and retain the right caliber of employees.

Annual salary increases are determined using a combination of the bottom-up and top-down approaches. The top-down approach is informed by retention considerations and individual employee performance all of which are anchored against remuneration competitiveness relative to market.

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

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

Short-Term Incentive (STI) Scheme

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

Individual performance is formally assessed twice a year, measured against specific quantitative financial and qualitative non-financial performance criteria. Specific quantitative performance measures include, amongst others the following:

- ROE;
- earnings growth and NIACC;
- performance within overall group risk appetite;
- quality of earnings;
- audit findings; and
- operational losses.

Examples of qualitative non-financial measures include teamwork, client-focus, innovation, progress implementing key control projects and delivery on socioeconomic development objectives.

Short-term incentive awards are funded from the group's Short-term Incentive pool which is decided upon annually by REMCO based on the group's profitability, performance metrics, business unit profitability, risk taken within risk appetite compared to realized returns and sustainable future profitability. The size of the STI pool and its allocation within the group takes current and potential future risks into account.

These include:

- the cost and quantum of capital required to support risks taken;
- liquidity risk assumed in the conducting of business; and
- consideration of the timing and certainty of the realisation of accrued, but as yet unrealised, accounting profits included in current earnings.

Short-term incentive awards recognise individual performance and overall contribution to business-unit performance. As such employees who fail to attain set minimum performance targets do not participate in the STI scheme.

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

Individual employee performance awards are determined by a combination of company and individual performance and are paid in accordance with the applicable STI scheme rules. Individual short-term incentive awards in excess of N$ 650,000 are paid out in three tranches. Interest, as determined by the group, accrues on the second and third tranches and is included in these payments. 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.

Long-Term Incentive Scheme

The group offers long-term award incentive schemes to retain key executives and critical skills who are expected to generate long-term value for the group as well as to reinforce and align their interests with those of shareholders and other stakeholders. The FirstRand Limited Conditional Incentive Plan (CIP) is utilised to achieve this objective. The CIP has a zero strike, meaning it has value from day one and the participant still get value even if the share price falls.

Remco has the discretion to determine the total amount of long-term incentive awards made to any employee, which are deferred and payments are not finalised over short periods as risks can manifest over longer periods. Thus, there are no multi-year guaranteed incentive awards or substantial severance arrangements for employees.

In order to link compensation to the time horizon of risk assumed by the group, the vesting of the CIP awards is subject to satisfying performance conditions including corporate performance targets (CPTs) set and measured over a three-year performance period. If performance conditions are not satisfied, outstanding payments are forfeited. In terms of the scheme rules, participants do not receive dividends on their long-term incentive allocations during the performance period nor do these accrue to them during the performance period.

All long-term incentive awards are deferred by a conditional award, in terms of the group's conditional incentive plan for three years. Should an employee resign or be dismissed, unpaid bonus tranches are forfeited subject to the discretion of the committee. Also, in terms of the group's current policy any unpaid portion of deferred compensation is forfeited in the event that the applicable business unit suffers a loss during the year in question.

Remco is of the view that the long-term incentive scheme encourages behaviour that is consistent with effective risk management and claw back arrangements, therefore, do not exist post vesting. The group's current long-term incentives use share-linked instruments and, therefore, do not require the allocation of shares. The committee has the discretion to determine the total amount of long-term incentive awards made to any employee.

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 actual remuneration paid to the Executive Directors is disclosed in the notes of the annual financial statements.

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.

Executive Directors' remuneration increased by 7.8%. With the Chief Executive increasing by 8.6% and the Chief Financial Officer by 6.6% respectively. During the year ended 30 June 2019 the group ROE and NIACC reduced by 1.1% and 4.2% respectively. The committee believes that this increase and the underlying remuneration mix detailed in this report, is consistent with the group's remuneration governance framework.

Remuneration Committee (REMCO) continued

DIRECTORS REMUNERATION continued

Non-Executive Directors

Non-executive directors receive fees for services as directors and for services provided as members of board committees. These fees are paid on a retainer as well as attendance basis. The fees vary depending on the role of the committee, are based on market comparisons, and are reviewed on an annual basis to meet the remuneration philosophy of the group that advocates for fair and responsible remuneration. The fees are reviewed by the remuneration committee and are approved in advance by shareholders at the annual general meeting.

Non-executive directors do not receive share options or other incentive awards, besides the implementation of the BEE/Transformation agreement entered into in 2005. Further information on exposure of directors to the shares of the company is provided in the notes of the annual financial statements. In terms of the group's 2005 BEE transaction as approved by shareholders on 21 April 2005, 15 million FirstRand shares were allocated to a black non-executive director's trust. Allocations of participation rights in the black non-executive directors' trust have been made to certain black non-executive directors in the group. In terms of the group's remuneration policy these allocations are not considered to be incentive schemes as their raison d'être is one of BEE ownership.

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

REMCO TERMS OF REFERENCE

The committee exercise stewardship over FirstRand Namibia Ltd's remuneration practices and ensure that compensation works in harmony with the implemented risk postures. The committee's specific responsibilities, includes, amongst others the following:

- **Remuneration Policies and Practices** - The committee ensure alignment of the remuneration strategy and policy with the FirstRand Namibia Ltd group's business strategy and the desired culture and approves the general principles applied to remuneration, bonus and share incentive schemes' policies and practices ensuring a balance between guaranteed and performance-based remuneration, taking into consideration at all times the risk associated with the behaviour being incentivised.

REMCO TERMS OF REFERENCE continued

- **Performance management** - The committee ensures that appropriate performance measurement processes are implemented for the award of salary increases, bonuses and share incentives whilst ensuring that remuneration is pitched at levels relative to other comparable companies taking relative performance into account;

- **Salary increases** - The committee approves the general principles applied to the award of salary increases and approves remuneration packages needed to attract, retain and motivate high performing executive directors and executive management, but avoid paying more than is necessary for this purpose;

- **Incentive Bonuses** - The committee approves the quantum of the annual bonus pool, the methodology utilised for the allocation of the pool to the Business Units and the quantum of the allocations to the Business Units.

- **Share incentives** - The committee approves the general principles applied for the award of share incentives to employees. The awards are approved on an individual basis in respect of executive directors and senior management.

- **Employees over which it exercises discretion** - The committee determines remuneration policy generally (i.e. positioning relative to the market etcetera.), bonus and share incentive award policy for the employees over which it exercises discretion. The committee receives proposals on the criteria used to measure the performance for reward purposes of the employees over which it exercises discretion. The committee approves salary increases, bonus and share incentive awards on a name-by-name basis annually, or as deemed necessary by the Boards, for the employees over which it exercises discretion. The committee approves remuneration packages and service agreements for the employees over which it exercises discretion. The committee must ensure that the employees involved in financial and risk control positions must be compensated in a manner that is independent of the business areas that they oversee to ensure their independence.

REMCO TERMS OF REFERENCE continued

- **Service Agreements** - The committee reviews, as it deems necessary, or as it is requested to do so by the Boards or CEO, the service agreements of those employees over which it exercises discretion in order to ensure the adequacy of benefit schemes for executive directors and executive management whilst taking account of consequences and associated costs to the company of such benefits;

- **Succession planning** - The group has an approved succession policy setting out principles of talent management and development of its key resource, its human capital and the CEO provides periodic reports to the remuneration committee. A formal succession plan is in place for key positions within the group and is updated on a regular basis. The board is confident that it should be possible to identify suitable short-term and long-term replacements from within the group should the need arise.

- **Employment equity** - The group is committed to creating an-all-inclusive working environment where the unique talents of all employees are recognised equally. As such, the group has an employment equity policy in place and is committed to the achievement of equity within its workforce in compliance with internal and regulatory obligations. The policy is aimed at achieving employment equity in the workplace and to enhance business competitiveness. Developing all employees is critical to the success of the programme and emphasis is placed on training, monitoring and promotion of existing staff. The group has received its Affirmative Action Compliance Certificate from the Employment Equity Commission annually since inception and has met its set targets.

REMCO PROCEEDINGS

The committee meets twice a year. Meetings were held in July 2018 and April 2019.

The Chairperson attends the annual general meeting.

The group's remuneration policies for the upcoming financial year remain unchanged from the current financial year and will be put to a shareholder's vote at the annual general meeting to ratify the current Remuneration Policy, as provided in the notice of the annual general meeting.

CLR Haikali
Chairperson, Remuneration Committee

Directors' Affairs and Governance Committee (DAGC)

The purpose of the committee is to evaluate the adequacy, efficiency and appropriateness of the corporate governance practices of the group and assist the board in discharging its duties in respect of governance and board effectiveness, board continuity and board succession planning. The committee similarly fulfils the responsibilities of a nominations committee. The Directors' Affairs and Governance Committee is constituted as a committee of the Board and reports to the board.

The duties and responsibilities of the members of the Committee are in addition to those as members of the board. The deliberations of the Committee do not reduce the individual and collective responsibilities of board members with regard to their fiduciary duties and responsibilities. The Committee's mandate extends, on behalf of FirstRand Namibia Ltd, to include all companies in the FirstRand Namibia Ltd.

The committee discharged its duties by:

- Monitoring the adequacy and effectiveness of group's corporate governance structures and processes.
- Reviewing the board structure, size and composition, taking account of skill and experience requirements and a need for appropriate demographics and the balance between non-executive and executive directors as well as the need for independent non-executive directors.
- Successfully vetting candidates for appointment to the board and recommending them to the full board in a formal and transparent manner. The committee in making its recommendations takes cognisance of the candidate's integrity, skills and further ensures that any statutory requirements for the proposed appointments are complied with.
- Regularly reviewing the board structure and composition of the significant operating companies and non-statutory boards and committees in FirstRand Namibia Ltd and making recommendations thereon to the board.
- Monitoring progress with the boards on-going director development programme and identifying relevant areas of training for the board.
- To consider the independence of non-executive directors on an annual basis as required by law and/or recommended by the NamCode.
- Advising the Board on succession planning in respect of the office of chairman of the Board and executive and non-executive directors.
- Overseeing the board and committee evaluation assessment process, and considers the outcomes from all assessments.
- Considering and approving the annual review of non-executive directors' fees.
- Making recommendations on the re-election of directors retiring by rotation.

S Moir will formally retire from the FirstRand Namibia Ltd group as director with effect 30 June 2020. The group through the DAGC committee will commence succession planning.

SH Moir
Chairperson, Directors Affairs & Governance Committee

Ethics and Conduct Committee

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

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

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

The role of the committee is to:

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

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

- Setting the direction for how ethics should be approached and addressed by the Group.
- Ensuring the continuance of the whistleblowing platform, including managing the leading light programme which is a whistleblower and anti-theft, fraud or corruption reward programme that recognises staff who display high ethical characteristics.
- Managing the Code of Ethics and the automated declarations of interest process for staff. Continuous ethics and whistleblowing awareness through ongoing communications encouraging safe and effective whistleblowing.
- Review and update of various policy documents including the Conflict of Interest Management Policy, Whistleblowing Policy, Ethics Conduct in Financial Markets Policy and the Code of Ethics.
- Ethics risk assessment to identify areas requiring additional focus in 2019 and 2020 to strengthen the overall programme.

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

S van Zyl
Chairperson, Ethics and Conduct Committee

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Chief Executive Officer's report

For the year 2018/2019, FirstRand Namibia **reported satisfactory growth according** to **expectations** and **maintained** its **return profile in line** with the **group's long-term targets. Despite a very difficult economic market,** exacerbated by the **worst drought conditions** in many years.

The results can be considered a **solid set of numbers** and there is a detailed explanation of the group's **solid financial performance** in the CFO's report.

Sarel van Zyl

Chief Executive Officer's report continued

A strategy designed to maintain outperformance despite macro, regulatory and competitive pressures

The group continues to operate in an uncertain and challenging operating environment. FirstRand Namibia believes that some of these pressures are structural rather than cyclical in nature and will prevail for some time. In order to continue to deliver on its commitment to stakeholders, the group chooses to diversify its portfolio to deliver both growth and premium returns going forward. It's strategic framework accommodates a broad set of growth opportunities across the financial services universe from a product, market and segment perspective.

Group earnings are significantly geared towards the Namibian economic growth and still mainly generated by FirstRand's biggest lending and transactional franchise, First National Bank, which has developed a deep and loyal customer base over the past 113 years. Many of the expected competitive and regulatory pressures impacts these traditional banking operations, particularly the transactional activities. The group remains focused on protecting and growing its large and profitable revenue stream.

At the same time, FirstRand Namibia is working hard to find other sources of capital-light business, and its strategy to deliver integrated financial services to the group's customers is gaining traction. This approach, which is underpinned by the disciplined allocation of financial resources and enabled by disruptive digital and data strategies, allows FirstRand Namibia to better optimise the franchise value of its broader portfolio.

The name change from FNB Namibia Holdings to FirstRand Namibia, and our focused segment strategy put emphasis on client centricity vs product focus, with the intention to deepen our relationships with clients across the board on the back of us being the most comprehensive end-to-end financial services group in Namibia.

Customer centricity at the heart of integrated financial services

Put simply, an integrated financial services company provides insurance, lending, transactional banking, and investment products to its customers through a variety of distribution channels. Historically, this strategy was largely limited to the concept of cross-selling products between banking and insurance channels.

The new starting point is to develop a detailed view on financial services from the customer's perspective. With regard to the retail segment, at various stages of life, a customer may need products that focus on asset protection, asset accumulation and asset distribution, and neither a stand-alone bank nor a stand-alone insurer can meet all these needs.

An integrated financial service business does, however, have the capability to develop and distribute products across the entire life cycle. Similarly, for corporate clients, an integrated approach can provide a holistic set of products to enable "being in business" (from vanilla lending to more structured lending products, transactional and advisory services, potentially right through to the provision of employee benefits).

Ultimately it is critical to shift from only supplying traditional banking services, to insurance and investment products to customers as well. A successful integrated financial services business must offer financial solutions that cater for the customer's ever-changing needs and, in the process, create a long-term relationship. This relationship will ultimately translate into a real competitive advantage, lower costs, better service, an improved value proposition for the customer, and increased returns to shareholders.

Lower distribution costs on new sales and customer acquisition, an increase in the number of products per customer (cross-sell) and better profitability on existing business due to higher retention will result in sustainable and beneficial customer and shareholder outcomes.

Firstrand Namibia's integrated financial services model is becoming a reality

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

On the back of a continued focus on gathering retail deposits, and when tracking the group's performance relative to money supply, FirstRand Namibia has, over several years, been able to gather a greater share of deposits. This has been achieved through product innovation, which has driven cross-sell of savings products into its customer base.

Due to the low growth environment, focus continued on our large and mainly fixed cost base, while the success of our ongoing new channel development (ADT, Cashback on POS and Cash Plus) and subsequent client migration to more affordable and inclusive channels, resulted in cost reduction in our fixed cost branch infrastructure. Increased focus on digitisation (including robotics), automation and centralisation also improved process efficiency as well as cost efficiency.

Ashburton Investments, the group's asset management business, is distinct from the wealth and investment management business, and is about origination and product differentiation, and the track record of the asset manager. The bulk of the customers are institutional. This business has had good success in fixed income, renewable energy and private equity and RMB is the origination platform for these attractive institutional assets making it an important enabler. While it will take time to build and mature this business, Ashburton Investments has been able to grow assets under management in the current year particularly on the back of fixed income, although equity markets remained challenging.

During the year under review, the internal operating model was changed in order to better execute on the integrated financial services objectives. The group believes that real customer centricity is necessary to effectively deliver integrated offerings. Where the group was previously structured around business silos, it has now designed a model structured around customer segments – i.e. putting the customer at the centre of business.

The segments are responsible for customer value propositions across the lend, transact, invest and insure universe, as they are mandated to understand customer context/needs. Externally these customer propositions will continue to be delivered through the market-facing businesses, namely, FNB, RMB, WesBank, Ashburton Investments and Outsurance.

Looking Forward

The Namibian macroeconomic environment remains challenging. The group, however, continues to strive for outperformance and momentum in the business, driven by the current strategies as outlined above, which should continue to drive good growth and returns. Despite the difficult economic environment, we are committed to continued investment in data and digitisation strategies, customer-centricity, our people, through various initiatives including training and development, and in society, through responsible business practice, social investment partnerships and the Foundation, as our lead investment vehicle in creating shared value. This strategy allows for optionality and the ability to respond and adapt as market conditions change. At the same time, our focus on managing risk, including cyber, financial crime and credit risk, remains paramount, the last which continues to result in the lowest NPL ratio in the industry.

The group remains very positive about the future of Namibia as well as our business operations in Namibia. Ongoing focus on using technology to enhance our platform, responsively extending our client offering and maturely managing our risk profile, we remain committed to delivering world class financial services in an affordable and secure manner to all Namibians.

As we head into the new financial year, allow me first of all to thank all FirstRand Namibia employees for their very hard work in a challenging economic environment of prolonged negative GDP growth. Your commitment, dedication and personal roles played in making this such a great organisation to work for, is really appreciated.

I look forward to seeing how we embrace our new philosophy, and our new focus on creating shared value for all. Together, we remain committed to the development and protection of the economy, society and environment, and to accountably delivering on our daily promises to all our stakeholders.

I am grateful to be a part of this group and remain proud of everyone who feels the same.

Sarel van Zyl
Chief Executive Officer

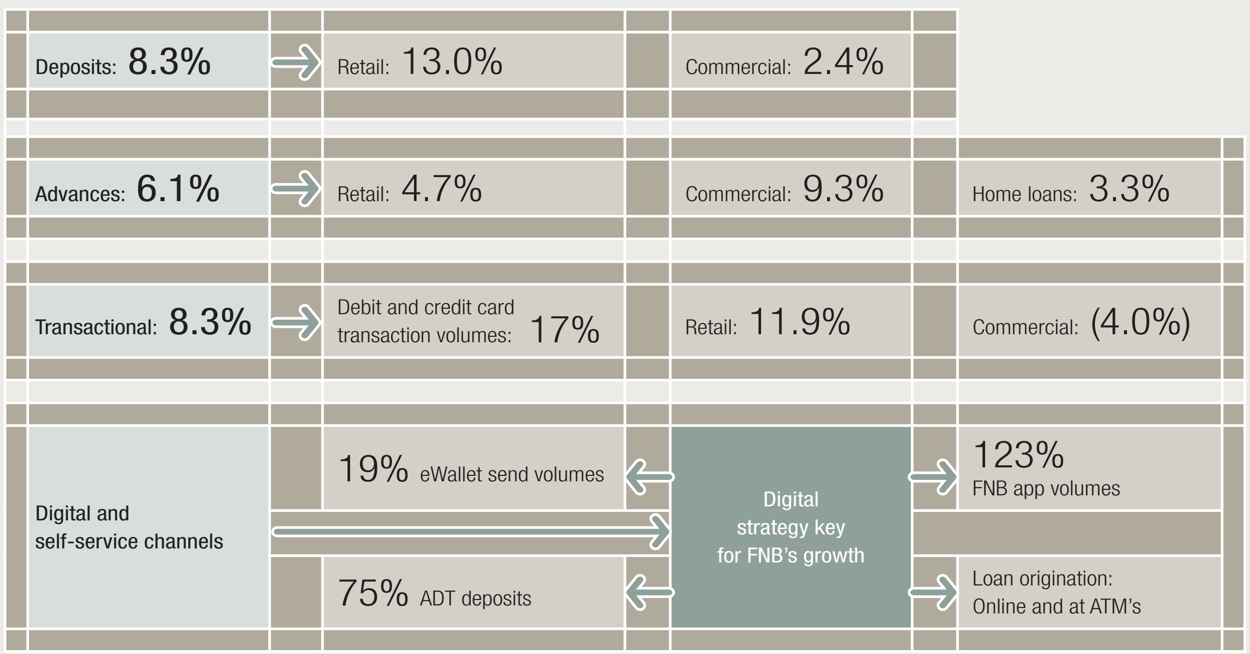
Operational review

This report provides a review of the material segments of our operations which encapsulates the banking segment comprised of the **FNB and RMB franchise** as well as the insurance segment comprising of **OUTsurance** respectively. The “**Other**” segment was not considered material for the purposes of the operational review.

BANKING ACTIVITIES

FNB

The FNB franchise represents FirstRand Namibia’s activities in the retail and commercial segments in Namibia. FNB is growing on the back of a compelling customer offering that provides a broad range of innovative financial services delivered through a combination of physical and digital channels as seen below.



Retail review

The Retail segment experienced deposit growth of 13% driven mainly by attractive offerings on the call and money market products. The relative growth of balances in investment accounts compared to the cheque account deposits, resulted in a decline of the overall FNB Retail deposit margin.

Retail advances grew at 4.7% on the back of slow home loans growth at 3.3%. FNB is actively managing its exposure to the Namibian home loans market in relation to the impact of the economic cycle on the property sector. FNB’s retail advances in respect of overdrafts, card loans and personal loans grew strongly despite the difficult economic climate. The non-performing loan charge to the income statement was reported to be in line with expectations given the current economic cycle.

Digital transactions experienced strong growth in the period under review, this resulted in a decline in the number of branch transactions. A further increase in the FNB app adoption since the institution of the no data charge in November 2018 for the use of the app was also observed. This is in line with the groups digital transformation strategy adopted, to align to business with the future of banking in mind. Retail has also seen more than 50% of all deposits move from branches to the automated deposit terminals (ADT’s), which offers customers real-time service 24 hours a day.

Channel volumes table:

	Year ended 30 June		
Million	2019	2018	% change
Branch	5	6	(15%)
ATM/ADT	33	32	3%
Internet banking	14	13	4%
FNB app	2	1	123%
Mobile banking	23	19	22%
Card swipes	17	14	17%
Other	30	30	0%
Total FNB	124	115	8%

FNB’s emphasis on convenient self-service channels together with the expansion of cash deposits and withdrawals functionality to merchants countrywide (via cash-back at till, eWallet at POS and Cash plus) has allowed FNB to embark on a process to reassess its needs for physical infrastructure. Through this process, branches were re-designed and transformed into client-centric sales and service centres (as opposed to cash handling facilities) with three distinct zones for self-service (help yourselves), semi-assisted services (we help you to help yourselves) and fully assisted services (how can we help you) respectively.

During the year, FNB Retail further entrenched its Premium sub-segment with the launch of the Private Wealth product for ultra-high net worth clients and the rebranding of the Private Clients product for high net worth customers.

The Platinum, Private Clients and Private Wealth sub-segments, together forming the Premium sub-segment, experienced double-digit percentage growth in account numbers which is testimony to the client-centric and first-class service approach delivered by the FNB Premium team.

Commercial review

With regard to Commercial the segment had a difficult financial year with flat advances and a increase in deposits 2.4%. Many of the commercial customers in the retail, agricultural and construction sectors are still experiencing declines in business turnover due to the protracted economic recession and the prevailing drought. The prevailing factors have resulted in less liquidity for deposits and a lower customer appetite for borrowing and expansion.

Impairment charges in the income statement increased by 69.2%, albeit off a very low base. Overall impairment levels remain within acceptable levels and these are not expected to deteriorate significantly in the near future on the back of proactive engagement with customers in anticipation of credit deterioration events.

The Commercial segment has implemented several strategies to position it for growth, including the deepening of digital channel adoption, product innovation, the focus on customer acquisition and cross-selling, appropriate pricing strategies as well as a revise of its credit appetite across the business.

Operational review continued

Commercial review continued

The card acquiring business through the network of FNB affiliated merchants equipped with FNB speedpoints, as well as the state of the art online commercial banking platform continue to drive growth in transactional banking activity. With the phasing out of cheques in Namibia by 30 June 2019, the card and digital channels present seamless, efficient and more cost-effective transactional solutions to our customers. The introduction of cash-back at POS and eWallet at POS as well as the FNB App further enhances functionality of these solutions.

In addition, FNB launched Cash Plus during the year under review, which allows customers to deposit and withdraw cash at participating merchants using their mobile phone and a One-Time-Pin. Business is excited about the prospects of Cash Plus in enhancing access of banking services into even the most remote rural areas and thereby accelerating financial inclusion in Namibia.

WesBank review

WesBank represents the activities of the FNB franchise in instalment credit and related services in the retail, commercial and corporate segments. WesBank remains the leading Vehicle and Asset Financing provider in its chosen markets. This has been achieved on the back of a customer centric strategy with innovative solutions tailored for the needs of our customers.

The vehicle finance market had a challenging year to date with new vehicle sales continuing in decline as experienced in the prior year. Increasing competition and a general need for the consumer to survive the tough macro environment added further pressure. Despite the prevailing factors, WesBank grew net return on the back of strengthened relationships, disciplined pricing and financing all goods with a serial number.

NPL's were impacted by lengthening recovery timelines in line with business commitment to stand by customers in these difficult times.

Erwin Tjipuka
CEO FNB Franchise

RMB

In relation to RMB, a diversified portfolio of businesses coupled with a disciplined approach to balancing risk, return and growth, delivered a strong performance. RMB strives to develop Namibia's capital markets by creating sustainable solutions with clients, government and society and continue to deliver innovative market leading solutions.

Despite the economic downturn, RMB had strong growth in advances on the back of significant landmark transactions and several first to market solutions. RMB remains disciplined in its financial resources allocation to ensure preservation of returns and has maintained strong credit provisions level to date.

The continuous contracting of the economy has made growing the business' flow revenue quite challenging. Nonetheless, the RMB Namibia team has been able to unlock several needle-moving opportunities. Growth initiatives that have proven to generate tremendous value include:

- Clearly differentiating our offerings on complexity and deals of scale;
- Focused sector strategies; and
- Leveraging the full value-chain in sectors.

Solid performance with good growth in deposits, although competitiveness over liabilities and assets increased significantly during the year. Increased demand for structured working capital solutions supported strong performance.

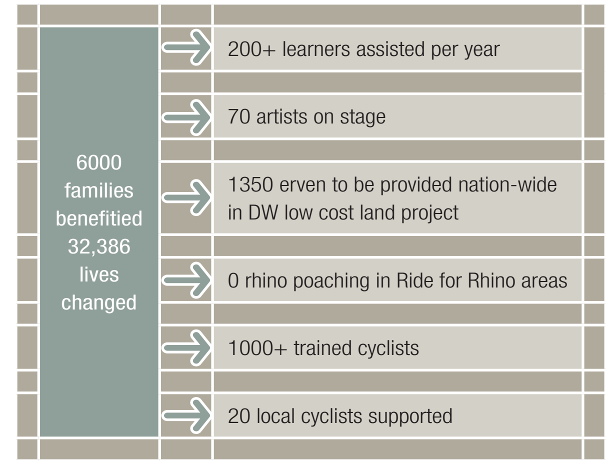
The Investment banking division was able to deliver significant new deals translating into solid lending income and resilient fee income due to client mandates requiring advisory, capital markets and structuring activities.

On the backdrop of a challenging financial markets environment, the Global Markets team focused on expanding its product offering and client base with attention in building the foundations in the existing structured solutions for corporates.

RMB's success and long-term sustainability is intricately linked with the business' ability to attract, develop and retain the right talent that is aligned with the strategic goals of the group. RMB offers its employees in Namibia a unique market working environment. The people have played a direct meaningful part in the development of Namibia's capital markets by working on bespoke market leading solutions.

RMB Corporate Social Investment, through the FirstRand foundation, continues to be active while supporting initiatives such as Save the Rhino Trust, Physically Active Youth, Informal Settlement Development and various initiatives in the creative economy.

These initiatives have proven tremendous impact on the Namibian society, proving that business is more than just a business. By supporting such initiatives in the Namibia's creative economy, business has made the following impact:



Conrad Dempsey
CEO RMB Franchise

INSURANCE

OUTsurance

Since entering the Namibian market in 2007 OUTsurance has made its mission to provide world-class value-for-money products backed by awesome client service. Over the last financial year, more than 48% of clients "got something OUT", either through a claim payment or an OUTbonus. 65% of the client base rated the service as not just good but awesome, across sales, client care and claims. Treating customers fairly is at the heart of what business does, which is evidenced by less than 10% of claims overturned by the regulator versus the rest of industry at 30% (NAMFISA STI industry report 2018Q1 to 2018Q4).

OUTsurance generated earnings of N$ 29.5 million for the financial year. The contraction of earnings was driven by negative gross premium growth, a higher net cost of reinsurance and increased expenses.

Gross written premiums declined by (5%) due to pressure on new business volumes considering soft market conditions driven by broader macroeconomic factors. Premium inflation was well below general inflation in response to favourable claims frequency trends and lower repair cost inflation. New business volumes have started to show an improving trend towards the latter part of the reporting period, benefitting from low premium adjustments and operational improvements.

The net cost of reinsurance increased by N$ 7.5 million due to the compulsory per-policy reinsurance with NamibRe. Premium income was reduced by N$ 17.8 million.

In terms of expense, the cost of doing business in Namibia has increased. Marketing expenses increased mainly due to changes in one key media provider to allow for more tailored and localized broadcasting. Significant investment have also been made to bolster oversight and control of client engagement activities to eliminate the occurrence of sub-standard customer outcomes. This includes operational departments as well as control functions (risk, compliance, actuarial and audit).

OUTsurance is experiencing challenging premium growth on the back of lower new vehicle sales and bonded properties a current occurrence in the industry. The impact of the NamibRe legislation will further reduce net earned premium and consequently retained earnings. It is therefore expected that growth in shareholder funds will continue to slow down in the next financial year. The solvency capital requirement will also reduce since it is set as a percentage of net written premium. It is therefore expected that solvency coverage will remain constant following consistent dividend cover of earnings

Nangula Kauluma
CEO OUTsurance Namibia

Chief Financial Officer's report

Oscar Capelao

This report to shareholders is done **22 years since listing** on **the NSX** back in **March 1997.** Our broad-based shareholding at year-end had over **2 695 shareholders** including a number of **institutions** and **17 pension funds.**

Our core activities are to help people save for the future, easy of payments with everyday transactions, lending to companies large and small, we help them grow, creating jobs and real economic value in Namibia.

FirstRand Namibia continued to create value for all our stakeholders, a welcome assurance that our people, model and franchises are resilient in a tough economic recessionary cycle. Profit before tax increased by 2.2% to N$ 1.58 billion (2018: N$ 1.55 billion) for the period under review. The group's revenue performance demonstrates that the investment in digitization and customer-centric service is bearing fruit. Cost to income ratio increased to 52.9% (2018 normalised: 50.3%), which remains commendable. Cost growth was contained at 4.4% for the year as demonstrating the efficiency focus in the current year.

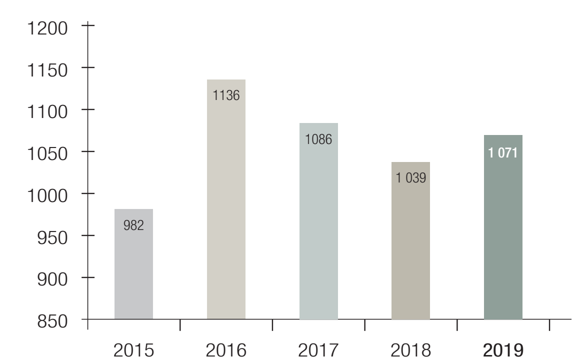
The impact of the challenging economic climate was certainly felt in the financial services sector. Credit demand showed improvement although it was still relatively low in comparison to the past few years. The improvement in credit demand was mainly influenced by improved business sentiment especially in the commercial property loans space. Return on average equity decreased to 20.8% (2018: 22.1%), still in the long- term target range of 21% to 24%.

Headline earnings increased by 3.0% to N$ 1 071 million. Earnings per share increased to 409.9 cents (2018: 398.1 cents).

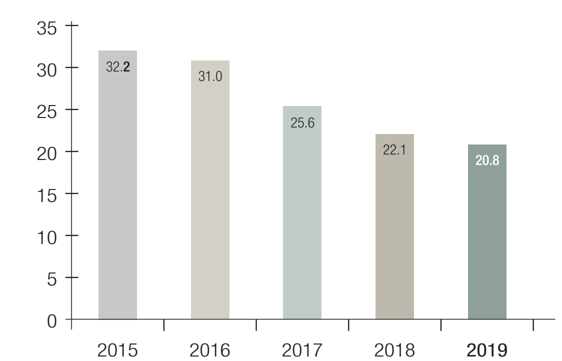
	Group		
N$' million	2019	2018	% change
Earning performance			
Headline earnings	1 071	1 039	3.0%
Balance sheet			
Advances	30 298	28 532	6.2%
Deposits	35 886	31 546	13.8%
ROE (%)	20.8	22.1	
ROA (%)	2.6	2.7	
Credit loss ratio (%)	0.72	0.45	
Performing book coverage ratio (%)	1.18	0.46	
NIACC	330	344	(4.2%)
Cost-to-income ratio (%)	52.9	50.3	

PERFORMANCE IN CONTEXT

Headline earnings (N$ millions)



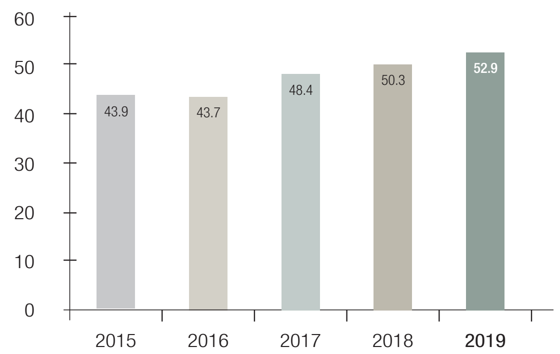
Return of average equity (%)



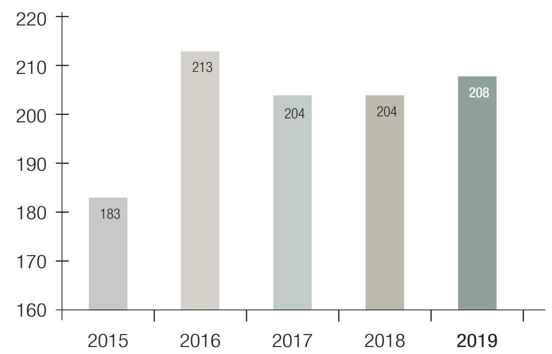
Chief Financial Officer's report continued

PERFORMANCE IN CONTEXT continued

Cost to income ratio (%)



Ordinary dividend declared (cents)



STATEMENT OF COMPREHENSIVE INCOME

Interest income

Net interest income grew by 10.5% to N$ 2 012.2 million (2018: N$ 1 820.8 million)

Interest expense increased by 5.1% while interest income grew by 7.9% driven by the subdued growth in advances and the continued focus on growing retail deposits as opposed to the more expensive wholesale funding.

Increase in interest income are attributable to investment in securities achieved by higher returns due to the growth in the balance sheet as well as a deliberate increase in liquid assets in-line with anticipated future needs. IFRS 9 requires the reclassification of suspended interest we do not expect to recover to be classified under impairments.

Impairment losses

The total impairment charge increased year-on-year to N$ 214.8 million (2018: N$ 128.3 million). The impairment charge is 0.72% (2018: 0.45%) of gross advances. Group credit loss rates increased as expected, impacted by a more challenging macroeconomic environment and the implementation of IFRS 9.

The portfolio impairment charge increased from N$ 2.5 million to N$ 85.6 million and is in-line with the group's strategy of maintaining an appropriate level of provisioning on the performing book.

The ratio of non-performing loans (NPLs) to gross advances ended the period at 2.7% up from 1.9% in 2018 and in dollar terms increased from N$ 549 million to N$ 845 million. Security held against NPL's stands at N$ 556 million, demonstrating our commitment to responsible lending.

The group impairment levels remain well within acceptable levels through the cycle, and coverage ratios remained in-line with industry levels.

Non-interest revenue

Normalised NIR increased by 3.8%, reflecting a fee and commission income growth of 4.8%, supported by higher volumes across digital and electronic channels. Although business is reaping the benefits of customer migration to digital channels, this addition to NIR is off-set by a fall in cash-related NIR, impacted by the reduction in volumes of cash transactions at traditional channels and the impact of the recession.

30 June 2019 marked the end of cheques as a payment instrument in Namibia. The gradual implementation of the regulation on cheques has had a similar reduction in income over the said time.

Net fee and commission income represents 87.9% (2018: 85.4%) of group operational NIR.

The growth in major components of NIR was offset by a decrease in fair value income of 8.3%, reflecting the depressed economic environment.

Insurance

Insurance premiums have declined to N$ 167 million (2018: N$ 185 million). Key drivers are the low premium inflation environment, increased competition and affordability witnessed by the increase in lapses due to non-payment of premiums. Claims paid for the period marginally declined to N$ 86 million (2018: N$ 96 million).

Operating expenses

Normalised group operating costs have increased by 7.2% to N$ 2 069 million (2018: N$ 1 930 million). This is reflected in our cost to income ratio of 52.9% (2018: 50.3%). This level of cost growth is in-line with inflation and demonstrates the measures taken by the group to manage discretionary spending, while managing structural cost programmes to realise efficiency gains that can be invested in growth initiatives.

Staff costs increased by 6.2%. Staff cost growth is influenced by the above inflationary wage increase settlement with the union for non-managerial staff and the continued conversion of staff from basic pay to Cost-to-Company. It is also worth noting that, this trend may continue in the short-term due to the need for specialist and skilled resources needed to assist with the large-scale information technology and digital transformation programmes as well as helping with the evolving compliance and regulatory requirements of the industry at large.

Computer and processing related costs increased by 11.2% because of continued upgrades of bandwidth lines for new ADT's and ATMs, as well as an addition made to data line capacity. Investment in cyber security, new product development and regulatory projects have also contributed to the increase.

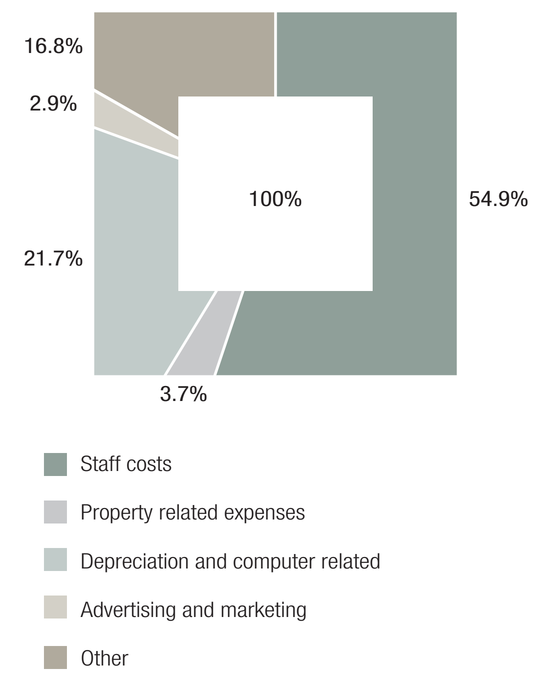
Advertising and marketing costs have increased by 10% because of sponsorship of national sporting events, business sponsorship and the FNB Rewards campaign.

The implementation of our space optimisation strategy has seen property and maintenance related expenses declined year on year with 5.6% due to the reduction in space ultimately contributing to a reduction in cost.

Our staff assistance trust activities are consolidated in the group results and paid out benefits of N$ 192 302, which is included under other operating expenses, funded out of the trusts dividend income.

Included in operating expenses is the FirstRand Foundation's contribution for the year amounting to N$ 10.3 million (2018: N$ 10.8 million). The contribution to the foundation is calculated as 1% of headline earnings. We believe this contribution continues to do greater good to the Namibian nation. Please refer to the social impact report for more details on the activities of the FirstRand Foundation.

