



FirstRand
NAMIBIA

2021

unaudited condensed consolidated interim financial results

Building a globally
competitive Namibia,
providing access to opportunities

Highlights

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Pre-provision profit

997 (N\$ million)
(2020: N\$951 million) ▲ **5%**

NAV per share

2 255 (cents)
(2020: 2 053 cents) ▲ **10%**

Dividend per share

153 (cents)
(2020: 94 cents) ▲

Headline earnings

618 (N\$ million)
(2020: N\$556 million) ▲ **11%**

Return of equity (ROE)

21.9 (%)
(2020: 21.5) ▲ **0.4%**

CET 1 ratio

17.2 (%)
(2020: 15.0%) ▲ **2.2%**

About this report

This report covers the unaudited condensed consolidated financial results of FirstRand Namibia Limited (FSR or the group) based on International Financial Reporting Standards (IFRS) for the six months ended 31 December 2021.

Oscar Capelao, CA(NAM), supervised the preparation of this report. The results include a condensed consolidated statement of comprehensive income, statement of financial position and a statement of changes in equity and statement of cash flows.

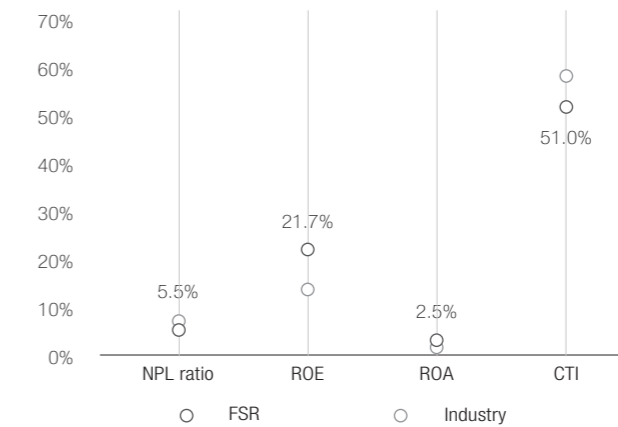
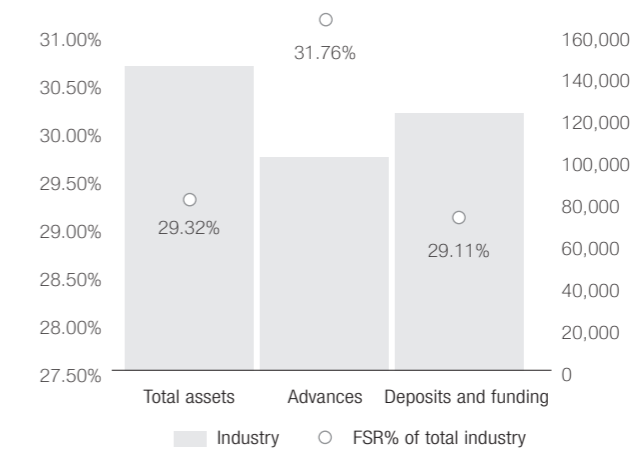
Salient features of the group results

	Six months ended 31 December		Year ended 30 June
	2021	2020	2021
Financial statistics			
Headline earnings per share (cents)	236.3	212.8	391.2
Diluted headline earnings per share (cents)	236.3	212.8	391.2
Ordinary dividends per share (cents) - declared	153.0	94.0	118.0
Number of shares in issue ('000) - ordinary*	261 799	261 449	261 441
Weighted number of shares in issue ('000) - ordinary*	261 666	261 449	261 441
<i>* after consolidation of share trusts</i>			
Net asset value per share (cents)	2 255	2 053	2 136
Closing share price (cents)	2 950	2 304	2 730
Market capitalisation (millions)	7 894	6 165	7 305
Price earnings ratio	6.2	5.4	7.1
Price to book ratio	1.3	1.1	1.3
Selected ratios			
Return on average equity (%)	21.9	21.5	19.4
Return on average assets (%)	2.8	2.5	2.3
Cost to income ratio (%)	51.0	51.1	54.6

Market and economic indicators

WHERE DOES THE BANKING INDUSTRY STAND?

Recovery in the economy is expected to be uneven across the globe. Banks have built up reserves since 2020, making them a bit more stable. Despite possible uptick of interest rate in 2022, the low interest rates in the short term are still suppressing margins. The brighter outlook for impairment charges will drive profitability.



(source: Bank of Namibia Sept 21 publication)

Overview of financial results

Our response to the Covid-19 pandemic was determined by our customer-centricity which remained in the forefront. We could achieve this because of improved collaboration with our stakeholders and the continuous digital investment that resulted in encompassing benefits. This not only empowered us to better serve our current customers, but similarly to win new clients, acquire new mandates and reinforce our lending channels. We also created a durable drive to support our strategic plans, with a good delivery against all the FirstRand Promises – be deeply invested, value our differences, build trust not territory, have courage, stay curious and always do the right thing.

OPERATING ENVIRONMENT

Pre-provision profits grew 4.8% to N\$ 997 million, while overall profits increased 11.6% to N\$ 894 million. The group produced N\$ 203 million of economic profit, or net income after cost of capital (NIACC), which is its key management performance measure. Return on equity increased to 21.9%.

During the period to 31 December 2021, the reopening of major economies provided the foundation for a solid rebound in global economic activity. This in turn provided support to Namibia's export sectors which, combined with a gradual recovery in domestic activity, contributed to a lift in GDP. Inflation increased to 4.5% in December 2021 off a low base, even though inflation increased, it remained within the MPC inflation target range allowing the Monetary Policy Committee (MPC) to maintain low short-term interest rates. Whilst this results in endowment pressure, it provided support to the real economy.

Notwithstanding the gradual pick-up in economic activity, the impact of Covid-19 remains deep, with ongoing uncertainty regarding the risk of further waves of infection and new strains of the virus. However, the vaccine rollout is expected to gain greater momentum, which will support a further opening of the economy and result in improved business and consumer confidence.

Sadly, Namibia entered the 4th Covid-19 wave in December costing the tourism sector much of the anticipated volumes that occur during the year end festive season.

FINANCIAL PERFORMANCE

When interpreting the results for the period to 31 December 2021, it's important to note that the comparative period December 2020, included the stricter lockdown measure during the 2nd wave of the pandemic last year. This resulted in increased impairments and reduced volumes leading to a significantly depressed performance for that financial period. As a result of that base effect, the group's PBT increased with 11.6%, with this performance also reflecting the subtle rebound in economic activity levels globally and locally. Pleasingly FirstRand Namibia's ROE of 21.9% is back within the recent long-term range of 16% to 26%, reflecting the underlying quality of the group's earnings.

INTEREST INCOME

Net interest income increased 15.8% to N\$ 1 051 million from N\$ 906 million while average interest-bearing assets declined by 1%, with exception of average advances being up 2.3% vs PSCE for 1.2% in December 2021. Interest earned on advances grew with 2% whereas interest on investments declined by 16.8%, which is in line with the decrease of investment securities to N\$ 6,87 billion. The Group's net interest margin increased to 1.6% from 1.4%, primarily due to a stable rate environment in Namibia in the first half of 2022 FY, compared to the 275-bps drop in the 2021 FY. The demand for prime linked products such as Home Loans, Installment sales and Terms loans drove the increase of 2.3% in interest earned on advances.