Breakdown of operating expenses



Chief Financial Officer's report continued

STATEMENT OF FINANCIAL POSITION

Advances

The group's total assets increased by 12.0% to N$ 44.1 billion (2018: N$ 39.4 billion). Net advances making up 69% of the balance sheet reflected a year-on-year increase of 6.2% to N$ 30.3 billion. Growth in private sector credit extension for the period has been on an upward trend and was 8.3% at the end of the period. The gap between our advances growth and that of PSCE is influenced by the significantly slower growth of individual credit demand.

Mortgage loans increased year on year by 3.3% to N$ 13.5 billion and constitute 44% (2018: 46%) of gross advances. Our exposure to home loans is reflective of the Namibian banking industry where home loans tend to average 40% of credit extended in the local market. As a result, the growth rate of mortgage loans dragged the overall growth of the advances portfolio. In line with our risk appetite, we have selectively grown the home loans book in segments where we believe the risk is lower.

The granting of instalment credit decreased by 2.3%, well ahead of the industry decline of 6.9%, reflecting decent performance in an industry that has struggled over the past few years.

Commercial and Corporate lending showed improvement year-on-year with an increase of 16.1%. However, we continue to focus on ROE preservation given the prevailing competitive pressures. Invoice discounting and preference share deals were entered into for the 2019 financial year.

Deposits and funding

Deposit growth was ahead of advances growing by 13.7% to N$ 35.9 billion. The retail portfolio was a significant contributor to the deposits growth as 13.0% increase was experienced aided by the increased demand for savings and investment products as individuals tighten their purse-strings on continued product innovation, improved utilisation of channels, cross-sell to existing customers.

Fixed deposits increased by 22.7% year on year whilst NCD's are up year on year by 40.1%, whereas savings accounts increased by 26.9%.

Capital and regulation

FirstRand Namibia is subject to the Basel III framework, as implemented on 1 September 2018 in Namibia. Certain requirements under the legislation, including those relating to capital are phased in over 5 years until 2022. The group considers a strong and efficient capital position to be a priority. Through our capital strategy, our goal is to strengthen our capital position and optimize the use of risk-weighted assets (RWA), particularly when considering capital requirements.

For 30 June 2019, the group remained well capitalised at levels significantly above the minimum regulatory requirements. Capital adequacy ratio for the group was 19.9% and Tier 1 capital 17.6%.

Accounting changes

From 1 July 2018, the group adopted IFRS 9, which replaces IAS 39 on the recognition and measurement of financial instruments. It has fundamentally changed the way group accounts for financial assets and liabilities, such as advances to customers. These fundamental changes in the group's accounting framework relating to financial instruments and impairment methodology in particular, came into effect from the beginning of the 2018/19 financial year.

It is important to note that these are accounting changes, however, the economic performance remains the same. The adoption of IFRS 9 does not change the credit quality of the various financial instruments but results in the earlier recognition of credit losses by the group. IFRS 9 affects the group's impairment allowances for financial instruments, the classification and measurement of these Instruments.

The group is compelled to adjust its impairment provision upwards from the date of initial application, being 1 July 2018, which has in turn affected capital and reserves. A graphical representation of the high-level financial impact of these adjustments is provided below.

Impairment of advances (excluding ISP)	Common Tier 1 (CET1) Ratio *	Group's total equity
46%	Refer to note below	(2%)
IFRS 9: N$444 million	IFRS 9: N$ 0	IFRS 9: N$4 909 million
IAS 39: N$302 million	IAS 39: N$ 0	IAS 39: N$5 016 million

* Tier 1, total capital and risk weighted assets remained unchanged due to the increase in provisioning having been offset by the reduction in the general risk reserve.

Accounting changes continued

Below is a graphical representation of the main changes to impairments which is the main item impacted by the adoption of IFRS 9:

	Incurred but not reported (IBNR)	Portfolio specific impairments (PSI)	NPL
IAS 39	• Includes all accounts less than one payment / 30 days in arrears • Relatively low loss provisions held (incurred loss model - short emergence periods)	• Accounts between one and three payments / 30 and 90 days in arrears • Provisions held for incurred losses	• Accounts in default • LECL provisions held

	Stage 1	Stage 2	Stage 3
IFRS 9	• Includes all accounts that have not significantly deteriorated in credit risk since origination • 12 month ECL provisions held	• Accounts that show significant deterioration (with one instalment / 30 days in arrears backstop) • Watchlist client • Provisions held for LECL	• Accounts in default • LECL provisions held

Stage 1 and stage 2 advances are referred to as performing provisions. The combination of stage 1 and stage 2 impairments resulted in significantly higher levels of credit impairments on performing financial assets than under IAS 39. The scope of IFRS 9 is broader than that of IAS 39, and includes taking off-balance sheet exposures, such as unutilised facilities, into account in determining the level of credit impairments. These were not included in the determination of credit impairments under IAS 39. IFRS 9 requires the use of forward-looking information in determining the expected credit loss amount, which introduces a measure of risk and uncertainty as it involves macroeconomic projections, scenario testing and planning.

Conclusion

We are a domestic systemically important bank (DSIB) in Namibia. Basel II applies to all banking institutions as well as bank controlling companies classified as DSIBs. With this comes an obligation to act responsibly, manage risk and create shared value for all stakeholders to ensure that we continue to be a sustainable business for many more years to come.

The group delivered resilient, high quality earnings on the back of reasonable topline growth, which has translated into a strong return profile and it is well-positioned for the continued emergence of the credit cycle. We will continue to be agile to respond to the many uncertainties that are likely to arise on the back of our continued prudent approach to doing business, where we do not chase market share at the expense of returns.

As much as tough times create risks, we also believe they present different opportunities. We will continue to invest through the cycle to take advantage of these opportunities as they emerge with the aim of creating shared value for all our stakeholders.

Oscar Capelao
Chief Financial Officer

06 FIRSTRAND NAMIBIA GROUP

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Directors' responsibility statement

To the shareholders of FirstRand Namibia Limited

The directors of FirstRand Namibia Limited are responsible for the preparation of the consolidated and separate annual financial statements comprising the statement of financial position, income statement, and statements of comprehensive income, changes in equity and cash flows, and the notes to the annual financial statements. These annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of Namibia.

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

In preparing the annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by management. In the current financial year, the group adopted IFRS 9 and IFRS 15. Refer to accounting policy 11 for further detail on the impact of these new accounting standards on the group. The annual financial statements incorporate full and responsible disclosure in line with the group philosophy on corporate governance and as required by the Namibian Stock Exchange.

The group has complied in all material respects with the requirements set out in BID2 with regards to asset classification, suspension of interest and provisioning. The group's policies with this regard are stated in the notes on accounting policies, disclosed on pages 91 to 144.

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. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. The board members and employees are required to maintain the highest ethical standards and group's business practices are required to be conducted in a manner that is above reproach. 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 has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

The group's external auditors, Deloitte & Touche, have audited the financial statements and their report appears on page 64 to 67.

The consolidated annual financial statements of the group, which appear on pages 68 to 243 and the separate annual financial statements of the company, which appear on pages 245 to 256 were approved by the board of directors on 13 August 2019 and signed on its behalf by:

I I Zaamwani – Kamwi	S J Van Zyl
Chairperson	Chief Executive Officer

Windhoek
13 August 2019

Independent auditor's report

To the Members of FirstRand Namibia Limited

Opinion

We have audited the consolidated and separate financial statements of FirstRand Namibia Limited set out on pages 68 to 69 and 87 to 256, which comprise the consolidated and separate statements of financial position as at 30 June 2019 and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies and the directors' report.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 30 June 2019 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 group and company in accordance with section 290 and 291 of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Revised July 2016), parts 1 and 3 of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (revised July 2018) and other independence requirements applicable to performing audits of financial statements in Namibia.

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. This matter was addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. No key audit matters were identified in the separate financial statements.

Key audit matter – Group	How the matter was addressed in the audit
Impairment of advances	
The group has adopted IFRS 9-Financial Instruments (IFRS 9) for the first time, from 1 July 2018. IFRS 9 requires the recognition of expected credit losses (ECL) on all financial assets within the scope of its impairment model, which includes advances. The impairment of advances was considered to be a matter of most significance to our current year audit due to the following: • advances are material to the financial statements; • the level of subjective judgement applied by management in determining the ECL on advances; and • the effect that ECL has on the impairment of advances and the group's credit risk management. This key audit matter relates to the following advances: • Corporate advances; and • Retail and commercial advances.	Our audit of the impairment of advances included, inter alia, the following audit procedures performed with the assistance of our credit and actuarial specialists: • Across all significant portfolios we assessed the advances impairment practices applied by management against the requirements of IFRS 9; • In addition, we tested the design and implementation of relevant controls over the processes used to calculate impairments; and • We assessed the group's probability-weighted macroeconomic scenario reports and analysed the outlined methodology, scenario views and associated probabilities in terms of the principles of the IFRS 9 standards, including the review of the approval.

Key audit matter – Group	How the matter was addressed in the audit
Impairment of advances continued	
Corporate advances Corporate advances are individually significant and the ECL calculations of impairments are inherently judgemental in nature. The specific areas of significant management judgement within the ECL calculations include: • The assumptions and methodologies applied to estimate the probability of default ('PD'), exposure at default ('EAD') and loss given default ('LGD'); • The assessment of whether there has been a Significant Increase in Credit Risk ('SICR') since origination date of the exposure to the reporting date (i.e. a trigger event that will cause a deterioration in credit risk and result in migration of the loan from Stage 1 to Stage 2); • The incorporation of forward looking information and macro-economic inputs into SICR; and • The assumptions used for estimating the recoverable amounts (including collateral) and timing of future cash flows, particularly for Stage 3 loans.	Corporate advances The following procedures addressed the key areas of estimation and significant judgement in determining ECL for corporate advances: • We assessed, the appropriateness of assumptions made by management in determining the level of impairment, including the probability of default and valuation of collateral and the incorporation of the macro-economic variables; • We tested the determination and sensitivity of the forward looking model in order to evaluate whether the chosen macro-economic factors and model fit provide a reasonable representation of the impact of macro-economic changes on the ECL results; • We independently recalculated a reasonable range of significant impairment losses and compared the level raised by management to the recalculated range; • We inspected a sample of legal agreements and supporting documentation to assess the legal right to and existence of collateral; and • We selected advances with no indicators of significant increase in credit risk and determined if this was reasonable by forming an independent view on whether there was a significant increase in credit risk.
Retail and commercial advances Retail and commercial advances are higher volume, lower value and therefore a significant portion of the impairment is calculated on a portfolio basis. This requires the use of statistical models incorporating data and assumptions which are not always necessarily observable. Management applies professional judgement in developing the models, analysing data and determining the most appropriate assumptions and estimates. The inputs into the modelling process requiring significant management judgement, include: • The input assumptions and methodologies applied to estimate the PD, EAD and LGD; • Determining whether the evidence exists that there has been a SICR since initial recognition; • The incorporation of forward looking information and macro-economic inputs into SICR; and • The determination of the write-off point and curing.	Retail and commercial advances We performed the following procedures on the ECL for retail and commercial advances with the assistance of our credit and actuarial expertise: • We obtained an understanding of the assumptions used by management in the various ECL model components and how these were calibrated to use historical information to estimate future cash flows; • We tested the design and implementation of relevant controls over the model used to calculate impairments, including controls relating to data and models which included the reperformance of the ECL model; • Through applying the assumptions and data included in management's model, we recalculated the impact of SICR; • We considered the assumptions used in the forward looking economic model the macro-economic variables considered as well as the macro-economic outlook and compared these to independent market data; and • Through recalculation, we tested the application of the write off policy, including the exclusion of post write-off recoveries from the Loss Given Default (LGD).

Independent auditor's report

To the Members of FirstRand Namibia Limited continued

Key audit matter – Group	How the matter was addressed in the audit
Impairment of advances continued	
Overlays Across all portfolios, management apply judgement to recognise additional ECL (in the form of overlays) where there is uncertainty in respect of the models' ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the maturity of the models, the timing of model updates and macro-economic events which could impact corporate, retail and commercial consumers. Related disclosures in the consolidated financial statements: • Accounting policies, section 10.4 - Critical accounting estimates, assumptions and judgements; and • Note 14 – Impairment of advances.	Overlays We considered the potential for ECL to be affected by events not captured by the model assumptions due to timing or other inherent limitations (such as changes in economic conditions). We assessed the reasonableness of event driven overlays raised by management, based on our understanding of the industry, emerging risks and regulatory changes. Based on the procedures describes above, our audit evidence supported the ECL on advances which were found to be within an acceptable range in the context of IFRS 9.

Other Information

The directors are responsible for the other information. The other information comprises the about this report and features of the group results pages as well as the Understanding our Group, Leadership and Governance, Corporate Governance Report, Performance Review, the Directors' Responsibility Statement, Risk Report, and the Shareholders' Information section, which we obtained prior to the date of this Auditor's Report. The other information does not include the consolidated and separate financial statements, Directors' Report and our Auditor's Report thereon.

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

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

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

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

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

Deloitte & Touche

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

Per J Cronjé
Partner

PO Box 47, Windhoek, Namibia
05 September 2019

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

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

Directors' report

Nature of business

FirstRand Namibia Limited is the holding company of the FirstRand Namibia group of companies. The group provides banking, insurance and investment products and services to retail, commercial, corporate and public sector customers through its portfolio of market-leading franchises; First National Bank (FNB), the retail and commercial bank, Rand Merchant Bank (RMB), the corporate and investment bank, WesBank, an instalment finance provider, Outsurance, a short term insurance provider and Ashburton Investments, an investment management business.

Refer to page 260 for a simplified group structure.

Share capital

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

The company's authorised share capital at year-end consists of 990 000 000 (2018: 990 000 000) ordinary shares of 0,5 cents each and 10 000 000 (2018: 10 000 000) cumulative convertible redeemable preference shares of 0,5 cents each.

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

Share analysis – ordinary shares

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

FirstRand EMA Holdings (Pty) Limited	58.4%	(2018: 58.4%)
Government Institutions Pension Fund	14.8%	(2018: 14.8%)

A detailed analysis of shareholders is set out on page 261.

Share analysis – preference shares

RMB-SI Investments (Pty) Limited	100%	(2018: 100%)

FNB Share Incentive Scheme

No new shares were allocated during the year by the company to trust. (2018: nil). Staff exercised option on 1 590 427 (2018: 2 441 910) shares during the year. The total number of shares held by the trust at 30 June 2019 amounts to 5 676 026 (2018: 5 845 313).

Dividends

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

N$'000	2019	2018
Ordinary dividends		
Final dividend of 113 cents (2018: 113 cents)	302 380	302 380
Interim dividend of 91 cents (2018: 91 cents)	243 510	243 510
Total distribution for the 12 months of 204 cents per ordinary share (2018: 204 cents per ordinary share)	545 890	545 890

Special dividend

The following special dividend was declared:

Cents per share	2019	2018
Special dividend declared 13 August 2019	250	

Directors interest in FirstRand Namibia Limited

Details of the directors' holdings in the issued ordinary shares of FirstRand Namibia Limited are reflected in note 6 to the annual financial statements. Refer to note 8 for further details on the ordinary dividends and special dividends declared on 13 August 2019.

Interest of directors

At no time during the financial year were any contracts of significance entered into relative to the group's business in which a director had an interest.

Group results

The financial statements on pages 68 to 243 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 from page 23 to 25, the Chief Executive Officer's report and the Chief Financial Officer's report on the financial results on pages 49 to 51 and pages 56 to 61 respectively.

Directorate

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

The FirstRand Namibia Limited Board Chairperson is an independent non-executive director, whose role is separate from that of the chief executive officer. The Chairperson held office till the first board meeting in 2019, where she was duly re-elected after consideration of her independence. The Chairperson continues to provide the FirstRand Namibia Limited the direction necessary for an effective board.

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

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

* South African
**South African with Namibian Permanent Residence

Board changes

During the period under review RJC Hamer resigned from the Board of FirstRand Namibia Limited on 3 December 2018. One non-executive director was added to the board in the period under review. IN Nashandi appointed effective 31 January 2019.

Directors' emoluments

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

Management by third parties

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

Insurance

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

Property and equipment

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

Holding company

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

Subsidiaries

Interest in and aggregate profits of subsidiaries are set out in note 33 to the annual financial statements.

Company secretary and registered offices

Company secretary
N Ashipala

Registered office
130 Independence Avenue
Windhoek

Postal address
P O Box 195
Windhoek
Namibia

Events subsequent to the reporting date

There are no material events subsequent to the reporting date to report.

risk report

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Risk report 71

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- Financial Crime risk 81
- Operational risk 82
- Legal risk 84
- Fraud risk 84
- Insurance risk 85

Risk report

INTRODUCTION

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

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

- risk-focused culture with multiple points of control applied consistently throughout the group;
- combined assurance process to integrate, coordinate and align the risk management and assurance processes within the group to optimise the level of risk, governance and control oversight;
- strong risk governance through the application of financial and risk management disciplines through frameworks set at the centre; and
- Risk taking is an essential part of the group's business and the group explicitly recognises core competencies as necessary and important differentiators in the competitive environment in which it operates.

These core risk competencies are integrated in all management functions, business areas and at risk-type level across the group to support business by providing the checks and balances to ensure sustainability, performance, achievement of desired objectives, and avoidance of adverse outcomes and reputational damage.

A business profits from taking risks but will only generate an acceptable profit commensurate with the risk from its activities if the risks are properly managed and controlled. The group's aim is not to eliminate risk, but to achieve an appropriate balance between risk and reward. This balance is achieved by controlling risk at the level of individual exposures, at portfolio level and in aggregate across all risk types and businesses through the application of its risk appetite framework.

The group's risk appetite framework enables organisational decision making and is aligned with the Group's strategic objectives.

Risk taking is an essential part of the group's business. It is a key component of the delivery of sustainable returns to its shareholders and is therefore embedded in the group's tactical and strategic decision making.

As an integrated financial services provider, the group wants to be appropriately represented in all significant earnings' pools across all chosen market and risk-taking activities. This entails building revenue streams that are diverse and creating long term value via sustainable earnings' pools with acceptable earnings volatility.

Risk appetite

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

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

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

The aim is to ensure that the Group maintains an appropriate balance between risk and reward. Risk appetite limits and targets are set to ensure the Group achieves its overall strategic objectives, namely to:

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

Risk appetite articulates what proportion of Group's financial resources should be utilised in the execution of its strategy and is determined through consideration of several filters, including:

- overall strategic objectives;
- growth, volatility and return targets; and
- meeting the group's commitments to all stakeholders including regulators, depositors, debt holders and shareholders.

Risk report continued

Risk appetite continued

The board adopted the following guiding statements to frame appetite:

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

Application of the risk/reward framework

Risk appetite, targets and limits are used to monitor Group's risk/reward profile on an ongoing basis. The risk/reward profile should be measured point-in-time and forward looking. Risk appetite should influence the business plans of each of the businesses and inform the risk taking activities and strategies set in each business.

Management of risk is the responsibility of everybody across all levels of the organisation, supported through the three lines of control framework of risk management.

The risk/reward framework provides for a structured approach to define risk appetite, targets and limits that apply to each key resource as well as the level of risk that can be assumed in this context. The framework provides guidance on how financial resources, including risk-taking capacity, should be allocated.

Although different commitments are made to various stakeholders, these are monitored collectively. Quantitative targets and limits are augmented by several qualitative principles that serve to provide guidelines on boundaries for risk taking activities.

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 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.

Management committees
Strategic Executive Committee
Strategic Risk; Business Risk; Conduct Risk

FIRSTRAND NAMIBIA LTD

Board Risk Committees
Audit Committee
Senior Credit Risk Committee
Assets, Liabilities and Capital Committee
Risk, Capital Management and Compliance Committee

Risk Coverage	
Credit Risk	Tax Risk
Market Risk	Operational Risk
IT Risk	Financial Crime Risk
Regulatory Risk	New Product Risk
Liquidity Risk Capital Management	Reputation Risk

Three lines of control

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

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

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

FIRST LINE OF CONTROL

RISK OWNERSHIP
Risk inherent in business activities

Heads of Business
Reports to CEO

Group Treasury
Supports business owners, the Board and Stratco

Brand Executive Committees

GROUP CEO

Executive Committee (EXCO)

*Group CEO
*Group CFO
*Brand EO's
*Group Treasurer
*Chief HR Officer
*Group COO
*Group CRO
*Group Credit Executive

Financial Resource Management Executive Committee

Ethics Committee

Business Unit Executive Committee

SECOND LINE OF CONTROL

RISK CONTROL
Risk identification, measurement, control and independent oversight and monitoring

Enterprise Risk Management (ERM)
Headed by Group CRO, Specialised Risk Managers for:
IT Risk, Market Risk, People Risk, Legal Risk, Conduct Risk.

Regulatory Risk Management (RRM)
RRM head represented on platform and executive committees

Deployed Business unit risk managers
*Involved in all business decisions
*Represented at Business Unit Committees

BOARD

RCC Committee

Specialised Risk Committees

Deployed Risk Managers
Report to franchise CEOs and group CRO

Risk report continued

Three lines of control continued

Risk profile management

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

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

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

Risk Universe

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

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

Ethics Committee

The group ethics committee exercise oversight over the governance and functioning of the group-wide ethics programme. The group code of ethics is the cornerstone of ethics management framework.

The ethics committee strategically directs the ethics framework which has attained increased maturity and impact during the year under review. Several culture- and people- risk assessments were conducted, some of which resulted in strategic and operational changes in certain areas and the proactive identification and management of several risk types. The focus on promotion of responsible business conduct was maintained and included intensified training on whistle blowing, conflict of interest, anti-bribery and corruption. Another focus area is the promotion of responsible market conduct and ensuring that the group remains compliant with market conduct regulations and related industry best practice.

Risk culture

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

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

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

Combined assurance

Formal enterprise-wide governance structures for enhancing the practice of combined assurance at group are overseen by the audit committee. The primary objective of the group and assurance forums is for the assurance providers to work together with management to deliver appropriate assurance cost effectively.

The assurance providers in this model include GIA, senior management, ERM, RRM and external auditors. The combined outcome of independent oversight, validation and audit tasks performed by the assurance providers ensure a high standard across methodological, operational and process components of the group's risk and capital management.

Combined assurance results in a more efficient assurance process through the elimination of duplication, more focused risk-based assurance against key control areas and heightened awareness of emerging issues resulting in the implementation of appropriate preventative and corrective action plans.

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

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

Reputational risk

As a financial services provider, the group's business is one inherently built on trusting relationships with its clients. Reputational risk can arise from environmental, social and governance issues or as a consequence of financial or operational risk events. The group seeks to avoid large risk concentrations by establishing a risk profile that is balanced within and across risk types. In this respect, potential reputational risks are also taken into account as part of stress-testing exercises.

The group aims to establish a risk and earnings profile within the constraints of its risk appetite and seeks to limit potential stress losses from credit, market, liquidity or operational risks that may otherwise introduce an undesirable degree of volatility in its financial results and adversely affect its reputation.

Risk report continued

Market risk

The group operates within a risk management framework where principles of managing risks associated with trading positions are set. Trading and dealing limits are approved by the board, with the day-to-day operations and utilisation thereof resting with the group treasurer. In terms of the market risk framework, responsibility for determining market risk appetite vests with the board, which also retains independent oversight of market risk related activities through the Risk Capital and Compliance committee (RCC).

Stress testing provides an indication of potential losses that could occur under extreme market conditions. Stress and scenario analyses are regularly reported to and considered by the relevant governance bodies.

Interest rate risk

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

Interest rate risk is an inevitable risk associated with grouping and can be an important source of profitability and shareholder value. Interest rate risk continues to be managed from an earnings approach, with the aim to protect and enhance earnings and economic value within approved risk limit and appetite levels.Ultimate responsibility for determining risk limits and risk appetite for the group vests with the board. Independent oversight for monitoring is done through the RCC committee, who, in turn, has delegated the responsibility to ALCCO.

ALCCO remains responsible on behalf of the board for the allocation of sub-limits and remedial action to be taken in the event of any limit breaches.

Liquidity

Liquidity Risk is the risk that an entity will not be able to meet its financial obligations as they fall due or might not be able to liquidate the assets of the entity timeously without incurring losses or at conditions unfavourable to the entity. This risk is managed by firstly distinguishing between structural, daily and contingency liquidity risk and then employing various approaches in the assessment and management of these on a daily, weekly and monthly basis as illustrated in the following chart.

Structural Liquidity Risk Management	Daily Liquidity Risk Management	Contingency Liquidity Risk Management
The risk that structural, long-term on- and off-balance sheet exposures cannot be funded timeously or at a reasonable cost	Ensuring that intraday and day-to-day anticipated and unforeseen payment obligations can be met by maintaining a sustainable balance between liquidity inflows and outflows.	Maintaining a number of contingency funding sources to draw upon in times of economic stress.
• liquidity risk tolerance; • liquidity strategy; • ensuring substantial diversification across different funding sources; • assessing the impact of future funding and liquidity needs taking into account expected liquidity shortfalls or excesses; • setting the approach to managing liquidity in different currencies and from one country to another; • ensuring adequate liquidity ratios; • ensuring adequate structural liquidity gap; and • maintaining a funds transfer pricing methodology and processes.	• managing intraday liquidity positions; • managing daily payment queue; • monitoring net funding requirements; • forecasting cash flows; • perform short-term cash flow analysis for all currencies individually and in aggregate; • management of intragroup liquidity; • managing central bank clearing; • managing net daily cash positions; • managing and maintaining market access; and • managing and maintaining collateral.	• managing early warning and key risk indicators; • performing stress testing including sensitivity analysis and • scenario testing; • maintaining product behaviour and optionality assumptions; • ensuring that an adequate and diversified portfolio of liquid assets and buffers are in place; and • maintaining the contingency funding plan.

The group acknowledges liquidity risk as a consequential risk that may be caused by other risks as demonstrated by the reduction in liquidity in many international markets as a consequence of the recent credit crisis. The group is, therefore, focused on continuously monitoring and analysing the potential impact of other risks and events on the funding and liquidity position of the organisation to ensure business activities preserve and improve funding stability. This ensures the group is able to operate through a period of stress when access to funding is constrained.

Credit risk

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

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

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

Credit risk management objectives are two-fold:

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

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

Credit Risk Profile

N$ million	2019	2018
Gross advances	31 003	28 833
Credit loss ratio (%)	0.72%	0.45%
NPLs as % of advances	2.72%	1.67%
Specific coverage ratio (%)	1.13%	0.60%
Total impairments coverage ratio (%)	2.27%	1.05%
Performing book coverage ratio (%)	1.18%	0.46%

Assessment and Management

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

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

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

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

Risk report continued

Assessment and Management continued

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

Mapping of FR grades to rating agency scales

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

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

Credit risk classification and impairment policy

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

Specific impairments

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

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

Portfolio impairments

The portfolio impairment supplements the specific impairment as outlined above and provides additional cover, based on prevailing market conditions and current default statistics.

Regulatory risk

INTRODUCTION AND OBJECTIVES

The Group expects ethical behaviour that contributes to the overall objective of prudent regulatory compliance and risk management by striving to comply fully with the spirit and the letter of the law. Management's ownership and accountability contributes to this through, within the confines of the law, the provision of appropriate and customer-centric financial products and services, and treating customers fairly. The compliance culture also embraces broader standards of integrity and ethical conduct which affects all employees. The Group RCRM's objective is to ensure business practice, policies, frameworks and approaches across the Group are consistent with applicable laws and that regulatory risks are identified and proactively managed.

Compliance with laws and regulations applicable to its operations is critical to the Group as non-compliance may have potentially serious consequences and lead to both civil and criminal liability, including penalties, claims for loss and damages, or restrictions imposed by regulatory authorities.

YEAR UNDER REVIEW AND FOCUS AREAS

One of the key objectives during the year under review was to strengthen relationships with regulators by providing assurance, not only to the board, but also to the regulators that FirstRand Namibia was indeed compliant with its governing laws. The strategy implemented in this regard yielded the desired result in that the bank, declared a systemically important bank, was inspected by the Bank of Namibia and the final reports issued concluded as follows:

- The Banking Supervision Department allocated an overall risk rating of "Moderate" and concluded that "the adequacy of the Risk Management Systems (RMS) is considered as Acceptable"; and
- The Exchange Control Department of the Bank of Namibia allocated an overall risk rating of "Satisfactory" and concluded that the "level of compliance and control measures are considered to be adequate and effective".

A huge focus was also on market conduct risk, which is a sub-category of Conduct Risk and can be defined as any action of a financial Institution or individual that leads to customer detriment, or has an adverse effect on market stability or effective competition. Market Conduct ensures organizations promote and maintain as safe, stable and sound systems to protect consumers considers how persons involved in the financial sector conduct themselves and their businesses in relation to customers and each other; and has a strong focus on fairness and integrity.

YEAR UNDER REVIEW

Key emerging legislation for the financial services sector:

Key Bills
- Exchange Control & Foreign Financial Transactions Bill;
- Banking Institutions Bill,2017;
- Electronic Transactions and Cybercrime Bill;
- Financial Institutions and Markets Bill;
- Financial Services Adjudicators Bill.

Key newly enacted laws
- Micro lending Act – passed and now applicable;
- Administration of Estates Amendment Act;
- Deposit Guarantee Act.

Key Determinations in draft:
- Suggested amendments to PSD5 which is the determination on the basic bank account which aims to drive financial inclusion. – This determination will have implications to the Bank.
- Suggested amendments to PSD-3. Determination on Issuing of Electronic Money. This determination will have implications to FNB Bank.

RISK MANAGEMENT FOCUS AREAS

- Continue to cooperate and build relationships with regulatory authorities and other stakeholders.
- Continue to make significant investments in people, systems and processes to manage risks emanating from the large number of new local and international regulatory requirements.
- Ongoing investment in systems, processes and resources to ensure compliance with anti-money laundering and combating the financing of terrorism (AML/CFT) legislation as well as new requirements under the payment space.
- Strengthen focus on anti-bribery and corruption strategy and programs to ensure compliance with both local and international regulatory instruments with extraterritorial reach.
- Continue to focus on managing regulatory and conduct risk posed by clients and other external stakeholders.
- Continue to focus on managing organizational culture risk detection, prevention and remediation, which supports regulatory risk management.
- Ongoing focus on remediation actions required in respect of identified regulatory risk management matters, including matters identified by the Bank of Namibia, the Namibia Financial Institutions Supervisory Authority, and the South African Reserve Bank where applicable.
- Continue to manage risks associated with illicit cross-border flows.

Regulatory risk continued

ASSESSMENT AND MANAGEMENT

RRM's board mandate is to ensure full compliance with statutes and regulations. To achieve this, RRM has implemented appropriate structures, policies, processes and procedures to identify all regulatory and supervisory risks. RRM monitors the management of these risks and reports on the level of compliance to the board, BON, as well as SARB where required.

These include:

- risk identification through documenting which laws, regulations and supervisory requirements are applicable to the group;
- risk measurement through the development of risk management plans;
- risk monitoring and review of remedial actions;
- risk reporting; and
- providing advice on regulatory compliance-related matters.

Although independent of other risk management and governance functions, the RRM function works closely with the group's business units, GIA, ERM, RCCC, external auditors, internal and external legal advisors, and the company secretary's office to ensure the effective functioning of compliance processes.

Financial crime risk

INTRODUCTION AND OBJECTIVES

The prevalence of economically motivated crime in many societies remains a substantial threat to the development and stability of economies. Financial crimes range from money laundering, terrorist financing, breaches of economic and trade sanctions, illicit financing of weapons proliferation, including weapons of mass destruction (WMD), bribery, corruption and tax evasion.

Financial crime risk is defined as the risk of economic loss, reputational damage and/or regulatory sanction to the group arising due to the facilitation of transactions involving proceeds of financial crimes because of an inadequate or ineffective control environment including non-compliance with the relevant regulatory requirements.

The group seeks to prevent its platforms from being abused for purposes of financial crime, has zero tolerance for wilful and deliberate non-compliance, and seeks to achieve full compliance with the letter and purpose of regulation and legislation.

There may however be instances of unintended failures which result in non-compliance, however these instances will be addressed on a prioritised basis.

EMERGING RISKS AND CHALLENGES

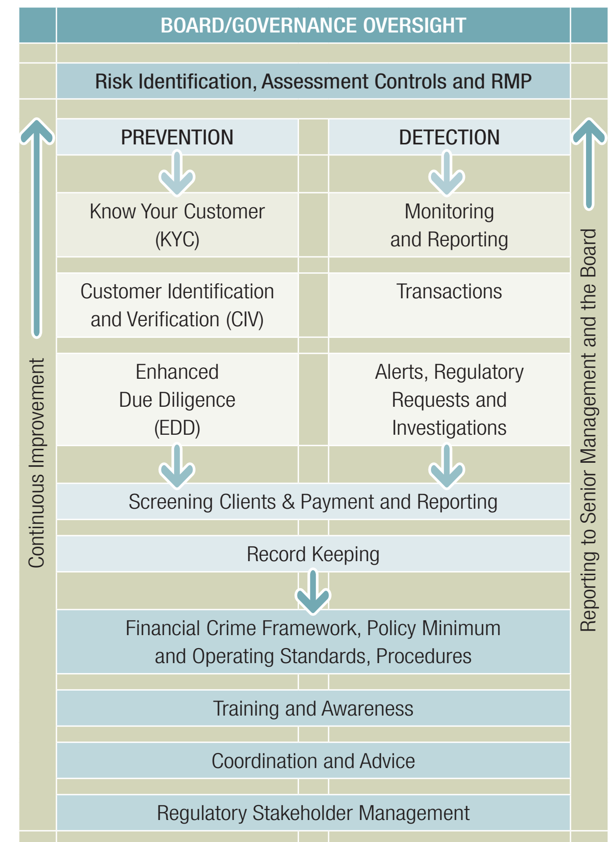
Illicit cross border financial flows has been identified as key and emerging risk. The main challenge considering the evolving regulatory landscape is to continuously invest in processes, people and systems to enhance efficiencies within operational activities, without increasing to the cost of compliance.

OPPORTUNITIES AND RISK MANAGEMENT FOCUS AREAS

Enhanced and real-time data analytics will continue to be a key focus area as it offers an opportunity for more proactive and agile financial crime risk management including more automated compliance monitoring.

FINANCIAL CRIME RISK MANAGEMENT PROGRAM OVERVIEW

The group has established a dedicated financial crime risk management department and implemented systems and measures as part of its program. The following are the key elements of the group's financial crime risk management :



Operational risk

Operational risk definition

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

Operational Risk Management Framework

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

The Operational Risk Framework is applied as follows:

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

Risk Appetite and Tolerance Thresholds

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

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

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

Operational Losses

The graph below shows the distribution of risk events across the Basel risk event categories for the period 1 July 2018 to 30 June 2019.

	2019	2018
Total Operational Losses as a % of Gross Income	0.3%	0.3%

Summarised commentary on operational risk events

- The overall losses incurred were within the Group's risk threshold;
- There was one major event, related to external criminal activity and third-party exposure, that comprised of 51% of the total operational losses incurred. Control enhancements were implemented to reduce future risk exposure;
- Other events in the external fraud category were predominantly due to credit card fraud, identity theft and online banking fraud, which is in line with industry trends; and
- Given the implementation of Verification by Visa, it is expected that the Bank's losses will reduce going forward. For FY 2019, Card Related Operational Losses amounted to 18% of total Operational Losses (24% in FY 2018).

CURRENT AND EMERGING CHALLENGES AND OPPORTUNITIES

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

ASSESSMENT AND MANAGEMENT

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

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

1. Information Security Risk – Global & Industry-Wide risk given growing sophistication of cyber-attacks (e.g. ransomware);
2. Regulatory Risk – the amount of resources required to comply with existing legislation and/or prepare for emerging legislation. Namibia is exposed to national industry wide regulatory projects, in addition to regional regulatory projects (from South Africa, Common Monetary Area (CMA). The volume and complexity of regulatory requirements is expected to continuously grow. In addition, projects typically do not have any profitable return;
3. Dependency Risk regarding delivery on existing and/or new IT projects – an inherent risk given the broader FirstRand Group Structure, where the Namibian operations are dependent on specialised resources based in RSA to develop new systems and/ or deliver on system enhancements; ad
4. Execution, delivery and process management risk – risk associated with inadequate internal processes, including human error and control failures within the business. This includes process origination, execution and operations – a landscape that continuously changes as the business continues to grow and evolve (organisational change).

Legal risk

The Group has in the past two years embarked on upscaling its legal division to ensure a fully-fledged legal division to cater for comprehensive legal risk management throughout the group. The division is headed by Group Legal Advisor who is an admitted legal practitioner, who reports directly to the CRO. The overall objective of Group Legal Services is to establish a functional, world-class legal risk specialist management environment where all legal risks are identified, analysed, monitored, adequately reported, quantified where possible and managed on a consistent basis.

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

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

In line with the Group's "owner manager"culture, Group Legal Service serves as a support function to the various business unit management throughout the Group. Ultimately, the respective business units remain accountable and responsible for all legal risk management activities within their respective departments.

During the period ended 30 June 2019 Group Legal Services has made good traction and achieved all its set milestones. No significant legal risks materialised.

Fraud risk

INTRODUCTION AND OBJECTIVES

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

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

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

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

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

TRENDS

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

"Understanding that the Forensics Team does not have eyes and ears everywhere, whistleblowing is strongly encouraged in the group. The group believes in rewarding those who speak up and run a whistle-blower rewards program known as the Leading Light Rewards. The number of entrants has risen by 50% since the last financial year. As at the end of April N$ 93 000 in prize money has been paid out. Every valid entry receives a guaranteed prize of N$ 1 000. Draws are done quarterly and annually.

The protection of whistle-blowers is imperative to the success of whistleblowing and is therefore governed by a whistleblowing policy which is in line with the whistle-blower protection bill."

FOCUS AREAS

During 2020, the team will focus on maturing our electronic surveillance and monitoring tools to improve the proactive detection and deterrence of fraud. Other risk monitoring tools will be integrated into the banking system to aid in the finding and stopping of potential gaps that could be exploited.

Insurance risk

OUTSURANCE NAMIBIA RISK MANAGEMENT

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

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

Insurance risks

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

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

Underwriting strategy

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

Reinsurance strategy

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

Exposure to catastrophes and policies mitigating this risk

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

capital management 87 - 89

Capital management

FirstRand Namibia actively manages its capital base aligned to strategy, risk appetite and risk profile. The group recognises that allocating resources, including capital, in a manner which maximises value for shareholders, is considered a core competency and a key focus area.

The overall objective of capital management is to maintain sound capital ratios, ensuring confidence in the group's solvency and quality of capital during calm and turbulent periods of the economy and financial markets. The optimal level and composition of capital is determined after considering:

- Prudential requirements, including buffers.
- Rating agencies considerations.
- Investors expectation (debt and equity holders).
- Strategic and organic growth plans.
- Regulatory, accounting and tax changes.
- Economic and regulatory capital requirements.
- Macro environment and stress tests impact.
- Issuance of capital instruments.

The capital planning process ensures that the capital positions remain within or above targets across economic and business cycles. Capital is managed on a forward-looking basis and the group remains appropriately capitalised under a range of stress and risk scenarios which include future regulatory, accounting and tax considerations. In addition, the capital planning, through its internal capital adequacy assessment process (ICAAP) also takes cognisance of economic risks not captured through the regulatory calculation, and the group capitalises accordingly.

Capital for FirstRand Namibia is managed in line with the board approved capital management framework. The framework sets the objectives, policies and principles relating to the capital management processes which ensure that regulatory capital requirements are always met, and the bank is sufficiently capitalised to achieve its objectives and create value for the shareholders.

Governance and oversight

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

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

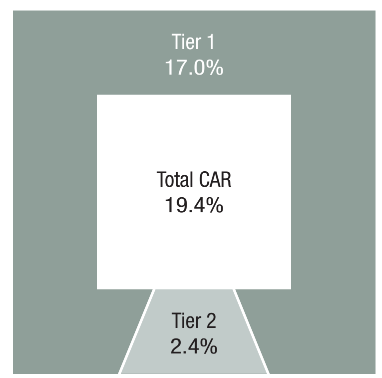
Well-defined roles and responsibilities are set out for successful capital planning and management. The board reviews and challenges the recommendation of the risk, capital and compliance committee (RCCC), a board designated risk committee. The RCCC takes responsibility for the group's internal capital adequacy assessment process (ICAAP).

Capital overview

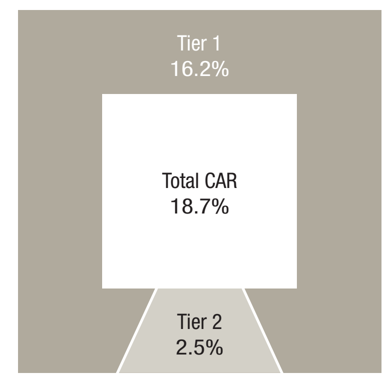
The group engages in a dynamic capital process to ensure overall capital management objectives are met.

During the year under review, the capital adequacy ratios exceeded the regulatory minimum requirements and targets, as summarised below.

Capital adequacy compliance



Basel III
June 2019
Regulatory minimum: 10.5%



Basel II
June 2018
Regulatory minimum: 10.0%

Capital management continued

The dividend policy plays a pivotal role in the management of the group's CET1 position and the group maintained a dividend cover of 2 for the 2019 financial year. The long-term dividend cover range remains unchanged at 1.8x to 3x. The interim, final and special dividends were 91 cents, 117 cents and 250 cents respectively.

Regulatory developments and proposals

During the current financial year, 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, and was effective on 01 September 2018.

The updated determination introduced major adjustments to capital components, measures, limits and new buffers. The calculation of risk weighted assets however remained unchanged.

The supply of capital consists of the sum of the following elements:

- Tier 1 Capital, which comprises:
  - Common Equity Tier 1 (CET1) Capital
  - Additional Tier 1 Capital(new allowance)
- Tier 2 Capital

For each of the categories above the determination has a set of criteria that instruments are required to meet before qualifying as regulatory capital.

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

TIER 1 capital

CET1 capital

- 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

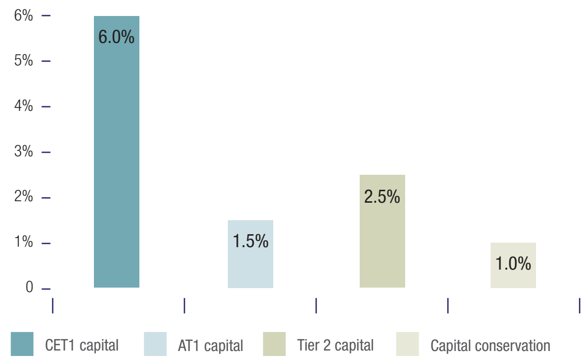
Additional Tier 1 capital

- Qualifying capital instruments

TIER 2 capital

- 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)

The minimum requirements and limits for 2019 are illustrated in the diagram below (note that the full requirement could consist of CET1; AT1 and Tier 2 remains optional):



The determination also specifies that the Tier 2 capital adequacy ratio must not exceed 25% of total capital. In addition, a capital conservation buffer of 2.5% is required to be held in CET1 capital, however, this requirement is subject to a transitional arrangement over 5 years, i.e. 0.5% in year 1 (1 September 2018), stepping up by an additional 0.5% each year until 1 September 2022. Therefore, Capital conservation buffer for 2019 is 1% and takes the total minimum requirement to 11%. Banking institutions that do not maintain this capital conservation buffer will be limited in their ability to pay dividends or other discretionary payments.

In addition to the 6.0% CET1 requirement, there is also a limit on the sub-categories of 1.5% for AT1 capital and 2.5% Tier 2 capital. Basel III requires a principal loss absorption feature for qualifying AT1 or Tier 2 capital instruments. This can be in the form of a conversion into CET1 capital or a write-down of principal. Capital instruments that would no longer qualify as Tier 1 or Tier 2 capital will be phased out. Capital instruments that do not meet the strict criteria for inclusion in CET1 are fully excluded from qualifying regulatory capital, i.e. not subject to any transitional arrangements.

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, as defined in the determination.

OUTsurance

OUTsurance's capital adequacy is measured by the solvency coverage ratio expressed as the shareholders' funds divided by the solvency capital requirement calculated as 25% of net written premium. The target solvency coverage ratio of 1.2 has been set considering the likelihood and impact of various stress scenarios coupled with the unique risk profile of the business. At 30 June 2019 the solvency coverage ratio decreased to 2.1 (2018: 2.5) following lower than expected earnings as well as the payment of the normal dividend of N$37 million and special dividend of N$15 million. The dividend cover of earning was reduced in 2018 following the decision to retain less excess capital given the maturity of the business to the financial sector.

Capital adequacy of Banking Operations

	Banking operations		Regulated consolidated group	
	Year ended 30 June		Year ended 30 June	
N$ 000	2019	2018	2019	2018
Risk weighted assets				
Credit risk	25 368 468	23 695 641	25 603 939	23 876 025
Market risk	53 508	18 977	53 508	18 977
Operational risk	4 524 168	4 228 852	4 617 371	4 292 965
Total risk weighted assets	29 946 144	27 943 470	30 274 818	28 187 967
Regulatory capital				
Share capital and share premium	1 142 792	1 142 792	282 148	282 148
Retained profits	4 032 962	3 506 042	5 200 927	4 595 866
Other disclosed reserves	6 000			
Capital impairment: intangible assets	(92 799)	(104 244)	(157 641)	(162 810)
Total tier 1	5 088 955	4 544 590	5 325 434	4 715 204
Eligible subordinated debt	400 000	400 000	400 000	400 000
General risk reserve, including portfolio impairment	316 675	291 663	316 675	291 663
Capital impairments*			(19 944)	(19 945)
Total tier 2	716 675	691 663	696 731	671 718
Total tier 1 and tier 2 capital	5 805 630	5 236 253	6 022 165	5 386 922
Banking group				
Capital adequacy ratios				
Tier 1	17.0%	16.2%	17.6%	16.7%
Tier 2	2.4%	2.5%	2.3%	2.4%
Total	19.4%	18.7%	19.9%	19.1%
Tier 1 leverage ratio	11.2%	11.7%	12.4%	12.4%

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

accounting policies

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Accounting policies

1. INTRODUCTION AND BASIS OF PREPARATION

1.1 Introduction

The FirstRand Namibia group (the group) consolidated financial statements have been prepared in accordance with IFRS and the Companies Act of Namibia.

The group adopts the following significant accounting policies in preparing its financial statements, except for policies related to IFRS 9 and IFRS 15, these policies have been consistently applied to all years presented:

Summary of significant accounting policies

2	Subsidiaries and associates	Consolidation and equity accounting (section 2.1)	Related party transactions (section 2.2)	
3	Income, expenses and taxation	Income and expenses (section 3.1)	Taxation (section 3.2)	
4	Financial instruments IFRS 9	Classification (section 4.1)	Impairment (section 4.2)	Transfers and de-recognition (section 4.3)
		Offset and collateral (section 4.4)	Derivatives and hedge accounting (section 4.5)	
5	Financial instruments IAS 39	Classification (section 5.1)	Measurement (section 5.2)	Impairment (section 5.3)
		Transfers and recognition (section 5.4)	Offset and collateral (section 5.5)	Derivatives and hedge accounting (section 5.6)
6	Other assets and liabilities	Property and equipment (section 6.1)	Intangible assets (section 6.1)	Provisions (section 6.1)
		Leases (section 6.2)		
7	Capital and reserves	Share capital and treasury shares	Dividends	Other reserves
8	Transactions with employees	Employee liabilities (section 8.1)	Share-based payment transactions (section 8.2)	
9	Insurance activities	Insurance activities (section 9.1)		

These policies have been consistently applied to all years presented, unless otherwise stated.

Accounting policies continued

1. INTRODUCTION AND BASIS OF PREPARATION continued

1.1 Introduction continued

The following new standards were adopted in the current year:

New / revised IFRS	Description of change	Impact on FirstRand group
IFRS 9	The group adopted IFRS 9 in the current year. The following resulted from the implementation: • the classification of financial assets under IFRS 9 is based on both the business model for holding the instruments as well as the contractual characteristics of the instruments; • impairments in terms of IFRS 9 are determined based on an expected loss model that considers the significant changes to the assets' credit risk and the expected loss that will arise in the event of default; • the requirements for the classification of liabilities remained unchanged; • the general hedge accounting requirements under IFRS 9 are more closely aligned to how entities undertake risk management activities when hedging financial and non-financial risk exposures; and • IFRS 7 has been amended to include additional disclosures as a result of the introduction of IFRS 9.	The main impacts on the group's financial statements from the adoption of IFRS 9 were the following: • certain items have been reclassified based on the new classification rules. The details of these reclassifications are provided in note 11 of the accounting policies; • the loss allowance on financial assets has increased because of the change from an incurred loss to an expected credit loss model. For details refer to note 11 of the accounting policies; and • the amended disclosure requirements of IFRS 7 will be prospectively applied by the group. Therefore, all comparative disclosures relating to financial instruments are based on the classification and measurement requirements of IAS 39 and disclosure requirements of IFRS 7 before the IFRS 9 amendments.
IFRS 15	IFRS 15 contains a single model that is applied when accounting for contracts with customers. It replaces substantially all the current revenue recognition guidance, except for contracts that are out of scope – e.g. leases and insurance. The model specifies that revenue is recognised as and when control of goods or services are transferred to a customer and that revenue is recognised at the amount that an entity expects to receive. Depending on certain criteria revenue is recognised at a point in time or over time. IFRS 15 includes new quantitative and qualitative disclosure requirements to enable users of financial statements to understand the nature, amount and timing of revenue from contract with customers.	IFRS 15 requires that goods and services are split out into their separate performance obligations and that the revenue from each performance obligation is recognised at a point in time or over time, depending on the IFRS 15 criteria for revenue recognition. The transition to IFRS 15 resulted in the deferral of revenue relating to certain products. The group applied IFRS 15 retrospectively with the cumulative effect of initially applying IFRS 15 at 1 July 2018 in retained earnings. The details of the impact are provided in note 11 of the accounting policies.

New / revised IFRS	Description of change	Impact on FirstRand group
IFRS 2 amendments	Classification and measurement of share-based payment transactions As a result of work performed by the IFRS Interpretations Committee, several amendments have been made to IFRS 2 to clarify how to account for certain share-based payment transactions. The amendments to IFRS 2 relate to the following areas: • accounting for the effects of vesting and non-vesting conditions on the measurement of the liability of cash settled share based payment transactions; • the classification of share based payment transactions with net settlement features for withholding tax obligations; and • accounting for a modification to the terms and conditions of a share based payment that changes the transaction from cash settled to equity settled.	The group currently has both cash-settled and equity-settled share-based payment schemes. The group is currently in line with the first two amendments as the group is accounting for these items in line with the clarifications. The third amendment will be considered when such transactions take place and will be applied prospectively to any modifications. No such transactions have taken place in the current financial year.
IFRS 4 amendments	Applying IFRS 9 with IFRS 4 The amendment to IFRS 4 addresses concerns around temporary volatility in reported results arising from implementing IFRS 9 before implementing IFRS 17 Insurance Contracts that will replace IFRS 4. The amendment introduces two approaches: • The overlay approach – An option for all issuers of insurance contracts to remove from profit or loss the effects of some mismatches that may occur before adoption of IFRS 9, and recognise those impacts temporarily. The adjustment only applies to financial assets that are designated as relating to contracts in scope of IFRS 4 and measured at fair value through profit or loss in accordance with IFRS 9, but would have been measured in their entirety as at fair value through profit or loss under IAS 39; and • Temporary exemption – Reporting entities whose activities are predominantly connected with insurance are temporarily exempt from applying IFRS 9 and will continue to apply IAS 39 until the adoption of IFRS 17.	All entities within the group, including those who issue insurance contracts, have adopted IFRS 9 in the current financial year. Therefore the two approaches available under this amendment will not be elected and the amendment will have no impact on the group.

Accounting policies continued

1. INTRODUCTION AND BASIS OF PREPARATION continued

1.1 Introduction continued

New / revised IFRS	Description of change	Impact on FirstRand group
IFRIC 22	Foreign currency transaction and advance consideration IFRIC clarifies the date of the transaction when determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency.	IFRIC 22 will be considered when applicable. Not applicable in the current financial year.

1.2 Basis of preparation

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

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

Accounting policies of subsidiaries and associates have been changed where necessary to ensure consistency with the accounting policies adopted by 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 franchise management structures. The information is prepared in terms of IFRS with the exception of normalisation adjustments and certain adjustments made to the segment results in order to eliminate the effect of non-taxable income and other segment specific items that impact certain key ratios reviewed by the chief operating decision maker when assessing the operating segments' performance.

1.2 Basis of preparation

Use of judgements and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are outlined in policy 10.

Presentation of financial statements, functional and foreign currency

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

Presentation	The group presents its statement of financial position in order of liquidity. Where permitted or required under IFRS, the group offsets assets and liabilities or income and expenses and presents the net amount in the statement of financial position or in the statement of comprehensive income.
Materiality	IFRS is only applicable to material items. Management applies judgement and considers both qualitative and quantitative factors in determining materiality applied in preparing these financial statements.
Functional and presentation currency of the group	Namibia Dollars (N$)
Level of rounding	All amounts are presented in thousands of Namibia Dollars. The group has a policy of rounding up in increments of N$ 1 000. Amounts less than N$ 1 000 will therefore round down to N$ nil and are presented as a dash.
Foreign currency transactions of the group	Translated into the functional currency using the exchange rates prevailing at the date of the transactions.

Accounting policies continued

1. INTRODUCTION AND BASIS OF PREPARATION continued

1.2 Basis of preparation continued

Presentation of financial statements, functional and foreign currency

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

Translation and treatment of foreign denominated balances	Translated at the relevant exchange rates, depending on whether they are monetary items (in which case the year-end exchange rate is applied) or non-monetary items. For non-monetary items measured at amortised cost the rate applied is the transaction date rate. 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 FVOCI (2018: Available for sale) the following applies: • Equity instruments are recognised in other comprehensive income as part of the fair value movement; and • 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).

2. SUBSIDIARIES AND ASSOCIATES

2.1 Basis of consolidation and equity accounting

	Subsidiaries and other structured entities	Associates
Typical shareholding in the assessment of entities that are not structured entities	Greater than 50%	Between 20% and 50%
When an entity is a structured entity and control of an entity is not evidenced through shareholding, the group considers the substance of the arrangement and the group's involvement with the entity to determine whether the group has control, joint control or significant influence over the significant decisions that impact the relevant activities of the entity.		
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 investment funds managed by the group, securitisation structures or other entities used for the purpose of buying or selling credit protection.	Entities over which the group has significant influence as defined in IAS 28. These include investment funds which are not consolidated but the group has significant influence over the fund.

2. SUBSIDIARIES AND ASSOCIATES continued

2.1 Basis of consolidation and equity accounting continued

Separate financial statements		
The company measures investments in these entities at cost less impairment (in terms of IAS 36), with the exception of investments acquired and held exclusively with the view to dispose of in the near future (within 12 months) that are measured at fair value less cost to sell in terms of IFRS 5.		
Consolidated financial statements		
	Consolidation	Equity accounting
Initial recognition in the consolidated financial statements	Subsidiaries acquired are accounted for by applying the acquisition method of accounting for business combinations. The excess (shortage) of the sum of the consideration transferred, the value of non-controlling interest, the fair value of any existing interest, and the fair value of identifiable net assets, is recognised as goodwill or a gain on bargain purchase, as is set out further below. Transaction costs are included in operating expenses within profit or loss when incurred.	Associates are initially recognised at cost (including goodwill) and subsequently equity accounted. The carrying amount is increased or decreased to recognise the group's share of profit or loss from the investee after the date of acquisition. Items that impact the investee's net asset value that don't impact other comprehensive income are recognised directly in gains less losses from investing activities within non-interest revenue.
Intercompany transactions and balances	Intercompany transactions are all eliminated on consolidation, including unrealised gains. Unrealised losses on transactions between group entities are also eliminated unless the transaction provides evidence of impairment of the transferred asset; in which case the transferred asset will be tested for impairment in accordance with the group's impairment policies.	Unrealised gains on transactions are eliminated to the extent of the group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies continued

2. SUBSIDIARIES AND ASSOCIATES continued

2.1 Basis of consolidation and equity accounting continued

Consolidated financial statements		
	Consolidation	Equity accounting
Impairment	In the consolidated financial statements either the cash generating unit (CGU) is tested i.e. a grouping of assets no higher than an operating segment of the group; or if the entity is not part of a CGU, the individual assets of the subsidiary and goodwill are tested for impairment in terms of IAS 36.	The group applies the indicators of impairment in IAS 28 to determine whether a loss event exists, which would constitute objective evidence of impairment. Objective evidence of impairment for an investment in associate or joint venture includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associate or joint venture operates. This indicates that the cost of the investment in associate may not be recovered. A significant or prolonged decline in the fair value of an associate investment below its cost is also considered objective evidence of impairment. The entire carrying amount of the investment, including other long-term interests, is tested for impairment. Certain loans and other long-term interests in associates and joint ventures are considered to be, in substance, part of the net investment in the entity when settlement is neither planned nor likely to occur in the foreseeable future. Such items may include preference shares and long-term receivables or loans but do not include trade receivables or any long-term loans for which adequate collateral exists. These loans and other long-term interests in associates and joint ventures are included in advances on the face of the statement of financial position, and are measured in terms of IFRS 9. The value of such loans after any expected credit losses raised for IFRS 9 where such loans are measured at amortised cost is, however, included in the carrying amount of the investee for purposes of determining the share of losses of the investee attributable to the group and for impairment testing purposes. Any resulting impairment losses are recognised as part of the share of profits or losses from associates.
Outside shareholders	Non-controlling interests in the net assets of subsidiaries are separately identified and presented from the group's equity. All transactions with non-controlling interests, which do not result in a loss of control, are treated as transactions with equity holders. Partial disposals and increases in effective shareholding between 50% and 100% are treated as transactions with equity holders. Non-controlling interest is initially measured either at the proportional share of net assets or at fair value. The measurement distinction is made by the group on a case by case basis.	Transactions with outside shareholders are not equity transactions and the effects thereof are recognised in profit or loss as part of gains less losses from investing activities in non-interest revenue.

2.1 Basis of consolidation and equity accounting continued

Interests in unconsolidated structured entities
Interests in unconsolidated structured entities may expose the group to variability in returns from the structured entity. However because of a lack of power over the structured entity it is not consolidated. Normal customer/supplier relationships where the group transacts with the structured entity on the same terms as other third parties are not considered to be interests in the entity. From time to time the group also sponsors the formation of structured entities primarily for the purpose of allowing clients to hold investments. Where the interest or sponsorship does not result in control, disclosures of these interests or sponsorships are made in the notes in terms of IFRS 12.

2.2 Related party transactions

Related parties of the group as defined, include:

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

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

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

Accounting policies continued

3. INCOME, EXPENSES AND TAXATION

3.1 Income and expenses

Net interest revenue recognised in profit or loss
Iinterest income includes: • interest on financial instruments measured at amortised cost and debt instruments measured at fair value through other comprehensive income. Interest income is calculated using the effective interest rate which includes fees and transaction costs that form an integral part of generating an involvement with the resulting financial instrument. The original effective interest rate is applied to: • the gross carrying amount of financial assets which are not credit-impaired; and • the amortised cost of financial assets from the month after the assets become credit-impaired (refer to section 4.2 on the impairment of financial assets). 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 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 debt instruments measured at fair value through profit or loss that are held by and managed as part of the group's insurance or funding operations; • the interest portion of the net gains or losses on derivatives that are used to economically hedge interest rate risk; 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.

3.1 Income and expenses continued

Non-interest revenue recognised in profit or loss	
Net fee and commission income	
IFRS 15 Revenue from contracts with customers replaced all existing revenue recognition criteria under IFRS and was applied for all contracts with clients, unless the contracts are in the scope of the standard on leases, insurance contracts and financial instruments. The group has applied IFRS 15 retrospectively with the cumulative effect of initially applying IFRS 15 at 1 July 2018 in retained earnings and accordingly did not restate comparatives. 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; the performance obligation (i.e. the different services) and can determine the transaction price which is allocated to the identifiable performance obligations. The revenue is then recognised as and when the performance obligation is satisfied, which may be over time or at a point in time.	
Fee and commission income	Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers and are recognised as set out in section 3.1 of the accounting policies. Fee and commission income is earned by the group by providing customers with a range of services and products, consists of the following main categories: • Banking fees and commission income; • Knowledge-based fee and commission income; • Management, trust and fiduciary fees; • Fees and commission income from service providers; and • Other non-banking fee and commission income. Fees and commission income is earned on the execution of a significant performance obligation, which may be over time as the performance obligation is fulfilled (over time) or when the significant performance obligation has been performed (point in time). Fees earned on the execution of a significant act typically include transactional banking fees, such as bank charges, interchange fees, point-of-sale fees, exchange commissions, cash deposit fees and knowledge-based fee and commission income. Where the performance obligation is satisfied over a period of time, the fees are recognised as follows: • fees for services rendered are recognised on an accrual basis as the service is rendered and the group's performance obligation is satisfied, e.g. annual card fees and asset management and related fees; and • commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis. Commitment fees for unutilised funds made available to customers in the past, are recognised as revenue at the end of the contract period. Commitment fees paid upfront for a future facility, where it is not probable that a specific lending arrangement will be entered into by the group, are recognised as revenue on a straight-line basis over the period for which the funds are available.

Accounting policies continued

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Non-interest revenue recognised in profit or loss continued	
Net fee and commission income continued	
Fee and commission income	Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking, insurance and asset management operations. This includes fee and commission income earned from providing services on behalf of third-party service providers, in effect acting as an agent, this includes commission earned from the sale of prepaid airtime, data vouchers, electricity and traffic fines paid through FNB channels as well insurance commission.
Fee and commission expenses	Fee and commission expenses are expenses that are incremental and directly attributable to the generation of fee and commission income, and are recognised as part of fee and commission income. These include transaction and service fees, which are expensed as the services are received.
Customer loyalty programmes	The group operates a customer loyalty programme, Rewards, in terms of which it undertakes to provide reward credits to customers when they transact. The reward credits are accounted for as a fee and commission expense.

Non-interest revenue recognised in profit or loss
Fair value gains or losses
Fair value gains or losses of the group recognised in non-interest revenue includes the following: • fair value adjustments and interest on trading financial instruments including derivative instruments that are not used for hedging (both formal hedge accounting or economic hedging) and adjustments relating to non-recourse investments and deposits (except where the group owns the commercial paper issued by the conduits); • fair value adjustments that are not related to credit risk on advances designated at fair value through profit or loss; • a component of interest expense that relates to interest paid on liabilities which fund the group's fair value operations. Interest expense is reduced by the amount that is included in fair value income; • fair value adjustment on financial instruments designated at fair value through profit or loss in order to eliminate an accounting mismatch, except for such instruments relating to the group's insurance and funding operations for which the interest component is recognised in interest income. The change in the fair value of a financial liability designated at fair value through profit or loss attributable to changes in its credit risk are presented in other comprehensive income unless this would cause or enlarge an accounting mismatch in profit or loss. The total fair value adjustment on policyholder liabilities and non-recourse liabilities (including movements due to changes in credit risk) is included in profit or loss since the fair value movements on these liabilities are directly linked to fair value movements on the underlying assets; • ordinary and preference dividends on equity instruments designated at fair value through profit or loss or held for trading; and • any difference between the carrying amount of the liability and the consideration paid, when the group repurchases debt instruments that it has issued.

3.1 Income and expenses continued

Non-interest revenue recognised in profit or loss
Gains less losses from investing activities
The following items are included in gains less losses from investing activities: • Any gains or losses on disposals of investments in subsidiaries and associates; • Any amounts recycled from other comprehensive income in respect of available-for-sale financial assets; • Dividend income on any equity instruments that are considered long term investments of the group. In the separate financial statements this includes dividends from subsidiaries and associates; and • Impairments and reversal of impairments of investment securities measured at amortised cost and debt instruments measured at fair value through other comprehensive income;
Dividend income
The group recognises dividend income when the group's right to receive payment is established. This is the last day to trade for listed shares and on the date of declaration for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares, except to the extent that the scrip dividend is viewed as a bonus issue with no cash alternative and the transaction lacks economic significance.

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 the Receiver of Revenue including value added tax and stamp duties. Indirect tax is disclosed separately from income tax and operating expenses in the statement of comprehensive income.

Accounting policies continued

3. INCOME, EXPENSES AND TAXATION continued

3.2 Income tax expenses

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.	
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 in the group that deferred tax is provided for	• Depreciation of property and equipment; • Revaluation (including ECL movements) of certain financial assets and liabilities, including derivative contracts; • Provisions for post-retirement medical benefits; • Tax losses carried forward; and • Investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the difference will not reverse in the foreseeable future.
Measurement	Using the liability method under IAS 12 and applying tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
Deferred income tax	
Presentation	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 relates to the issue or buy back of share capital, fair value re-measurement of available-for-sale investments, re-measurements of defined benefit post-employment plans and derivatives designated as hedging instruments in effective cash flow hedges. Tax in respect of share transactions is recognised directly in equity. Tax in respect of the other items is recognised directly in other comprehensive income and subsequently reclassified to profit or loss (where applicable) at the same time as the related gain or loss.
Deferred tax assets	The group recognises deferred income tax assets only if it is probable that future taxable income will be available against which the unused tax losses can be utilised. The group reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

4. FINANCIAL INSTRUMENTS IFRS 9

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 is detailed under 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

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

Accounting policies continued

4. FINANCIAL INSTRUMENTS IFRS 9 continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets continued

Business model continued
Determining whether sales are significant or frequent requires management to use their judgement. The significance and frequency of sales is 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 the reasons for the sales need to be more carefully considered. Management will consider both the volume and amount of sales relative to the total assets in the business model to determine whether it is significant, A change in business model of the group only occurs on the rare occasion when the group changes the way in which it manages financial assets. Any changes in business models would result in a reclassification of the relevant financial assets from the start of the next reporting period.
Cash flow characteristics
In order for a debt instrument to be measured at amortised cost or fair value through other comprehensive income, the cash flows on the asset have to be solely payments of principal and interest (SPPI), i.e. consistent with those of a basic lending agreement. The SPPI test is applied on a portfolio basis for retail advances, as the cash flow characteristics of these assets are standardised. This includes the consideration of any prepayment penalties that are limited by consumer credit regulation and can therefore be considered reasonable compensation which would not cause these assets to fail the SPPI test. For wholesale advances, the SPPI test is applied to individual advances at initial recognition, based on the cash flow characteristics of the asset. Wholesale advances that do not pass the SPPI test and that have to be measured at fair value through profit or loss include advances with equity participation features, convertible bonds and payments linked to commodity or other prices. If the contract contains prepayment penalties, the amount of the prepayment penalty is compared to the present value of the margin that will be earned if the loan is not prepaid. If the amount of the prepayment penalty is lower than or equal to the margin lost due to prepayment, this is considered reasonable compensation and the loan passes the SPPI test.

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets continued

Classes of financial assets	Business model considerations	Cash flow characteristics
Amortised cost		
Financial assets are measured at amortised cost using the effective interest method when they are held to collect contractual cash flows which are solely payments of principle and interest, and sales of such assets are not significant or frequent. These include the majority of the retail, corporate and commercial advances of the group as well as certain investment securities utilised for liquidity risk management of the group. For purchased or originated credit-impaired financial assets, the group applies the credit-adjusted effective interest rate. This interest rate is determined based on the amortised cost and not the gross carrying amount of the financial asset, and incorporates the impact of expected credit losses in the estimated future cash flows of the financial asset.		
Retail advances	The FNB and WesBank franchises 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 models include: • residential mortgages; • vehicle and asset finance; • personal loans, credit card and other retail products such as overdrafts. The key risk in these business models is credit risk. This is influenced by the macro environment within which the business operates.	The cash flows on retail advances are solely payments of principal and interest. Interest charged to customers compensates the group for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.
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 under 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. Although the intention is to collect cash flows, not all of the instruments are held to maturity as some financial assets are sold under securitisation transactions. These sales are however insignificant in value in relation to the value of advances held to collect cash flows, and are usually also infrequent, and therefore the held to collect business model is still appropriate.	The cash flows on these 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 IFRS 9 continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets continued

Classes of financial assets	Business model considerations	Cash flow characteristics
	Amortised cost continued	
Corporate and commercial advances continued	Within the RMB Investment Banking Division (IBD) is one where the advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return. Although the intention is to collect cash flows, not all of the instruments are held to maturity as some financial assets could be sold in the secondary market to facilitate funding. These sales are however insignificant in value in relation to the value of IBD advances held to collect cash flows and therefore the held to collect business model is still appropriate. In other portfolios, RMB IBD originate corporate and commercial advances with the intention to distribute. These advances are included under a different business model and are measured at fair value through profit or loss (as is set out further below).	The cash flows on these advances are considered to be solely payments of principal and interest if the loan contract does not contain equity kickers, conversion options, payments linked to equity or commodity prices or prepayment penalties that exceed reasonable compensation for early termination of the contract. Any advances that do contain such features are mandatorily measured at fair value through profit or loss.
Investment securities	Group Treasury holds investment securities with lower credit risk (typically with counterparties such as the government) that are convertible into cash within a short time period as and when required for liquidity risk management purposes. The types of instruments used for liquidity risk management purposes are generally government bonds and treasury bills. These investment securities are held to collect contractual cash flows, but are also available to be pledged as collateral or sold if required for liquidity management purposes. Sales are often in the form of a repurchase agreement transaction. If the accounting requirements for derecognition are not met, the transaction does not constitute a sale for IFRS 9 business model assessment purposes. For accounting purposes, repurchase agreement transactions are treated as a secured funding transaction rather than a sale, and the group continues to recognise the asset and collect the contractual cash flows. These investment securities are only sold before maturity to meet liquidity needs in a stress scenario, which is consistent with a business model to collect contractual cash flows.	The cash flows on these investment securities are solely payments of principal and interest.
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.
Accounts receivable	Financial accounts receivable 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.

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets continued

Classes of financial assets	Business model considerations	Cash flow characteristics
	Mandatory at fair value through profit or loss	
Financial assets of the group are mandatorily measured at fair value through profit or loss when they are held for trading, managed on a fair value basis, held to sell/distribute, or are held to collect contractual cash flows which are not solely payments of principal and interest.		
Corporate and commercial advances	On origination of advances, IBD routinely originates additional advances in excess of approved credit limits with the mandate of distributing an identified portion of the total advances in the secondary market within an approved time frame, which is usually 6 months to 1 year post origination. This may take place in various forms but would typically resemble an underwriting position, arranger of a syndication, or a sale to a conduit or fund. The reason for originating these additional advances is not to collect the contractual cash flows, but rather to realise the cash flows through the sale of the assets and potentially earn a margin on the sale. The performance and reporting of these assets is primarily based on the success rate of distribution of the assets in the required timeframe and any profit that may have been generated on the sale.	Any IBD advances held to collect contractual cash flows which are originated to distribute or managed on a fair value basis; or are held to collect contractual cash flows but include cash flows related to equity kickers, conversion options, payments linked to equity or commodity prices or prepayment penalties that exceed reasonable compensation for early termination of the contract, will be included in this category.
Investment securities	RMB 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.	Not applicable
	All equity investments of the group are managed on a fair value basis, either through FVTPL or designated at fair value through other comprehensive income.	Not applicable
Derivative assets	Derivatives are either held for trading or to hedge risk. These instruments are managed on a fair value basis.	Not applicable
	Equity investments at fair value through other comprehensive income	
Investment securities	The group has elected to designate certain equity investments not held for trading to be measured at fair value through other comprehensive income.	Not applicable

Accounting policies continued

4. FINANCIAL INSTRUMENTS IFRS 9 continued

4.1 Classification and measurement continued

4.1.3 Classification and subsequent measurement of financial liabilities and compound instruments

Financial liabilities and compound financial instruments
The group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. Tier 2 instruments which have write down or conversion features are classified based on the nature of the instrument and the definitions. Tier 2 and other funding liabilities are presented in separate lines on the statement of financial position of the group.
Financial liabilities measured at amortised cost
The following liabilities are measured at amortised cost using the effective interest rate method, unless they have been designated as measured at fair value through profit or loss: • deposits; • creditors; • tier 2 liabilities; and • other funding liabilities.
Financial liabilities measured mandatory at fair value through profit or loss
The following held for trading liabilities are measured at fair value through profit or loss: • derivative liabilities; and • short trading positions. These liabilities are measured at fair value at reporting date as determined under IFRS 13, with fair value gains or losses recognised in profit or loss.
Financial liabilities designated at fair value through profit or loss
A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if: • such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or • the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or • it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL. The liabilities that group is designating at fair value through profit or loss are a component of the following: • other funding liabilities This liability item satisfied the abovementioned conditions detailed in paragraph 4.2.2 of IFRS 9 for such designation. These financial liabilities are measured at fair value at reporting date as determined under IFRS 13 , with any gains/losses arising on re-measurement recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at FVTPL' line item in the profit or loss account. However, for non-derivative financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

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 financial accounts receivable and cash;
- debt instruments measured at fair value through other comprehensive income;
- loan commitments;
- financial guarantees; and
- finance lease debtors where group is the lessor

IFRS 9 establishes a three-stage approach for impairment of financial assets.

- **Stage 1** - at initial recognition of a financial asset, the asset is classified as stage 1 and 12-month expected credit losses are recognised, which are credit losses related to default events expected to occur within the next 12 months;
- **Stage 2** - if the asset has experienced a significant increase in credit risk since initial recognition, the asset is classified as stage 2 and lifetime expected credit losses are recognised; and
- **Stage 3** - non-performing assets are classified as stage 3, with expected credit losses measured and recognised on a lifetime basis.

Refer to note 10.4 whereby all risk parameters, scenarios and sources of estimating are detailed more extensively.

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

Accounting policies continued

4. FINANCIAL INSTRUMENTS IFRS 9 continued

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

Advances	
Significant increase in credit risk since initial recognition (SICR)	In order to determine whether an advance has experienced a significant increase in credit risk, the PD of the asset calculated at the origination date is compared to that calculated at the reporting date. The origination date is defined to be the most recent date at which the group re-prices an advance/facility. A change in terms result in derecognition of the original advance/facility and recognition of a new advance/facility. SICR test thresholds are re-assessed and, if necessary, updated, on at least an annual basis. Any facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a significant increase in credit risk. In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a significant increase in credit risk. One such qualitative consideration is the appearance of wholesale and commercial SME facilities on a credit watch list. Any up-to-date facility that has undergone a distressed restructure (i.e. a modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a significant increase in credit risk. The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a significant increase in credit risk are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a significant increase in credit risk has occurred. No minimum period for transition from Stage 2 back to Stage 1 is applied, with the exception of distressed restructured exposures that are required to remain in Stage 2 for a minimum period of 6 months before re-entering Stage 1.
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 for calculating provisions under IFRS 9 has been aligned to the definition applied for regulatory capital calculations across all portfolios, as well as those applied in operational management of credit and for internal risk management purposes. Exposures are considered to be in default when they are more than 90 days past due or, in the case of amortising products, more than 3 unpaid instalments. In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay their credit obligations in full without any recourse by the group to actions such as the realisation of security. Indicators of unlikeliness to pay are determined based on the requirements of BID 2 of the Banking Institutions Act. Any distressed restructures of accounts which have experienced a significant increase in credit risk since initial recognition are defined as default events. 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-defined rates.

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

Advances continued	
Write-offs	Write-off must occur when it is not economical to pursue further recoveries i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised): • by implication, in both retail and wholesale, for secured as well as unsecured, 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; and • within Retail portfolios, write-off definitions have been determined with reference to analysis of the materiality of post write-off recoveries; and • within Wholesale portfolios, a judgemental approach to write-off is followed, based on case-by-case assessment by a credit committee. Partial write-offs are not performed within credit portfolios. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur.
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 are classified immediately as Stage 3. ECL for cash and cash equivalents is zero. In applying the loss rate approach, loss-rate statistics on the basis of the amount written off over the life of the financial assets rather than using separate probability of default and loss given default statistics is calculated. The group then adjusts these historical credit loss statistics to reflect current conditions and expectations about the future.
Accounts receivable and contract assets	ECL for accounts receivable and where applicable, contract assets, are calculated using the simplified approach. Items outstanding for over 90 days are provided for.
Investment securities	Impairment parameters for investment securities (PDs, LGDs and EADs) are determined using appropriate models, with the models to be applied determined with reference to the issuer of the security and the nature of the debt instrument. The tests for a significant increase in credit risk and default definitions are then applied and the ECL calculated in the same way as for advances. The significant increase in credit risk thresholds applied for investment securities are the same as those applied within the Wholesale credit portfolio to ensure consistency in the way that a significant increase in credit risk is identified for a particular counterparty and for similar exposures. The group does not use the low credit risk assumption for investment securities, including government bonds.

Accounting policies continued

4. FINANCIAL INSTRUMENTS IFRS 9 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 under IFRS 9).

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, following which, results in the derecognition of the existing asset, and the recognition of a new asset, or whether the change is simply a non-substantial modification of the existing terms which does not result in derecognition.

A modification of a financial asset is substantial, and thus results 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 when there is a substantial modification to the terms and conditions of an existing financial liability. A substantial modification to 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 percent different from the discounted present value of the remaining cash flows of the original financial liability.

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

Transaction type	Description	Accounting treatment
Transfers without derecognition		
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 underlying securities purchased under agreements to resell (reverse repos) are not recognised on the statement of financial position. The group does not recognise securities borrowed in the financial statements, unless these have been on sold to third parties, in which case the obligation to return these securities is recognised as a financial liability measured at fair value with any gains or losses included in fair value gains or losses within non-interest revenue. As these transactions do not result in the derecognition of assets from an accounting perspective, these transactions are not inconsistent with a business model whose objective is met by collecting contractual cash flows.
Securities lending and reverse repurchase agreements	Investment securities are lent to external counterparties in exchange for cash collateral as security for the return of the securities. The group's only recourse in respect of the return of the securities it has lent is to the cash collateral held and as such, the group generally requires cash collateral in excess of the fair value of the securities lent.	