This decrease in interest paid for deposits was driven by an improved liability mix and active balance sheet management. This resulted in fixed deposits balances reducing across the Commercial and Corporate segments. Reduced reliance on wholesale funding had a helpful alignment effect, partly offset by growing lower margin deposits in RMB.

IMPAIRMENTS

The group's impairment charge decreased by 32% to N\$103 million. The benefits of an improving macroeconomic environment, better-than-expected collection results coming through in the IFRS 9 models and requiring a slower provisioning rate than during the early parts of the pandemic.

All provisions raised reflect the groups best estimates against available data and scenario analysis and are measured prudently given the prevailing and ongoing Covid-19 risk in the economy. The Portfolio charge for the period was N\$1 million (2020: N\$18 million).

NON-INTEREST REVENUE

FNB NIR decreased 1.2%, this is predominantly due to the impact of PSD 5 and PSD 10 which has seen revenue lost estimated at N\$ 87 million for the period to date. However, a recovery in transaction volumes and growth of 1.75% in the customer base partially alleviated the financial effect of this decline from PSD 5 and 10. Card commissions operationally increased 22% given the rebound in overall customer activity to pre-Covid-19 levels. Certain banking fees were lowered in the current financial period following changes in regulations, in particular PSD5/10. Although there was a strong increase in digital transactions, the lower fees associated with digital transactions slowed fee income growth. Across all segments transaction volumes increased by 10%. Electronic volumes grew 19%, whilst branch center transaction volumes decreased 5.9%.

With additional enablers, our alternative channels Cash@Till, eWallet@Till and Cash Plus, clients can withdraw, deposit or pay conveniently at selected merchants and not only transact at branches and ATMs. This allows for greater customer convenience, broader financial inclusion and cheaper banking services.

Overall active accounts across our platform grew by 2.45%. We have 1 245 660 active eWallets that support the national drive for financial inclusion.

Treasury economic hedges and other fair value income decreased from December 2020 to 9.6 million for December 2021.

Non-interest revenue for RMB overall decreased with 13%. This decline is primarily driven by a decline in cash deposit fee of 10% and contraction of fair value income of 25%.

The 15% reduction in insurance income was mainly due to the ongoing economic impact of the pandemic, resulting in an increase in mortality and retrenchment claims and claims provisions.

OPERATING EXPENSES OVERVIEW

Cost growth of 4.7% includes the overall increase in staff costs and the investment cost of new initiatives, major regulatory projects, technology enhancements and platform development. The cost of these investments was partially offset by the continued optimization of the operating cost base and the decline of certain expenses as a result of the extended pandemic and various levels of lockdown. Staff costs comprise 56% (2020: 58%) of the group's operating expenses.

Annual salary increases averaged 3.44%, with a 3% decrease in staff complement across the group through natural attrition.

Our executives, other senior management and board members received increases of 3% and 3.5% respectively in their guaranteed pay for 2021, following the zero percent increases in 2020 given the Covid-19 developments. The 2018 long-term incentive (LTI) awards did not vest in the current year; however, the prior year release was lower due to the Covid-19 LTI award retention scheme issued for some of the 2017 LTI awards not vesting. No Covid-19 LTI awards was issued in the current period.

Total IT spend amounts to N\$ 298 million which is an increase of 4%, including computer expenses growing by 13%, reflecting continued investment in technology and platform projects across the group and regulatory projects such as NamPay.

NamPay is a new domestic Electronic Funds Transfer (EFT) system introduced by the Namibian payments industry, in collaboration with the Payments Association of Namibia (PAN) and payment service providers to enhance the efficiency of EFT transactions in Namibia. NamPay comprises of 3 EFT streams namely: (1) Enhanced Debit Orders (EnDo), (2) Enhanced Credits (EnCr) and Near Real-Time Credits (NRTC). NamPay replaces the existing EFT system with a system which uses an internationally recognized messaging standard i.e., ISO 20022.

Lease charges declined 13% due to reduced branch sizes and fewer self-service devices at external premises.

An 18% increase in donations is attributed to the higher level of prior year earnings with the payment to the FirstRand Namibia Foundation being a fixed one percent of the group's headline earnings for the prior financial year.

Overview of financial results *continued*

THE BALANCE SHEET

The structure of the balance sheet reflects the group's long-term strategy to increase balance sheet resilience, diversify credit exposures across sectors and segments, increase asset marketability, and reduce reliance on institutional funding. When assessing the underlying risk in the balance sheet, the group's asset profile is dominated by a diversified advances portfolio, which constitutes 72% of total assets. The composition of the gross advances' portfolio consists of FNB retail secured (55%), FNB retail unsecured (9%), FNB commercial (21%), and RMB Corporate (14%).

Advance's growth remained muted across most portfolios primary due to lower demand for credit across the economy. There were pockets of advances growth in selected products and industries.

In December 2021, the group reported total NPLs of N\$ 1 822 million (2020: N\$ 1 575 million) (5.6% (2020: 5.0%) of advances) and a credit loss ratio of 0.3%. Cash and cash equivalents, and liquid assets represent 9% and 15% respectively, of total assets.

The group's funding mix has improved, with further growth in franchise deposits relative to institutional funding sources year-on-year.

The group's focus on growing main-banked transactional accounts and investment deposits naturally results in a significant proportion of contractually short-dated funding. Although these deposits are cyclical in nature, reflecting each customer's individual transactional and savings requirements, when viewed in aggregate overall portfolio activity is more stable, resulting in an improved liquidity risk profile.

CAPITAL AND REGULATION

The Bank of Namibia strategies to provide some relief, to banking institutions and customers in these unprecedented economic times, has been extended until 1 April 2023.

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

The Group has remained well capitalised throughout the period, with industry leading levels well above the minimum regulatory requirements.

Capital adequacy ratio was 20.4% (2020: 18.9%) and CET 1 capital 17.2%% for December 2021, (2020: 15.0%).

BOARD AND LEADERSHIP CHANGES DURING THE PERIOD

During the period under review the following board of directors changes took place in respect of FirstRand Namibia Ltd and First National Bank of Namibia Ltd:

- i. Jan Coetzee was appointed as an independent non-executive director effective 01 October 2021;
- ii. Jantje Gesche Daun resigned as an independent non-executive director effective 31 December 2021; and
- iii. Jabulani Richard Khethe resigned as an independent non-executive director effective 31 December 2021.

Events subsequent to the reporting date

The directors are not aware of any material events, as defined in IAS 10, occurring between 31 December 2021 and the date of authorisation of the results announcement.

Prospects

The global environment is predicted to remain promising, supported by the current low interest rates, sustained fiscal stimulus and consumer demand. The group's performance trends in the second six months of the year, and for the twelve months to 30 June 2022 overall, will continue to be impacted by the base effects of 2021. Most of the interest rate cuts occurred in the first half of 2020 and therefore, FY22 net interest margins are expected to be similar to the prior year levels. The world is heading into a major interest rate hike cycle on the back of large-scale inflation risk. Inflation risk is probably one of the biggest risks to our outlook considering our cost base.

Condensed consolidated statement of comprehensive income

N\$'000	Notes	Unaudited Six months ended 31 December		Audited Year ended 30 June
		2021	2020	2021
Interest and similar income	2	1 527 737	1 548 832	3 031 045
Interest expense and similar charges	2	(476 896)	(641 273)	(1 153 788)
Net interest income before impairment of advances		1 050 841	907 559	1 877 257
Impairment and fair value of credit advances	7.1	(102 980)	(150 622)	(238 250)
Net interest income after impairment of advances		947 861	756 937	1 639 007
Non-interest revenue	3	998 440	1 038 974	1 954 096
Net insurance premium income		65 568	68 225	133 842
Net claims and benefits paid		(34 330)	(31 320)	(71 164)
Income from operations		1 977 539	1 832 816	3 655 781
Operating expenses	4	(1 061 757)	(1 014 356)	(2 125 956)
Income before indirect tax		915 782	818 460	1 529 825
Indirect tax		(21 850)	(17 708)	(38 070)
Profit before tax		893 932	800 752	1 491 755
Income tax expense		(274 339)	(235 821)	(459 527)
Profit for the period		619 593	564 931	1 032 228
OTHER COMPREHENSIVE INCOME:				
Items that will not be reclassified to profit or loss:				
Remeasurements on net defined benefit post-employment plan		-	-	365
Deferred income tax		-	-	(117)
Total Items that will not be reclassified to profit or loss		-	-	248
Total comprehensive income for the period		619 593	564 931	1 032 476
Profit attributable to:				
Owner of the parent		615 434	557 809	1 021 909
Non-controlling interest		4 159	7 122	10 319
		619 593	564 931	1 032 228
Total comprehensive income attributable to:				
Owner of the parent		615 434	557 809	1 022 157
Non-controlling interest		4 159	7 122	10 319
		619 593	564 931	1 032 476
Earnings per share				
Basic and diluted earnings per share		235.2	213.4	390.9

Condensed consolidated statement of financial position

N\$'000	Notes	Unaudited as at 31 December		Audited as at 30 June
		2021	2020	2021
ASSETS				
Cash and cash equivalents		1 911 251	1 427 041	1 299 341
Due from banks and other financial institutions		1 967 928	2 943 515	2 958 108
Derivative financial instruments		117 251	480 171	314 626
Investment securities	6	6 976 946	8 298 204	7 185 761
Advances	7	31 069 502	30 312 873	30 206 674
Other assets		348 985	269 831	414 867
Current tax asset		562	351	547
Reinsurance assets		10 360	1 602	8 923
Property and equipment		890 617	928 943	926 581
Intangible assets		87 920	100 681	96 001
Deferred income tax asset		29 061	25 021	30 122
Total assets		43 410 383	44 788 233	43 441 551
EQUITY AND LIABILITIES				
Liabilities				
Short trading position		22 224	-	21 849
Derivative financial instruments		116 828	493 698	317 192
Creditors and accruals		796 906	445 467	560 242
Current tax liability		123 180	25 303	109 418
Deposits	8.1	35 188 734	36 467 574	35 663 763
Due to banks and other financial institutions	8.2	303 818	804 964	132 661
Employee liabilities		177 129	167 394	232 781
Other liabilities		215 922	268 499	240 971
Policyholders liabilities		34 063	33 701	37 454
Tier 2 liabilities		402 825	402 820	402 769
Deferred income tax liability		78 601	257 601	76 769
Total liabilities		37 460 230	39 367 021	37 795 870
EQUITY				
Capital and reserves attributable to ordinary equity holders of parent		5 899 731	5 364 915	5 586 187
Non-controlling interests		50 422	56 297	59 494
Total equity		5 950 153	5 421 212	5 645 681
Total equity and liabilities		43 410 383	44 788 233	43 441 551

Condensed consolidated statement of changes in equity

N\$'000	Total share capital	Total reserves	Retained earnings	Total attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 July 2020	3 661	6 086	4 928 084	4 937 831	62 405	5 000 236
Total comprehensive income for the period	-	-	557 809	557 809	7 122	564 931
Staff share option transactions	-	-	-	-	-	-
Dividends	-	-	(130 725)	(130 725)	(13 230)	(143 955)
Consolidation of shares held by share trusts	-	-	-	-	-	-
Unaudited balance at 31 December 2020	3 661	6 086	5 355 168	5 364 915	56 297	5 421 212
Balance at 1 July 2020	3 661	6 086	4 928 084	4 937 831	62 405	5 000 236
Total comprehensive income for the period	-	248	1 021 909	1 022 157	10 319	1 032 476
Staff share option transactions	-	-	-	-	-	-
Transfer between reserves	-	95 423	(95 423)	-	-	-
Dividends	-	-	(376 487)	(376 487)	(13 230)	(389 717)
Consolidation of shares held by share trusts	2 686	-	-	2 686	-	2 686
Audit balance at 30 June 2021	6 347	101 757	5 478 083	5 586 187	59 494	5 645 681
Balance at 1 July 2021	6 347	101 757	5 478 083	5 586 187	59 494	5 645 680
Total comprehensive income for the period	-	-	615 434	615 434	4 159	619 593
Transfer between reserves	-	(95 423)	95 423	-	-	-
Ordinary dividends	-	-	(309 152)	(309 152)	(13 231)	(322 382)
Consolidation of shares held by share trusts	7 262	-	-	7 262	-	7 262
Unaudited balance at 31 December 2021	13 609	6 334	5 879 788	5 899 731	50 422	5 950 153

Condensed consolidated statement of cash flows

N\$'000	Unaudited Six months ended 31 December		Audited Year ended 30 June
	2021	2020	2021
Net cash generated from operations	1 260 786	859 151	1 450 989
Tax paid	(282 988)	(287 462)	(639 389)
Net cash flow from operating activities	977 798	571 689	811 600
Acquisition of property and equipment	(26 231)	(88 839)	(168 807)
Acquisition of intangible asset	(699)	(13 494)	(17 262)
Proceeds from the disposal of property and equipment	4 294	4 730	13 020
Net cash flow from investing activities	(22 636)	(97 603)	(173 049)
Disposal/(Acquisition) of shares for the share trust	7 262	-	2 686
Dividends paid	(309 152)	(130 725)	(376 487)
Principal payments of lease liabilities	(12 489)	(18 199)	(31 286)
Dividends paid to non controlling interests	(13 230)	(13 230)	(13 230)
Principal payments of other liabilities	(15 643)	-	(36 002)
Net cash flow from financing activities	(343 252)	(162 154)	(454 319)
Net increase in cash and cash equivalents	611 910	311 932	184 232
Cash and cash equivalents at beginning of the period ¹	1 299 341	1 115 109	1 115 109
Cash and cash equivalents at end of the period	1 911 251	1 427 041	1 299 341

¹ Includes mandatory reserve deposits with central bank

Condensed notes to the consolidated financial results for the reporting period ended

1. BASIS OF PREPARATION

The group prepares its unaudited condensed consolidated interim financial report in accordance with:

- International Financial Reporting Standard, IAS 34 Interim Financial Reporting;
- Interpretations issued by the IFRS Interpretation Committee (IFRS-IC);
- Financial Reporting Pronouncements as issued by Financial Reporting Standards Council;
- The Namibian Companies Act; and
- Banking Institutions Determinations 2 and 33 with regards to assets classification, suspension of interest and provisioning and regulatory responses to address economic challenges posed by the COVID-19 pandemic.