4.3 Transfers, modifications and derecognition continued

Transaction type	Description	Accounting treatment
Modifications without derecognition		
Modification of contractual cash flows	Modified contractual terms are not priced to reflect current conditions and are thus not substantial. For retail advances, this includes debt restructuring accounts where the new terms of the contract (such as a lower interest rate) is 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. The same principle is applied for wholesale advances on a case-by-case basis.	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. Other non-distressed modifications are financially inconsequential and therefore included in ECL as well.
Transfers with derecognition		
Where the group purchases its own debt	The debt is derecognised from the statement of financial position and any difference between the carrying amount of the liability and the consideration paid is included in fair value gains or losses within non-interest revenue.	
Modifications with derecognition (i.e. substantial modifications)		
Retail advances	The process for modifying a non-distressed advance is substantially the same as the process for raising a new advance, including re-assessing 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 IFRS 9 continued

4.4 Offsetting of financial instruments and collateral

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

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

Derivative financial instruments	The group's derivative transactions that are not transacted on an exchange are entered into under International Derivatives Swaps and Dealers Association (ISDA) MNA. Generally, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, e.g. when a credit event such as default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions (close-out netting). Financial collateral (mostly cash) is also obtained, often daily, for the net exposure between counterparties to mitigate credit risk.
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.
Repurchase and reverse repurchase agreements, and securities lending and borrowing transactions	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.

4.5 Derivative financial instruments and hedge accounting

Derivative instruments are classified as held either for trading or formally designated as hedging instruments, which impacts the method of recognising the resulting fair value gains or losses.

The group elected to adopt IFRS 9 for cash flow and fair value hedges where IAS 39 will continue to be applied to macro hedges. From 1 July 2018, the group’s risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and the hedges in place at 30 June 2018 will be treated as continuing hedges from 1 July 2018.

For derivatives used in fair value hedges changes, in the fair value of the derivatives are recorded in profit or loss as part of fair value gains or losses within non-interest revenue, together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

For derivatives used in cash flow hedges, the effective portion of changes in the fair value of derivatives is recognised in the cash flow hedge reserve in other comprehensive income and reclassified to profit or loss in the periods in which the hedged item affects profit or loss; and ineffective portion is recognised immediately in profit or loss as part of fair value gains or losses within non-interest revenue.

5. FINANCIAL INSTRUMENTS IAS 39

5.1 Classification

Management determines the classification of its financial instruments at initial recognition. The following table sets out the different classes of financial instruments of the group:

Derivatives
Derivatives are either designated as hedging instruments in effective hedging relationships or are classified as held for trading.
Cash and cash equivalents and accounts receivable
Cash and cash equivalents comprise coins and bank notes, money at call and short notice and balances with central banks. All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition. Money at short notice constitutes amounts withdrawable in 32 days or less. Cash and cash equivalents and accounts receivable are measured at amortised cost in accordance with IAS 39.
Advances
Advances are measured at amortised cost in accordance with IAS 39. Various advances to customers, structured notes and other investments held by the investment banking division of the group, which would otherwise be measured at amortised cost have been designated at fair value to eliminate the accounting mismatch between the assets and the underlying derivatives used to manage the risk arising from the assets and /or are managed on a fair value basis.
Investment securities
The majority of investment securities of the group are either designated at fair value because they are managed on a fair value basis or are classified as available-for-sale. There is a portfolio of debt investment securities measured at amortised cost. Investment securities that represent an interest in the residual value of the investee are classified as equities within investment securities.
Financial liabilities and compound financial instruments
The group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. Tier 2 instruments which have write down or conversion features are classified based on the nature of the instrument and the definitions of debt and equity. Compound instruments are those financial instruments that have components of both financial liabilities and equity such as issued convertible bonds. At initial recognition the instrument and the related transaction costs are split into their separate components in terms of the definitions and criteria of IAS 32 and are subsequently accounted for as a financial liability or equity.
Deposits, Tier 2 liabilities and other funding liabilities
Liabilities are generally measured at amortised cost but may be measured at fair value through profit or loss if they are managed on a fair value basis or the fair value designation reduces or eliminates an accounting mismatch. Tier 2 and other funding liabilities are presented in separate lines on the statement of financial position of the group.

Accounting policies continued

5. FINANCIAL INSTRUMENTS IAS 39 continued

5.2 Measurement

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 is detailed under policy 3.1, depending on the underlying nature of the income.
Subsequent measurement	Amortised cost items are measured using the effective interest method, less any impairment losses. This includes available-for-sale debt instruments. Fair value items are measured at fair value at reporting date as determined under IFRS 13. The fair value gains or loss are either recognised in profit or loss (held for trading or designated at fair value through profit or loss) or in other comprehensive income (available-for-sale financial assets) until the items are disposed of or impaired.

The group recognises purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) at settlement date, which is the date the asset is delivered or received.

5.3 Impairment of financial assets

General
A financial asset or a group of financial assets is impaired if there is objective evidence of impairment and its carrying amount is greater than its estimated recoverable amount.

Scope	This policy applies to: • Advances measured at amortised cost; • Investment securities at amortised cost; • Advances and debt instruments designated as available-for-sale; and • Accounts receivable.
Objective evidence of impairment	The group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. The following factors are considered when determining whether there is objective evidence that the asset has been impaired: • Breaches of loan covenants and conditions; • Time period of overdue contractual payments; • Actuarial credit models; • Loss of employment or death of the borrower; and • Probability of liquidation of the customer. Where objective evidence of impairment exists, impairment testing is performed based on LGD, PD and EAD. For available-for-sale equity instruments objective evidence of impairment includes information about significant changes with an adverse effect on the environment in which the issuer operates and indicates that the cost of the investment in the equity instrument may not be recovered and a significant or prolonged decline in the fair value of the security below its cost.

5.3 Impairment of financial assets continued

Assessment of objective evidence of impairment	An assessment of impairment is first performed individually for financial assets that are individually significant and then individually or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and performs a collective assessment for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. If there is objective evidence of impairment, an impairment loss is recognised. The amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.
Collective assessment	For the purposes of a collective assessment of impairment, financial assets are grouped on the basis of similar credit risk characteristics; i.e. on the basis of the group's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for groups of such financial assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the financial assets being evaluated.
Recognition of impairment loss	Impairment losses are recognised as part of operating expenses in profit or loss. The amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For available-for-sale financial assets which are impaired the cumulative loss is reclassified from other comprehensive income to profit or loss.
Reversal of impairment loss	If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating): • The previously recognised impairment loss is reversed by adjusting the allowance account (where applicable) and the amount of the reversal is recognised as part of operating expenses in profit or loss; and • Impairment losses recognised on available-for-sale equity instruments are not subsequently reversed through profit or loss, but are recognised directly in other comprehensive income.

Impairment of advances
The adequacy of impairments of advances is assessed through the ongoing review of the quality of credit exposures. For amortised cost advances, impairments are recognised through the use of the allowance account method and an impairment charge in the statement of comprehensive income.

The following table sets out the group policy on the ageing of advances (i.e. when an advance is considered past due or non-performing) and the accounting treatment of past due, impaired and written off advances:

Accounting policies continued

5. FINANCIAL INSTRUMENTS IAS 39 continued

5.3 Impairment of financial assets continued

	Type of advance	Group policy on past due/impaired
Non-performing loans	Retail loans	Individually impaired if three or more instalments are due or unpaid or if there is evidence before this that the customer is unlikely to repay the obligations in full. Debt-review accounts are not reclassified and remain in non-performing loans until fully cured.
	Commercial and wholesale loans	Analysed on a case-by-case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.
Impairments		
Specific	Created for non-performing loans where there is objective evidence that an incurred loss event will have an adverse impact on the estimated future cash flows from the advance. Potential recoveries from guarantees and collateral are incorporated into the calculation of impairment figures.	
Portfolio	Created with reference to these performing advances. The impairment provision on the performing portfolio is split into two parts: • An incurred but not reported (IBNR) provision i.e. the portion of the performing portfolio where an incurred impairment event is inherent in a portfolio of performing advances but has not specifically been identified; and • The portfolio specific impairment (PSI) which reflects the decrease in estimated future cash flows for the sub segment of the performing portfolio where there is objective evidence of impairment.	
Write offs		
When an advance is uncollectible, it is written off against the related allowance account. Such advances are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the impairment of advances in profit or loss.		

5.4 Transfers and derecognition

Financial instruments are derecognised when the contractual rights or obligations expire/extinguish, are discharged or cancelled for example an outright sale or settlement.

For financial assets this includes assets transferred that meet the derecognition criteria. Financial assets are transferred 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 under IAS 39).

For financial liabilities this includes when there is a substantial modification to the terms and conditions of an existing financial liability. A substantial modification to 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 percent different from the discounted present value of the remaining cash flows of the original financial liability.

5.4 Transfers 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, and either achieves derecognition or continues to recognise the asset:

Transaction type	Description	Accounting treatment
Transfers without derecognition		
Traditional securitisations and conduit programmes i.e. non-recourse transactions	Specific advances or investment securities are transferred to a structured entity, which then issues liabilities to third party investors, for example variable rate notes or investment grade commercial paper. The group's obligations toward the third party note holders is limited to the cash flows received on the underlying securitised advances or non-recourse investment securities i.e. the note holders only have a claim to the ring fenced assets in the structured entity, and not to other assets of the group. The group consolidates these securitisation and conduit vehicles as structured entities, in terms of IFRS 10.	The transferred assets continue to be recognised by the group in full. The advances and investment securities which have been transferred are separately reported. The group recognises an associated liability for the obligation toward third party note holders as a separate category of deposits at fair value through profit or loss to amortised cost. The underlying securities purchased under agreements to resell (reverse repos) are not recognised on the statement of financial position. The group does not recognise securities in the financial statements, unless these have been on sold to third parties,in which case the obligation to return these securities is recognised as a financial liability at amortised cost or fair value.
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.	
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.	
Transfers with derecognition		
Where the group purchases its own debt	The debt is derecognised from the statement of financial position and any difference between the carrying amount of the liability and the consideration paid is included in fair value gains or losses within non-interest revenue.	

Accounting policies continued

5. FINANCIAL INSTRUMENTS IAS 39 continued

5.5 Offset and collateral

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

Derivative financial instruments	The group's derivative transactions that are not transacted on an exchange are entered into under International Derivatives Swaps and Dealers Association (ISDA) MNA. Generally, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. Due to the fact that ISDA agreements under which derivatives are traded are not legally enforceable within Namibia, in the normal course of the business or on bankruptcy, the IAS 32 set-off requirements of legal enforceability is not met thus no financial assets and financial liabilities have been presented on the net amount in the statement of financial position.

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 yields a more accurate financial effect.

5.6 Derivative financial instruments and hedge accounting

Derivative instruments are classified as held either for trading or formally designated as hedging instruments as required by IAS 39, which impacts the method of recognising the resulting fair value gains or losses. For derivatives used in fair value hedges changes in the fair value of the derivatives are recorded in profit or loss as part of fair value gains or losses within non-interest revenue, together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

For derivatives used in cash flow hedges, the effective portion of changes in the fair value of derivatives is recognised in the cash flow hedge reserve in other comprehensive income and reclassified to profit or loss in the periods in which the hedged item affects profit or loss; and ineffective portion is recognised immediately in profit or loss as part of fair value gains or losses within non-interest revenue.

For cash flow hedges of a forecast transaction, which results in the recognition of a non-financial item, the amount of the accumulated gains or losses previously recognised in the cash flow hedge reserve is included in the carrying value of the item on initial recognition.

The group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions at the inception of the transaction. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The group treats derivatives embedded in other financial or non-financial instruments, such as the conversion option in a convertible bond, as separate derivatives when they meet the requirements for bifurcation of IAS 39. Where embedded derivatives meet the criteria for hedge accounting, they are accounted for in terms of the applicable hedge accounting rules.

6. OTHER ASSETS AND LIABILITIES

6.1 Classification and measurement

Classification	Measurement
Information regarding land and buildings is kept at the group's registered office and is open for inspection in terms of Section 120 of the Companies Act, 2004.	
Property and equipment	
Property and equipment of the group includes: • Assets utilised by the group in the normal course of operations to provide services including freehold property and leasehold premises and leasehold improvements (owner occupied properties); • Assets which are owned by the group and leased to third parties under operating leases as part of the group's revenue generating operations; • Capitalised leased assets; and • Other assets utilised by the group in the normal course of operations including computer and office equipment, motor vehicles and furniture and fittings.	Historical cost less accumulated depreciation and impairment losses, except for land which is not depreciated. Depreciation is over the useful life of the asset, except for assets capitalised under finance leases where the group is the lessee, in which case depreciation is over the life of the lease (refer to policy 5.2).
Intangible assets	
Intangible assets of the group includes: • Internally generated intangible assets (including computer software and other assets such as trademarks or patents) are capitalised when the requirements of IAS 38 relating to the recognition of internally generated assets have been met; • External computer software development costs are capitalised when they can be clearly associated with a strategic and unique system which will result in a benefit for the group exceeding the costs incurred for more than one financial period; and • Material acquired trademarks, patents and similar rights are capitalised where the group will receive a benefit from these intangible assets for more than one financial period. All other costs related to intangible assets are expensed in the financial period incurred.	Cost less accumulated amortisation and any impairment losses. Amortisation is on a straight line basis over the useful life of the asset. Software and development costs 3 years. Trademarks 10 – 20 years. Other 3 - 10 years.
Goodwill arising from business combinations is recognised as an intangible asset.	Tested for impairment annually.
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 group usually recognises provisions related to litigation and claims.	

Other assets that are subject to depreciation and intangible assets, other than goodwill (refer to 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 its 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.

Accounting policies continued

6. OTHER ASSETS AND LIABILITIES continued

6.2 Leases

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

	Group company is the lessee	Group company is the lessor
Finance leases		
Inception	Capitalised as assets and a corresponding lease liability for future lease payments is recognised.	Recognise assets sold under a finance lease as advances and impair the advances, as required, in line with the impairment of financial assets policy in section 4.2. No practical expedients are applied, and fully-compliant IFRS 9 models are used for impairment calculation on leases.
Over life of lease	The asset is depreciated – refer to policy 5.	Unearned finance income is recognised as interest income over the term of the lease using the effective interest method. Finance lease debtors are assessed for impairment in terms of IFRS 9 as set out in the impairment of financial assets policy section 4.2.
Operating leases	Recognised as an operating expense in profit or loss on a straight line basis over the period of the lease. Any difference between the actual lease amount payable and the straight-lined amount calculated is recognised as a liability of the group in creditors and accruals.	Assets held under operating leases are recognised as a separate category of property and equipment (assets held under leasing arrangements) and depreciated - refer to policy 6. Rental income is recognised as other non-interest revenue on a straight line basis over the lease term.
Instalment credit agreements where the group is the lessee	The group regards instalment credit sale agreements as financing transactions and includes the total rentals and instalments receivable, less unearned finance charges, in advances. The group calculates finance charges using the effective interest rates as detailed in the contracts and credits finance charges to interest revenue in proportion to capital balances outstanding.	

7. CAPITAL AND RESERVES

Transaction	Liability	Equity
Shares issued and issue costs	Ordinary shares and any preference shares which meet the definition of equity issued by the group less any incremental costs directly related to the issue of new shares or options, net of any related tax benefit.	
Dividends paid/ declared	Recognised as interest expense on the underlying liability.	Dividends on ordinary shares are recognised against equity. A corresponding liability is recognised when the dividends have been approved by the company's board of directors and distribution is no longer at the discretion of the entity.
Share trust		Certain of the group's remuneration schemes are operated through various share trusts. These share trusts are considered to be structured entities. In instances where the group has control over the share trust in terms of IFRS 10 they are consolidated. Where the employee share trusts which form part of the consolidated group purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity until they are sold. Where such shares are subsequently sold, any consideration received, net of any directly attributable incremental costs, and is included in shareholders' equity.
Other reserves		Other reserves recognised by the group include general risk reserves, share base payment reserve, defined benefit post-employment reserve and available-for-sale reserves.

8. TRANSACTIONS WITH EMPLOYEES

8.1 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, taking into account the recommendations of independent qualified actuaries.

Accounting policies continued

8. TRANSACTIONS WITH EMPLOYEES continued

8.1 Employee benefits continued

Post-employment benefits continued	
Defined contribution plans	
Contributions are recognised as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.	
Defined benefit obligation liability	**Recognition:** The liabilities and assets of these funds are reflected as a net asset or liability in the statement of financial position i.e. the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Where the value is a net asset, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
	Measurement: The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The discount rate used is the rate of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.
Profit or loss – as part of staff costs	• Current and past service costs calculated on the projected unit credit method included as part of staff costs; • 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; and • Actuarial gains or losses on long term employee benefits.
Other comprehensive income	All other re-measurements in respect of the obligation and plan assets are included in other comprehensive income and never reclassified to profit or loss.
Termination benefits	
The group recognises termination benefits as a liability in the statement of financial position and as an expense, included in staff costs, in profit or loss when it has a present obligation relating to termination. The group has a present obligation at the earlier of when the group can no longer withdraw the offer of the termination benefit and when the group recognises any related restructuring costs.	
Liability for other employee benefits	
Other	The group recognises severance pay as a liability in the statement of financial position and as an expense in profit and loss. The group is required to pay employees a severance benefit in terms of the Labour Act of 2007, when: • The employee is dismissed under certain circumstances; or • The employee dies while employed. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plan. Qualified actuaries perform annual valuations.
Leave pay	The group recognises a liability for the employees' rights to annual leave in respect of past service. The amount recognised by the group is based on current salary of employees and the contractual terms between the employee and the group. The expense is included in staff costs.
Bonuses	The group recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid and the amount can be reliably measured. The expense is included in staff costs.

8.2 Share-based payment transactions

The group operates equity settled and cash settled share-based compensation plans for employees.

Options and share awards granted under equity settled plans are allocated to a share-based payment reserve in equity until such time that the options are revised, vest, are forfeited or exercised, at which point the reserve is transferred to equity (either share capital or retained earnings). Options granted under cash settled plans result in a liability being recognised and measured at fair value until settlement. An expense is recognised in profit or loss for employee services received over the vesting period of the plans.

Certain of the group's remuneration schemes were operated through various share trusts. These share trusts are structured entities and were consolidated in terms of IFRS 10 – refer to policy 2. The share trusts purchased FirstRand Namibia shares in the market to economically hedge the group against price risk of the FirstRand Namibia shares and to limit the dilutive effect on current shareholders. The shares purchased by the share trusts were considered to be treasury shares – refer to policy 7.

9. INSURANCE ACTIVITIES

9.1 Insurance activities

The group issues contracts that transfer insurance risk or financial risk. As a result of the different risks transferred by these contracts, contracts are separated into investment and insurance contracts for the purposes of measurement and income recognition.

The classification of contracts is performed at the initial recognition of each contract. The classification of the contract does not change during its lifetime unless the terms of the contract change to such an extent that it necessitates a change in classification.

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

Insurance contracts		
	Short-term insurance contracts	Reinsurance contracts held
Definitions	Contracts that transfer significant insurance risk to the group and are within the scope of IFRS 4.	Contracts that give rise to a significant transfer of insurance risk from the group to another insurance entity.
Types of policies underwritten	• Liability - provides cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract; • Motor - provides indemnity cover relating to the possession, use or ownership of a motor vehicle; • Personal accident - provides compensation arising out of the death or disability directly caused by an accident occurring anywhere in the world, provided that death or disability occurs within 12 months of this injury; and Property -provides indemnity relating to movable and immovable property.	

Accounting policies continued

9. INSURANCE ACTIVITIES continued

9.1 Insurance activities continued

Insurance contracts continued		
	Short-term insurance contracts	Reinsurance contracts held
Premiums / recoveries	Gross premiums written comprise the premiums on contracts entered into during the year. Recognised in profit or loss as part of premium income in non-interest revenue gross of commission and reinsurance premiums but net of taxes and levies. Only the earned portion of premiums is recognised as revenue. Includes all premiums for the period of risk covered by the policy, regardless of whether or not these are due for payment in the accounting period.	Premiums paid are recognised as a deduction against premium income in non-interest revenue at the undiscounted amounts due in terms of the contract, when they become due for payment. Recoveries are recognised in profit or loss as part of premium income in non-interest revenue in the same period as the related claim at the undiscounted amount receivable in terms of the contract.

Short-term insurance contracts	
Claims paid	Claims paid decrease the policyholder liability.
Policyholder liability / reinsurance asset	Comprises: • Provision for claims reported but not paid; • Provision for claims incurred but not reported (IBNR); and • Provision for unearned premiums. Measured at the best estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date, whether reported or not, and related internal and external claims handling expenses.
Income statement impact of movements in the policy holder liabilities / reinsurance assets	Adjustments to the amounts of policyholder liabilities for policies established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately if material.
Liability adequacy test	The net liability recognised is tested for adequacy by calculating current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability. Where a shortfall is identified, an additional liability and the related expense are recognised.
Acquisition costs	Acquisition costs include all commission and expenses directly related to acquiring new business. Expense as incurred
Related receivables and payables	Amounts due to and from policyholders, recognised as part of accounts receivable or payable on the statement of financial position. Recognised when due/receivable. Receivables recognised are impaired in line with the group policy on the impairment of financial assets – refer to policy 4.2.

9.1 Insurance activities continued

Insurance contracts	
	Short-term insurance contracts continued
Outstanding insurance contract claims	Provision is made on a prudent basis for the estimated final costs of: • claims notified but not settled at year end, using the best information available at that time. The estimate includes an amount of the direct claims expenses and assessment charges arising from the settlement of claims; and • claims incurred at year end but not reported until after that date (IBNR), using historical experience and the best information available at the time. Estimates provide for inflation as well as claim handling and assessing costs. Estimates are adjusted for management's expectations of trends relating to the development of such claims.
Cash bonuses on insurance contracts	The group provides for its contractual obligation per the contract of insurance to pay a non-claims bonus to a client in the event that the client remains claim free for a specified period of time. To derive the best estimate of the expected future cash flows, the non-claims bonus percentage per the contract of insurance is adjusted for the following factors: • The bonus percentage is reduced to allow for the probability that the client may claim (and hence forfeit eligibility for the OUTbonus) over the OUTbonus cycle. • The bonus percentage is reduced to allow for the probability that the client will cancel during the OUTbonus cycle. • A risk margin is added to allow for the uncertainty relating to the above claims and lapse assumptions. • Where the impact of discounting is considered to be material, the expected future obligation is discounted to the present value using an appropriate discount rate reflecting the time value of money.

10. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

10.1 Introduction

In preparing the financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting estimates, assumptions and judgements made by the group, except those related to fair value measurement which are included in note 34.

Associates
Determining whether the group has significant influence over an entity: • Significant influence may arise from rights other than voting rights for example management agreements; and • The group considers both the rights that it has as well as currently exercisable rights that other investors have when assessing whether it has the practical ability to significantly influence the relevant activities of the investee.
Structured entities
Structured entities are those where voting rights generally relate to administrative tasks only and the relevant activities are determined only by means of a contractual arrangement. When assessing whether the group has control over a structured entity specific consideration is given to the purpose and design of the structured entity and whether the group has power over decisions that relate to activities that the entity was designed to conduct.

Accounting policies continued

10. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

10.2 Subsidiaries and associates

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

10.3 Taxation

The group is subject to direct tax in Namibia. As such there may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The group recognises liabilities based on objective estimates of the amount of tax that may be due. 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.

10.4 Financial instruments

Impairment of financial assets	
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.	
General	
Collective impairment assessments of groups of financial assets	Future cash flows in a group of financial assets are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows for groups of financial assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are regularly reviewed by the group to reduce any differences between loss estimates and actual loss experience.
Impairment assessment of collateralised financial assets	The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether the group elects to foreclose or not.
Advances	
The group continuously assesses its credit portfolios for impairment. Significant advances are monitored by the credit committee and impaired in accordance with the group's impairment policy when an indication of impairment is observed. The objective of the measurement of an impairment loss is to produce a quantitative measure of the group's credit risk exposure. In determining the amount of the impairment, the group considers the PD, EAD and LGD.	
Performing loans	
The assessment of whether objective evidence of impairment exists requires judgement and depends on the class of the financial asset. In retail portfolios the account status, namely arrears versus non-arrears status, is taken as a primary indicator of an impairment event. In commercial portfolios other indicators, such as the existence of high-risk accounts, based on internally assigned risk ratings and management judgements, are used, while the wholesale portfolio assessment (which includes RMB investment banking and RMB corporate banking) includes a judgemental review of individual industries for objective signs of distress.	

Accounting policies continued

10. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

10.4 Financial instruments continued

Advances continued
Impairment of financial assets
The objective of the measurement of an impairment loss is to produce a quantitative measure of the group's credit risk exposure. In determining the amount of the impairment, the group considers the following: • the probability of default, which is a measure of the expectation of how likely the customer is to default; • the exposure at default, which is the expected amount outstanding at the point of default; and • the loss given default, which is the expected loss that will be realised at default after considering recoveries through collateral and guarantees. Where impairment is required to be determined for the performing book, the following estimates are required: • The IBNR provision, calculated on this subsegment of the portfolio, based on historical analysis of loss ratios, roll rates from performing status into non-performing status and similar risk indicators are based on analysis of internal and, where appropriate, external data. Estimates of the loss emergence period are made in the context of the nature and frequency of credit assessment performed, availability and frequency of updated data regarding customer creditworthiness and similar factors. Loss emergence periods differ from portfolio to portfolio. Refer to the table below for additional information; and • The PSI in the decrease in future cash flows, primarily estimated based on analysis of historical loss and recovery rates for comparable subsegments of the portfolio. The sensitivity of modelled provisions to key assumptions has been assessed for each portfolio. This assessment was performed by calculating the impact on modelled provisions of adjusting model inputs to reflect conservative assumptions. The impact of increasing conservatism was tested by varying assumptions individually and simultaneously. The sensitivity of modelled provisions for performing loans was assessed by adjusting loss emergence period assumptions and arrears definitions. The arrears definition was adjusted so that early and/or partial arrears are considered to be objective evidence of impairment and the loss emergence period was increased by one month.
Non-performing loans
Management's estimates of future cash flows on individually impaired loans are based on internal historical loss experience, supplemented by analysis of comparable external data (for commercial and wholesale loans) for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Management is comfortable that the level of provisions held for non-performing loans is appropriate.

10.4 Financial instruments continued

Impairment of advances	
In determining whether an impairment loss should be recognised, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.	
The objective of the measurement of an impairment loss is to produce a quantitative measure of the group's credit risk exposure. The group adopted the PD/LGD approach for the calculation of ECL for advances. The ECL is based on an average of three macroeconomic scenarios incorporating a base scenario, upside scenario and downside scenario, weighted by the probability of occurrence. Regression modelling techniques are used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the group of accounts to which the model will be applied. This results in the production of models that are used to predict impairment parameters (PD, LGD and EAD) based on the predictive characteristics identified through the regression process.	
Forward-looking information	
Forward-looking macroeconomic information has been incorporated into expected loss estimates through the application of quantitative modelling and expert-judgement-based adjustments. The quantitative techniques applied estimate the impact of forecasted macroeconomic factors on expected credit losses using regression techniques. The macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for baseline, downside, upside and stress scenarios. The baseline, downside and upside scenarios are used in the ECL calculations. These scenarios are overseen by the FirstRand macro forum, which is responsible for oversight and is independent from credit and modelling functions. To arrive at the macroeconomic forecasts, a bottom-up and top-down process is followed. The bottom-up process is conducted by teams of economists both locally and within the various subsidiaries. These economists assess micro and macroeconomic developments to formulate (bottom-up) and adjust (top-down) the macroeconomic forecasts. A number of internal and external economists are then requested to assign a probability to each scenario. The rationale for probabilities assigned by each respondent are noted and explained. ECL results are calculated as probability-weighted average results across multiple macroeconomic scenarios. The creation of macroeconomic scenarios and the determination of associated probabilities are subjective, with final ECL results dependent on the assumptions applied during the process. The following scenarios were applied at 30 June 2019:	
Baseline regime	Assumes that global growth slows below trend, developed market (DM) inflation remains benign and interest rates turn more accommodative while domestic policy uncertainty reduces relative to 2018 and meaningful economic reform remains absent.
Upside regime	Assumes that the global economy expands at a solid pace whilst DM inflation and interest rates lift gradually, and domestic policy certainty improves substantially, opening the door for positive economic reforms to drive growth higher.
Downside regime	Assumes that the global economy slows down whilst DM inflation and interest rates lift. Increased policy uncertainty, increased populism and fiscal drive Namibia's growth lower.
The macro forum currently assigns a 57% probability to the baseline macroeconomic regime.	

Accounting policies continued

10. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

10.4 Financial instruments continued

Impairment of advances continued

Forward-looking information continued

Namibia

The latest annual figures reaffirm the recessionary pressures experienced by all economic agents with -0.1% recorded at the end of 2018. Negative investment growth eroded any gains experienced by the improving trading balance with foreign and domestic gross fixed capital formation printing -14.1%.

The situation has however bottomed out with an expectation that a semblance of growth will likely be experienced in 2019 pursuant to the latest consumption growth figures which recorded 1.9% on an annual basis. The central bank, however, expects growth to come in at around 0.3% in 2019 amidst fears of sluggish performance across most industries, particularly agricultural sector that remains at the mercy of a persistent drought.

Fiscal strategy will continue to run its course of consolidation with expenditure growth likely not to exceed 3% over the medium term. A further layer of conservatism was added by the Ministry of Finance who now sees revenue growth trailing below inflation. Growth in inflation is likely to remain lacklustre as consumers continue tightening their belts. Increases to the profile will likely stem from statistical base effects and supply side pressures from general administered prices and a rising food inflation outlook. Quite recently, the rise in global oil prices should push transport inflation upwards as well. Overall, prices are likely to remain within the 3% to 6% band over the next few years.

Significant macroeconomic factors

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

Namibia	Upside scenario	Baseline expectation	Downside scenario
Real GDP growth (%)	1.50	0.30	(0.75)
Policy interest rate (%)	6.75	6.75	7.25

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

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

10. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

10.5 Other assets and liabilities

Other assets and liabilities

The useful life of each asset is assessed individually. The benchmarks used when assessing the useful life of the individual assets are set out below.

Property and equipment		Intangible assets	
Leasehold premises	Shorter of estimated life or period of lease	Software and development costs	3 years
		Trademarks	10 - 20 years
Freehold property and property held under finance lease:		Other	3 - 10 years
- Buildings and structures	50 years	Customer related intangibles	10 years
- Mechanical and electrical	20 years		
- Components	20 years		
- Sundries	3 - 5 years		
Computer equipment	3 - 5 years		
Other equipment	Various between 3 - 10 years		

Provisions for litigation

The group uses judgement to determine whether to recognise provisions for litigations and claims, as well as the amount of the provisions. Management in consultation with legal counsel assesses the probability of the claims resulting in a cash outflow for the group and ranks the risks of claims in the group's litigation database. The assessment takes into account all available information, including events that occur after the reporting date but before the financial statements are issued. The group recognises a provision when a present obligation exists and when it is probable that an outflow of economic benefits will be required to settle the claim.

10.6 Transactions with employees

Employee benefits - defined contribution plans

Determination of purchased pension on retirement from defined contribution plan	On retirement of current defined contribution active members, the fund provides a pension that can be purchased with the member's share. The pension so purchased is determined based on the purchasing member's demographic details (age, sex, age of spouse), the pension structure (guarantee period, spouse's reversion and pension increase target) and the economic assumptions at time of purchase (inflation linked bond yields available). A benefit on withdrawal and retrenchment are determined in terms of the prevailing legislation and is equivalent to the value of the actuarial reserve held in the fund. If the member chooses to buy into the fund on the date the fair value of plan assets and the value of plan liabilities on the defined benefit plan are increased by the amount of the initial contribution.

Accounting policies continued

10. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

10.6 Transactions with employees continued

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

10.7 Insurance activities

Short-term insurance contracts	
Determination of policyholder liability for short term insurance contracts	The liability for outstanding claims is calculated by reviewing individual claims and making allowance for IBNR, and the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. The group does not discount its liability for unpaid claims. Claims incurred include claims handling expenses paid during the financial year together with the estimated liability for compensation owed to policyholders or third parties affected by the policyholders. Claims handling expenses include, amongst others, fees incurred for legal expenses, loss adjusters and administration fees. The provision for unearned premiums comprises the proportion of gross premiums written which are estimated to be earned in the following financial year. This is computed separately for each insurance contract using the method most reflective of any variation in the incidence of risk during the period covered by the contract.

11. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS

The group adopted IFRS 9 and IFRS 15 during the current period. As set out in Accounting policy note 1, comparative information has not been restated, but the retained earnings, as at the date of initial adoption (DIA) of 1 July 2018, has been restated. The key impact of adopting the revised standards has been set out below.

Note	Description of change	Impact on FirstRand Namibia
1	Classification and measurement	
	IFRS 9 introduced a principle-based approach for classifying financial assets, based on the entity's business model (for example how an entity manages its financial assets to generate cash flows) and the nature of its cash flows. Financial assets held to collect contractual cash flows, which relate to SPPI, are classified at amortised cost. Financial assets held in a mixed business model (for example, held to collect contractual cash flows which meet the SPPI test and held for sale) are classified at fair value through other comprehensive income (FVOCI). All other financial assets held under a different business model or cash flows that do not meet the SPPI test are classified at FVTPL. The classification of financial liabilities remains relatively unchanged, with the exception of financial liabilities designated at fair value. Any changes in the fair value of the liability due to the entity's own credit risk will now be recognised in other comprehensive income.	The items were first reclassified as indicated in the reclassification column and then remeasured, with the remeasurement included in the remeasurement column. Based on the business model assessments performed, the following were the significant reclassifications and remeasurements:
	IFRS 9 also allows for the one-off reclassification of financial liabilities.	• Advances to empowerment development funds were reclassified from amortised cost to FVTPL as they do not meet the SPPI test. • N$ 4 775 million in investment securities held in the group's liquid asset portfolio were reclassified from available-for-sale to amortised cost because they are held to collect contractual cash flows that meet the SPPI test. N$ 9.5 million was reclassified to FVOCI as the investments are held in a mixed business model, N$ 101.6 million was reclassified to FVTPL. This resulted in a N$ 24.3 million (after tax) release of available-for-sale reserve.

Accounting policies continued

11. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS continued

Note	Description of change	Impact on FirstRand Namibia
2.	ECL impairment	
	IFRS 9 introduced an ECL model which includes the incorporation of forward-looking information (FLI) for the recognition of impairments on financial assets. It is no longer required that a credit event occurs before credit losses are recognised. This applies to financial assets classified at amortised cost and FVOCI, lease receivables and trade receivables. It also applies to loan commitments, unutilised facilities and financial guarantee contracts not designated at FVTPL, referred to collectively as off-balance sheet exposures. The level of ECL to be recognised is determined with reference to the credit risk of the asset at reporting date in relation to its credit risk at origination. Where the credit risk has not increased significantly since origination, impairment is calculated based on a 12-month ECL. If there has been a significant increase in credit risk (SICR), impairment is based on LECL.	The revised impairment requirements increased impairments by N$ 142 million, excluding ISP, due to earlier recognition of ECL, incorporating FLI, the inclusion of off-balance sheet exposures and the extension of the measurement period.
3.	Other ECL	
	Investment securities and non-advances.	Debt investment securities comprising government and corporate bonds were classified as available-for-sale under IAS 39. These securities are short dated and held under a business model to collect contractual cash flows until maturity. These contractual cash flows are SPPI and these debt investment securities have therefore been classified at amortised cost under IFRS 9. Accordingly, an ECL provision of N$ 888 thousand has been raised against these securities, referenced to the sovereign credit rating where these relate to government bonds. As a result of the reclassification, the available-for-sale reserve of N$ 35.4 million (net of tax N$24.3 million) was released, resulting in an adjustment to the carrying amount of the investment securities and the non-distributable reserves.

11. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS continued

Note	Description of change	Impact on FirstRand Namibia
4.	ISP	
	In terms of IAS 39 ISP was not capitalised to advances and interest suspended was tracked and managed separately off-balance sheet. Under IFRS 9, interest revenue is calculated by applying the effective interest rate to the amortised cost of financial assets classified in stage 3. The difference between the contractual interest and the interest recognised in line with IFRS 9 is therefore suspended. This suspended interest is capitalised to the advance and immediately impaired.	ISP is recognised against the ECL allowance, reflecting the fact that it is unrecoverable and therefore impaired. To the extent that the impairment coverage ratio under IAS 39 is identical to that under IFRS 9, the impact of ISP on transition to IFRS 9 is a gross-up of the advance and loss allowance by the amount of the suspended interest, with no impact on retained earnings. Where the coverage ratios under the two standards differ, the difference is reflected in retained earnings. The amount of ISP recognised under IFRS 9 was also impacted by the reclassification of RMBIB and certain FNB commercial advances from FVTPL to amortised cost. ISP is not calculated on advances at FVTPL. The amount of ISP under IAS 39 was N$ 67.2 million and remained the same under IFRS 9. Gross advances increased by N$67.2 million and impairments increased by N$ 67.2 million.
5.	IFRS 15	
	IFRS 15 requires revenue to be recognised as an entity satisfies its performance obligations, which can be at a point in time or over time. The group's revenue that does not fall within the scope of IFRS 9 is mainly derived from providing services to customers and was therefore recognised over the period of time in which the services were provided, in accordance with IAS 18 Revenue. As the revenue from the provision of services is still required to be recognised over time in terms of IFRS 15, the adoption of IFRS 15 had an immaterial impact on the group.	The adoption of IFRS 15 had an immaterial impact on the group.

Accounting policies continued

11. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS continued

11.1 Transition impact on consolidated financial position

N$'000	IAS 39	Re-measurement	ECL impairment	Total adjustments	IFRS 9
Assets					
Investment securities	5 266 144	35 385	(889)	34 496	5 300 640
Advances	28 531 833		(142 021)	(142 021)	28 389 812
Accounts receivable	245 171				245 171
Current tax asset	605				605
Investments in associates	25 321				25 321
Deferred income tax asset	32 347				32 347
Other assets	5 309 004				5 309 004
Total assets	39 410 425	35 385	(142 910)	(107 525)	39 302 900
Equity and Liabilities					
Liabilities					
Deposits	31 546 201				31 546 201
Due to banks and other financial institutions	897 408				897 408
Other liabilities	253 253				253 253
Deferred income tax liability	323 672	11 071	(11 409)	(338)	323 334
Other liabilities	1 373 835				1 373 835
Total liabilities	34 394 369	11 071	(11 409)	(338)	34 394 031
Equity					
Ordinary shares	1 319				1 319
Share premium	30 631				30 631
Reserves	4 911 461	24 314	(131 501)	(107 187)	4 804 274
Capital and reserves attributable to ordinary equityholders	4 943 411	24 314	(131 501)	(107 187)	4 836 224
Non-controlling interests	72 645				72 645
Total equity	5 016 056	24 314	(131 501)	(107 187)	4 908 869
Total equities and liabilities	39 410 425	35 385	(142 910)	(107 525)	39 302 900

11.2. Transition impact on statement of changes in equity

N$'000	Share capital and share premium	Defined benefit post-employment reserve	Available-for-sale reserve	General risk reserve*	Share-based payment reserve	Total reserves	Retained earnings	Reserves attributable to ordinary equity-holders	Non-controlling interest	Total Equity
Balance as at 30 June 2018	31 950	3 632	(24 314)	163 140	7 727	182 135	4 761 276	4 943 411	72 645	5 016 056
Opening retained earnings adjustment for IFRS 9			24 314	(163 140)		(138 826)	31 639	(107 187)		(107 187)
Reclassification			24 314			24 314		24 314		24 314
Investment securities			35 385			35 385		35 385		35 385
Deferred tax			(11 071)			(11 071)		(11 071)		(11 071)
Remeasurement				(163 140)		(163 140)	163 140			
ECL impairment							(131 501)	(131 501)		(131 501)
Advances							(131 501)	(131 501)		(131 501)
Balance as at 1 July 2018	31 950	3 632			7 727	43 309	4 792 915	4 836 224	72 645	4 908 869

* Due to the provisions as provided for by IFRS 9 exceeding BID 2 required provisions, the general risk reserve was no longer required.