The condensed consolidated interim results for the six months ended 31 December 2021 have not been audited or independently reviewed by the group's external auditors.

1.2 Accounting policies

The accounting policies and methods of computation applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those applied for the year ended 30 June 2021.

The condensed consolidated interim financial report is prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

There is no new or amended IFRS standards that became effective for the six months ended 31 December 2021 that impacted the groups reported earnings, financial position or reserves or the accounting policies.

1.3 Significant estimates, judgements and assumptions

While the specific areas of judgement used at 31 December 2021 have not changed from those used as at 30 June 2021, the dynamic and evolving nature of Covid-19, combined with limited recent experience of the economic and financial impact of such a pandemic, resulted in additional judgement being applied.

Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the group's forward-looking assumptions for the purposes of expected credit loss (ECL) calculations has been provided. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty about the social and economic consequences of Covid-19, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.

Refer to note 7.1 for more detail on the significant estimates, judgements and assumptions applied on the measurement of expected credit loss (ECL).

2. ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE

N\$'000	Six month ended December		Year ended June
	2021	2020	2021
Analysis of interest and similar income			
Instruments at amortised cost	1 527 737	1 548 832	3 031 045
Interest and similar income	1 527 737	1 548 832	3 031 045
Advances	1 271 247	1 242 131	2 474 754
Investment securities	226 429	272 083	497 952
Other	30 061	34 618	58 339
Interest and similar income	1 527 737	1 548 832	3 031 045
Analysis of interest expense and similar charges			
Instruments at amortised cost	476 896	641 273	1 153 788
Interest expense and similar charges	476 896	641 273	1 153 788
Deposits			
Deposits from customers	328 812	414 674	769 420
Debt securities	116 697	202 422	301 106
Deposits from banks and other financial institutions	9 893	1 931	37 217
Other liabilities	5 514	5 238	12 745
Lease liabilities	1 450	2 548	4 497
Tier 2 liabilities	14 530	14 460	28 803
Interest expense and similar charges	476 896	641 273	1 153 788
Net interest Income	1 050 841	907 559	1 877 257

Condensed notes to the consolidated financial results

for the reporting period ended

3. NON-INTEREST REVENUE

N\$'000	Six month ended December		Year ended June
	2021	2020	2021
Fee and commission income:			
- Instruments at amortised cost	928 878	925 784	1 778 121
- Non financial instruments	69 494	73 863	148 475
Fee and commission income	998 372	999 647	1 926 596
Fee and commission expenses	(107 067)	(89 503)	(189 783)
Net fee and commission income	891 305	910 144	1 736 813
Fair value gains and losses	69 471	79 759	149 049
Gross gains less losses from investing activities	23 994	33 155	42 441
Other non-interest revenue	13 670	15 916	25 793
Total non-interest revenue	998 440	1 038 974	1 954 096
3.1 Fee and commission income			
- Card commissions	134 594	112 043	224 435
- Cash deposit fees	51 854	51 345	94 921
- Commissions: bills, drafts	12 612	71 808	98 856
- Bank charges	729 818	690 588	1 359 909
- Banking fee and commission income	928 878	925 784	1 778 121
- Brokerage income	27 728	28 776	55 140
- Management, trust and fiduciary service fees	41 766	45 087	93 335
- Non banking fee and commission income	69 494	73 863	148 475
Fee and commission income	998 372	999 647	1 926 596

4. OPERATING EXPENSES

N\$'000	Six month ended December		Year ended June
	2021	2020	2021
Auditors' remuneration			
- Audit fees	6 798	5 902	11 478
- Fees for other services	17	30	416
Auditors' remuneration	6 815	5 932	11 894
Non-capitalised lease charges			
- Short term	3 632	4 105	5 976
- Low value	2 654	6 302	6 391
Operating lease charges	6 286	10 407	12 367
Staff costs	591 026	591 511	1 229 304
Amortisation of intangible assets	8 780	7 497	15 945
Depreciation of property and equipment	51 474	61 889	124 675
Directors fees	5 215	4 269	13 627
Other operating costs	392 162	332 851	718 144
Total operating expenses	1 061 757	1 014 356	2 125 956

Condensed notes to the consolidated financial results for the reporting period ended

5. EARNINGS PER SHARE

5.1 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 separately identifiable re-measurement items. Headline earnings and diluted headline earnings are presented after tax and non-controlling interest.

N\$'000	Six month ended December		Year ended June
	2021	2020	2021
Headline earnings	618 350	556 390	1 022 894
Weighted average number of ordinary shares in issue	261 666 411	261 449 476	261 457 695
Headline earnings per share (cents)	236.3	212.8	391.2
Headline earnings	618 350	556 390	1 022 894
Diluted weighted average number of ordinary shares in issue	261 666 411	261 449 476	261 457 695
Diluted headline earnings per share (cents)	236.3	212.8	391.2

Reconciliation between earnings and headline earnings

N\$'000	Six month ended December		Year ended June
	2021	2020	2021
Earnings attributable to equity holders of the parent	615 434	557 809	1 021 909
Gains and losses on sale of property and equipment *	4 289	(1 075)	1 448
Tax effect	(1 373)	(344)	(463)
Headline earnings	618 350	556 390	1 022 894

* Net of non-controlling interests

5. EARNINGS PER SHARE *continued*

5.1 Headline earnings per share *continued*

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 period.

N\$'000	Six month ended December		Year ended June
	2021	2020	2021
Earnings attributable to ordinary shareholders	615 434	557 809	1 021 909
Weighted average number of ordinary shares in issue	261 666 411	261 449 476	261 457 695
Weighted average number of ordinary shares in issue before shares held by trust	267 593 250	267 593 250	267 593 250
Less: shares held by share trust	(5 926 839)	(6 143 774)	(6 135 555)
Basic earnings per share (cents)	235.2	213.4	390.9

Basic earnings per share equals diluted earnings per share as there are no potential dilutive ordinary shares in issue.

Condensed notes to the consolidated financial results for the reporting period ended

6. INVESTMENTS SECURITIES

N\$'000	Six month ended December		Year ended June
	2021	2020	2021
Treasury bills	2 936 491	4 296 980	3 131 140
Other government and government guaranteed stock	3 925 299	3 585 354	3 624 226
Unlisted equities	9 576	17 594	18 016
Other undated securities	108 088	400 494	415 054
Total gross carrying amount of investment securities	6 979 454	8 300 422	7 188 436
Loss allowance on investment securities	(2 508)	(2 218)	(2 675)
Total investment securities	6 976 946	8 298 204	7 185 761

N\$6 601 million (2020: N\$7 587 million) of the financial instruments form part of the group's liquid asset portfolio in terms of the Banking Institutions Act, No 2 of 1998 as amended) and other foreign banking regulators' requirements.

The loss allowance on investment securities measured at amortised cost is N\$2.5 million (2020: N\$2.2 million).