Accounting policies continued

11.3. Summary of difference between IAS 39 and IFRS 9

The table below represents a reconciliation of the statement of financial position under IAS 39 to IFRS 9 and sets out the impact of both the revised classification and measurement requirements of IFRS 9.

N$'000	New classification under IFRS 9	Original classification under IAS 39		IAS 39 carrying amount	Reclassification	Remeasurement	ECL Impairment	ISP due to change in coverage ratio	IFRS 9 carrying amount
Assets									
Investment securities				5 266 144		35 385	(889)		5 300 640
	Mandatory FVTPL	Held for trading		24 302					24 302
	Mandatory FVTPL	Designated at FVTPL		375 184	101 612				476 796
	Amortised cost				4 755 470	35 385	(889)		4 789 966
	Amortised cost	Available for sale		4 866 658	(4 866 658)				
	FVTOCI				9 576				9 576
Advances				28 531 833			(142 021)		28 389 812
	Amortised cost	Loans and receivables/held to maturity		28 112 064			(138 358)		27 973 706
	Designated at FVTPL	Designated at FVTPL		419 769			(3 663)		416 106
Accounts receivable				245 171					245 171
Current tax asset				605					605
Investments in associates				25 321					25 321
Deferred income tax asset				32 347					32 347
Other assets				5 309 004					5 309 004
Total assets				39 410 425		35 385	(142 910)		5 309 004
Liabilities									
Deposits				31 546 201					31 546 201
	Amortised cost	Amortised cost		31 546 201					31 546 201
Due to banks and other financial institutions				897 408					897 408
Other liabilities				253 253					253 253
Deferred income tax liability				323 672		11 071	(11 409)		323 334
Non - financial liabilities				1 373 835					1 373 835
Total liabilities				34 394 369		11 071	(11 409)		34 394 031
Equity adjustment as at 1 July 2018						24 314	(131 501)		(107 187)

Accounting policies continued

11.4 Impact of adoption of IFRS 9

The table below sets out information about financial instruments that have been reclassified from available-for-sale to amortised cost upon the adoption of IFRS 9. The table sets out information about the financial instruments' fair value and fair value gains and losses that would have been recognised in OCI or profit or loss if the reclassification had not taken place.

N$'000	Fair value as at 30 June 2019	Fair value gain that would have been recognised in other comprehensive income	Effective interest rate on 1 July 2018	Interest revenue or expense recognised for the year ended June 2019
Assets				
Classified from available-for-sale under IAS 39				
Investment securities	7 214 253	69 711	7.4%	494 363

11.5 Reconciliation of impairment loss allowance

The group has changed its accounting policies in respect of the classification of financial instruments under IFRS 9. The application of these changes resulted in changes in the impairment loss allowance balances for IFRS 9 adoption when compared to the IAS 39 impairment loss allowance balances. In addition, the application of the ECL impairment model under IFRS 9 has also resulted in an increase in the impairment loss allowance recognised.

The table below reconciles the impairment allowance measured in line with IAS 39 and IAS 37 to the IFRS 9 loss allowance recognised as at 1 July 2018.

N$'000	Loss allowance under IAS 39/Provisions under IAS 37	Recognition of expected credit loss	ISP reclassified to loss allowance under IFRS 9 on day 1	IFRS 9 carrying amount impairment loss allowance
Assets				
Advances				
- Residential mortgages	45 794	(47)	39 038	84 785
- Vehicle and asset finance	61 351	15 627	6 047	83 025
- Credit card	6 691	17 986	2 290	26 967
- Personal loans	46 356	24 790	4 213	75 359
- Other retail	13 574	8 035	580	22 189
- FNB commercial	98 236	60 392	14 987	173 615
- RMB corporate and investment banking	29 558	15 239		44 797
Investment securities		888		888
Total	301 560	142 910	67 155	511 625

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Consolidated statement of comprehensive income
for the year ended 30 June

N$'000	Note(s)	2019 IFRS 9	2018 IAS 39
Interest and similar income	1	3 864 700	3 583 400
Interest expense and similar charges	1	(1 852 478)	(1 762 644)
Net interest income before impairment of advances		2 012 222	1 820 756
Impairment and fair value of credit of advances	14	(214 809)	(128 261)
Net interest income after impairment of advances		1 797 413	1 692 495
Non-interest income	2	1 820 161	1 795 926
Net insurance premium income	3	167 217	185 015
Net claims and benefits paid	4	(86 201)	(96 151)
Income from operations		3 698 590	3 577 285
Operating expenses	5	(2 068 996)	(1 981 249)
Operating profit		1 629 594	1 596 036
Share of profit of associates after tax	17	2 758	1 102
Income before tax		1 632 352	1 597 138
Indirect tax	7	(47 372)	(45 841)
Profit before tax		1 584 980	1 551 297
Income tax expense	7	(499 170)	(490 589)
Profit for the year		1 085 810	1 060 708

Consolidated statement of comprehensive income
for the year ended 30 June continued

N$'000	Note(s)	2019 IFRS 9	2018 IAS 39
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements on net defined benefit post-employement plan		(146)	1 270
Deferred income tax		47	(406)
Total items that will not be reclassified to profit or loss		(99)	864
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets adjustments*			(4 837)
Income tax relating to items that may be reclassified			1 548
Total items that may be reclassified to profit or loss			(3 289)
Other comprehensive income for the year net of taxation		(99)	(2 425)
Total comprehensive income for the year		**1 085 711**	1 058 283
Total comprehensive income attributable to:			
Owners of the parent		1 071 271	1 037 535
Non-controlling interest		14 440	20 748
		1 085 711	1 058 283
Profit attributable to :			
Owners of the parent		1 071 370	1 039 960
Non-controlling interest		14 440	20 748
		1 085 810	1 060 710
Earnings per share			
Basic earnings per share (c)	8	409,9	398,1
Diluted earnings per share (c)	8	409,6	396,6

* Comparability will not be achieved as the comparative financial results were prepared based on IAS 39. The group has elected not to restate the comparative balances as this is permitted by IFRS 9.

Consolidated statement of financial position
as at 30 June

N$'000	Note(s)	2019 IFRS 9	2018 IAS 39
Assets			
Cash and cash equivalents	10	1 390 195	1 345 842
Due from banks and other financial institutions	10	2 803 839	2 781 551
Derivative financial instruments	11	459 072	93 520
Investments securities	12	7 807 309	5 266 144
Advances	13	30 297 933	28 531 833
Accounts receivable	15	298 655	245 171
Current tax asset		667	605
Reinsurance assets	16	2 938	219
Investments in associates	17	28 079	25 321
Property and equipment	18	859 591	907 259
Intangible assets	19	162 552	180 613
Deferred income tax asset	20	28 943	32 347
		44 139 773	39 410 425
Equity and Liabilities			
Liabilities			
Derivative financial instruments	11	480 490	109 755
Creditors and accruals	21	385 631	378 114
Current tax liability		185 530	186 646
Deposits	22	35 886 144	31 546 201
Due to banks and other financial institutions	22	427 776	897 408
Employee liabilities	23	248 927	247 337
Other liabilities	24	261 046	253 253
Policyholder liabilities	25	46 351	49 200
Tier 2 liabilities	26	402 804	402 783
Deferred income tax liability	20	400 842	323 672
		38 725 541	34 394 369

N$'000	Note(s)	2019 IFRS 9	2018 IAS 39
Equity			
Equity Attributable to Equity Holders of Parent			
Ordinary shares	27	1 314	1 319
Share premium	27	7 870	30 631
Reserves		5 343 443	4 911 461
		5 352 627	4 943 411
Non-controlling interest		61 605	72 645
		5 414 232	5 016 056
Total Equity and Liabilities		44 139 773	39 410 425

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

N$'000	Share capital	Share premium	Total share capital	Defined benefit post-employment reserve	Available-for-sale reserve	General risk reserve	Share based payment reserve	Total reserves	Retained earnings	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
Balance at 01 July 2017	1 326	74 507	75 833	2 768	(21 025)	160 054	16 113	157 910	4 245 176	4 478 919	61 697	4 540 617
Total comprehensive income for the year				864	(3 289)			(2 425)	1 039 960	1 037 535	20 748	1 058 283
Staff share option transactions							3 882	3 882		3 882		3 882
Transfer between reserves						3 086	(12 268)	(9 182)	9 182			
Dividends									(533 042)	(533 042)	(9 800)	(542 842)
Consolidation of shares held by the share trusts	(7)	(43 876)	(43 883)							(43 883)		(43 883)
Balance as at 30 June 2018	1 319	30 631	31 950	3 632	(24 314)	163 140	7 727	150 185	4 761 276	4 943 411	72 645	5 016 056
Adjustments												
Adjustment for adoption of IFRS9 *					24 314			24 314	(131 501)	(107 187)		(107 187)
Restated balance at 01 July 2018	**1 319**	**30 631**	**31 950**	**3 632**		**163 140**	**7 727**	**174 499**	**4 629 775**	**4 836 224**	**72 645**	**4 908 869**
Total comprehensive income for the year				(99)				(99)	1 071 370	1 071 271	14 440	1 085 711
Staff share option transactions							1 120	1 120		1 120		1 120
Transfer between reserves						(163 140)	(6 380)	(169 520)	169 520			
Dividends									(533 222)	(533 222)	(25 480)	(558 702)
Consolidation of shares held by share trusts	(5)	(22 761)	(22 766)							(22 766)		(22 766)
Balance at 30 June 2019	**1 314**	**7 870**	**9 184**	**3 533**			**2 467**	**6 000**	**5 337 443**	**5 352 627**	**61 605**	**5 414 232**

* Refer to accounting policy 10

Consolidated statement of cash flows
for the year end 30 June

N$'000	Note(s)	2019 IFRS 9	2018 IAS 39
Cash flows from operating activities			
Cash receipts from customers	30	5 838 699	5 477 353
Cash paid to suppliers and employees	30	(3 844 260)	(3 622 613)
Cash generated from operations	30	1 994 439	1 854 740
Increase in income earning assets	30	(4 551 777)	(1 935 087)
Increase in deposits and other liabilities	30	3 702 912	664 321
Net cash generated from operations		1 145 574	583 974
Tax paid	30	(466 327)	(331 414)
Net cash from operating activities		679 247	252 560
Cash flows from investing activities			
Acquisition of property and equipment	18	(58 080)	(94 022)
Proceeds from the disposal of property and equipment		4 196	88 916
Net cash from investing activities		(53 884)	(5 106)
Cash flows from financing activities			
Acquisition of share for share trusts	30	(22 309)	(43 883)
Dividends paid		(533 221)	(533 042)
Other liabilities	24		219 000
Dividends paid to non-controlling interests		(25 480)	(9 800)
Net cash from financing activities		(581 010)	(367 725)
Net decrease in cash and cash equivalents		44 353	(120 271)
Cash and cash equivalents at the beginning of the year		1 345 842	1 466 113
Cash and cash equivalents at end of the year	10	1 390 195	1 345 842

1. Analysis of interest income and interest expense

1.1 Interest and similar income

N$'000	2019 IFRS 9	2018 IAS 39
Analysis of interest and similar income		
Instruments at amortised cost	3 864 700	3 236 466
Instruments at fair value through other comprehensive income (available for sale)		346 934
Interest and similar income	3 864 700	3 583 400
Advances		
- Overdrafts and cash management accounts	366 932	343 673
- Term loans	578 852	569 040
- Card loans	58 967	51 870
- Instalment sales and hire purchase agreements	340 730	342 398
- Lease payments receivable	25 850	30 491
- Home loans	1 419 908	1 379 862
- Personal loans	333 986	301 004
- Preference share agreements	18 326	
- Investment bank term loans	750	1 562
- Other	42 445	20 993
	3 186 746	3 040 893
Cash and cash equivalents	179 694	121 643
Investment securities	494 784	401 187
Unwinding of discounted present value of NPLs (IAS 39)		13 780
Accrued on off-market advances	683	2 203
Other	2 793	3 694
Interest and similar income	3 864 700	3 583 400

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

1. Analysis of interest income and interest expense continued

1.2 Interest expense and similar charges

N$'000	2019 IFRS 9	2018 IAS 39
Analysis of interest expense and similar charges		
Instruments at amortised cost	1 852 478	1 762 644
Interest expense and similar charges	1 852 478	1 762 644
Deposits		
Deposits from customers	1 075 657	983 497
- Current accounts	123 040	122 521
- Savings deposits	8 803	7 042
- Call deposits	343 064	295 024
- Fixed and notice deposits	600 750	558 910
Debt securities	692 437	695 307
- Negotiable certificates of deposit	576 242	573 902
- Fixed and floating rate notes	116 195	121 404
Deposits from banks and other financial institutions	27 347	34 799
Other liabilities	17 963	9 967
Tier 2 liabilities	39 074	39 075
Interest expense and similar charges	1 852 478	1 762 644

2. Non-interest income

N$'000	2019 IFRS 9	2018 IAS 39
Fee and commission income:		
Card commissions	176 883	157 922
Cash deposit fees	109 075	112 590
Commissions: bills, drafts and cheques	148 863	155 090
Bank charges	1 176 734	1 090 248
Banking fee and commission income	1 611 555	1 515 850
Brokerage income	63 180	76 372
Management, trust and fiduciary service fees	85 386	85 970
Non-banking fee and commission income	148 566	162 342
Fee and commission income	1 760 121	1 678 192
Fee and commission expenses:		
ATM commissions paid	(5 642)	(5 724)
Cash sorting handling and transportation charges	(26 229)	(23 779)
Card and cheque book related	(803)	(4 400)
Customer loyalty program	(16 365)	(8 869)
Insurance operations		(8 675)
Transaction processing fees	(107 993)	(90 130)
Other	(3 147)	(3 768)
Fee and commission expenses	(160 179)	(145 345)
Fee and commission income, by category		
Instruments at amortised cost	1 611 555	1 515 850
Non-financial assets and liabilities	148 566	162 342
Fee and commission expenses	(160 179)	(145 345)
Net fee and commission income	1 599 942	1 532 847

Non-banking fee and commission earned relates to fees and commissions earned for rendering services to clients other than those related to the banking operations. This includes commission earned on the sale of insurance products.

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

2. Non-interest income continued

N$'000	2019 IFRS 9	2018 IAS 39
Fair value gains or losses		
Foreign exchange	94 190	89 981
Designated at fair value through profit or loss	45 993	62 822
Fair value income	140 183	152 803
Foreign exchange net trading income includes gains and losses from spot and forward contracts, options, and translated foreign currency assets and liabilities.		
Interest rate instruments includes the gains and losses from government securities, corporate debt securities, money market instruments, interest rate and currency swaps, options and other derivatives.		
Gains less losses from investing activities		
Gains on investment securities designated at fair value through profit or loss	23 933	17 150
Gains on disposal of debt instruments at amortised cost	3 029	
Loss allowance on investment securities	(421)	
Dividends received	11 085	15 204
Preference share dividends from unlisted investments*	17 425	7 795
Share of profit from associate after tax	2 758	1 102
Gross gains less losses from investing activities	57 809	41 251
Less: Share of profit from associates after tax (disclosed separately on face of the statement of comprehensive income)	(2 758)	(1 102)
Gains less losses from investing activities	55 051	40 149
Other non-interest income		
Gains and losses on sale of property and equipment	628	49 276
Rental income	2 304	6 027
Other income *	22 053	14 824
Other non-interest income	24 985	70 127
Other non-interest income, by category		
Non-financial assets and liabilities	36 673	77 922
Total non-interest income	1 820 161	1 795 926

* Preference share dividends have been reclassified in order to better reflect the nature. The reclassification is a reallocation within non-interest revenue and therefore had no impact on the overall balance.

3. Net insurance premium income

N$'000	2019 IFRS 9	2018 IAS 39
Short term insurance contracts		
Gross income premium written	178 220	187 541
Outward reinsurance premiums	(11 726)	(4 177)
Change in provision for unearned premuim	723	1 651
Net insurance premium income	167 217	185 015

4. Net claims and benefits paid

N$'000	2019 IFRS 9	2018 IAS 39
Short term insurance contracts		
Gross insurance contracts claims	91 997	96 861
Transfer to provision for unintimated claims	(1 489)	(41)
Gross policyholders benefits under insurance contracts	90 508	96 820
Reinsurer's share of insurance contract claims	(4 307)	(669)
	86 201	96 151

5. Operating expenses

N$'000	2019 IFRS 9	2018 IAS 39
Auditors' remuneration		
Audit fees	12 123	8 284
Fees for other services	289	282
Auditors' remuneration	12 412	8 566
Operating lease charges	65 475	68 162

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

5. Operating expenses continued

N$'000	Note(s)	2019	2018
Staff costs			
Salaries, wages and allowances		897 107	825 446
Off-market staff loans amortisation		683	2 203
Defined contribution schemes: pension		84 750	78 831
Defined contribution schemes: medical		86 996	91 852
Post retirement medical expense	23	3 211	3 239
Severance pay: death in service		1 133	929
Social security levies		2 076	2 109
Share-based payments		40 158	41 342
Skills development levies		7 979	9 309
Other staff related costs		2 348	5 282
Total staff costs		1 126 441	1 060 543
Other operating costs			
Amortisation of intangible assets	19	17 565	21 568
Impairment of intangible assets			50 988
Depreciation	18	102 178	97 762
Insurance		9 236	8 790
Advertising and marketing		60 860	55 337
Donations *		10 537	11 042
Property and maintenance related expenses		77 278	81 854
Legal and other related expenses		13 045	11 829
Postage		4 254	5 002
Stationery		8 864	13 883
Telecommunications		22 489	22 349
Business travel		18 869	18 214
Computer		346 163	311 393
Total directors' remuneration		12 427	11 437
Professional fees		12 295	7 709
Other operating expenditures		148 608	114 822
Other operating costs		864 668	843 978
Total operating expenses		2 068 996	1 981 249

* Donations to social responsibility have been reclassified from advertising and marketing in order to better reflect their nature.

5. Operating expenses continued

Significant impairments incurred during 2018

Intangible assets - Ebank trademark
First National Bank of Namibia Ltd, impaired the Ebank Ltd trademark after management reviewed the value of the trademark and found that it would no longer meet future needs of the group. This trademark has been impaired to a carrying amount of N$ nil based on its anticipated value in use to the business and an impairment loss of N$13.7 million recognised.

Intangible assets - software and development costs
Ebank Limited, a subsidiary of First National Bank of Namibia Ltd, impaired software after management reviewed their information technology platform and found that the software would no longer meet future needs as Ebank was migrated onto the FNB Core banking system. This software has been impaired to a carrying amount of N$ nil based on its anticipated value in use to the business and an impairment loss of N$25.6 million recognised.

6. Directors' emoluments

Executive

2019

N$'000	Cash package paid	Performance related	Retirement contributions	Other allowances	Total guaranteed and variable pay
SJ van Zyl	2 591	2 400	411	122	5 524
OLP Capelao	1 491	1 422	254	221	3 388
	4 082	3 822	665	343	8 912

2018

N$'000	Cash package paid	Performance related	Retirement contributions	Other allowances	Total guaranteed and variable pay
SJ van Zyl	2 465	2 113	390	120	5 088
OLP Capelao	1 450	1 268	240	220	3 178
	3 915	3 381	630	340	8 266

Cash package, performance related, retirement contributions and other allowances reflect what was paid during the year ended 30 June 2019 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.

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

6. Directors' emoluments continued

Non-executive	2019	2018
Zaamwani-Kamwi II	420	343
Moir SH	998	922
Duan J	456	374
Haikali CLR	614	626
Hamer RJ (resigned December 2018)	223	105
Hausiku JH	236	213
Hinda Adv G	299	240
Khethe JT	224	257
Nashandi IN (appointed January 2019)	104	
Nevonga PT (resigned October 2017)		91
	3 574	3 171

Executive directors and non-executive directors appointed by FirstRand SA do not receive directors fees for services.

Directors' holdings in shares

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

Directly *N$'000*	2019 Number of ordinary shares	Percentage holding	2018 Number of ordinary shares	Percentage holding
Zaamwani-Kamwi II	54 463	0,020%	54 463	0,020%
Moir SH	6 000	0,002%	6 000	0,002%
Haikali CLR	15 506	0,006%	15 506	0,006%
Capelao OLP	145 732	0,054%	130 792	0,049%
van Zyl SJ	130 399	0,049%	192 533	0,072%
	352 100	0,131%	399 294	0,149%

Indirectly *N$'000*	2019 Number of ordinary shares	Percentage holding	2018 Number of ordinary shares	Percentage holding
Moir SH	1 900	0,001%	1 900	0,001%
Daun J			387	0,001%
Haikali CLR	3 018 199	1,123%	3 018 199	1,128%
	3 020 099	1,125%	3 020 486	1,130%

6. Directors' emoluments continued

Share options allocated to directors and movements of share options are summarised below: Refer to note 29 for the description of terms of the share trusts.

N$'000	Opening balance	Granted during the year	Strike price	Expiry date	Forfeited this year	Taken this year (vested/sold)	Closing balance as at June 2019	Value on settlement (N$ 000)
SJ van Zyl								
FirstRand SA Ltd shares	37 985			Sep-18		(37 985)		(2 531)
FirstRand SA Ltd shares	46 508			Sep-19			46 508	
FirstRand SA Ltd shares	558			Sep-19			558	
FirstRand SA Ltd shares	41 876			Sep-20			41 876	
FirstRand SA Ltd shares		37 676		Sep-21			37 676	
	126 927	37 676				(37 985)	126 618	(2 531)
FNB Namibia share Scheme 2007- 2014	44 001		11.8 - 24.52	Sep-20		(29 334)	14 667	(668)
OLP Capelao								
FirstRand SA Ltd shares	24 738			Sep-18		(24 738)		(1 648)
FirstRand SA Ltd shares	25 368			Sep-19			25 368	
FirstRand SA Ltd shares	22 333			Sep-20			22 333	
FirstRand SA Ltd shares		18 763		Sep-21			18 763	
	72 439	18 763				(24 738)	66 464	(1 648)
FNB Namibia share Scheme 2007- 2014	44 001		11.8 - 24.52	Sep-20		(29 334)	14 667	(668)

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

7. Taxation

N$'000	2019	2018
Indirect tax		
Value-added tax (net)	(35 865)	(36 987)
Stamp duties	(11 507)	(8 854)
Total indirect tax	(47 372)	(45 841)
Income tax expense		
Current		
Local income tax current period	417 698	423 242
South African income tax current period	80	56
	417 778	423 298
Deferred		
Originating and reversing temporary differences	81 392	67 291
Total income tax expense	499 170	490 589
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Standard rate of tax	32,00%	32,00%
Total tax has been affected by:		
- Dividend income	(1.23%)	(0.63%)
- Other non-taxable income	(0.15%)	(1.13%)
- Disallowed expenditure *	0.84%	1.34%
- Other	0.03%	0.04%
Effective rate of tax	31.49%	31.62%

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

8. Earnings and dividends per share

8.1 Headline earnings per share

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

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

N$'000	2019	2018
Headline earnings per share	409.9	397.9
Diluted headline earnings per share	409.6	396.4
Reconciliation between earnings and headline earnings		
Basic earnings (N$ 000)	1 071 370	1 039 960
Adjusted for:		
Gains and losses on sale of property and equipment (N$ 000)	(628)	(49 276)
Impairment of assets in terms of IAS 36	306	50 978
Tax effect (N$ 000)	201	(2 279)
	1 071 249	1 039 383
Dividends per share		
Interim (31 January 2019:91 cents), (30 January 2018: 91 cents)	237 712	237 712
Final (7 August 2018 : 113 cents), (15 August 2017: 113 cents)	295 510	295 330
	533 222	533 042

The final dividend of 117 cents (2018: 113 cents) and a special dividend of 250 cents (2018: nil) were declared and authorised after the reporting period. The dividend has therefore not been recognised as a liability in the reporting period. It has been disclosed for information purposes only. (Refer to the directors report).

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

8. Earnings and dividends per share continued

8.2 Earnings per share

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

N$'000	2019	2018
Basic earnings per share (cents)		
Earnings attributable to ordinary shareholders (N$'000)	1 071 370	1 039 960
Weighted average number of ordinary shares in issue	261 358 638	261 201 333
Basic earnings per share (cents)	409.9	398.1

N$'000	2019	2018
Diluted earnings per share (cents)		
Earnings attributable to ordinary shareholders (N$'000)	1 071 370	1 039 960
Weighted average number of ordinary shares in issue	261 555 647	262 233 217
Diluted earnings per share (cents)	409.6	396.6

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

9. Analysis of assets and liabilities

2019 IFRS 9

N$'000	Note	Amortised cost	At fair value through profit or loss Mandatory	At fair value through profit or loss Designated	At fair value through other comprehensive income (Equity)	Financial liabilities at amortised cost	Non-financial assets and liabilities
Assets							
Cash and cash equivalents	10	1 390 195					
Due from banks and other financial institutions	10	2 803 839					
Derivative financial instruments	11		459 072				
Advances	13	29 929 001		368 932			
Investment securities	12	7 144 541	120 408	532 782	9 578		
Accounts receivable	15	28 840					
Non-financial assets							1 352 585
Total assets		**41 296 416**	**579 480**	**901 714**	**9 578**		**1 352 585**
Equity and Liabilities							
Total equity							5 414 232
Liabilities							
Derivative financial instruments	11		480 490				
Creditors and accruals	21					157 340	
Deposits	22					35 886 144	
Due to banks and other financial institutions	22					427 776	
Other liabilities	24		40 560			220 486	
Tier 2 liabilities	26					402 804	
Non-financial liabilities							1 109 942
Total liabilities			**521 050**			**37 094 550**	**1 109 942**
Total equity and liabilities			**521 050**			**37 094 550**	**6 524 174**

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

9. Analysis of assets and liabilities continued

2018 IAS 39

N$'000	Note	Financial assets at fair value through profit or loss	Loans and receivables	Available for sale financial assets	Held for trading	Financial liabilities at amortised cost	Non-financial assets and liabilities
Assets							
Cash and cash equivalents	10		1 345 842				
Due from banks and other financial institutions	10		2 781 551				
Derivative financial instruments	11				93 520		
Advances	13	419 769	28 112 064				
Investment securities	12	375 184		4 866 658	24 302		
Accounts receivable	15		8 156				
Non-financial assets							1 383 379
Total assets		794 953	32 247 613	4 866 658	117 822		1 383 380
Equity and Liabilities							
Total equity							5 016 056
Liabilities							
Derivative financial instruments	11				109 755		
Creditors and accruals	21					206 590	
Deposits	22					31 546 201	
Due to banks and other financial institutions	22					897 408	
Other liabilities	24	32 805				220 447	
Tier 2 liabilities	26					402 783	
Non-financial liabilities							978 381
Total liabilities		32 805			109 755	33 273 429	978 381
Total equity and liabilities		32 805			109 755	33 273 429	5 994 437

10. Cash and cash equivalents

10.1 Cash and cash equivalents

N$'000	2019 IFRS 9	2018 IAS 39
Coins and bank notes	516 237	430 894
Balances with other banks	9 389	19 761
Balances with central bank	864 569	895 187
	1 390 195	1 345 842
Mandatory reserve balances included above:	381 671	344 765

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

10.2 Due from banks and other financial institutions

N$'000	2019 IFRS 9	2018 IAS 39
Due from banks and other financial institutions	2 803 839	2 781 551

ECL for cash and cash equivalents are nil.

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

11. Derivative financial instruments

Use of derivatives

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

For further details on the valuation of derivatives refer to note 34.
Hedging instruments

Fair value hedges

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

For further details on the group's approach to managing interest rate risk and market risk, refer to note 37.

By using derivative financial instruments to hedge exposures to changes in interest rates and commodity prices, the group also exposes itself to credit risk of the derivative counterparty, which is not offset by the hedged item. For information on how the group minimises counterparty credit risk in derivative instruments, refer to note 37.

In these hedge relationships, the main sources of ineffectiveness are:

- The effect of the counterparty and the group's own credit risk on the fair value of the derivative, which is not reflected in the fair value of the hedged item attributable to the change in the underlying interest rate or commodity price; and
- Differences in maturities of the interest swap and loans or notes.

	2019 IFRS 9			
N$'000	Assets Notional	Fair value	Liabilities Notional	Fair value
Held for trading				
Currency derivatives	3 839 687	418 403	4 152 101	424 270
Interest rate derivatives	2 390 638	40 669	2 438 578	56 220
Total	6 230 325	459 072	6 590 679	480 490

	2018 IAS 39			
N$'000	Assets Notional	Fair value	Liabilities Notional	Fair value
Held for trading				
Currency derivatives	795 994	90 246	831 124	92 487
Interest rate derivatives	746 738	3 274	1 836 396	17 268
Total	1 542 732	93 520	2 667 520	109 755

All derivatives are over-the-counter instruments.

12. Investments securities

N$'000	2019 IFRS 9	2018 IAS 39
Treasury bills	5 052 084	3 676 160
Other government and government guaranteed stock	2 214 175	1 103 612
Unlisted equity	13 009	9 576
Other undated securities	529 350	476 796
Total gross carrying amount of investment securities	**7 808 618**	5 266 144
Loss allowance on investment securities	(1 309)	
Total investment securities	**7 807 309**	5 266 144
Analysis of investment securities		
Equities - Fair value through profit or loss	58 160	43 041
Equities - Fair value through other comprehensive income	9 578	
Equities - Available for sale		9 576
Other securities - Fair value through profit or loss	474 622	332 143
Other securities - Available for sale		101 612
Debts	7 264 949	4 779 772
Amortised cost	7 144 541	
Fair value though profit or loss	120 408	24 302
Available for sale		4 755 470
Total investment securities	**7 807 309**	5 266 144

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

12. Investments securities continued

N$ 7 145 million (2018: N$ 4 755 million) of the financial instruments form part of the group's liquid asset portfolio in terms of the Banking Institutions Act, (No 2 of 1998) and other foreign banking regulators' requirements.

Information regarding other investments as required in terms of Schedule 4 of the Companies Act, 2004 is kept at the company's registered offices. This information is open for inspection in terms of the provisions of Section 120 of the Companies Act.

Equity investments designated at FVTOCI: The investment relate to the group's investment in Avril Payments Solutions (APS). The FVOCI measurement was deemed appropriate because the group does not hold the investments for trading purposes. The dividends recognised for the period in relation to this investment is N$ 4.7 million.

The loss allowance on investment securities measured at amortised cost is N$1.3 million.

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

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

N$'000	2019 IFRS 9
Amount as at 30 June 2018 (IAS 39)	
IFRS 9 adjustments	888
Amount as at 1 July 2018 (IFRS 9)	888
Impairment charge for the period	
- Stage 1	421
Amount as at 30 June 2019 (IFRS 9)	1 309
- Stage 1	1 309
The impairment charge in the income statement can be broken down as follows:	
Provision created in the current period	421
- New business and changes in exposure	421

13. Advances

N$'000	2019 IFRS 9	2018 IAS 39
Notional value of advances	31 003 009	28 900 547
IAS 39 Contractual interest suspended		(67 154)
Gross value of advances	31 003 009	28 833 393
Geographic analysis (based on credit risk)		
Namibia	30 297 933	28 531 833
Category analysis		
Overdraft and cash management accounts	3 514 597	3 357 351
Card loans	474 922	400 709
Instalment sales and hire purchase agreements	3 108 445	3 072 819
Lease payments receivables	192 077	305 648
Home loans	13 549 050	13 116 923
Term loans	8 433 355	7 697 143
Investment bank term loans	368 932	419 769
Preference share agreements	949 020	
Other	412 611	463 031
Gross advances	31 003 009	28 833 393
Impairment of advances	(705 076)	(301 560)
Net advances	30 297 933	28 531 833
Portfolio analysis		
Designated at fair value through profit or loss	368 932	419 769
Loans and receivables	29 929 001	28 112 064
	30 297 933	28 531 833

Fair value of advances is disclosed in note 34.

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

13. Advances continued

Instalment sale, hire purchase and lease payments receivable	2019 IFRS 9 Instalment sale, hire purchase and lease payments receivable	2019 IFRS 9 Less: unearned finance charges	2019 IFRS 9 Net	2018 IAS 39 Instalment sale, hire purchase and lease payments receivable	2018 IAS 39 Less: unearned finance charges	2018 IAS 39 Net
2019						
Within 1 year	1 626 832	(313 337)	1 313 495	1 585 122	(292 604)	1 292 518
Between 1 and 5 years	2 267 360	(272 059)	1 995 301	2 375 475	(290 728)	2 084 747
More than 5 years	2 250	(71)	2 179	1 286	(84)	1 202
Less: Interest in Suspense	(10 454)		(10 454)			
Total net installment sale hire purchase and lease payment receivable	3 885 988	(585 467)	3 300 521	3 961 883	(583 416)	3 378 467

Analysis of advances per class	Amortised cost	Fair value through profit or loss	Loss allowance	Total
2019				
Residential mortgages	13 554 950		(166 322)	13 388 628
Vehicle and asset finance	3 521 602		(83 140)	3 438 462
Total retail secured	**17 076 552**		**(249 462)**	**16 827 090**
Credit card	432 948		(42 004)	390 944
Personal loans	2 377 678		(94 667)	2 283 011
Other retail	433 786		(28 108)	405 678
Total retail unsecured	**3 244 412**		**(164 779)**	**3 079 633**
FNB commercial	6 760 954		(250 504)	6 510 450
RMB corporate and investment banking	3 552 158	368 932	(40 330)	3 880 759
Total corporate and commercial	**10 313 112**	**368 932**	**(290 834)**	**10 391 209**
Total	**30 634 076**	**368 932**	**(705 075)**	**30 297 933**

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

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

13. Advances continued

Reconcilation of the gross carrying amount of advances

N$'000	Stage 1	Stage 2	Stage 3	Total
Amount as at 30 June 2018 (IAS 39)	27 895 067	456 789	481 537	**28 833 393**
IFRS 9 adjustments			67 155	67 155
Amount as at 1 July 2018 (IFRS 9)	27 895 067	456 789	548 692	**28 900 548**
Transfers to stage 1	785 622	(785 131)	(491)	
Transfers to stage 2	(1 701 212)	1 703 228	(2 016)	
Transfers to stage 3	(254 919)	(183 563)	438 482	
Bad debts written off			(54 658)	(54 658)
New business and changes in exposure	2 109 230	133 294	(85 405)	2 157 119
Amount as at 30 June 2019 (IFRS 9)	28 833 788	1 324 617	844 604	**31 003 009**

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

13. Advances continued

Credit risk mitigation

Collateral is an important mitigant of credit risk. In accordance with the group credit risk management strategy the following principle types of collateral are held as security for monies lent by the group:

- Vehicle finance: Vehicles subject to the finance agreement normally serve as collateral. In general, vehicles which make up the collateral can be sold when the customer has defaulted under the agreement and has either signed a voluntary notice of surrender or the bank has obtained judgement against the customer;
- Property finance: Collateral consists of first and second mortgages over property, as well as personal guarantees;
- Personal loans and overdrafts exposures are generally secured via cession of various deposits, investment policies, debtors and personal guarantees;
- Credit card exposures are generally unsecured; and
- Agricultural finance: Collateral consist of first and second covering bonds over the farms.

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, through physical inspection, as appropriate. For mortgage portfolios, collateral valuations are updated on an ongoing basis through physical valuation where necessary. However in the event of default more detailed review and valuation of collateral are performed, this therefore yields a more accurate financial effect.

The valuation at inception is based on physical inspection.

The table below sets out the financial effect of collateral per class of advance:

	2019 IFRS 9		2018 IAS 39	
N$'000	Performing	Non-performing	Performing	Non-performing
Instalment sales and lease payments receivables	8 691	7 906	2 478	2 990
Home loans	292 429	260 832	14 914	13 568
Total	301 120	268 738	17 392	16 558

The financial effect of collateral and other credit enhancements has been calculated with reference to the unsecured loss given default ("LGD") per class for the performing book (IBNR and portfolio specific impairments) and the non-performing book separately. The amounts disclosed above represents the difference between the statement of financial position impairment using the actual LGD and the proxy unsecured LGD for all secured portfolios.

Where there is no collateral or where collateral is disregarded for provisioning purposes, no financial effect was calculated.

14. Impairment of advances

Reconciliation of the loss allowance on total advances.