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

7. ADVANCES

N\$'000	Six month ended December		Year ended June
	2021	2020	2021
Notional value of advances	32 524 405	31 713 028	31 571 509
Gross advances	32 524 405	31 713 028	31 571 509
Category analysis			
Overdrafts and cash management accounts	3 181 219	3 660 598	3 137 928
Card loans	470 553	464 952	472 452
Instalment sales and hire purchase agreements	2 996 665	2 969 891	2 941 655
Lease payments receivable	96 000	95 464	94 173
Home loans - Property finance	15 239 647	14 601 676	14 860 866
Term loans	9 144 552	8 428 910	8 618 701
Investment bank term loans	38 439	268 635	219 568
Preference share agreements	966 464	944 637	917 384
Assets under agreement to resell	26 541	-	21 726
Invoice financing	248 857	134 381	145 056
Other	115 468	143 884	142 001
Gross advances	32 524 405	31 713 028	31 571 509
Impairment and fair value of credit of advances	(1 454 903)	(1 400 155)	(1 364 835)
Net advances	31 069 502	30 312 873	30 206 674
Portfolio Analysis			
Designated at fair value through profit or loss	64 980	268 635	241 294
Amortised cost	31 004 522	30 044 238	29 965 380
	31 069 502	30 312 873	30 206 674

Condensed notes to the consolidated financial results for the reporting period ended

7. ADVANCES *continued*

Analysis of total gross advances per impairment stage

Analysis of advances per class

December 2021

N\$'000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	15 221 907	-	(251 525)	15 221 907
Vehicle asset finance	1 789 658	-	(330 975)	1 710 208
Total retail secured	17 011 565	-	(330 975)	16 932 116
Credit card	457 808	-	(12 071)	457 808
Personal loans	2 713 227	-	(193 114)	2 713 015
Other retail	451 948	-	(275 236)	(279 787)
Total retail unsecured	3 622 982	-	(480 421)	2 891 036
FNB Commercial	5 937 774	-	(486 830)	5 450 944
Commercial vehicle asset finance	1 425 317	-	(103 005)	1 322 311
RMB Corporate and Investment banking	4 461 746	60 743	(53 672)	4 468 817
Total corporate and commercial	11 824 837	60 743	(643 507)	11 242 073
Treasury	4 278	-	-	4 278
Total advances	32 463 661	60 743	(1 454 903)	31 069 502

7. ADVANCES *continued*

Analysis of total gross advances per impairment stage *continued*

Analysis of advances per class *continued*

December 2020

N\$'000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	14 585 659	-	(345 219)	14 240 440
Vehicle asset finance	1 811 017	-	(97 468)	1 713 549
Total retail secured	16 396 676	-	(442 687)	15 953 989
Credit card	435 482	-	(19 192)	416 290
Personal loans	2 546 474	-	(200 874)	2 345 600
Other retail	484 151	-	(107 634)	376 517
Total retail unsecured	3 466 107	-	(327 700)	3 138 407
FNB Commercial	6 046 724	-	(484 272)	5 562 452
Commercial vehicle assets finance	1 383 486	-	(92 958)	1 290 528
RMB Corporate and Investment banking	4 151 401	268 635	(52 539)	4 367 497
Total corporate and commercial	11 581 611	268 635	(629 769)	11 220 477
Total advances	31 444 393	268 635	(1 400 155)	30 312 873

Condensed notes to the consolidated financial results for the reporting period ended

7. ADVANCES *continued*

Analysis of total gross advances per impairment stage *continued*

Analysis of advances per class *continued*

June 2021

N\$'000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	14 850 389	-	(348 134)	14 850 389
Vehicle asset finance	1 816 406	-	(78 427)	1 737 979
Total retail secured	16 666 795	-	(426 561)	16 588 368
Credit card	443 244	-	(23 350)	442 748
Personal loans	2 557 472	-	(218 678)	2 557 472
Other retail	457 804	-	(68 481)	(200 342)
Total retail unsecured	3 458 520	-	(310 509)	2 799 878
FNB Commercial	6 079 606	-	(471 448)	5 608 158
Commercial vehicle asset finance	1 361 097	-	(103 782)	1 257 316
RMB Corporate and Investment banking	3 764 197	241 294	(52 536)	3 952 954
Total corporate and commercial	11 204 900	241 294	(627 766)	10 818 428
Total	31 330 215	241 294	(1 364 835)	30 206 674

7.1 Impairment of advances

N\$'000	December		June
	2021	2020	2021
Increase in loss allowance	111 317	154 451	245 782
Recoveries of bad debts	(8 337)	(3 829)	(7 532)
Impairment of advances recognised during the period	102 980	150 622	238 250
Specific / stage 3 impairments	110 182	132 281	187 205
Portfolio / stage 1 and stage 2 impairments	(7 201)	18 341	51 045
	102 980	150 622	238 250

7. ADVANCES *continued*

7.1 Impairment of advances *continued*

Reconciliation of the gross advances and loss allowance on total advances as at 31 December 2021

N\$'000	Gross advances			
	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 July 2021	26 000 334	3 926 081	1 645 094	31 571 509
Transfer between stages	(267 492)	191 069	76 423	-
Transfer from Stage 1 to Stage 2	(479 067)	479 067	-	-
Transfer from Stage 1 to Stage 3	(73 845)	-	73 845	-
Transfer from Stage 2 to Stage 3	-	(62 053)	62 053	-
Transfer from Stage 2 to Stage 1	278 185	(278 185)	-	-
Transfer from Stage 3 to Stage 2	-	52 240	(52 240)	-
Transfer from Stage 3 to Stage 1	7 235	-	(7 235)	-
Opening balances of back book after transfer	25 732 842	4 117 150	1 721 517	31 571 509
Current period provision created / (released)	-	-	-	-
Changes in exposure of back book in the current period				
- Attributed to change in measurement basis	(1 461 047)	(16 864)	-	(1 477 911)
- Attributed to change in risk parameters	-	(879 572)	127 054	(752 518)
Total new book exposure				
- Change in exposure due to new business in the current year	3 033 648	176 190	4 069	3 213 907
Overlays	-	-	-	-
Bad debts written off	-	-	(30 582)	(30 582)
Amount as at 31 December 2021	27 305 443	3 396 907	1 822 058	32 524 405
Amortised cost	27 240 463	3 396 907	1 822 058	32 459 425
Fair value	64 980	-	-	64 980

Condensed notes to the consolidated financial results for the reporting period ended

7. ADVANCES *continued*

7.1 Impairment of advances *continued*

Reconciliation of the gross advances and loss allowance on total advances as at 31 December 2021 *continued*

N\$'000	Loss allowance			
	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 July 2021	347 736	344 514	672 585	1 364 835
Transfer between stages	18 492	(12 967)	(5 525)	-
Transfer from Stage 1 to Stage 2	(5 590)	5 590	-	-
Transfer from Stage 1 to Stage 3	(1 240)	-	1 240	-
Transfer from Stage 3 to Stage 2	-	13 809	(13 809)	-
Transfer from Stage 2 to Stage 1	24 221	(24 221)	-	-
Transfer from Stage 2 to Stage 3	-	(8 145)	8 145	-
Transfer from Stage 3 to Stage 1	1 101	-	(1 101)	-
Opening balances of back book after transfer	366 228	331 547	667 060	1 364 835
Current period provision created / (released)	(15 737)	22 676	113 711	120 650
Changes in exposure of back book in the current period				
- Attributed to change in measurement basis	-	8 334	-	8 334
- Attributed to change in risk parameters	(44 915)	(59 833)	144 376	39 628
Total new book exposure				
- Change in exposure due to new business in the current year	20 287	19 032	2 738	42 057
Overlays	8 891	55 143	(33 403)	30 631
Bad debts written off	-	-	(30 582)	(30 582)
Amount as at 31 December 2021	350 491	354 223	750 189	1 454 903
Amortised cost	348 905	354 223	750 189	1 453 317
Fair value	1 586	-	-	1 586

7. ADVANCES *continued*

7.1 Impairment of advances *continued*

Reconciliation of the gross advances and loss allowance on total advances as at 31 December 2020

N\$000's	Gross advances			
	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 July 2020	28 042 047	1 823 765	1 369 460	31 235 272
Transfer between stages	(1 302 927)	1 179 014	123 913	-
Transfer from Stage 1 to Stage 2	(1 577 331)	1 577 331	-	-
Transfer from Stage 1 to Stage 3	(49 653)	-	49 653	-
Transfer from Stage 2 to Stage 3	-	(74 260)	74 260	-
Transfer from Stage 2 to Stage 1	324 057	(324 057)	-	-
Opening balances of back book after transfer	26 739 120	3 002 779	1 493 373	31 235 272
Current period provision created / (released)	-	-	-	-
Changes in exposure of back book in the current period				
- Attributed to change in measurement basis	(3 186 159)	(69 233)	-	(3 255 392)
- Attributed to change in risk parameters	-	439 638	97 972	537 610
Total new book exposure				
- Change in exposure due to new business in the current year	2 976 191	236 239	4 961	3 217 390
Bad debts written off	-	-	(21 852)	(21 852)
Amount as at 31 December 2020	26 529 152	3 609 423	1 574 453	31 713 028
Amortised cost	26 260 517	3 609 423	1 574 453	31 444 393
Fair value	268 635	-	-	268 635

Condensed notes to the consolidated financial results for the reporting period ended

7. ADVANCES *continued*

7.1 Impairment of advances *continued*

Reconciliation of the gross advances and loss allowance on total advances as at 31 December 2020 *continued*

N\$000's	Loss allowance			
	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 July 2020	370 147	263 527	607 860	1 241 534
Transfer between stages	9 477	(25 386)	15 909	-
Transfer from Stage 1 to Stage 2	(14 435)	14 435	-	-
Transfer from Stage 1 to Stage 3	(952)	-	952	-
Transfer from Stage 2 to Stage 3	-	(14 957)	14 957	-
Transfer from Stage 2 to Stage 1	24 864	(24 864)	-	-
Opening balances of back book after transfer	379 624	238 141	623 769	1 241 534
Current period provision created / (released)	(31 263)	65 875	145 861	180 473
Changes in exposure of back book in the current period				
- Attributed to change in measurement basis	(234 280)	4 324	-	(229 956)
- Attributed to change in risk parameters	183 540	43 424	144 733	371 697
Total new book exposure				
- Change in exposure due to new business in the current year	19 477	18 127	1 128	38 732
Bad debts written off	-	-	(21 852)	(21 852)
Amount as at 31 December 2020	348 361	304 016	747 778	1 400 155
Amortised cost	346 775	304 016	747 778	1 398 569
Fair value	1 586	-	-	1 586

7. ADVANCES *continued*

7.1 Impairment of advances *continued*

Reconciliation of the gross advances and loss allowance on total advances as at 30 June 2021

N\$000's	Gross advances			
	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 July 2020	28 042 048	1 823 765	1 369 460	31 235 272
Transfer from Stage 1 to Stage 2	(1 435 643)	1 435 643	-	-
Transfer from Stage 1 to Stage 3	(70 446)	-	70 446	-
Transfer from Stage 2 to Stage 3	-	(65 302)	65 302	-
Transfer from Stage 2 to Stage 1	364 720	(364 720)	-	-
Transfer from Stage 3 to Stage 1	2	-	(2)	-
Opening balance after transfers	26 900 681	2 829 386	1 505 206	31 235 272
Current period provision created / (released)	-	-	-	-
Changes in exposure of back book in the current period				
- Attributed to change in measurement basis	-	-	-	-
- Attributed to change in risk parameters	-	-	-	-
Total new book exposure				
- Change in exposure due to new business in the current year	(900 347)	1 096 696	313 688	510 037
Bad debts written off	-	-	(173 800)	(173 800)
Amount as at 30 June 2021	26 000 334	3 926 081	1 645 094	31 571 509
Amortised cost	25 759 040	3 926 081	1 645 094	31 330 215
Fair value	241 294	-	-	241 294

Condensed notes to the consolidated financial results for the reporting period ended

7. ADVANCES *continued*

7.1 Impairment of advances *continued*

Reconciliation of the gross advances and loss allowance on total advances as at 30 June 2021 *continued*

N\$000's	Loss allowance			
	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 July 2020	370 147	263 527	607 860	1 241 534
Transfer from Stage 1 to Stage 2	(8 910)	8 910	-	-
Transfer from Stage 1 to Stage 3	(1 312)	-	1 312	-
Transfer from Stage 2 to Stage 3	-	(12 276)	12 276	-
Transfer from Stage 2 to Stage 1	26 355	(26 355)	-	-
Transfer from Stage 3 to Stage 1	1	-	(1)	-
Opening balance after transfers	386 282	233 806	621 447	1 241 534
Current period provision created / (released)	(38 546)	110 709	224 938	297 101
Changes in exposure of back book in the current period				
- Attributed to change in measurement basis	-	36 146	-	36 146
- Attributed to change in risk parameters	(74 333)	40 774	220 161	186 601
Total new book exposure				-
- Change in exposure due to new business in the current year	35 788	33 789	4 777	74 354
Bad debts written off	-	-	(173 800)	(173 800)
Amount as at 30 June 2021	347 736	344 514	672 585	1 364 835
Amortised cost	346 611	344 514	672 585	1 363 710
Fair value	1 125	-	-	1 125

7. ADVANCES *continued*

7.1 Impairment of advances *continued*

Overview of forward-looking information included in the 31 December 2021 provisions

The global economic recovery continues to normalise from the elevated levels seen following the initial 'technical-bounce' out of the Covid-19 shock experienced in 2020. Although the Omicron variant has resulted in a notable increase in Covid-19 cases this has not translated into significantly weaker real economic activity as economies continue to adapt relatively effectively to pandemic-related constraints. With economic demand returning to normal, supply side factors continue to drive near-term inflation higher. This is expected to have peaked towards the end of 2021 and should begin to soften over the course of 2022 as supply chains catch up with pent-up demand.

Monetary policy guidance from several global central banks, the US Fed in particular, suggest that central banks will be less tolerant of above-target inflation than they had previously communicated. This signals concern among central banks that significantly higher near-term inflation could translate into higher longer-term inflation expectations. The US Fed has clearly signaled its vigilance to the risk of rising inflation expectations. Global fiscal policy settings are still extremely supportive and it remains clear that governments plan to reduce fiscal stimulus as their economies recover from the depths of the pandemic. The complexity of these policy signals will continue to drive market volatility as financial markets adjust to changes in the expected monetary and fiscal policy environment. A relative tightening in financial conditions, albeit from extremely accommodative base, is expected to reduce demand for risk assets and support demand for safe haven assets such as the US dollar in the near-term. Commodity prices are in turn likely to soften a little off of a high base but still remain high compared to pre-pandemic levels. This should still provide some support to commodity producing countries.