2019

N$'000	Stage 1	Stage 2	Stage 3	Total
Analysis of movement in impairment of advances per class of advance				
Amount as at 30 June 2018	51 900	76 623	173 038	301 561
IFRS 9 adjustment	103 267	38 451	67 155	208 873
Amount as at 1 July 2018 (IFRS 9)	155 167	115 074	240 193	510 434
Transfers to stage 1	38 121	(37 933)	(188)	
Transfers to stage 2	(8 294)	9 064	(770)	
Transfers to stage 3	(7 495)	(15 072)	22 567	
Bad debts written off			(54 658)	(54 658)
Provision created/(released) for the current reporting period	11 674	95 517	115 059	222 250
- Changes in models and risk parameters	(12 170)	38 189	94 909	120 928
- New business and changes in exposure	26 825	17 228	(21 109)	22 944
- Changes in economic forecasts	24 145	2 914	2 689	29 748
- Provision created/(released) due to transfers	(27 126)	37 186	38 570	48 630
Interest suspended			27 049	27 049
Closing balance	189 173	166 650	349 252	705 075
Residential mortgages	16 416	43 252	106 653	166 321
Vehicle and asset finance	15 304	14 232	53 604	83 140
Total retail secured	31 720	57 484	160 257	249 461
Credit card	16 218	9 002	16 784	42 004
Personal loans	29 918	13 906	50 844	94 668
Other retail	10 965	8 520	8 624	28 109
Total retail unsecured	57 101	31 428	76 252	164 781
FNB commercial	74 022	63 738	112 743	250 503
RMB corporate and investment banking	26 330	14 000		40 330
Total corporate and commercial	100 352	77 738	112 743	290 833
Closing balance	189 173	166 650	349 252	705 075

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

14. Impairment and fair value of credit of advances continued

N$'000	2019 IFRS 9
Provision created/(released) for the currrent reporting period	222 250
Recoveries of bad debts	(7 441)
Impairment of advances recognised during the period	214 809

Reconciliation of the loss allowance on total advances per class

	Retail secured		Retail unsecured			Corporate and commercial		
N$'000	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other retail	FNB Commercial	RMB Corporate and investment banking	Total
Amount as at 30 June 2018 (IAS 39)	62 957	42 104	6 698	46 670	15 337	98 236	29 558	301 560
IFRS 9 adjustments	38 990	21 674	20 276	29 003	8 601	75 089	15 238	208 872
Amount as at 1 July 2018 (IFRS 9)	101 947	63 778	26,974	75 674	23 938	173 325	44 796	510 432
Transfers to stage 1	2 165	(280)	1 515	5 982	3 165	4 595	21 702	38 844
Transfers to stage 2	(3 076)	(6 506)	(1 514)	(7 794)	(4 046)	(15 815)	(21 702)	(60 453)
Transfers to stage 3	910	6 786		1 812	881	11 220		21 609
Bad debts written off	(2 732)	(3 602)	(3 945)	(21 336)	(9 074)	(13 969)		(54 658)
Provision created/ (released) for current reporting period	54 683	20 559	12 430	35 046	21 222	82 778	(4 466)	222 253
Stage 1	33 379	(5 880)	(4 348)	(9 925)	(6 458)	11 003	(1 875)	15 896
Stage 2	4 593	11 906	8 995	13 591	7 869	25 133	(2 590)	69 496
Stage 3	16 710	14 534	7 783	31 381	19 811	46 642		136 862
Interest in suspense	12 979	2 405	302	2 642	352	8 370		27 050
Amount as at 30 June 2019	166 321	83 140	42 004	94 668	28 109	250 504	40 330	705 075
Stage 1	16 416	15 304	16 218	29 918	10 965	74 022	26 330	189 173
Stage 2	43 252	14 232	9 002	13 906	8 520	63 738	14 000	166 650
Stage 3	106 653	53 604	16 784	50 844	8 624	112 743		349 252

14. Impairment and fair value of credit of advances continued

2018

N$'000	Overdrafts and cash managed accounts	Card loans	Instalment sales and lease payments receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
Analysis of movement in impairment of advances per class of advance								
Opening balance	60 775	3 271	46 006	40 519	68 574	219 145	93 157	125 988
Amounts written off	(10 075)	(8 569)	(4 032)	(199)	(15 541)	(38 416)	(38 416)	
Unwinding of discounted present valueon non-performing loans	(1 389)			(8 435)	(3 941)	(13 765)	(13 765)	
Net new impairments created / (released)	19 628	8 271	19 377	13 909	73 411	134 596	132 063	2 533
Closing balance	68 939	2 973	61 351	45 794	122 503	301 560	173 039	128 521
Increase / decrease in provision	19 628	8 271	19 377	13 909	73 411	134 596	132 063	2 533
Recoveries of bad debts previously written off	(4 143)	(85)	(982)	(269)	(856)	(6 335)	(6 335)	
Impairment loss recognised in profit or loss	15 485	8 186	18 395	13 640	72 555	128 261	125 728	2 533

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

15. Accounts receivable

N$'000	2019 IFRS 9	2018 IAS 39
Items in transit	47 718	48 906
Deferred staff cost	121 759	104 749
Premium debtors	1 179	51
Property	37 355	32 316
Prepayments	51 197	39 737
Other accounts receivable	39 447	19 412
	298 655	245 171

Information about the credit quality of the above balances is set out in the risk management note 37.

The carrying value of accounts receivable approximates the fair value.

ECL for accounts receivable are nil.

16. Reinsurance assets

N$'000	2019 IFRS 9	2018 IAS 39
Short-term reinsurance contracts	2 938	219

Information about the credit quality of the above balances is provided in the risk management note 37.

17. Investment in associates

The following table lists all of the associates in the group:

Name of company	Nature of associate	Place of business	% ownership interest	% voting rights	Carrying amount 2019	Carrying amount 2018
Namclear (Pty) Ltd	Interbank clearing house	Windhoek	25,00%	25,00%	12 339	8 608
Stimulus Investment Limited	Investment company	Windhoek	25,00%	25,00%	15 740	14 781
Stimulus Private Equity (Pty) Ltd	Asset manaagement company	Windhoek	49,00%	49,00%		1 932
					28 079	25 321

17. Investment in associates

The following table lists all of the associates in the group:

	Country of incorporation	Method	% Ownership interest 2019	% Ownership interest 2018
Namclear (Pty) Ltd	Namibia	Equity	25%	25%
Stimulus Investment Limited	Namibia	Equity	25%	25%
Stimulus Private Equity (Pty) Ltd	Namibia	Equity	49%	49%

The country of incorporation is the same as the principal place of business for all associates. The percentage voting rights is equal to the percentage ownership for all associates.

Summarised financial information of material associates

2019

N$'000	Revenue	Profit for the period	Total comprehensive income
Namclear (Pty) Ltd	33 227	8 552	8 552
Stimulus Investments Limited	27 740	3 836	3 836
Stimulus Private Equity (Pty) Ltd	10 090	684	684
	71 057	13 072	13 072

Summarised consolidated statement of financial position

N$'000	Non current assets	Current assets	Non current liabilities	Current liabilities	Total net assets
Namclear (Pty) Ltd	52 801	49 128	36 996	15 410	49 523
Stimulus Investments Limited	597 490	77 975	595 484	16 995	62 986
Stimulus Private Equity (Pty) Ltd	37 042	1 960	35 353	3 649	
Total net assets	687 333	129 063	667 833	36 054	112 509

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

17. Investment in associates continued

Reconciliation of net assets to equity accounted investments in associates

N$'000	Total net assets	Interest in associate at % ownership	Investment in associate
Namclear (Pty) Ltd	49 523	12 339	12 339
Stimulus Investment Limited	62 986	15 740	15 740
	112 509	28 079	28 079

Reconciliation of movement in investments in associates

2019

N$'000	Investment at beginning of 2018	Share of profit	Investment at end of 2019
Namclear (Pty) Ltd	8 608	3 731	12 339
Stimulus Investment Limited	14 781	959	15 740
Stimulus Private Equity (Pty) Ltd*	1 932	(1 932)	
	25 321	2 758	28 079

18. Property and equipment

	2019			2018		
N$'000	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Freehold land and buildings	647 344	(34 905)	612 439	656 441	(36 619)	619 822
Leasehold property	69 168	(57 674)	11 494	68 809	(51 115)	17 694
Furniture and fixtures	256 105	(127 427)	128 678	249 373	(106 636)	142 737
Motor vehicles	8 338	(4 577)	3 761	9 579	(4 846)	4 733
Office equipment	116 642	(88 105)	28 537	114 114	(86 675)	27 439
IT equipment	262 886	(188 204)	74 682	255 508	(160 674)	94 834
Total	1 360 483	(500 892)	859 591	1 353 824	(446 565)	907 259

18. Property and equipment continued

Reconciliation of property and equipment - 2019

N$'000	Opening balance	Additions	Disposals	Depreciation	Closing balance
Buildings	619 822	3 139	(203)	(10 319)	612 439
Leasehold property	17 694	2 288		(8 488)	11 494
Furniture and fixtures	142 737	11 922	(2 193)	(23 788)	128 678
Motor vehicles	4 733	20	(443)	(549)	3 761
Office equipment	27 439	22 162	(313)	(20 751)	28 537
IT equipment	94 834	18 548	(415)	(38 285)	74 682
	907 259	58 079	(3 567)	(102 180)	859 591

Reconciliation of property and equipment - 2018

N$'000	Opening balance	Additions	Disposals	Depreciation	Closing balance
Buildings	643 161	11 335	(29 043)	(5 631)	619 822
Leasehold property	19 278	10 974	(238)	(12 321)	17 694
Furniture and fixtures	138 645	29 704	(3 615)	(21 997)	142 737
Motor vehicles	5 335	450	(494)	(557)	4 733
Office equipment	41 397	9 915	(4 719)	(19 154)	27 439
IT equipment	105 474	28 996	(1 534)	(38 102)	94 834
	953 290	91 374	(39 643)	(97 762)	907 259

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 6:

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

19. Intangible assets

N$'000	2019 Cost / Valuation	2019 Accumulated amortisation	2019 Carrying value	2018 Cost / Valuation	2018 Accumulated amortisation	2018 Carrying value
Trademarks	181 375	(105 425)	75 950	201 526	(115 776)	85 750
Customer related intangibles	40 145	(8 028)	32 117	40 145	(4 015)	36 130
Software	53 424	(50 982)	2 442	78 213	(75 415)	2 798
Goodwill	63 199	(11 743)	51 456	63 199	(11 743)	51 456
Value of insurance broker business acquired	4 479	(3 892)	587	4 479		4 479
Total	342 622	(180 070)	162 552	387 562	(206 949)	180 613

Reconciliation of intangible assets - 2019

N$'000	Opening balance	Amortisation	Impairment loss	Closing balance
Trademarks	85 750	(9 800)		75 950
Customer related intangibles	36 130	(4 013)		32 117
Software	2 798	(356)		2 442
Goodwill	51 456			51 456
Value of insurance broker business acquired	4 479	(3 585)	(307)	587
	180 613	(17 754)	(307)	162 552

Reconciliation of intangible assets - 2018

N$'000	Opening balance	Additions	Additions through business combinations	Amortisation	Impairment loss	Closing balance
Trademarks	115 694			(16 261)	(13 683)	85 750
Customer related intangibles	40 145			(4 015)		36 130
Software	29 651			(1 292)	(25 561)	2 798
Goodwill	45 344		17 855		(11 743)	51 456
Value of insurance broker business acquired	1 831	2 648				4 479
	232 665	2 648	17 855	(21 568)	(50 987)	180 613

19. Intangible assets continued

Impairment of goodwill:

For impairment testing purposes, goodwill is allocated to cash-generating units (CGU) at the lowest level of operating activity (business) to which it relates, and is therefore not combined at group level.The CGU's to which the goodwill balance as at 30 June 2019 relate to the Pointbreak Group of companies.

When testing for impairment, the recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one year period. Cash flows beyond one year are extrapolated using the estimated growth rate for the CGU. The growth rate does not exceed the long-term average past growth rate for the business in which the CGU operates.

The discount rate used 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.

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

	Discount rate		Growth rate	
	2019	2018	2019	2018
Pointbreak group of companies	16%	15%	6 - 9%	7 -26%

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

20. Deferred tax

N$'000	2019	2018
Deferred tax liability		
Deferred tax liability	(400 842)	(323 672)
Opening balance	(323 672)	(257 240)
- IFRS 9 adjustment	388	
- Charge to profit and loss	(77 988)	(65 980)
- Deferred tax on amounts charged directly to other comprehensive income	47	1 142
- Other	383	(1 594)
Net balance for the year for entities with deferred income tax liabilities	(400 842)	(323 672)
Deferred tax asset		
Opening balance	32 347	34 634
- Charge to profit or loss	(3 404)	(24)
- Other		(2 263)
Net balance for the year for entities with deferred income tax assets	28 943	32 347
Total net deferred tax liability	(371 899)	(291 325)

Deferred tax assets and liabilities are offset when the income taxes relate to the same fiscal authority, same legal entity and there is a legally enforceable to set-off.

The group has not recognised a deferred tax asset amounting to N$ 30.3 million (2018: N$ 31.2 million) relating to tax losses.

The carrying amount of deferred tax assets is reviewed at each reporting date and is supported by future cash flow forecasts.

20. Deferred tax continued

Reconciliation of deferred tax asset / (liability)

Deferred income tax assets and liabilities and deferred tax charge / (credit) in the comprehensive income are attributable to the following items:

	2019	2018
N$'000	Closing balance	Closing balance
Deferred income tax (liabilities) / assets		
Accruals	(288 135)	(202 098)
Deferred staff costs	(11 716)	(13 581)
Fair value adjustments of financial instruments	(588)	(1 826)
Instalment credit agreements	(97 862)	(107 153)
Post-employmnet benefit liabilities	13 427	12 752
Property and equipment	(85 808)	(84 688)
Provision for loan impairment	53 864	44 661
Other	15 976	28 260
Net deferred income tax (liabilities) / assets	(400 842)	(323 672)
Deferred income tax assets		
Property and equipment	(20)	(20)
Other	28 963	32 367
Total net deferred income tax assets	28 943	32 347
Charge through profit and loss	81 392	67 291
Deferred income tax on other comprehensive income	47	1 142
	81 439	68 433

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

21. Creditors and accruals

N$'000	2019 IFRS 9	2018 IAS 39
Items in transit	53 804	85 154
Audit fees	7 386	5 272
Accrued expense	36 149	28 478
Accounts payable and accrued liabilities	288 293	259 210
Creditors and accruals	385 632	378 114

The carrying value of creditors and accruals approximates fair value.

22. Deposits and current accounts

N$'000	2019 IFRS 9	2018 IAS 39
Category analysis		
Deposits from customers		
Current accounts	9 977 808	10 017 857
Call deposits	5 695 068	5 690 059
Savings accounts	292 743	230 756
Fixed and notice deposits	10 123 612	8 251 072
Debt securities		
Negotiable certificate of deposit	8 526 853	6 086 548
Fixed and floating rate notes	1 270 060	1 269 909
Total deposits	35 886 144	31 546 201
The fair values of deposits and current accounts are disclosed in note 34.		
Due to banks and other financial institutions		
To banks and other financial institutions		
- In the normal course of business	427 776	897 408

23. Employee liabilities

N$'000	2019	2018
Liability for short-term employee liabilities	174 501	161 877
Share-based payment liability	33 433	47 010
Defined contribution post-employment benefit liabilities	40 993	38 450
Closing balance	248 927	247 337

* Refer to note 29 (remuneration schemes) for more detail on the cash settled share-based payment schemes.

Defined contribution post-employment benefit liabilities

1. The group has a liability to subsidise the post-retirement medical expenditure of certain of its employees which constitutes a defined benefit plan. All employees who join the employ of the group on or after 1 December 1998 are not entitled to the post retirement medical aid subsidy.

   The actuarial method used to value the liabilities is the projected unit credit method 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$ 2.1 million (2018: N$ 2.0 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.

	2019			2018		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Present value of unfunded liabilities	34 294	6 699	40 993	32 505	5 945	38 450

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

23. Employee liabilities continued

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

N$'000	2019 Medical	2019 Severance	2019 Total	2018 Medical	2018 Severance	2018 Total
Current service cost	201	546	747	192	467	659
Past service cost						
Interest cost	3 010	562	3 571	3 047	498	3 545
Total included in staff costs	**3 211**	**1 107**	**4 318**	**3 239**	**965**	**4 204**
Recognised in other comprehensive income						
Actuarial (gains) and losses recognised	1 019	(353)	666	17	(225)	(208)
Total included in staff costs	**1 019**	**(353)**	**666**	**17**	**(225)**	**(208)**

Movement in post-employment liabilities

N$'000	2019 Medical	2019 Severance	2019 Total	2018 Medical	2018 Severance	2018 Total
Present value at the beginning of the year	32 505	5 945	38 450	32 313	5 205	37 518
Current service cost	201	546	747	192	467	659
Interest cost	3 010	561	3 571	3 047	498	3 545
Benefits paid	(2 441)		(2 441)	(3 064)		(3 064)
Actuarial (gains) losses from changes in financial assumptions	1 019	(353)	666	17	(225)	(208)
Present value at the end of the year	**34 294**	**6 699**	**40 993**	**32 505**	**5 945**	**38 450**

The principal actuarial assumptions used for accounting purposes were:

	2019 Medical	2019 Severance Pay	2018 Medical	2018 Severance Pay
Discount rate (%)	9.52 %	10.38 %	9.54 %	9.58 %
Medical aid inflation (%)	7.33 %		7.86 %	
Salary inflation (%)		8.35 %		7.88 %
Employees covered	99	2 253	100	2 285

23. Employee liabilities continued

The sensitivity analysis illustrates how the value of the liability would change in response to certain changes in actuarial assumptions:

N$'000	2019	2018
Effect of 1% change in the medical aid inflation assumptions is as follows:		
1% increase - effect in current service cost and interest cost	3 786	3 628
1% decrease - effect in current service cost and interest cost	2 984	2 864
Effect of 1% change in the normal salary inflation assumptions is as follows:		
1% increase - effect in current service cost and interest cost	1 394	1 224
1% decrease - effect in current service cost and interest cost	1 154	1 005

24. Other liabilities

N$'000	2019 IFRS 9	2018 IAS 39
Other funding liabilities	220 486	220 448
Preference shares	40 560	32 805
Total	261 046	253 253
Opening balance	253 252	
Cash flow movements	(17 924)	210 480
- Proceeds on the issue of other liabilities		219 000
- Interest paid	(17 924)	(8 520)
Non-cash flow movements	25 718	42 773
- Interest accrued	17 963	9 968
- Preference share FV	7 755	32 805
Total other liabilities	261 046	253 253

Funding of N$ 219 million was raised from an international bilateral development finance institution for Substainable Use of Natural Resources and Energy Financing. The loan is repayable over 14 equal semi- annual installments, the first installment is due 1 December 2020. Interest is paid quarterly in arrears at 3 month JIBAR floating rate.

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

25. Policyholder liabilities

N$'000	2019 IFRS 9	2018 IAS 39
Short-term insurance contracts		
Claims outstanding		
Claims reported and loss adjustment expenses	10 284	9 513
Claims Incurred but not reported	7 290	8 779
Insurance contract cash bonuses	10 075	10 288
Unearned premiums	20 616	21 339
Gross	48 265	49 919
Claims reported and loss adjustment expenses	(1 914)	(719)
Recoverable from reinsurance	(1 914)	(719)
Claims outstanding		
Claims reported and loss adjustment expenses	8 370	8 794
Claims Incurred but not reported	7 290	8 779
Insurance contract cash bonuses	10 075	10 288
Unearned premiums	20 616	21 339
	46 351	49 200

25. Policyholder liabilities continued

	2019			2018		
N$'000	Gross	Re-Insurance	Net	Gross	Re-Insurance	Net
Analysis of Movement in Claims Provision						
Opening balance	18 292	(719)	17 573	18 646	(670)	17 976
Current year						
Claims Incurred	70 905	(3 787)	67 118	79 331	(651)	78 680
Claims Paid	(67 569)	2 891	(64 678)	(76 248)	605	(75 643)
Claims Handling expenses raised	8 736		8 736	8 955		8 955
Risk margins raised	2 879		2,879	3 877		3 877
Prior year						
Claims Incurred	343	(616)	(273)	(1 465)	77	(1 388)
Claims Paid	(11 664)	317	(11 347)	(9 319)	(80)	(9 399)
Claims Handling expenses released	38		38	(1 615)		(1 615)
Risk margins released	(4 386)		(4 386)	(3 870)		(3 870)
Closing balance	17 574	(1 914)	15 660	18 292	(719)	17 573

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

25. Policyholder liabilities continued

N$'000	2019 Gross	2019 Re-Insurance	2019 Net	2018 Gross	2018 Re-Insurance	2018 Net
Analysis of movement in unearned premium provision (UPP)						
Opening balance	21 339		21 339	22 989		22 989
UPP raised	22 062		22 062	19 059		19 059
UPP earned	(22 785)		(22 785)	(20 709)		(20 709)
Closing balance	20 616		20 616	21 339		21 339
Analysis of movement in insurance contract non-claims bonuses						
Opening balance	10 288		10 288	11 326		11 326
Charge to profit or loss	11 019		11 019	8 324		8 324
Non-claims bonuses paid during the year	(11 232)		(11 232)	(9 362)		(9 362)
Closing balance	10 075		10 075	10 288		10 288

26. Tier 2 liabilities

Subordinated debt instruments	Interest rate	Final maturity date	Note	2019 IFRS 9	2018 IAS 39
FNB J27 floating rate notes	Three-month JIBAR + 2.50%	Monday, 29 March 2027	i.	300 000	300 000
FNB X27 fixed rate notes	10.36%	Monday, 29 March 2027	ii.	100 000	100 000
Accrued interest				2 804	2 783
Total				402 804	402 783

(i) The FNB J27 floating rate notes may be redeemed in full at the option of the group on 29 March 2022. Interest is paid quarterly in arrears on 29 March, 29 June, 29 September and 29 December of each year.

(ii) The FNB X27 fixed rate notes may be redeemed in full at the option of the group on 29 March 2022. Interest is paid semi-annually in arrear on 29 March and 29 September of each year

These notes are listed on the Namibian Stock Exchange (NSX).

The notes listed above qualify as Tier 2 capital for First National Bank of Namibia Limited.

Refer to note 34, fair value of financial instruments for the methodologies used to determine the fair value of tier 2 liabilities.

Tier 2 liabilities reconciliation

N$'000	2019 IFRS 9	2018 IAS 39
Opening balance	402 783	402 830
Cash flow movements	(39 179)	(39 811)
- Proceeds from the issue of Tier 2 liabilities		
- Interest paid	(39 179)	(39 811)
Non-cash flow movements	39 200	39 764
- Interest accrued	39 200	39 764
Total Tier 2 liabilities	402 804	402 783

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

27. Share capital

N$'000	2019	2018
Authorised		
990 000 000 (2018: 990 000 000) ordinary shares of par value of N$0.005 per share	4 950	4 950
10 000 000 (2018: 10 000 000) cumulative convertible preference shares with a par value of N$0.005 per share	50	50
	5 000	5 000
Issued		
267 593 250 (2018: 267 593 250) ordinary shares with a par value of N$0.005 per share	1 338	1 338
- Shares held by share trusts	(24)	(19)
Share premium	7 870	30 631
	9 184	31 950

A detailed reconciliation of the movements in the share capital and premium balances is set out in the statement of changes in equity.

28. General risk reserves

	2019	2018
First National Bank of Namibia Limited - Credit risk reserve		163 140

A detailed reconciliation of the movements in the respective reserve balances is set out in the statement of changes in equity. Credit risk reserves were held in compliance with Bank of Namibia requirements.

29. Remuneration schemes

N$'000	2019 IFRS 9	2018 IAS 39
The statement of comprehensive income charge for share-based payments is as follows:		
FirstRand Namibia share options	1 120	3 882
FirstRand conditional share plan	39 038	37 460
Charge against staff costs	40 158	41 342

Share option schemes

FirstRand Namibia Ltd options are equity settled. FirstRand conditional share plan is cash settled.

The following is a summary of the share incentive schemes:

FirstRand conditional share plan
The conditional award comprises a number of full shares with no strike price. It is cash settled. These awards vest after three years. The number of shares that vest is determined by the extent to which the performance conditions are met. Conditional awards are made annually and vesting is subject to specified financial and non-financial performance conditions, set annually by the group's remuneration committee.

Valuation methodology
The conditional share plan is valued using the Black Scholes option pricing model with a zero strike price. Grants made before 2012 are equity settled and are therefore not repriced at each reporting date. The scheme relating to the grants made during 2012 and after is cash settled and is therefore repriced at each reporting date.

Share incentive scheme
Fair values for the share incentive schemes, are calculated at the date of grant using a modification of the Cox-Rubenstein binomial model. For valuation purposes, each call option granted has been valued as a Bermudan call option with a number of exercise dates.

The days on which the options can be exercised has been assumed to be the last day that the share trade cum-dividend.

Market data consists of the following:
- Volatility is the expected volatility over the period of the option. In the absence of other available date, historical volatility can be used be used as a proxy for expected volatility; and
- The interest rate is the risk-free rate of return, recorded on the date of the option grant, on a South African government zero coupon bond of a term equal to the expected life of the option.

Dividend data of the following:
- The last dividend paid is the N$ amount of the last dividend before the options were granted;
- The last dividend date is the ex-date of the last dividend; and
- The annual expected dividend growth, which is based on publicly available information.

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

29. Remuneration schemes continued

Share option schemes continued

Employee statistic assumptions:

- Annual employee turnover is the average annual rate that employees participating in the option scheme are expected to leave before the options have vested.
- The number of iterations is the number to be used in the binomial model, which is limited to 500.
- The weighted average number of forfeitures is based on the major grants because these grants have a more reliable cancellation or forfeiture pattern.

Corporate performance targerts :

The FirstRand Limited group remuneration committee sets the corporate performance targets (CPT's) based on the expected prevailing macroeconomic conditions anticipated during the performance period for the group's longterm incentive schemes, the conditional share plan and the conditional incentive plan. These criteria, which must be met or exceeded to enable vesting, vary from year to year, depending on the macro conditions expected to prevail over the vesting period.

In terms of the scheme rules, participants are not entitled to any dividends on their long term incentive (LTI) allocations during the performance period, nor do these accrue to them during the performance period.

The criteria for the currently open schemes are as follows:

Currently open:

2016 (vests in 2019) - FirstRand Limited must achieve growth in normalised EPS which equals or exceeds the South African nominal GDP growth, on a cumulative basis, over the performance period from the base yearend immediately preceding the vesting period date. Nominal GDP is advised by the FirstRand group treasury, macro strategy unit; and the company delivers ROE of 18 - 22% over the performance period.

2017 (vests in 2020) - FirstRand Limited must achieve growth in normalised earnings per share, adjusted for CPI, which equals or exceeds the South African Real Gross Domestic Product ("GDP") growth, on a cumulative basis, over the performance period from the base year-end, being 30 June 2017, to the year-end immeditely preceding the vesting date. Real GDP is advised by the FirstRand Limited Group Treasury macro strategy unit and the company delivers ROE of at leat 18% over the performance period.

2018 (vests in 2021) - FirstRand Limited must achieve growth in normalised earnings per share which equals or exceeds the South African CPI plus Real Gross Domestic Product ("GDP") growth, on a cumulative basis, over the performance period from the base year-end, being 30 June 2018, to the year-end immediately preceding the vesting date, and the company delivers ROE of at least 18% over the performance period. If Real Gross Domestic Product is negative, then growth in normalised earnings should equal or exceed CPI over the same period. Real GDP is advised by the FirstRand Limited Group Treasury macro strategy unit. For vesting, the criteria must be met or exceeded, however, the scheme rules allow the remuneration committee the discretion to determine that the conditional awards will vest, in full or partially, in circumstances where the performance conditions were not fulfilled.

29. Remuneration schemes continued

	FirstRand Namibia share incentive scheme		FirstRand Ltd conditional share plan	
	2019	2018	2019	2018
Weighted average share price (N$)	1 180 - 2 452	721 - 2 452		
Expected volatility (%)	402 - 16	402 - 16		25
Expected option life (years)	5	5	2 - 3	3
Expected risk free rate (%)	581 - 769	581 - 769	699 - 761	699 - 761
Share option schemes				
Number of options in force at the beginning of the year ('000)	2 097	5 183	1 651	1 120
Granted at prices ranging between (cents)	1 180 - 2 452	721 - 2 452	0	0
Number of options granted during the year ('000)			587	637
Granted at prices ranging between (cents)				
Number of options exercised/released during the year ('000)	(1 548)	(2 442)	(490)	(75)
Market value range at the date of exercise/release (cents)	3 500 - 4 498	4 498 - 4 711	6 662 - 6 662	5 373 - 5 500
Number of options cancelled/lapse during the year ('000)		(644)	(14)	(31)
Granted at prices ranging between (cents)		721 - 2 452		
Number of options in force at the end of the year ('000)	548	2 097	1 788	1 651
Granted at prices ranging between (cents)	1 180 - 2 452	721 - 2 452		

(First date able to release)	FirstRand Namibia share incentive scheme	
N$'000	2019	2018
Financial year 2019		898
Financial year 2020	548	1 199
Total	548	2 097

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

30. Cash flow information

N$'000	2019 IFRS 9	2018 IAS 39
Reconciliation of operating profit before tax to cash flow from operating activities		
Profit before tax	1 584 980	1 551 297
Share of profit from associates after tax	(2 758)	(1 102)
Amortisation and impairment of intangible assets	17 565	72 575
Depreciation of property, plant and equipment	102 178	97 762
Share-based payment expenses	40 158	41 342
Impairment of advances	214 809	128 261
Provision for post-employment benefit obligations	4 344	4 168
Creation and revaluation of derivative financial instruments	4 837	(4 106)
Policyholders fund and insurance fund transfers	(723)	(1 651)
Transfer to provision for unintimated claims	(1 489)	(41)
Non cash flow movements in interest accrual on financial liabilities	(2 804)	(2 783)
Unwinding of discounted present value on non-performing loans		(13 765)
Unwinding of discounted present value on off-market loans	(683)	(2 203)
Net release of deferred fee and expenses	(13 402)	(13 780)
Off-market staff loans amortisation	683	2 203
Profit on sale of property and equipment	(628)	(49 276)
Indirect tax	47 372	45 841
Cash flows from operating activities	1 994 439	1 854 740
Cash receipts from customers		
Interest and similar income	3 850 615	3 553 650
Other non-interest income	1 821 590	1 740 339
Net insurance premium received	166 494	183 364
	5 838 699	5 477 353

30. Cash flow information continued

N$'000	2019 IFRS 9	2018 IAS 39
Cash paid to customers, suppliers and employees		
Interest expense and similar charges	(1 855 282)	(1 765 428)
Net claims and benefits paid	(87 690)	(96 192)
Total other operating expenses	(1 901 287)	(1 760 993)
	(3 844 260)	(3 622 613)
Increase in income earning assets		
Due from banks and other financial institutions	(22 288)	(113 570)
Advances	(1 966 823)	(371 932)
Investment securities	(2 505 781)	(1 399 743)
Accounts receivable and similar accounts	(54 166)	(49 722)
Reinsurance assets	(2 719)	(120)
	(4 551 777)	(1 935 087)
Increase in deposits and other liabilities		
Deposits	4 339 983	1 057 840
Due to banks and other financial institutions	(469 632)	(295 129)
Accounts payable and similar accounts	(167 439)	(98 390)
	3 702 912	664 321
Income tax paid		
Amounts payable at beginning of the year	(217 415)	(79 690)
Indirect tax	(47 372)	(45 841)
Current tax charge	(417 778)	(423 298)
Amounts payable at end of the year	216 238	217 415
	(466 327)	(331 414)

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

31. Contingent liabilities and capital commitments

N$'000	2019 IFRS 9	2018 IAS 39
Contingencies		
Guarantees *	1 450 027	1 713 936
Letters of credit	67 619	123 171
Total contingencies	1 517 646	1 837 107
Irrevocable unutilised facilities	4 917 200	5 167 183
Committed capital expenditure	205 900	3 168
Total contingencies and commitments	6 640 746	7 007 458

* Guarantees consist predominantly of endorsements 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.

31. Contingent liabilities and capital commitments continued

Group leasing arrangements:

	2019 IFRS 9			2018 IAS 39		
N$'000	Next year	2nd to 5th year	After 5th year	Next year	2nd to 5th year	After 5th year
Office premises	39 620	49 189		42 522	50 249	
	39 620	49 189		42 522	50 249	

Notice periods on operating lease contracts are between 3-6 months, no operating lease contract is fixed and escalation clauses range between 7% and 10% (2018: 7% and 10%).

The group has various operating lease agreements, which may or may not contain renewal options. The lease terms do not contain restrictions on the group's activities concerning dividends, additional funding or further leasing.

32. Collateral

Collateral taken possession of and recognised on the statement of financial position in accounts receivable note:

N$'000	2019 IFRS 9	2018 IAS 39
Property	37 355	32 316
Total	37 355	32 316

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

33. Related parties

FirstRand Namibia Limited is listed on the Namibian Stock Exchange and is 58.4% (2018: 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 balances with relevant related parties appear below:

N$'000	2019	2018
Related party balances		
Deposits		
FirstRand SA group companies	2 354 744	2 210 785
Associates	36 236	17 422
Advances		
FirstRand SA group companies	418 411	2 195 395
Associates	9 768	13 399
Derivative assets		
FirstRand SA group companies	291 586	15 390
Derivative liabilities		
FirstRand SA group companies	(186 895)	(93 287)
Related party transactions		
Interest paid to (received from) related parties		
FirstRand SA group companies	(102 282)	(68 259)
Associates	151	640
FirstRand SA group companies	9 039	25 959
Non-interest expenditure		
FirstRand SA group companies	320 558	277 393
Associates	18 085	14 292

33. Related parties continued

Details of transactions with relevant related parties appear below:

Transactions with key management personnel:

N$'000	2019 IFRS 9	2018 IAS 39
Advances	16 324	18 201
Current and credit card accounts	2 505	252
Instalment finance	4 146	3 490
Investment products	10 011	5 992

No impairment has been recognised for loans granted to key management (2018: nil)

Mortgage loans are repayable monthly over 20 years.

Shares and share options held

Directors' holdings in shares is disclosed in note 6.

N$'000	2019 IFRS 9	2018 IAS 39
Key management compensation (Group exco)		
Cash package	27 673	27 347
Retirement contributions	3 767	3 812
Performance related benefits	14 084	14 810
	45 524	45 969
Share-based payment	12 579	9 149

A listing of the board of directors of the group is detailed on page 26 of the annual report.

Post-employment benefit plans

Refer to note 23 on detailed disclosure of the movement on the post-employment benefit liability.

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

Details of subsidiaries

Significant subsidiaries	Nature of business	Date of acquisition	Country of incorporation	Number of shares	Effective holding % 2019	Effective holding % 2018
All subsidiaries are unlisted. The year end of all the subsidiaries is 30 June.						
Banking operations:						
First National Bank of Namibia Ltd	Commercial bank	01 June 2003	Namibia	1,200 of N$1 each	100	100
Swabou Investments (Pty) Ltd	Home loan investment company	01 July 2003	Namibia	2 of N$0.05 each	100	100
Insurance operations:						
OUTsurance Insurance Company of Namibia Ltd	Short-term finance	01 July 2003	Namibia	4 000 000 of N$1 each	51	51
Other:						
FNB Fiduciary (Namibia) (Pty) Ltd	Estate and trust services	01 October 1996	Namibia	200 of N$1 each	100	100
FNB Insurance Brokers (Namibia) (Pty) Ltd	Short-term insurance broker	01 July 2011	Namibia	100 of N$1 each	100	100
Asburton Unit Trust Management Company Limited (Formerly: FNB Namibia Unit Trusts Ltd	Unit trusts management company	01 January 2006	Namibia	4,000,000 of N$1 each	100	100
Talas Properties (Windhoek) (Pty) Ltd	Property company	31 March 1998	Namibia	100 of N$1 each	100	100
RMB Investments (Pty) Ltd	Financial advisory services	14 November 2013	Namibia	100 of N$1 each	100	100
FNB Easy Loans Limited (Formerly: FNB Consumer Limited)	Financial services	30 March 2017	Namibia	1 624 183 of N$1 each	100	100
Ashburton Investments Namibia Holdings (Pty) Ltd	Investment company	01 February 2017	Namibia	100 of N$1 each	100	100
Ashburton Fund Managers Namibia (Pty) Ltd	Investment company	01 February 2017	Namibia	100 of N$1 each	100	100
Pointbreak Trusts and Estates	Financial and investment services	30 March 2017	Namibia	100 of N$1 each	100	100
Pointbreak Wealth Management (Pty) Ltd	Financial and investment services	30 March 2017	Namibia	17000 of N$1 each	100	100
Pointbreak Equity (Pty) Ltd	Financial and investment services	30 March 2017	Namibia	100 of N$1 each	100	100
Pointbreak Investment Management (Pty) Ltd	Financial and investment services	30 March 2017	South Africa	100 of N$1 each	100	100
Pointbreak Unit Trust Management Company (Pty) Ltd	Unit trust management company	30 March 2017	Namibia	2 000 000 of N$1 each	100	100
Pointbreak Property Unit Trust Management Company Ltd	Property unit trust management company	30 March 1998	Namibia	2 000 000 of N$1 each	100	100

33. Related parties continued

Non-controlling interests

OUTsurance Insurance Company of Namibia Ltd is the subsidiary which has non-controling interests in the group. The voting rights of the non-controling interest is limited to their ownership percentage.

It is the group's investment strategy to limit the non-controlling interests in its subsidiary holdings. The group generally holds 100% interests in its key subsidiaries.

N$'000	Non-controlling interest 2019	Non-controlling interest 2018
Interest owned by non-controlling interest	49%	49%
Voting rights owned by non-controlling interest	49%	49%
Profit or loss attributable to non-controlling interests	14 440	20 748
Accumulated balance of non-controlling interests	61 605	72 645
Dividends paid to non-controlling interests	25 480	9 800
The following balances have been included in the consolidated statement of financial position and statement of comprehensive income in respect of OUTsurance Insurance Company of Namibia Ltd :		
Total Assets	167 372	191 153
Total Liabilities	68 158	69 804
Net interest income	11 285	8 116
Non interest revenue	81 016	88 864
Profit before tax	43 655	61 314
Total comprehensive income	29 470	42 343

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

34. Fair value measurements

Valuation methodology

In terms of IFRS, the group is required to or elects to measure certain assets and liabilities at fair value. The group has established control frameworks and processes to independently validate its valuation techniques and inputs used to determine its fair value measurements. Technical teams are responsible for the selection, implementation and any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established at an overall group level and are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval by the required technical teams, valuation committees, relevant risk committees and external auditors annually or more frequently if considered appropriate.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date i.e. an exit price. Fair value is therefore a market based measurement and when measuring fair value the group uses the assumptions that market participants would use when pricing an asset or liability under current market conditions, including assumptions about risk. When determining fair value it is presumed that the entity is a going concern and the fair value is therefore not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

Fair value measurements are determined by the group on both a recurring and non-recurring basis.

Recurring fair value measurements

Recurring fair value measurements are those for assets and liabilities that IFRS requires or permits to be recognised at fair value and are recognised in the statement of financial position at reporting date. This includes financial assets, financial liabilities and nonfinancial assets that the group measures at fair value at the end of each reporting period.

Financial instruments

When determining the fair value of a financial instrument, where the financial instrument has a bid or ask price (for example in a dealer market), the group uses the price within the bid-ask spread that is most representative of fair value in the circumstances. Although not a requirement, the group uses the bid price for financial assets or the ask/offer price for financial liabilities where this best represents fair value.

When determining the fair value of a financial liability or the group's own equity instruments the quoted price for the transfer of an identical or similar liability or own equity instrument is used. Where this is not available, and an identical item is held by another party as an asset, the fair value of the liability or own equity instrument is measured using the quoted price in an active market of the identical item, if that price is available, or using observable inputs (such as the quoted price in an inactive market for the identical item) or using another valuation technique.

Where the group has any financial liability with a demand feature, such as demand deposits, the fair value is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid where the time value of money is significant.

Non-recurring fair value measurements

Non-recurring fair value measurements are those triggered by particular circumstances and include the classification of assets and liabilities as non-current assets or disposal groups held for sale under IFRS 5 where fair value less costs to sell is the recoverable amount, IFRS 3 business combinations where assets and liabilities are measured at fair value at acquisition date, and IAS 36 impairments of assets where fair value less costs to sell is the recoverable amount. These fair value measurements are determined on a case by case basis as they occur within each reporting period.

34. Fair value measurements continued

Valuation methodology continued

Financial instruments not measured at fair value

Other fair value measurements include assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS e.g. financial instruments at amortised cost. The fair value for these items is determined by using observable quoted market prices where these are available, such as market prices quoted on BESA, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included under point 36.4 below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

Non financial instruments

When determining the fair value of a non-financial asset, a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use, is taken into account. This includes the use of the asset that is physically possible, legally permissible and financially feasible. In determining the fair value of the group's investment properties and commodities, the highest and best use of the assets was their current use.

Fair value hierarchy and measurements

The group classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. If this information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The valuation techniques employed by the group include, inter alia, quoted prices for similar assets or liabilities in an active market, quoted prices for the same asset or liability in an inactive market, adjusted prices from recent arm's length transactions, optionpricing models, and discounted cash flow techniques.

Where a valuation model is applied and the group cannot mark-to-market, it applies a mark-to-model approach, subject to prudent valuation adjustments. Mark-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. When applying mark-to-model, an extra degree of conservatism is applied. The group will consider the following in assessing whether a mark-to-model valuation is appropriate:

- As far as possible, market inputs are sourced in line with market prices;
- Generally accepted valuation methodologies are consistently used for particular products unless deemed inappropriate by the relevant governance forums;
- Where a model has been developed in-house, it is based on appropriate assumptions, which have been assessed and challenged by suitably qualified parties independent of the development process;
- Formal change control procedures are in place;
- Awareness of the weaknesses of the models used and appropriate reflection in the valuation output;
- The model is subject to periodic review to determine the accuracy of its performance; and
- Valuation adjustments are only made when appropriate, for example, to cover the uncertainty of the model valuation.

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

34. Fair value measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable	Significant unobservable inputs of Level 3 items
- Investment banking book*	Level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate. To calculate the fair value of credit the group uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenor and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance. Similarly an increase in credit rating would result in a decrease in the spread below the base rate and an increase of the fair value of the advance.	Market interest rates and curves	Credit inputs
Investment securities and other investments					
- Equities/ bonds listed in an inactive market	Level 2	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e. Level 1). However if the market is not active and the listed price is not representative of fair value, these are classified as Level 2 and a valuation technique is used, for example the discounted cash flow is used for listed bonds. This will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable
- Unlisted bonds	Level 2 and Level 3	Price earnings ("P/E") model	For unlisted bonds, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Market transactions	Growth rates and P/E ratios
- Negotiable certificates of deposit	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and curves	Not applicable
- Treasury Bills	Level 2	JSE debt market	The BESA bond pricing model uses the BESA mark to market bond yield.	Market interest rates and curves	Not applicable

34. Fair value measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable	Significant unobservable inputs of Level 3 items
Deposits					
- Call and non-term deposits	Level 2	None - the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand i.e. the undiscounted amount of the deposit.	None - the undiscounted amount approximates fair value and no valuation is performed	Not applicable
- Deposits that represent collateral on credit linked notes	Level 3	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs on related advance
- Other deposits	Level 2 and Level 3	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs
Other liabilities and Tier 2 liabilities	Level 2 and Level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Level 2 and Level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate and curves adjusted for credit inputs.	Market interest rates and curves	Credit inputs

The group has elected to designate certain investment banking book advances at fair value through profit or loss. The designation is on a deal basis. Credit risk is not observable and has a significant impact on the fair value measurement of these advances and as such, these advances are classified as Level 3 on the fair value hierarchy.

For non-recurring fair value measurements, the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table. Where the underlying assets or liabilities are not items for which recurring fair value measurements are required, for example property and equipment or intangible assets, the carrying value is considered to be equal to or a reasonable approximation of the fair value. This will be assessed per transaction and details will be provided in the relevant notes.There were no assets or liabilities measured at fair value on a non-recurring basis in the current and prior year.

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

34. Fair value measurements continued

Fair value hierarchy and measurements

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:

2019 IFRS 9

N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities		595 030	67 738	662 768
Advances			368 932	368 932
Derivative financial instruments		459 072		459 072
Total financial assets		**1 054 102**	**436 670**	**1 490 772**
Liabilities				
Recurring fair value measurements				
Derivative financial instruments		480 490		480 490
Other liabilities			40 560	40 560
		480 490	**40 560**	**521 050**

2018 IAS 39

N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities		5 213 527	52 617	5 266 144
Advances			419 769	419 769
Derivative financial instruments		93 520		93 520
Total financial assets		5 307 047	472 386	5 779 433
Liabilities				
Recurring fair value measurements				
Derivative financial instruments		109 755		109 755
Short trading position			32 805	32 805
		109 755	32 805	142 560

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

34. Fair value measurements continued

Sensitivity of fair values to changing significant assumptions to reasonably possible alternatives

Fair values of financial instruments recognised in the financial statements may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data. In these instances, the net fair value recorded in the financial statements is the sum of three components:

(i) the value given by application of a valuation model, based upon the group's best estimate of the most appropriate model inputs;
(ii) any fair value adjustments to account for market features not included within valuation model (for example, bid mid spreads, counterparty credit spreads and / or market data uncertainty); and
(iii) day one profit or loss, or an unamortised element thereof, not recognised immediately in the income statement in accordance with the group's accounting policy, and separately detailed within the derivative note above.

The group classifies financial instruments in Level 3 of the fair value hierarchy when significant inputs into the valuation model are not observable. In addition to the valuation model for Level 3, financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

Changes in the group's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on statement of financial position and the movement in fair values recognised in the statement of comprehensive income. However, changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N$ 480 million (2018: N$ 520 million) and using more negative reasonable possible assumptions to N$ 393 million (2018: N$425 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 on June 2018	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales)/ issues/ (settlements)	IFRS 9	Fair value on June 2019
Advances	419 769	46 415		(95 705)	(1 547)	368 932
Investment securities	52 617	15 121				67 738
Total financial assets at fair value	472 386	61 536		(95 705)	(1 547)	436 670

N$'000	Fair value on June 2017	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales)/ issues/ (settlements)	Fair value on June 2018
Advances	464 205	45 656		(90 092)	419 769
Investment securities	9 576	9 833		33 208	52 617
Total financial assets at fair value	473 781	55 489		(56 884)	472 386

Notes to the consolidated annual financial statements
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34. Fair value measurements continued

Unrealised gains or losses on level 3 instruments with recurring fair value measurements

The valuation model for level 3 assets or liabilities typically relies on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and 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.

	2019 IFRS 9		2018 IAS 39	
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	46 415		45 656	
Investment securities	15 121		9 833	
	61 536		55 489	

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.

	2019 IFRS 9			2018 IAS 39		
N$'000	Carrying value	Fair value hierarchy level 2	Fair value hierarchy level 3	Carrying value	Fair value hierarchy level 2	Fair value hierarchy level 3
Assets						
Advances	29 929 001		29 898 172	28 112 064	3 829 674	24 261 963
Total investments securities at amortised cost	7 144 544	7 214 253				
	37 073 545	7 214 253	29 898 172	28 112 064	3 829 674	24 261 963

	2019 IFRS 9		2018 IAS 39	
N$'000	Carrying value	Fair value hierarchy level 2	Carrying value	Fair value hierarchy level 2
Liabilities				
Total deposits at amortised cost	35 886 144	35 825 376	31 546 201	31 526 598
Tier 2 liabilities	402 804	406 788	402 783	446 334
Other liabilities	220 486	219 530	220 447	219 243
	36 509 434	36 451 694	32 169 431	32 192 175

34. 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 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.

	2019 IFRS 9		
		Change in fair value due to credit risk	
N$'000	Fair value	Current period	Cumulative
Advances	368 932	1 547	2 116
Investment securities	532 782		
Total	901 714	1 547	2 116

The change in the fair value of these liabilities due to own credit risk is not material.

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

34. Fair value measurements continued

Effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonably possible alternatives

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

Asset/liability	Significant unobservable inputs	Unobservable input to which reasonably possible changes are applied	Reasonably possible changes applied
Advances	Credit	Scenario analysis	A range of scenarios are run as part of the group's credit risk 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 default 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 or 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%.

	2019 IFRS 9			2018 IAS 39		
	Reasonably possible alternative fair value			Reasonably possible alternative fair value		
N$'000	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
Assets						
Advances	368 932	405 825	332 039	419 769	461 746	377 792
Investment securities	67 736	74 510	60 963	52 617	57 879	47 355
Total financial assets measured at fair value in level 3	**436 668**	**480 335**	**393 002**	472 386	519 625	425 147
Liabilities						
Other liabilities	40 560	44 344	36 281	32 805	29 525	36 086
Total financial assets measured at fair value in level 3	**40 560**	**44 344**	**36 281**	32 805	29 525	36 086

35. Financial instruments designated as fair value through profit or loss

Certain instruments designated at fair value through profit or loss would meet the definition for classification as financial assets in terms of IFRS 9 were it not for the fair value designation i.e. unquoted debt instruments. The table below contains details on the carrying value of the advance designated as fair value through profit or loss.

N$'000	2019 IFRS 9	2018 IAS 39
	Carrying value	
Included in advances	368 932	419 769

The change in credit risk is the difference between fair value of the advances based on the original credit spreads and the fair value of the advances based on the most recent market observable credit spreads.

There was no change in credit risk due to the difference between fair value of the advances based on the original credit spreads and the fair value of the advances based on the most recent market observable credit spreads.

In accordance with IAS 32 the group offsets financial assets and financial liabilities and presents the net amount in the statement of financial position only if there is both a legally enforceable right to offset and there is an intention to settle the amounts on a net basis or to realise the asset and settle the liability simultaneously.

The group is subject to a MNA in the form of an ISDA agreement with a derivative counterparty. Due to the fact that ISDA agreements under which derivatives are traded are not legally enforceable within Namibia, in the normal course of busines or on bankruptcy, the IAS 32 set-off requirements of legal enforceability is not met thus no financial assets and financial liabilities have been presented on the net amount in the statement of financial position.

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

36. Structured entities

Consolidated structured entities

The group assess whether it has control over structured entities in terms of IFRS 10. Where the group has control over a structured entity it is consolidated in terms of IFRS 10.

Interest in unconsolidated structured entities

The group has financial interests in other structured entities that expose the group to the variable income of those entities without resulting in control. Below are set out the nature of those relationships and the impact that those relationships have had on the financial position and performance of the group.

Fund management

The group manages a number of unit trust funds, ranging from income funds to equity funds, which are managed by a third party assets managers. Unit trusts are regulated by the Namibia Financial Institution Supervisory Board and the Unit Trust Control Act of 1981. The group's interest is generally restricted to fund service and admistration fees. The group may hold direct interests in a number of the funds; however the magnitude of such interest varies with sufficient regularity. The group earns service and admistration fees from its admistration of the funds, as well as unrealised gains and losses as a result of revaluations of the units held directly in the funds.

N$'000	2019 IFRS 9	2018 IAS 39
Investments and other securities		
Unit trust investments	474 622	433 754
Maximum exposure to loss	474 622	433 754

N$'000	2019 IFRS 9	2018 IAS 39
Assets under management		
- Traditional products	11 875 330	10 421 237
- Alternative products	4 122 470	3 453 562
Total	15 997 800	13 874 799

37. Risk management

The risk report of the group appears on page 71 to 85 of this annual report. The report describes the various risks the group is exposed to, as well as the methodology and instruments to mitigate these risks. The report includes the disclosures required by IFRS 7 related to the management of credit market, 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 on the statement of financial position represents the maximum exposure to credit risk, before taking into account collateral and other credit.

Maximum exposure to credit risk

N$'000	2019 IFRS 9	2018 IAS 39
Total exposure (items where credit risk exposure exist)		
Cash and cash equivalents		
Balances with other banks	9 389	19 761
Balances with central bank	864 569	895 187
Total cash and cash equivalents	873 958	914 948
Due from banks and other financial institutions	2 803 839	2 781 551
Advances		
Overdraft and cash managed accounts	3 391 820	3 278 824
Card loans	432 918	398 666
Instalment sales and hire purchase agreements	3 025 305	3 011 125
Lease payments receivables	192 077	305 648
Property finance	13 382 728	13 060 490
Term loans	8 142 522	7 594 280
Preference share advances	949 020	
Investment bank term loans	368 932	419 769
Other	412 611	463 031
Total advances	30 297 933	28 531 833
Derivative financial instruments	459 072	93 520
Debt investment securities		
Listed investment securities	2 214 762	1 080 733
Unlisted investment securities	5 592 547	4 175 835
Total debt investment securities	7 807 309	5 256 568
Accounts receivables	250 937	196 265
Reinsurance assets	2 938	219
Guarantees	1 450 027	1 713 936
Letters of credit	67 619	123 171
Irrevocable commitments	4 917 200	5 167 183
Total	48 930 832	44 779 194

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

37. Risk management continued

The table below sets out the maximum exposure to credit risk for financial assets at amortised cost and fair value through profit or loss, and fair value through other comprehensive income debt instruments.

	2019 (IFRS9)						
N$'000	Carrying amount	Loss allowance	Maximum exposure to credit risk	Netting and financial collateral	Net exposure to credit risk	Unsecured	Secured
Total exposure (items where credit exposure exist)							
Cash and cash equivalents							
Balances with other banks	9 389		9 389		9 389	9 389	
Balances with central bank	864 569		864 569		864 569	864 569	
Total cash and cash equivalents	873 958		873 958		873 958	873 958	
Due from banks and other financial institutions	2 803 839		2 803 839		2 803 839	2 803 839	
Advances							
Residential mortgages	13 554 950	(166 321)	13 388 629	553 262	12 835 366		12 835 366
Vehicle and asset finance	3 521 602	(83 140)	3 438 462	16 596	3 421 866		3 421 866
Credit card	432 948	(42 004)	390 944		390 944	390 944	
Personal loans	2 377 687	(94 668)	2 283 019		2 283 020	2 283 020	
Other retail	433 778	(28 109)	405 669		405 678	405 678	
FNB commercial	6 760 954	(250 503)	6 510 451		6 510 450	4 223 882	2 286 568
RMB corporate and investment banking	3 921 090	(40 330)	3 880 760	112 890	3 767 869	151 873	3 615 996
Total advances	31 003 009	(705 075)	30 297 933	682 748	29 615 193	7 455 397	22 159 796
Investment securities	7 808 619	(1 310)	7 807 309		7 807 309	7 807 309	
Derivatives	459 072		459 072		459 072	348 012	111 060
Accounts receivable	250 937		250 937		250 937	250 937	
Reinsurance assets	2 938		2 938		2 938	2 938	
Off-balance sheet exposures							
Guarantees	1 450 027		1 450 027		1 450 027	1 100 369	349 658
Letters of credit	67 619		67 619		67 619	7 619	60 000
Irrevocable commitments	4 917 200		4 917 200		4 917 200	4 917 200	

37. Risk management continued

FR rating mapping to international and national rating scales

The group categorises current exposures according to an internal rating scale, the FR ratings, ranging from FR 1 to FR 100, with the FR 28 being the best rating with the lowest probability of default. The FR ratings have been mapped to default probabilities as well as external rating agency international rating scales.

The ratings and the associated probability of default ("PD") reflect two different conventions. The "point in time" PDs reflect the default expectations under the current economic cycle whereas the "through the cycle" PDs reflect a longer term of average over the economic cycle.

The FR scale is summarised in the following table, together with a mapping to international scale rating from external agencies:

Mapping of FR grades to rating agency scales

FirstRand rating	Midpoint PD	RMB rating (based on S&P) *
FR 1 – 14	0.06%	AAA, AA+, AA, AA-, A+, A, A-
FR 15 – 25	0.29%	BBB+, BBB(upper), BBB, BBB-(upper), BBB-, BB+(upper)
		BB+, BB(upper), BB, BB-(upper)
FR 26 – 32	0.77%	BB-, B+(upper)
FR 33 - 39	1.44%	B+
FR 40 – 53	2.52%	B(upper), B, B-(upper)
FR 54 – 83	6.18%	B-
FR 84 – 90	13.68%	CCC
FR 91 – 99	59.11%	D (Defaulted)
FR 100	100%	

* Indicative mapping to international rating scale of Fitch and Standard and Poor's.

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

37. 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 guarantees per class of advance and per internal credit rating.

	2019 IFRS 9		
	FR 26-90		FR91-100
N$'000	On balance sheet	Off balance sheet	On balance sheet
Retail			
Stage 1	15 685 023	3 294 157	
Stage 2	594 383		
Stage 3			519 958
Total retail	16 279 406	3 294 157	519 958
FNB commercial			
Stage 1	6 019 528	1 605 216	
Stage 2	480 078		
Stage 3			261 348
Total commercial	6 499 606	1 605 216	261 348
WesBank			
Stage 1	3 235 350	225 570	
Stage 2	222 955		
Stage 3			63 298
Total WesBank	3 458 304	225 570	63 298
RMB corporate banking			
Stage 1	772 389	916 877	
Total RMB corporate banking	772 389	916 877	
RMB investment banking			
Stage 1	2 779 765		
Fair value through profit or loss	368 932		
Total RMB investment banking	3 148 697		

37. Risk management continued

	2018 IAS 39							
N$'000	Total neither past due nor impaired	Card loans	Overdraft and cash managed accounts	Instalment sales	Home loans	Term loans	Investment bank term loans	Other
FR 28 - 91	27 256 466	391 795	3 280 728	3 260 008	12 012 865	7 425 270	419 769	463 031
Above FR 92	340 795	4 808	39 802	43 564	184 942	67 679		
Total	27 597 261	396 603	3 320 530	3 303 572	12 197 807	7 492 949	419 769	463 031

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

37. 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.

N$'000	2019 IFRS 9 BB+ to B-
Investment securities at amortised cost	
Stage 1	7 144 541
Investment securities at fair value through comprehensive income	
Stage 1	9 578
Investment securities at fair value through profit or loss	
Stage 1	653 190
Total investment securities	**7 807 309**
Accounts receivable	
Stage 1	28 840
Cash and cash equivalents	
Stage 1	1 390 195
Due from banks and other financial institutions	
Stage 1	2 803 839
Derivative financial instruments	
Stage 1	459 072

37. Risk management continued

	2018 IAS 39					
N$'000	Investment securities	Derivative financial instruments	Cash and cash equivalents	Due from banks and other financial institutions	Accounts receivable	Total
AAA to BB- (A to BBB)	5 266 144	93 520	1 345 842	2 781 551	8 156	9 495 213

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

	2019 IFRS 9		
N$ 000's	Gross carrying amout	Expected recoveries from collateral	Loss allowance
Residential mortgages	434 499	327 846	106 653
Vehicle and asset finance	63 298	9 694	53 604
Total retail secured	**497 797**	**337 540**	**160 257**
Credit card	17 263	479	16 784
Personal loans	54 327	3 483	50 844
Other retail	13 869	5 245	8 624
Total retail unsecured	**85 459**	**9 207**	**76 252**
FNB Commercial	261 348	148 605	112 743
RMB corporate and investment banking			
Total corporate and commercial	**261 348**	**148 605**	**112 743**
Total credit-impaired advances	**844 604**	**495 352**	**349 252**
Stage 3/NPL by catergory			
Overdrafts and cash management accounts	95 726	35 154	60 572
Term loans	116 654	75 560	41 094
Card loans	17 263	478	16 785
Instalment sales and hire purchase agreements	59 928	8 007	51 921
Lease payments receivable	3 370	1 688	1 682
Property finance	497 336	370 982	126 354
Personal loans	54 327	3 483	50 844
	844 604	**495 352**	**349 252**

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

37. Risk management continued

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

N$ 000's	2018 IAS 39 Gross carrying amout	Expected recoveries from collateral	Loss allowance
Card loans	4 106		4 106
Overdrafts and cash managed accounts	36 821	13 904	22 917
Installment sales and hire purchase agreements	46 146	12 243	33 903
Lease payments receivables	744	428	316
Home loans	304 551	246 518	58 033
Term loans	89 168	35 404	53 764
Total non-performing loans	481 536	308 497	173 039

Sector analysis concentration of advances
Advances expose the group to concentration risk in the various industry sectors. The tables below set out the groups' exposure to the various industry sectors for total advances and credit-impaired advances.

	2019 IFRS 9			
		Stage 3 /NPLs		
N$'000	Total advances	Credit impaired advances	Security held and expected recoveries	Specific impairment
Sector analysis				
Agriculture	1 374 765	84 494	66 063	18 431
Banks and financial institutions	1 209 738	9 687	2 099	7 588
Building and property development	2 458 748	81 574	39 366	42 208
Government, Land Bank and public authorities	1 298 629			
Individuals	18 840 702	548 582	338 860	209 722
Manufacturing and commerce	2 503 009	70 418	32 945	37 473
Mining	278 719	872	361	511
Transport and communication	507 302	23 246	5 296	17 950
Other services	2 531 397	25 731	10 362	15 369
Gross value of advances	31 003 009	844 604	495 352	349 252

37. Risk management continued

Sector analysis concentration of advances continued

	2018 IAS 39			
		Stage 3/NPLs		
N$'000	Total advances	Total value net of ISP	Security held and expectedrecoveries	Specific impairment
Sector analysis				
Agriculture	993 005	21 732	17 298	4 434
Banks and financial services	608 287	12 180	7 458	4 722
Building and property development	2 580 146	50 372	19 495	30 877
Government and public authorities	1 682 955			
Individuals	18 441 019	334 217	235 814	98 403
Manufacturing and commerce	2 524 365	29 729	15 636	14 093
Mining	318 902	626	460	166
Transport and communication	436 266	19 461	7 655	11 806
Other services	1 248 449	13 219	4 681	8 538
Gross value of advances	28 833 394	481 536	308 497	173 039

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

37. Risk management continued

Concentration analysis of deposits

N$'000	2019 IFRS 9	2018 IAS 39
Sector analysis		
Deposit current accounts and other loans		
Sovereigns, including central banks	627 596	491 435
Public sector entities	2 006 189	2 353 712
Local authorities	650 021	481 406
Banks	258 135	318 475
Corporate customers	22 654 459	19 347 196
Retail customers	9 689 744	8 553 977
Total deposits	35 886 144	31 546 201
Geographical analysis		
Namibia	35 886 144	31 546 201

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, 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.

37. Risk management continued

N$'000	2018 IAS 39				
		Past due but not impaired			
Age analysis	Neither past due nor impaired	One instalment	Two instalments	Impaired	Total
Advances					
Card loans	396 603			4 106	400 709
Home loans	12 197 807	518 242	96 332	304 551	13 116 932
Instalment sales and lease payments receivables	3 306 572	20 310	4 695	46 890	3 378 467
Investment bank term loans	419 769				419 769
Overdraft and cash managed accounts	3 320 530			36 821	3 357 351
Advances under agreement to resell	7 492 949	95 723	19 304	89 167	7 697 143
Term loans	463 031				463 031
Other	27 597 261	634 275	120 331	481 535	28 833 402
Accounts receivable	48 906				48 906
Items in transit	104 749				104 749
Deferred staff cost	91 516				91 516
Other accounts receivable	245 171				245 171
Reinsurance assets	219				219
Total	27 842 651	634 275	120 331	481 535	29 078 792

The above assets are managed with reference to the days in arrears and include assets where monthly payments are due as residential mortgages, instalment sale products, and personal loans.

The assets in the wholesale segment and commercial segment are generally not managed with reference to monthly payments in arrears as these assets are reviewed on an individual portfolio basis.

Notes to the consolidated annual financial statements
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37. Risk management continued

Liquidity cash flow analysis (undiscounted cash flow)

Maturity analysis of liabilities based on undiscounted amount of the contractual payment.

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

	2019 IFRS 9			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	Over 12 months	Total
Liabilities				
Deposits	24 820 823	8 533 960	4 088 037	37 442 820
Due to banks and other financial institutions	2 803 839			2 803 839
Derivative financial instruments	459 072			459 072
Creditors and accruals	157 340			157 340
Tier 2 liabilities	12 399	26 836	657 233	696 468
Financial liabilities	28 253 473	8 560 796	4 745 270	41 559 539
Off statement of financial position				
Financial and other guarantees	1 517 646	94 396	1 112 229	2 724 271
Undrawn facilities	4 917 200			4 917 200

37. Risk management continued

Liquidity cash flow analysis (undiscounted cash flow)

	2018 IAS 39			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	Over 12 months	Total
Liabilities				
Deposits	24 386 864	5 438 500	4 555 939	34 381 303
Due to banks and other financial institutions	994 009	55 273	521 718	1 571 000
Derivative financial instruments	109 755			109 755
Creditors and accruals	206 590			206 590
Other liabilities	4 578	13 484	342 331	360 393
Tier 2 liabilities	7 381	32 504	708 831	748 716
Financial liabilities	25 709 177	5 539 761	6 128 819	37 377 757
Off statement of financial position				
Financial and other guarantees	1 837 107			1 837 107
Undrawn facilities	5 167 183			5 167 183

Notes to the consolidated annual financial statements
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37. Risk management continued

	2019 IFRS 9			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	Over 12 months	Carrying amount
Assets				
Cash and cash equivalents	1 390 195			1 390 195
Due from banks and other financial institutions	2 803 839			2 803 839
Derivative financial instruments	459 072			459 072
Advances	4 881 593	2 440 161	22 976 179	30 297 933
Investment securities	2 917 760	2 820 247	2 069 303	7 807 310
Accounts receivables	28 840			28 840
Financial assets	13 281 299	5 260 408	23 045 482	42 787 189
Non-financial assets				1 352 584
Total assets				44 139 773
Liabilities				
Deposits	24 336 977	8 261 822	3 287 345	35 886 144
Due to banks and other financial institutions	427 776			427 776
Derivative financial instruments	480 490			480 490
Creditors and accruals	157 339			157 340
Other liabilities	1 734		259 312	261 046
Tier 2 liabilities	2 804		400 000	402 804
Financial liabilities	25 407 120	8 261 822	3 946 657	37 615 600
Non-financial liabilities				1 109 941
Total liabilities				38 725 541
Total equity				5 414 232
Total equity and liabilities				44 139 773
Net liquidity gap	(12 925 821)	(3 001 414)	21 098 825	
Cumulative liquidity gap	(12 925 821)	(15 927 235)	5 171 590	

37. Risk management continued

	2018 IAS 39			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	Over 12 months	Carrying amount
Assets				
Cash and cash equivalents	1 345 842			1 345 842
Due from banks and other financial institutions	2 781 551			2 781 551
Derivative financial instruments	93 520			93 520
Advances	4 732 753	3 010 539	20 788 541	28 531 833
Investment securities	1 662 139	2 037 215	1 566 790	5 266 144
Accounts receivables	8 156			8 156
Financial assets	10 623 961	5 047 754	22 355 331	38 027 046
Non-financial assets				1 383 379
Total assets				39 410 425
Liabilities				
Deposits	22 904 065	5 038 975	3 603 161	31 546 201
Due to banks and other financial institutions	413 342	39 229	444 837	897 408
Derivative financial instruments	109 755			109 755
Short trading position	206 590			206 590
Creditors and accruals	1 447		251 805	253 252
Tier 2 liabilities	2 783		400 000	402 783
Financial liabilities	23 637 982	5 078 204	4 699 803	33 415 989
Non-financial liabilities				978 381
Total liabilities				34 394 370
Total equity				5 016 055
Total equity and liabilities				39 410 425
Net liquidity gap	(13 014 021)	(30 450)	17 655 528	
Cumulative liquidity gap	(13 014 021)	(13 044 471)	4 611 057	

The table above represents the contractual discounted cash flows of assets and liabilities. Relying solely on the contractual liquidity mismatch when looking at a bank's maturity analysis would overstate the risk, since this represents the absolute worst case maturity analysis. As an industry phenomenon in Namibia, banks are particularly negatively gapped (contractually) in the shorter term due to the country's structural liquidity position. This implies that more short term obligations are due than short term assets maturing, hence the group's calculation of an adjusted liquidity mismatch analysis, applying the methodology of business under normal circumstances and a framework to manage this mismatch.

Notes to the consolidated annual financial statements
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37. Risk management continued

Liquidity mismatch analysis

The purpose of liquidity mismatch is to anticipate the maturities in the statement of financial position when business is done under normal conditions, i.e. applying behaviorally adjusted assumptions. This analysis disregards the overstated liquidity risk reflected in the contractual mismatch, when business as usual applies. Through analysis of various products and segments on the statement of financial position the "business as usual" liquidity gap is derived. It describes the liquidity gap of the bank after taking into account product behavioral assumptions for rolling of maturities and days to realise assets. For example, a cheque account deposit which has an ambiguous maturity classified as having a maturity profile on demand. The behavior (under normal circumstances and on an going concern basis) of such an account is, however, of a long term nature when assuming reinvestment takes place. Similarly the wholesale call loan book has a contractual maturity on call, but a portion of the wholesale book may not be called upon, due to customer relationship repercussions or other incentives.

Repricing profile

	2019 IFRS 9				
N$'000	<3 months	>3 but = 12 months	> 12 months	Non rate sensitive	Carrying amount
Total assets	38 738 328	2 249 320	499 454	2 652 672	44 139 773
Total equity and liabilities	33 037 585	3 928 561	639 325	6 534 303	44 139 773
Net repricing gap	5 700 743	(1 679 241)	(139 871)	(3 881 631)	
Cumulative repricing gap	5 700 743	4 021 502	3 881 631		

	2018 IAS 39				
N$'000	<3 months	>3 but = 12 months	> 12 months	Non rate sensitive	Carrying amount
Total assets	35 334 001	1 115 291	403 348	2 557 785	39 410 425
Total equity and liabilities	28 837 924	3 928 561	639 325	6 004 605	39 410 425
Net repricing gap	6 496 067	(2 813 270)	(235 977)	(3 446 820)	
Cumulative repricing gap	6 496 067	3 682 797	3 446 820		

37. Risk management continued

Foreign currency risk

The group takes on exposure to the effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarises the groups assets and liabilities at carrying amounts, categorised by currency, as at the statement of financial position date.

	2019 IFRS 9				
N$'000	NAD	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	1 390 150	21	23	1	1 390 195
Due from banks and other financial institutions	2 382 087	317 927	2 693	101 132	2 803 839
Derivative financial instruments	40 717	408 578	9 621	156	459 072
Advances	30 297 933				30 297 933
Investment securities	7 807 310				7 807 310
Accounts receivables	28 840				28 840
Financial assets	41 947 037	726 526	12 337	101 289	42 787 189
Non-financial assets	1 352 584				1 352 584
Total assets	43 533 391	726 526	12 337	101 289	44 139 773
Liabilities					
Deposits	33 528 195	2 224 840	114 225	18 884	35 886 144
Due to banks and other financial institutions	427 776				427 776
Derivative financial instruments	51 804	419 231	9 443	12	480 490
Creditors and accruals	157 340				157 340
Other liabilities	261 046				261 046
Tier two liabilities	402 804				402 804
Financial liabilities	34 828 965	2 644 071	123 668	18 896	37 615 600
Non-financial liabilities	1 109 941				1 109 941
Total liabilities	35 938 906				38 725 541
Total equity	5 414 232				5 414 232
Total equity and liabilities	41 353 138	2 644 071	123 668	18 896	44 139 773

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

37. Risk management continued

Foreign currency risk continued

	2018 IAS 39				
N$'000	NAD	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	1 345 793	18	29	2	1 345 842
Due from banks and other financial institutions	2 370 434	283 488	116 924	10 705	2 781 551
Derivative financial instruments	81 267	949	11 303	1	93 520
Advances	28 028 967	502 866			28 531 833
Investment securities	5 266 144				5 266 144
Accounts receivables	8 156				8 156
Financial assets	37 100 761	787 321	128 256	10 708	38 027 046
Non-financial assets	1 383 379				1 383 379
Total assets	38 484 140	787 321	128 256	10 708	39 410 425
Liabilities					
Deposits	31 546 201				31 546 201
Due to banks and other financial institutions	394 493	502 915			897 408
Derivative financial instruments	94 032	7 231	8 374	118	109 755
Short trading position	206 590				206 590
Creditors and accruals	253 253				253 253
Tier 2 liabilities	402 783				402 783
Financial liabilities	32 897 352	510 146	8 374	118	33 415 990
Non-financial liabilities	978 379				978 379
Total liabilities	33 875 731				34 394 369
Total equity	5 016 055				5 016 055
Total equity and liabilities	38 891 787	510 146	8 374	118	39 410 425

37. Risk management continued

Average balances and effective interest rates

	2019 IFRS 9			2018 IAS 39		
	Average balance	Average rate	Interest income/ expense	Average balance	Average rate	Interest income/ expense
N$'000	N$	%	N$	N$	%	N$
Assets						
Cash and cash equivalents, balance with banks	1 805 095	10.0	179 694	1 638 933	7.4	121 643
Advances	28 954 954	11.0	3 187 429	28 168 801	10.9	3 056 873
Investment securities	6 560 923	7.5	494 784	5 402 508	7.4	401 187
Interest-earning assets	37 320 972	10.2	3 861 907	35 210 242	10.2	3 579 703
Non-interest-earning assets	4 565 525			3 660 147		
Total assets	41 886 497	9.2	3 861 907	38 870 389	9.2	3 579 703
Liabilities						
Deposits, balance due to banks	34 736 176	5.2	1 794 733	32 701 009	5.2	1 713 292
Tier 2 liabilities	406 197	9.6	39 074	405 402	9.6	39 075
Other liabilities	240 772	7.8	18 672	91 336	11.3	10 278
Interest-earning liabilities	35 383 145	5.2	1 852 478	33 197 747	5.3	1 762 644
Non-interest-earning bearing liabilities	1 507 726			1 158 413		
Total liabilities	36 890 871	4.3	1 852 478	34 356 159	5.1	1 762 644
Total equity	4 995 626			4 514 230		
Total equility and liabilities	41 886 497	4.4	1 852 478	38 870 389	4.1	1 762 644

Short-term insurance products

The risk arises from the group's short-term insurance operations.

The terms and conditions of short-term insurance contracts have a material effect on the amount, timing and uncertainty of future cash flows. The key risks associated with general insurance contracts are claims experience. The provisions for these contracts are refined at least annually. As claims experience develops, certain claims are settled, further claims are revised and new claims are reported. The reasonableness of the estimation process is tested by management and reviewed on a regular basis. The group believes that the liability for claims carried at the end of the year is adequate.

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

37. Risk management continued

Short-term insurance products continued

The short-term insurance products offered by the group include:

- **Liability** – provides cover for risks relating to the incurring of a liability other than from risk covered more specifically under another insurance contract.
- **Motor** – provides indemnity cover relating to the possession, use or ownership of a motor vehicle. The cover includes comprehensive cover, third party, fire and theft, and third-party liabilities.
- **Personal accident** – provides compensation arising out of the death or disability directly caused by an accident occurring anywhere in the world, provided that death or disability occurs within 12 months of this injury.
- **Property** – provides indemnity relating to movable and immovable property caused by perils such as fire, explosion, earthquakes, acts

Sensitivity analysis

Banking market risk

Net interest income sensitivity

Assuming no change in the balance sheet nor any management action in response to interest rate movements, and instantaneous, sustained parallel 200 bps decrease in interest rates would result in a reduction in projected 12-month NII off N$ 272 million (2018: N$ 231 million). A similar increase in interest rate would result in an increase in projected 12-month NII of N$ 265 million (2018: N$ 223 million).

Banking book NAV sensitivity to interest rate movements as a percentage of total group capital	2019 IFRS 9	2018 IAS 39
Downwards 200 bps	(5.28%)	(4.81%)
Upwards 200 bps	5.12%	4.66%

The table above highlights the sensitivity of the banking book NAV as a percentage of total capital and reflects point-in-time view which is dynamically managed and fluctuate over time. Most of the NII sensitivity relates to the endowment book mismatch. The realisation of a rate move in the banking book will impact the distributable and non-distributable reserves to varying degrees and is reflected in the NII margin more as an opportunity cost/benefit over the life of the underlying positions.

Foreign currency risk sensitivity analysis

Including foreign denominated cash, the group does not ordinarily hold open exposures in respect of the banking book of any significance. All gains and losses on foreign exposures and derivatives are reported in profit and loss.

37. Risk management continued

Equity price risk sensitivity

The table below illustrates the market sensitivity for all non-trading equity investments assuming a 10% shift in the fair value, the analysis is before tax.

	2019 IFRS 9		2018 IAS 39	
N$'000	10% reduction in fair value	10% increase in fair value	10% reduction in fair value	10% increase in fair value
Impact on equity fair value through other comprehensive income (available-for-sale-reserve)	1 300	(1 300)	958	(958)

38. Segment information

39.1 Reportable segments

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The 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.

Primary segments (business)	Brands	Description	Product and services
Banking operations	First National Bank	Commercial and retail banking	Comprehensive banking packages for individuals and business
	WesBank	Motor vehicle and instalment finance	
	RMB	Corporate and investment banking	
Short-term insurance	OUTsurance	Short-term insurance	Short-term insurance

Major customers
In terms of IFRS 8 a customer is regarded as a major customer, if the revenue from transactions with this customer exceeds 10% or more of the entity's revenue. The group has no major customer as defined and is therefore not reliant on the revenue from one or more major customers.

The segmental analysis is based on the management accounts for the respective segments. The management accounts are prepared in terms of IFRS measurement and recognition principles.

In order to ensure that the total segment results, assets and liabilities agree to the amounts reported for the group in terms of IFRS, the operations that don't qualify as separate segments are reported in the other column. All consolidation adjustments have also been recorded in this column.

Geographical segments
The group operates within the borders of Namibia, and no material segment operations are outside Namibia.