During the period to 31 December 2021, the reopening of major economies provided the foundation for a solid rebound in global economic activity. This in turn provided support to Namibia's export sectors which, combined with a gradual recovery in domestic activity, contributed to a lift in GDP. Inflation increased to 4.5% in December 2021 off a low base, even though inflation increased, it remained within the MPC inflation target range allowing the Monetary Policy Committee (MPC) to maintain low short-term interest rates. Whilst this results in endowment pressure, it provided support to the real economy. Notwithstanding the gradual pick-up in economic activity, the impact of Covid-19 remains deep, with ongoing uncertainty regarding the risk of further waves of infection and new strains of the virus. However, the vaccine roll out is expected to gain greater momentum, which will support a further opening of the economy and result in improved business and consumer confidence. Sadly, Namibia entered the 4th Covid-19 wave in December costing the tourism sector much of the anticipated volumes that occur during the year end festive season.

Condensed notes to the consolidated financial results for the reporting period ended

7. ADVANCES *continued*

7.1 Impairment of advances *continued*

Macroeconomic factors for ECL disclosures

The table sets out the scenarios and the probabilities assigned to each scenario at 31 December 2021 for the group's operations. During the period to 31 December the probabilities assigned to the macro scenarios were adjusted slightly towards the baseline and upside regimes. These adjustments were made to cater for the change in the perceived balance of risk to the domestic economy resulting from the effectiveness of global policy measures to support the global economy, and the effectiveness of domestic policy measures both to contain the spread of Covid-19 and to manage the economic impact of the pandemic.

Although reduced, significant macroeconomic uncertainty stays as it remains evident that the loss of economic activity, tax revenue and household and corporate income as a result of the pandemic has left the economy substantially weakened which is a key risk to the macroeconomic outlook.

Significant judgement and estimates - ECL

The table below sets out the most significant macroeconomic factors used to estimate the forward-looking information relating to ECL provisions. The information is forecasted over a period of 3 years.

Scenario	Probability	Description
Baseline regime	55%	Assumes that global growth slows below trend, developed market (DM) inflation remains benign and interest rates turn more accommodative while domestic policy uncertainty reduces relative to 2021 and meaningful economic reform remains absent.
	(30 June 2020: 32%)	
Upside regime	13%	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 stable positive economic reforms to drive growth higher.
	(30 June 2020: 54%)	
Downside regime	33%	Assumes that the global economy slows down whilst DM inflation and interest rates lift. Increased policy uncertainty, a collapse in corporate governance at state-owned enterprises (SOEs), increased populism and fiscal recklessness drive Namibia's growth lower.
	(30 June 2020: 15%)	

	Upside scenario			Baseline scenario			Downside scenario		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
Namibia (%)									
Real GDP growth	1.15	3.00	4.50	2.20	3.00	3.10	(0.70)	(0.57)	0.00
CPI inflation	3.40	3.00	3.20	4.20	4.70	4.90	4.40	5.50	6.00
Repo rate	2.25	3.00	2.75	4.50	5.50	5.75	6.25	6.75	7.75

7. ADVANCES *continued*

7.1 Impairment of advances *continued*

Analysis of gross advances and loss allowance on total advances per class:

N\$000's	Gross advances			
	Stage 1	Stage 2	Stage 3	Total
31 December 2021				
Total retail	17 542 045	1 898 244	1 194 258	20 634 547
FNB Commercial	4 810 049	548 788	578 937	5 937 774
Commercial vehicle asset finance	1 248 303	128 151	48 863	1 425 317
RMB Corporate and Investment banking	3 700 775	821 724	-	4 522 489
Total advances at 31 December 2021	27 305 443	3 396 907	1 822 058	31 524 405
31 December 2020				-
Total retail	17 103 076	1 828 967	972 536	19 904 579
FNB Commercial	4 795 869	693 612	557 243	6 046 724
Commercial vehicle asset finance	1 167 561	129 453	44 678	1 341 691
RMB Corporate and Investment banking	3 462 646	957 389	-	4 420 036
	26 529 152	3 609 421	1 574 456	31 713 029
30 June 2021				
Total retail	16 860 975	2 194 788	1 069 551	20 125 314
FNB Commercial	4 888 601	665 036	525 969	6 079 606
Commercial vehicle asset finance	1 205 130	106 394	49 573	1 361 097
RMB Corporate and Investment banking	3 045 628	959 864	-	4 005 492
	26 000 334	3 926 082	1 645 094	31 571 509

Condensed notes to the consolidated financial results for the reporting period ended

7. ADVANCES *continued*

7.1 Impairment of advances *continued*

Analysis of gross advances and loss allowance on total advances per class:

N\$000's	Loss allowance			
	Stage 1	Stage 2	Stage 3	Total
31 December 2021				
Total retail	184 434	146 717	501 178	832 329
FNB Commercial	101 429	146 585	244 050	492 063
Commercial vehicle asset finance	31 283	12 414	33 141	76 839
RMB Corporate and Investment banking	16 494	37 178	-	53 672
	333 640	342 894	778 369	1 454 903
31 December 2020				-
Total retail	196 676	136 323	450 368	783 367
FNB Commercial	101 194	127 761	255 317	484 272
Commercial vehicle asset finance	29 928	7 833	42 218	79 979
RMB Corporate and Investment banking	20 433	32 103	-	52 536
	348 232	304 020	747 903	1 400 155
30 June 2021				
Total retail	195 946	136 615	404 507	737 069
FNB Commercial	101 292	146 721	223 435	471 448
Commercial vehicle asset finance	35 628	23 511	44 643	103 782
RMB Corporate and Investment banking	14 870	37 667	-	52 537
	347 736	344 514	672 585	1 364 835

8. DEPOSITS

8.1 Deposits and current accounts

N\$'000	Six month ended December		Year ended June
	2021	2020	2021
Category analysis			
Deposits from customers			
- Current accounts	12 167 814	12 827 092	11 952 563
- Call deposits	8 191 843	7 285 119	8 642 331
- Savings accounts	578 118	445 053	450 484
- Fixed and notice deposits	9 432 046	10 704 254	10 001 199
Debt securities			
- Negotiable certificates of deposit	4 441 856	4 662 402	4 073 575
- Fixed and floating rate notes	377 057	543 654	543 611
Total deposits	35 188 734	36 467 574	35 663 763
8.2 Due to banks and other financial institutions			
To banks and financial institutions			
- In the normal course of business	303 818	804 964	132 661

Condensed notes to the consolidated financial results for the reporting period ended

9. RELATED PARTIES

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

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.