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

38. Segment information continued

Statement of comprehensive income
for the year ended 30 June

N$'000	Group 2019 IFRS 9	Group 2018 IAS 39	Banking operations 2019 IFRS 9	Banking operations 2018 IAS 39	Short-term insurance 2019 IFRS 9	Short-term insurance 2018 IAS 39	Other 2019 IFRS 9	Other 2018 IAS 39
Net interest income	2 012 222	1 820 756	2 009 428	1 818 262	11 285	8 116	(8 492)	(5 622)
Net interest income - external	2 012 222	1 820 756	2 003 372	1 813 600	9 942	7 150	(1 092)	6
Net interest income - internal			6 056	4 662	1 343	966	(7 399)	(5 628)
Impairment and fair value of credit advances	(214 809)	(128 261)	(214 808)	(128 261)				
Net interest income after impairment of advances	**1 797 413**	1 692 495	**1 794 620**	1 690 001	**11 285**	8 116	**(8 492)**	(5 622)
Non-interest income	1 820 161	1 795 926	1 661 671	1 646 284	2 355	9 869	156 135	139 773
Net insurance premium income	167 217	185 015			167 217	185 015		
Net claims and benefits paid	(86 201)	(96 151)			(86 201)	(96 151)		
Income from operations	**3 698 590**	3 577 285	**3 456 291**	3 336 284	**94 656**	106 849	**147 643**	134 151
Operating expenses	(2 068 996)	(1 981 249)	(1 880 702)	(1 809 669)	(51 002)	(45 518)	(137 292)	(126 062)
Net income from operations	**1 629 594**	1 596 036	**1 575 589**	1 526 615	**43 654**	61 331	**10 351**	8 089
Share of profit from associates	2 758	1 102	3 730	1 039			(972)	63
Income before tax	**1 632 352**	1 597 138	**1 579 319**	1 527 655	**43 654**	61 331	**9 379**	8 152
Indirect tax	(47 372)	(45 841)	(45 515)	(45 113)			(1 857)	(728)
Profit before tax	**1 584 980**	1 551 297	**1 533 804**	1 482 542	**43 654**	61 331	**7 522**	7 424
Direct tax	(499 170)	(490 589)	(473 766)	(460 308)	(14 185)	(18 971)	(11 219)	(11 309)
Profit for the year	**1 085 810**	1 060 708	**1 060 038**	1 022 234	**29 469**	42 360	**(3 697)**	(3 885)
The income statement includes:								
Depreciation	102 180	97 762	96 845	96 888	231	226	5 104	648
Amortisation	17 259	21 568	11 446	17 797			5 814	3 771
Impairment charges	306	50 988		39 244			306	11 744

38. Segment information continued

Statement of financial position
as at 30 June

N$'000	Group 2019 IFRS 9	Group 2018 IAS 39	Banking operations 2019 IFRS 9	Banking operations 2018 IAS 39	Short-term insurance 2019 IFRS 9	Short-term insurance 2018 IAS 39	Other 2019 IFRS 9	Other 2018 IAS 39
Assets								
Cash and cash equivalents	1 390 195	1 345 842	1 380 801	1 326 075	29 514	84 510	(20 120)	(64 743)
Due from banks and other financial institutions	2 803 839	2 781 551	2 803 839	2 782 220				(669)
Derivative financial instruments	459 072	93 520	459 072	93 520				
Advances	30 297 935	28 531 833	30 412 740	28 644 016			(114 805)	(112 183)
Investment securities	7 807 310	5 266 144	7 577 680	5 080 115	129 321	101 612	100 310	84 418
Investments in associates	28 079	25 321	12 339	8 608			15 740	16 713
Other assets	1 353 344	1 366 213	1 224 281	1 245 031	8 537	5 032	120 526	116 150
Total assets	**44 139 773**	39 410 425	**43 870 752**	39 179 585	**167 372**	191 154	**101 650**	39 686
Equity and liabilities								
Liabilities								
Deposits	35 886 144	31 546 201	35 973 620	31 661 720			(87 476)	(115 519)
Due to banks and other financial institutions	427 776	897 408	427 776	897 408				
Derivative financial instruments	480 490	109 755	480 490	109 754				
Other liabilities	261 046	253 253	220 486	220 447			40 560	32 806
Tier 2 liabilities	402 804	402 783	402 804	402 830				
Other liabilities	1 267 282	1 184 970	1 183 818	1 088 200	68 158	68 804	15 306	27 966
Total liabilities	**38 725 541**	34 394 369	**38 688 994**	34 380 312	**68 159**	68 804	**(31 610)**	(54 747)
Equity								
Capital and reserves attributable to ordinary equity holders								
Ordinary shares	1 314	1 319	1	1	4 000	4 000	(2 687)	(2 682)
Share premium	7 870	30 631	1 142 791	1 142 791	213	213	(1 135 135)	(1 112 373)
Reserves	5 343 443	4 911 461	4 038 966	3 656 480	95 000	118 136	1 209 476	1 136 845
Capital and reserves attributable to ordinary equity holders	**5 352 627**	4 943 411	**5 181 758**	4 799 272	**99 214**	122 349	**71 655**	21 790
Non-controlling interests	61 605	72 645					61 605	72 645
Total equity	**5 414 232**	5 016 056	**5 181 758**	4 799 272	**99 214**	122 349	**133 259**	94 435

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

39. Standards and interpretations issued but not yet effective

Standard	Impact assessment	Effective date
IFRS 16	**Leases** IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 will be effective for the group from 1 July 2019. The accounting treatment of leases by the lessee will change fundamentally. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead there is a single on-balance sheet model that is similar to the current finance lease accounting with the exception of low value and short-term leases. Lessor accounting remains similar to current accounting, whereby the lessor continues to classify leases as finance or operating leases. There are enhance disclosure requirements for lessors in terms of IFRS 16. The biggest impact of the standard will be on lessee accounting because of the requirement for lessees to recognise an asset and corresponding liability in respect of operating leases. Under the current standard on leases, operating lease payments were expensed by the lessee when incurred, with no recognition on the statement of financial position. IFRS 16 requires that at the commencement date of the lease (regardless of whether it is finance or operating lease), a lessee shall recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payment. The exceptions available for lessees are leases of a short term (less than 12 months) or low-value assets. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, however, there are also enhanced disclosure requirements for lessors. To lay the groundwork for the application of IFRS 16, the group has established a steering committee which will be supported by several working groups. The working groups will be responsible for the implementation of the different elements of the new standard and work has commenced. The group has elected to apply IFRS 16 retrospectively using the Modified Approach. The group will therefore not restate comparative periods, which will continue to be presented in terms of IAS 17, with a transitional adjustment made at 1 January 2019. The implementation of IFRS 16 results in the recognition of lease liabilities of N$ 65.9 million and right-of-use assets of N$ 61.2 million.	*Annual periods commencing on or after 1 January 2019*

39. Standards and interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IFRS 17	**Insurance Contracts** IFRS 17 is the new standard that prescribes the accounting for insurance contracts and will replace the current insurance contracts standard, IFRS 4. IFRS 17 aims to provide more transparency and comparability between insurance companies and other industries by providing a prescriptive approach to determining policyholder liabilities as well as the release of profits on these contracts to the income statement. IFRS 17 will be effective for the group from 1 July 2021. The recognition of insurance revenue will be consistent with that of IFRS 15. Insurance revenue is derived by the movement in the liability for the remaining insurance coverage period. The insurance contract liability is initially made up of: • the fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policyholders; and • the contractual service margin (CSM), which represents the unearned profit the entity will recognise as it provides services over the coverage period. Subsequently, the liability will comprise two components, namely, the liability for remaining coverage (fulfilment cash flows and the CSM) and the liability for incurred claims (fulfilment cash flows for claims and expenses incurred but not yet paid). To prepare for implementation, the group has constituted a steering committee which will be supported by several working groups. The working groups will be responsible for the implementation of the different elements of the new standard and work has commenced. The impact of IFRS 17 will only be reliably determinable once the implementation project has progressed further	*Annual periods commencing on or after 1 January 2022*

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

39. Standards and interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IAS 19	**Employee Benefits Plan Amendment, Curtailment or Settlement** The amendments require an entity to use the updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that impact was not previously recognised because of the impact of the asset ceiling. Changes In the terms or membership of a defined benefit plan may result in a plan amendment or a curtailment or settlement. IAS 19 requires an entity to determine the amount of any past service cost, or gain or loss on settlement, by remeasuring the net defined liability before and after the amendment, using current assumptions and the fair value plan assets at the time of the amendment. If the net defined liability is remeasured to determine past service cost or the gain or loss on curtailment or settlement, current service cost and net interest for the remainder of the period is remeasured using the same assumptions and the same fair value of the plan assets. This means that the amounts which would've ended up in profit or loss in the period after the amendment will be changed. A plan amendment, curtailment or settlement might reduce or eliminate a surplus, which could change the effect of the asset ceiling. Past service cost, or a gain or loss on settlement is recognised in profit or loss. This reflects the substance of the transaction because a surplus which has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised on other comprehensive income and is not reclassified to profit or loss. The impact of this amendment is to confirm that these effects are not offset.	*Annual periods commencing on or after 1 January 2019*
IFRIC 23	**Uncertainty over Income Tax Treatments** This interpretation is to be applied to the determination of taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. This interpretation clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. When considering that the filing deadlines for tax returns and financial statement may be months apart, IFRIC 23 may require more rigour when finalising the judgements about the amounts to be included in the tax return before the financial statements are finalised. The group has always been in compliance with the guidance issued by the IFRIC.	*Annual periods commencing on or after 1 January 2019*

39. Standards and interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
Conceptual framework	The improvements to the conceptual framework include: revising the definitions of an asset and liability, updating the recognition criteria for including assets and liabilities in financial statements and the following concepts have been clarified; prudence, stewardship, measurement uncertainty and substance over form.The amendments are not expected to have a significant impact on the group's accounting policies. The amendments are not expected to have a significant impact on the group's accounting policies.	*Annual periods commencing on or after 1 January 2020*
Annual Improvements	**Improvements to IFRS** The IASB issued the Annual Improvements to IFRS Standards 2015-2017 Cycle. These annual improvements include amendments to the following standards: • IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. • IFRS 15 – The IASB has provided guidance on the principal vs agent assessments, as well as practical expedients on transition: - The IASB has clarified that the principal in an arrangement controls a good or service before it is transferred to a customer. The amendments make targeted improvements to clarify the relationship between the control principle to services. The IASB also revised the structure of the indicators so that they indicated when the entity is the principal rather than indicates when it is an agent, and eliminates two of the indicators – "the entity's consideration is in the form of a commission" and "the entity is not exposed to credit risk" - The amendments introduce two new practical expedients to simplify transition. One expedient allows entities to use hindsight at the beginning f the earliest period presented or the date of initial application to account for contract modifications before that date. The second expedient allows entities applying the full retrospective method to elect not to restate contracts that are completed at the beginning of the earliest period presented. • IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises. • IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	*Annual periods commencing on or after 1 January 2019*

06 FIRSTRAND NAMIBIA LIMITED:

company annual financial statements

FirstRand Namibia Limited

Company statement of comprehensive income

for the year ended 30 June

N$'000	Note	2019 IFRS 9	2018 IAS 39
Interest and similar income	2	1 035	858
Net interest income		**1 035**	**858**
Non-interest revenue			
- gains less losses from investing activities	3	620 057	546 704
Income from operations		**621 092**	**547 562**
Operating expenses	4	(2 226)	(1 851)
Income before tax		**618 866**	**545 711**
Indirect tax	5	(239)	(198)
Profit before tax		**618 627**	**545 513**
Income tax expense	5	(331)	(208)
Profit for the year		**618 296**	**545 305**
Other comprehensive income for the year			
Total comprehensive income for the year		618 296	545 305

FirstRand Namibia Limited
Company statement of financial position
as at 30 June

N$'000	Note	2019 IFRS 9	2018 IAS 39
Assets			
Loan to group companies	8	123 119	99 552
Investment securities	9	13 007	9 576
Investments in subsidiaries	10	1 393 949	1 347 974
Total assets		1 530 075	1 457 102
Equity and liabilities			
Liabilities			
Creditors and accruals		1 219	740
Tax liability		207	119
Total liabilities		1 426	859
Equity			
Ordinary shares	11	1 338	1 338
Share premium	11	280 810	280 810
Retained earnings		1 246 501	1 174 095
Capital and reserves attributable to ordinary equity holders		1 528 649	1 456 243
Total equity and liabilities		1 530 075	1 457 102

FirstRand Namibia Limited
Company statement of changes in equity
for the year ended 30 June

N$'000	Share capital	Share premium	Share capital and share premium	Retained earnings	Total ordinary shareholders' funds
Balance at 30 June 2017	1 338	280 810	282 148	1 174 680	1 456 828
Total comprehensive income for the year				545 305	545 305
Ordinary dividends				(545 890)	(545 890)
Balance at 30 June 2018	1 338	280 810	282 148	1 174 095	1 456 243
Total comprehensive income for the year				618 296	618 296
Ordinary dividends				(545 890)	(545 890)
Balance at 30 June 2019	1 338	280 810	282 148	1 246 501	1 528 649

FirstRand Namibia Limited
Company statement of cash flows
for the year ended 30 June

N$'000	Note	2019 IFRS 9	2018 IAS 39
Cash flows from operating activities			
Cash generated from operations *		569 460	545 711
Working capital changes:			
- Increase in accounts receivable			4 910
- Increase/(decrease) in accounts payable		479	(147)
Net cash generated from operations		569 939	550 474
Indirect tax paid	5	(239)	(198)
Income tax paid	6	(243)	(134)
Net cash flow from operating activities		569 457	550 142
Cash flows from investing activities			
Net increase in loan to group companies		(23 567)	(4 252)
Net cash flow from investing activities		(23 567)	(4 252)
Cash flows from financing activities			
Dividends paid	7	(545 890)	(545 890)
Net cash flow from financing activities		(545 890)	(545 890)
Total cash movement for the year			
Total cash at end of the year			
***Reconciliation of income before tax to cash generated by operations**			
Income before tax		618 866	545 711
Adjusted for :			
- Revaluation of investment securities through profit or loss		(3 431)	
- Dividend in specie		(45 975)	
		569 460	545 711

FirstRand Namibia Limited
Notes to the company annual financial statements
for the year ended 30 June

1. Accounting policies

The financial statements of FirstRand Namibia Limited are prepared according to the same accounting principles used in preparing the consolidated financial statements of FirstRand Namibia Limited group. For detailed accounting policies refer to pages 91 to 144 of this annual report .

N$'000	2019 IFRS 9	2018 IAS 39
2. Analysis of interest income and expenses	Amortised cost	
Interest received: loan account with group companies	1 035	652
Unwinding of discounted present value on accounts receivable		206
	1 035	858
3. Non-interest revenue		
Gains less losses from investing activities		
Dividends received from subsidiaries and unlisted investments		
- Subsidiaries	606 209	539 687
- Equities	10 417	7 017
Revaluation of investment securities through profit or loss	3 431	
Gross gains less losses from investing activities	620 057	546 704
4. Operating expenses		
Auditors' remuneration		
- Audit fees	1 535	1 230
Professional fees	577	450
Other operating costs		
- Other operating expenses	114	171
Total operating expenses	2 226	1 851

FirstRand Namibia Limited
Notes to the company annual financial statements
for the year ended 30 June continued

N$'000	2019	2018
5. Tax		
Indirect tax		
Value added tax	239	198
Direct tax		
Namibian normal tax - current year	331	208
6. Tax paid		
Amounts payable or receivable at the beginning of the year	(119)	(45)
Current tax charge	(331)	(208)
Balance payable at end of the year	207	119
Total income tax paid	(243)	(134)

The company provided for tax at 32% (2018: 32%) of the taxable income (interest income). The effective tax rate is 0.05% (2018: 0.04%).

N$'000	2019	2018
7. Dividends		
Final dividend (07 August 2018: 113 cents), (15 August 2017: 113 cents)	302 380	302 380
Interim dividend (31 January 2019: 91 cents), (30 January 2018: 91 cents)	243 510	243 510
	545 890	545 890

Final dividend of 117 cents (2018: 113 cents) and a special dividend of 250 cents (2018: nil) per share was declared subsequent to year-end.

N$'000	2019 IFRS 9	2018 IAS 39
8. Loan to group companies		
Balances with Talas Properties (Windhoek) (Pty) Ltd	25 836	16 579
Balances with FNB Namibia Incentive Share Trust	93 783	82 973
Balances with FNB Fiduciary (Namibia) (Pty) Ltd	3 500	
	123 119	99 552
9. Investment securities		
Unlisted		
Fair value through profit or loss		
Equity investment (preference shares)	3 431	
Total	3 431	
Designated at fair value through other comprehensive income		
Equity investment (ordinary shares)	9 576	9 576
Total	9 576	9 576
Total investment securities	13 007	9 576

FirstRand Namibia Limited
Notes to the company annual financial statements
for the year ended 30 June continued

9. Investment securities continued

9.1 Fair value hierarchy disclosure

The company shows an investment in equities and this is measured at fair value and analysed below by valuation technique. The classification of instruments is based on the lowest level input that is significant to fair value measurement in its entirety. A description of the nature of the techniques used to calculate valuations and definitions of Levels is set out in note 34 of the group financial statements.

N$'000	2019 IFRS 9			
	Level 1	Level 2	Level 3	Total carrying amount
Investments in securities				
Investment at fair value through profit or loss			3 431	3 431
Investment at fair value through other comprehensive income			9 576	9 576
			13 007	13 007

	2018 IAS 39			
	Level 1	Level 2	Level 3	Total carrying amount
Investments in securities				
Investment at fair value through other comprehensive income			9 576	9 576
Changes in level 3 fair value instruments			9 576	9 576

The group classifies financial instruments in Level 3 of the fair value hierarchy when significant inputs into the valuation model are not observable. In addition to the valuation model for Level 3, financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

9. Investment securities continued

9.1 Fair value hierarchy disclosure continued

2019 IFRS 9	Fair value on 1 July	Gains recognised in profit or loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales) / issues/ (settlements)	Fair value on 30 June
Assets					
Investment securities	9 576	3 431			13 007

2018 IAS 39	Fair value on 1 July	Gains recognised in profit or loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales) / issues/ (settlements)	Fair value on 30 June
Assets					
Investment securities	9 576				9 576

Changes in the group's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on statement of financial position and the movement in fair values recognised in the statement of comprehensive income. However, changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N$ 14.3 million and using more negative reasonable possible assumptions to N$ 11.7 million. These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

FirstRand Namibia Limited

Notes to the company annual financial statements

for the year ended 30 June continued

N$'000	2019	2018

10. Investments in subsidiaries

	2019	2018
Unlisted investments		
Carrying value at beginning of the year	1 347 974	1 347 974
Acquisition of FNB Easy Loans Ltd from First National Bank of Namibia Ltd - 7 June 2019	45 975	
Carrying value at end of the year	1 393 949	1 347 974

Name of company	% voting power 2019	% voting power 2018	% holding 2019	% holding 2018	2019	2018
First National Bank of Namibia Ltd	100	100	100	100	1 142 792	1 142 792
FNB Easy Loans Limited	100		100		45 975	
RMB Investments (Pty) Ltd	100	100	100	100		
FNB Fiduciary (Namibia) (Proprietary) Limited	100	100	100	100		
Talas Properties (Windhoek) (Pty) Ltd	100	100	100	100	2 967	2 967
OUTsurance Insurance Company of Namibia Ltd	51	51	51	51	6 511	6 511
FNB Insurance Brokers (Namibia) (Pty) Ltd	100	100	100	100	27 904	27 904
Ashburton Unit Trust Management Company Ltd	100	100	100	100	5 475	5 475
Ashburton Fund Managers Namibia (Pty) Ltd	100	100	100	100	250	250
Pointbreak Trusts and Estates (Pty) Ltd	100	100	100	100	(728)	(728)
Pointbreak Wealth Management (Pty) Ltd	100	100	100	100	1 549	1 549
Pointbreak Equity (Pty) Ltd	100	100	100	100	161 253	161 253
Pointbreak Investment Management (Pty) Ltd	100	100	100	100		
					1 393 949	1 347 974

The following trusts are controlled by FirstRand Namibia Limited:

- FNB Namibia Incentive share trust
- FNB Namibia Staff assistance trust

The carrying amount of these investments is N$ nil.
Refer to note 33 in the group financial statements for full details of investments in subsidiaries.
Refer to note 33 in the group financial statements for full related party transactions and balances.

N$'000	2019	2018

11. Share capital

	2019	2018
Authorised		
990 000 000(2018: 990 000 000) ordinary shares with a par value of N$ 0.005 per share	4 950	4 950
10 000 000 (2018: 10 000 000) cumulative convertible redeemable preference shares with a par value of N$ 0.005 per share	50	50
	5 000	5 000
Issued		
267 593 250 (2018: 267 593 250) ordinary shares with a par value of N$0.005 per share	1 338	1 338
2 (2018: 2) cumulative convertible redeemable preference shares with a par value of N$0.005 per share		
	1 338	1 338
Share premium	280 810	280 810

Term of preference shares: redeemable at 31 days notice by either party. The dividend rights in terms of the agreement with the shareholder are based on the actual profits made, per agreed adjustments, of a portion of the short-term insurance business.

The unissued ordinary and preference shares are under the control of the directors until the next annual general meeting.

All issued shares are fully paid up.

FirstRand Namibia Limited
Notes to the company annual financial statements
for the year ended 30 June continued

12. Liquidity, credit and market risk information

The assets and liabilities of the company consist mainly of non-financial assets and liabilities which are not subject to liquidity, credit and market risk for IFRS 7 purposes.

Accounts receivable and creditors and accruals are repayable on demand or short notice and within Namibia.

13. Related party transactions

Acquisition of subsidiary

FNB Easy Loans Limited

On 07 June 2019 First National Bank of Namibia Limited declared a special dividend to FirstRand Namibia Limited by way of distribution in specie of all its shareholding in FNB Easy Loans Limited.

FNB Easy Loans Limited is Incorporated in Namibia and will carry on business pending approval from the regulator, as a micro lending business / transactions in Namibia as regulated by the applicable enabling micro lending legislation .

The following table summarises the dividend received and the amounts of the assets and liabilities assumed:

N$'000	Subsidiary
Dividend ' in specie '	45 975
Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	23 385
Loans and receivables	19 837
Other assets	2 753
Total	45 975

07 SHAREHOLDERS' INFORMATION

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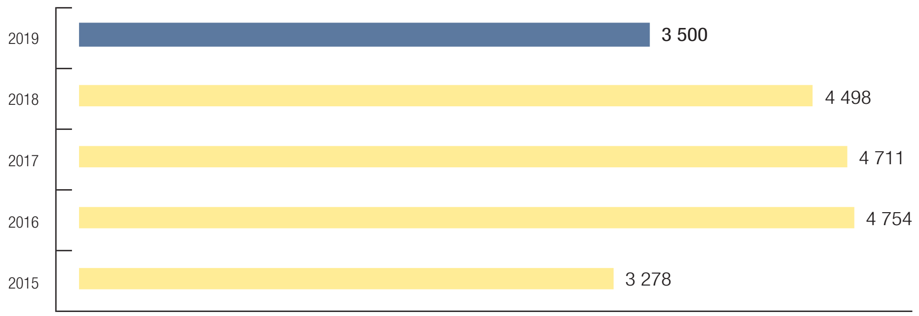
SHAREHOLDERS DIARY

Financial Year End	30 June 2019
Declaration Date	13 August 2019
SENS Announcement Date	05 September 2019
LDR/ Record Date	20 September 2019
Trade cum div (last day to trade)	13 September 2019
Trade ex div (first day to trade)	16 September 2019
Payment Date	04 October 2019
Annual General Meeting	24 October 2019

CLOSING SHARE PRICE - ORDINARY



STOCK EXCHANGE PERFORMANCE

	2019	2018
Share price (cents)		
- high for the year	4 499	4 711
- low for the year	3 500	4 498
- closing price per share	3 500	4 498
Number of shares traded (000's)	1 915	5 674
Value of shares traded (N$ '000's)	82 220	263 732
Number of shares traded as percentage of issued shares (%)	0.72	2.12
Average price (cents)	4 293	4 648

REGISTER FOR ELECTRONIC COMMUNICATIONS

FirstRand Namibia Ltd (previously FNB Namibia Holdings Ltd) recognises that electronic communications promote faster shareholder communication, achieve print and postage cost savings and reduce the impact it has on the environment. All shareholders are requested to register to receive documents electronically by completing the form on the website, which is accessible on
https://www.fnbnamibia.com.na/downloads/namibia/finresults2018/shareholders-info/ Electronic_Communication_Form_(PDF).pdf

Kindly return it to Transfer Secretaries at *ts@nsx.com.na*

Updating banking details to receive dividends directly into your bank account
receive dividends directly into your bank account by similarly completing the form available at
https://www.fnbnamibia.com.na/down loads/namibia/finresults2018/shareholders-info/Change_of_Address_or_Bank_Information.pdf
and enclose the following:

- An original certified copy of Identity Document;
- Electricity bill; and
- An original bank account confirmation letter.

These documents can be delivered to Transfer Secretaries (Pty) Ltd at:
4 Robert Mugabe Avenue (Entrance in Burg Street), Windhoek, Namibia.

Updating banking details to receive outstanding dividends owed to you
Any shareholder who still has outstanding dividends owed to them is encouraged to complete the form available at
https://www.fnbnamibia.com.na/downloads/namibia/finresults2018/shareholders-info/Change_of_Address_or_Bank_Information.pdf
AND enclose

- An original certified copy of Identity Document;
- An original bank account confirmation letter; and
- Provide proof of residence.

These documents can be delivered to Transfer Secretaries (Pty) Ltd at:
4 Robert Mugabe Avenue (Entrance in Burg Street), Windhoek, Namibia.

Electronic payments can be done to a cheque or savings account at a bank in Namibia or South Africa.
Dividend payments cannot be done to a third party, a credit card, a fixed investment, post office or building society account.

NO EMAILS AND SCANS WILL BE ACCEPTED BY TRANSFER SECRETARIES FOR:

- Updating banking details to receive dividends directly into your bank account; and
- Updating banking details to receive outstanding dividends owed to you.

SIMPLIFIED GROUP STRUCTURE

General public	FirstRand EMA Holdings (Pty) Ltd	GIPF
26.8%	58.4%	14.8%

FIRSTRAND NAMIBIA

Banking		Investments Management		Other Activities		Insurance	
100%	First National Bank of Namibia Ltd	100%	Ashburton Fund Managers Namibia (Pty) Ltd	100%	FNB Fiduciary Namibia (Pty) Ltd	51%	OUTsurance Insurance Company of Namibia Limited
100%	Swabou Investments (Pty) Ltd	100%	Ashburton Unit Trust Management Company Limited	100%	FNB Nominees (Namibia) (Pty) Ltd		
25%	Namclear (Pty) Ltd	100%	Pointbreak Equity (Pty) Ltd	100%	FNB Insurance Brokers (Namibia) (Pty) Ltd		
		100%	Pointbreak Investment Management (Pty) Ltd	100%	Talas Properties (Windhoek) (Pty) Ltd		
		100%	Pointbreak Property Unit Trust Management Company Limited	100%	Pointbreak Trust and Estates (Pty) Ltd		
		100%	Pointbreak Unit Trust Management Company Limited	100%	FNB Easy Loans (previously FNB Consumer Limited)		
		100%	Pointbreak Wealth Management (Pty) Ltd				

Analysis of ordinary shareholders

Share analysis - ordinary shares	Number of shareholders	%	Number of shares	%
Range of shareholders				
1 - 999	1 188	44.1%	421 666	0.2%
1 000 - 1 999	407	15.1%	523 709	0.2%
2 000 - 2 999	194	7.2%	469 507	0.2%
3 000 - 3 999	101	3.7%	343 508	0.1%
4 000 - 4 999	70	2.6%	307 584	0.1%
5 000 - 9 999	219	8.1%	1 479 441	0.5%
over 10 000	517	19.2%	264 047 835	98.7%
	2 696	100%	267 593 250	100.00%
Shareholder type				
Corporate bodies	28	1.0%	164 443 872	61.5%
Nominee companies	126	4.7%	78 835 864	29.5%
Private individuals	2 504	92.9%	15 985 466	6.0%
Trusts	38	1.4%	8 328 048	3.1%
	2 696	100%	267 593 250	100.00%
Geographic ownership				
Namibian including unknown	2 571	95.4%	103 946 121	38.8%
Other Africa	111	4.1%	157 046 253	58.7%
International	14	0.5%	6 600 876	2.5%
Total	2 696	100%	267 593 250	100.00%
Major shareholders				
Firstrand EMA Holdings (Pty) Ltd,			156 271 536	58.4%
Government Institutions Pension Fund			39 668 954	14.8%
Old Mutual Life Assurance Company (Namibia) Ltd			5 759 086	2.2%
FNB Employee Share Incentive Trust			5 676 026	2.1%
Sovereign Capital (Proprietary) Limited			4 758 053	1.8%
Allan Gray Namibia Balanced Fund			3 387 357	1.3%
The Africa Emerging Markets Fund			3 100 188	1.2%
Chappa'AI Investments Forty Two (Pty) Ltd,			3 018 199	1.1%
SQM Frontier Africa Master Fund Ltd			2 736 806	1.0%
Retirement Fund for Local Authorities and Utility Services in Namibia			2 047 807	0.8%

FirstRand EMA Holdings Limited and Government Institutions Pension Fund are the only shareholders who beneficially hold more than 5% of the issued ordinary shares in the Company.

CORPORATE INFORMATION

REGISTERED OFFICE
FirstRand Namibia Ltd
Registration number: 88/024
@Parkside
130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia
Tel: +264 (61) 299 2111
www.fnbnamibia.com.na

CHIEF EXECUTIVE OFFICER
Sarel van Zyl
5th Floor, @Parkside
130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia
Tel: +264 (61) 299 2111

TRANSFER SECRETARIES
Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue, Windhoek
P O Box 2401, Windhoek, Namibia
E-mail: ts@nsx.com.na
Tel: +264 (61) 227 647

EXTERNAL AUDITORS
Deloitte & Touche Namibia
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Windhoek, Namibia
PO Box 47, Windhoek, Namibia
Tel: +264 (61) 285 5000
www.deloitte.com/na

CHIEF FINANCIAL OFFICER
Oscar Capelao
5th Floor, @Parkside
130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia
Tel: +264 (61) 299 2111

SPONSOR
Cirrus Securities (Pty) Ltd
Member of the NSX
2nd Floor, Maerua Office Tower
Jan Jonker Road
Windhoek
P O Box 27, Windhoek, Namibia
Registration No. 98/463
E-mail: rome@cirrus.com.na
Tel: +264 (61) 256 666

GROUP COMPANY SECRETARY
Nelago Ashipala
5th Floor, @Parkside
130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia
Tel: +264 (61) 299 2111

Notice of annual general meeting

FirstRand Namibia Ltd
(Incorporated in the Republic of Namibia)
(Registration number: 88/024)
ISIN: NA0003475176
Share Code (NSX): FNB
("FirstRand Namibia Ltd" or "the Company")

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to all holders of ordinary shares in the Company that the thirty second (32nd) Annual General Meeting of the shareholders of the company will be held in the Etosha Boardroom, FirstRand Namibia Ltd, 5th Floor, @Parkside, 130 Independence Avenue, c/o Fidel Castro, Windhoek, on 24 October 2019 at 13:30 for the following business:

1. Ordinary resolution number 1:
   RESOLVED THAT the minutes of the previous annual general meeting be and hereby are approved.

2. Ordinary resolution number 2:
   RESOLVED THAT the Annual Financial Statements for the year ended 30 June 2019 be adopted.

3. Ordinary resolution number 3:
   RESOLVED THAT the final dividend declared on 13 August 2019 of 117 cents per ordinary share be and hereby is approved.

4. Ordinary resolution number 4: Re-election of directors by way of separate resolutions.
   To re-elect directors of the company who retire in terms of the Company's Articles of Association and who, being eligible, offers themselves for re-election. Biographical information of the directors to be re-elected is set out on pages 26 to 29 of the annual report.

   4.1 Christiaan Lilongeni Ranga Haikali (Independent Non-Executive Director)
   4.2 Gert Christoffel Petrus Kruger (Non-Executive Director)

5. Ordinary resolution number 5: Election of directors by way of separate resolutions.
   To elect the following director of the company who were appointed by the Board of Directors effective 31 January 2019 and is now recommended by the Board for election by shareholders. Biographical information of the director to be elected is set out on page 26 of the Annual Report.

   5.1 I-Ben Natangwe Nashandi (Non-Executive Director)

6. Ordinary resolution number 6: Re-election of Director.
To re-elect the following director in terms of clause 21.3 of the Articles of Association of the company.

6.1 Stuart Hilton Moir (Independent Non-Executive Director)

In terms of clause 21.3 of the Articles of Association, the office of a director may be vacated at the close of the Annual General Meeting of the Company relating to the financial year of the Company in which the director reaches the age of 70 (seventy) years, but is subject to the discretion and review by the Board. SH Moir reached the age of 70 in 2018 and was re-elected in terms of clause 21.3 of the Articles of Association at the 24 October 2018 annual general meeting.

The Board has considered and has unanimously approved the extension of his tenure as a director for the financial year ending 30 June 2020. Accordingly, being eligible for re-election and having been recommended by the Board, Mr. Moir offers himself for re-election.

7. Ordinary resolution number 7:
Suitability of JH Hausiku an Independent Non-Executive Director who failed to comply with 75% meeting attendance
RESOLVED THAT despite JH Hausiku having breached the 75% attendance rule that he was found to be suitable to continue to serve as a director on the Board of FirstRand Namibia Ltd and First National Bank of Namibia Ltd and is hereby re-elected.

8. Ordinary resolution number 8:
RESOLVED THAT all the ordinary shares required for the purpose of carrying out the terms of the FNB Employee Share Incentive Scheme ("the scheme") be and are hereby specifically placed under the control of the trustees of the scheme, who are hereby authorised and shall have the power to allot and issue those shares as they become required for the purposes of carrying out and giving effect to the terms of the scheme.

9. Ordinary resolution number 9:
RESOLVED THAT all the authorised but unissued shares in the capital of the company be and are hereby placed under the control of the directors who are hereby authorised to allot or issue shares on such terms and conditions as they deem fit, subject to the provisions of the Banking Institutions Act 2 of 1998, Companies Act 28 of 2004 ("the Act"), the Articles of Association of the Company and the Listings Requirements of the Namibia Stock Exchange ("NSX"), which provide, inter alia, that:

- such issue of shares shall not in the aggregate exceed 10% of the company's shares in issue; and
- the resolution for the issue of shares must be approved by a 75% majority of votes cast in favour of such resolution

10. Ordinary resolution number 10:
RESOLVED THAT Deloitte & Touche be reappointed as auditors of the company and authorise the directors to determine the remuneration of the auditors.

11. Ordinary resolution number 11:
RESOLVED THAT the annual fees of the non-executive directors remain unchanged as reflected below, be approved for the 2019/2020 financial year:

	No of Meetings per Annum	Proposed 2019/20 Annual fee	Calculated Fee per Meeting
FirstRand Namibia Ltd Board (previously FNB Namibia Holdings Ltd)			
Member	4	62 210.40	15 552.60
Deputy-Chairperson	4	93 315.60	23 328.90
Chairperson	4	108 868.20	27 217.05
Audit committee			
Member	4	79 984.80	19 996.20
Chairperson	4	217 736.40	54 434.10
Risk Capital and Compliance Committee			
Member	4	66 654.00	16 663.50
Chairperson	4	99 981.00	24 995.25
Remuneration Committee			
Member	2	27 994.68	13 997.34
Chairperson	2	41 992.02	20 996.01
Directors' Affairs and Governance Committee			
Member	3	39 992.40	13 330.80
Chairperson	3	69 986.70	23 328.90
Senior Credit Risk Committee			
Member	3	266 616.00	8 887.20
First National Bank of Namibia Board			
Member	4	124 420.80	31 105.20
Deputy-Chairperson	4	186 631.20	46 657.80
Chairperson	4	248 841.60	62 210.40

12. Ordinary resolution number 12:
RESOLVED THAT the existing remuneration policy remain in force, no changes are proposed to the current policy and shareholders ratify the current Remuneration Policy.

13. Ordinary resolution number 13:
RESOLVED THAT the following directors be re-appointed as members of the Audit Committee

13.1 Stuart Hilton Moir (Chairperson)
13.2 Jantje Gesche Daun
13.3 Christiaan Lilongeni Ranga Haikali

14. Ordinary resolution number 14:
RESOLVED THAT a special dividend declared on 13 August 2019 of 250 cents per ordinary share be and hereby is approved.

15. Ordinary resolution number 15:
RESOLVED THAT any one of the directors and/or the Group Company Secretary be and are authorised to do all such things, sign all such documents, procure the doing of all such things and the signature of all such documents as may be necessary or incidental to give effect to all of the resolutions proposed and passed at which this resolution is proposed.

Voting:
All holders of FirstRand Namibia Ltd shares will be entitled to attend and vote at the annual general meeting. On a show of hands, every holder of FirstRand Namibia Ltd shares who is present in person, or in the case of a company, the representative appointed in terms of section 196 of the Companies Act, shall have one vote.

On a poll, the holders of ordinary shares present in person or by proxy will each be entitled to one vote for every ordinary share held.

Proof of identification required:
Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents and passports.

Proxies:
Each member entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies (none of whom need be a member of the Company) to attend, speak and, on a poll, to vote in his/her stead. The form of proxy for the annual general meeting, which sets out the relevant instructions for its completion, accompanies this notice. In order to be effective, duly completed forms of proxy must be received at the office of the transfer secretaries of the Company by no later than 15:00 on Monday, 14 October 2019.

By order of the board FirstRand Namibia Limited.

Nelago Ashipala
Group Company Secretary
5 September 2019

Registered office
Firstrand Namibia Ltd
@Parkside
130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia

Transfer Secretaries
4 Robert Mugabe Avenue, Windhoek
P O Box 2401, Windhoek, Namibia

Form of proxy

FIRSTRAND
NAMIBIA

FirstRand Namibia Limited
(Incorporated in the
Republic of Namibia)
(Registration
number 88/024)
NSX Share Code: FNB
ISIN: NA 0003475176

For completion by the registered ordinary shareholders who hold ordinary shares of the company and who are unable to attend the 2019 annual general meeting of the company to be held in the Etosha Boardroom, @Parkside, 130 Independence Avenue, c/o Fidel Castro on Thursday, 24 October 2019 at 13:30 (the annual general meeting).

I/We ....(name in full)

Holder number .... Contact number ....

being the holder(s) of .... ordinary shares in the Company do hereby appoint:

1. .... or failing him/her

2. .... or failing him/her

3. the chairperson of the annual general meeting,

as my/our proxy to act for me/us at the annual general meeting (as the case may be) which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote on such resolution in respect of the shares in the issued capital of the Company registered in my/our name/s in accordance with the following instructions (see note):

Ordinary Resolutions	For*	Against*	Abstain*
1. Ordinary resolution 1: Approval of minutes of previous annual general meeting			
2. Ordinary resolution 2: Adoption of annual financial statements for 30 June 2019			
3. Ordinary resolution 3: Approval of final dividend declared			
4. Ordinary resolution 4: Re-election of directors by way of separate resolutions:			
4.1 Christiaan Lilongeni Ranga Haikali (Independent Non-Executive Director)			
4.2 Gert Christoffel Petrus Kruger (Non-Executive Director)			
5. Ordinary resolution number 5 - Election of directors by way of separate resolution:			
5.1 I-Ben Natangwe Nashandi (Non-Executive Director)			
6. Ordinary resolution number 6: Re-election of Director			
6.1 Stuart Hilton Moir (Independent Non-Executive Director and Deputy-Chairperson)			
7. Ordinary resolution 7: Suitability of Director			
7.1 Justus Hausiku (Independent Non-Executive Director)			
8. Ordinary resolution 8: Control of FNB Employee Share Incentive Scheme ordinary shares			
9. Ordinary resolution 9: Control of unissued shares			
10. Ordinary resolution 10: Re-appointment of external auditors and authority to determine their remuneration			
11. Ordinary resolution 11: Approval of Non-Executive Director remuneration			
12. Ordinary resolution 12: Approval of the existing remuneration policy			
13. Ordinary resolution 13: Re-appointment of Audit Committee members			
13.1 Stuart Hilton Moir (Chairperson)			
13.2 Jantje Gesche Daun			
13.3 Christiaan Lilongeni Ranga Haikali			
14. Ordinary resolution 14: Appoval of special dividend declared			
15. Ordinary resolution 15: Authority to sign documents			

* *Insert an X in the appropriate spaces above to indicate how you wish your votes to be cast. However, if you wish to cast your votes in respect of less than all of the shares that you own in the Company, insert the number of ordinary shares held in respect of which you desire to vote.*

Signed at .... this .... day of .... 2019 ....

Assisted by me (where applicable) .... Signature

Each member is entitled to appoint one or more proxies (none of whom need be a member of the Company) to attend, speak and, on a poll, vote in place of that member at the annual general meeting.

NOTES:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairperson of the annual general meeting", but any such deletion must be initialed by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.

3. Forms of proxy must be received at the Company's transfer secretaries, Transfer Secretaries (Proprietary) Limited, 4 Robert Mugabe Avenue (entrance on Berg Street), Windhoek, (PO Box 2401) Windhoek, Namibia by no later than 15:00 on Monday, 14 October 2019. Alternatively, forms of proxy may be sent to the Company's transfer secretaries by way of e-mail to ts@nsx.com.na, provided that such e-mails are received by the transfer secretaries by no later than 15:00 on Monday, 14 October 2019.

4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the chairperson of the annual general meeting.

6. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.

7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company.

8. The chairperson of the annual general meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these notes, if the chairperson is satisfied as to the manner in which the shareholder wishes to vote.

9. A proxy may not delegate his/her authority to any other person.

10. Where there are joint holders of ordinary shares:

    i. any one holder may sign the form of proxy;
    ii. the vote of the senior (for that purpose seniority will be determined by the order in which the names of the shareholder appear in FirstRand Namibia Ltd's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote/s of the other joint shareholder/s.

FirstRand Namibia Limited "the Company"
Incorporated in the Republic of Namibia
Registration number: 88/024
Share code (NSX): FNB
ISIN: NA 0003475176

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