N\$'000	December		June
	2021	2020	2021
Related party balances:			
Deposits			
FirstRand SA group companies	158 906	113 599	2 102 036
Key management personnel	15 563	12 155	12 744
Advances			
FirstRand SA group companies	409 066	2 736 009	-
Key management personnel	13 879	14 660	9 788
Derivative assets			
FirstRand SA group companies	29 708	279 359	199 086
Derivative liabilities			
FirstRand SA group companies	90 828	224 271	121 130
Related party transactions:			
Interest paid to (received from) related parties			
FirstRand SA group companies	(16 172)	(19 115)	(32 012)
Non-interest expenditure			
FirstRand SA group companies	187 346	164 891	331 991

10. FAIR VALUE MEASUREMENTS

10.1 Valuation methodology

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

Level 2 and 3 Valuation techniques and significant inputs

Balance Sheet item	Instrument	Valuation technique	Level 2	Level 3
			Significant observable inputs	Significant unobservable inputs
Derivatives	Forward rate agreements, forwards and swaps	Discounted cash flow	Market interest rates, credit and currency basis curves, volatilities, dividends and share prices.	Volatilities and unlisted share prices
	Options and equity derivatives	Option pricing and industry standard models	Strike price of the option, market-related discount rate, spot or forward rate, the volatility of the underlying, dividends and share prices	Volatilities, dividends and unlisted share prices
Advances	Corporate and Investment banking book	Discounted cash flow	N/A	Credit inputs
	Advances under repurchase agreements and other advances	Discounted cash flow	Commodity prices, market interest rates and credit spreads	Credit inputs and market risk correlation factors

Condensed notes to the consolidated financial results for the reporting period ended

10. FAIR VALUE MEASUREMENTS

10.1 Valuation methodology *continued*

Level 2 and 3 Valuation techniques and significant inputs

Balance Sheet item	Instrument	Valuation technique	Level 2	Level 3
			Significant observable inputs	Significant unobservable inputs
Investment securities	Equities listed in an inactive market	Discounted cash flow	Market interest rates	Unobservable P/E ratios
	Unlisted equities	Price earnings (P/E) model and discounted cash flow	Market transactions	Growth rates and P/E ratios
	Unlisted bonds or bonds listed in an inactive market. Negotiable certificates of deposit (NCD)	Discounted cash flow	Market interest rates, credit spreads and market quotes for NCD instruments	Credit inputs
	Treasury bills and other government and government-guaranteed stock	JSE debt market bond pricing model	Market quotes for money market and fixed-income instruments	N/A
	Investments in funds and unit trusts	Third-party valuations	Market transactions (listed)	Third-party valuations used, minority and marketability adjustments
	Non-recourse investments	Discounted cash flow	Market interest rates	N/A

10. FAIR VALUE MEASUREMENTS

10.1 Valuation methodology *continued*

Level 2 and 3 Valuation techniques and significant inputs *continued*

Balance Sheet item	Instrument	Valuation technique	Level 2	Level 3
			Significant observable inputs	Significant unobservable inputs
Deposits	Call and non-term deposits	Discounted cash flow or the undiscounted amount is used	Discounting curve	N/A
	Non-recourse deposits and other liabilities	Discounted cash flow	Market interest rate curves or performance of underlying	Performance of underlying contracts
	Deposits referencing credit-linked instruments and other deposits	Discounted cash flow	Market interest rates	Credit inputs, market risk and correlation factors
Policyholder liabilities under investment contracts	Unit-linked contracts or contracts without fixed benefits	Adjusted value of underlying assets	Spot price of underlying	N/A
	Contracts with fixed and guaranteed terms	Discounted cash flow	Market interest rates	N/A
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	N/A	Discounted cash flow	Market interest rates	N/A

Condensed notes to the consolidated financial results for the reporting period ended

10. FAIR VALUE MEASUREMENTS *continued*

10.2 Fair value hierarchy and measurements *continued*

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

During the current reporting period there were no changes in the valuation techniques used by the group.

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:

December 2021

N\$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities	-	108 087	9 576	117 664
Advances	-	-	64 980	64 980
Derivative financial instruments	-	117 251	-	117 251
Total financial assets	-	225 339	74 556	299 895
Liabilities				
Recurring fair value measurements				
Short trading position	26,541	-	-	26 541
Derivative financial instruments	-	116 828	-	116 828
Total financial liabilities	26 541	116 828	-	143 369

10. FAIR VALUE MEASUREMENTS *continued*

10.2 Fair value hierarchy and measurements *continued*

December 2020

N\$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities	-	562 470	17 611	580 081
Advances	-	-	268 635	268 635
Derivative financial instruments	-	480 171	-	480 171
Total financial assets	-	1 042 641	286 246	1 328 887
Liabilities				
Recurring fair value measurements				
Derivative financial instruments	-	493 698	-	493 698
Other Liabilities	-	-	40 312	40 312
Total financial liabilities	-	493 698	40 312	534 010

Condensed notes to the consolidated financial results for the reporting period ended

10. FAIR VALUE MEASUREMENTS *continued*

10.2 Fair value hierarchy and measurements *continued*

June 2021

N\$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities	-	494 041	18 016	512 057
Advances	-	-	241 294	241 294
Derivative financial instruments	-	314 626	-	314 626
Total financial assets	-	808 667	259 310	1 067 977
Liabilities				
Recurring fair value measurements				
Derivative financial instruments	-	317 192	-	317 192
Short trading position	-	21 849	-	21 849
Other Liabilities	-	-	607	607
Total financial liabilities	-	339 041	607	339 648

During the reporting period ending 31 December 2021 (31 December 2020), there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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\$ 82 012 (2020: N\$ 314 870) and using more negative reasonable possible assumptions to N\$ 67 100 (2020: N\$ 257 621). These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

10. FAIR VALUE MEASUREMENTS *continued*

10.2 Fair value hierarchy and measurements *continued*

Changes in level 3 fair value instruments

31 December 2021

N\$000	Fair value on June 2021	Gains or losses recognised in profit or loss	Purchases/ (sales)/ issues/ (settlements)	Fair value on December 2021
Assets				
Advances	241 294	5 800	(182 114)	64 980
Investment securities	18 016	3 390	(7 583)	13 823
Total financial assets at fair value	259 310	9 190	(189 697)	78 803

31 December 2020

N\$000	Fair value on June 2020	Gains or losses recognised in profit or loss	Purchases/ (sales)/ issues/ (settlements)	Fair value on December 2020
Assets				
Advances	310 042	951	(42 358)	268 635
Investment securities	21 929	266	(4 584)	17 611
Total financial assets at fair value	331 971	1 217	(46 942)	286 246

30 June 2021

N\$000	Fair value on June 2020	Gains or losses recognised in profit or loss	Purchases/ (sales)/ issues/ (settlements)	Fair value on June 2021
Assets				
Advances	310 042	17 522	(86 270)	241 294
Investment securities	21 929	1 030	(4 943)	18 016
Total financial assets at fair value	331 971	18 552	(91 213)	259 310

Condensed notes to the consolidated financial results for the reporting period ended

10. FAIR VALUE MEASUREMENTS *continued*

10.2 Fair value hierarchy and 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 31 December 2021. With the exception of interest on funding instruments all of these gains or losses are recognised in non interest revenue.

N\$'000	December 2021	December 2020	June 2021
	Gains or losses recognised in profit or loss	Gains or losses recognised in profit or loss	Gains or losses recognised in profit or loss
Advances	5 800	951	17 522
Investment securities	3 390	266	1 030
	9 190	1 217	18 552

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.

N\$'000	December 2021		December 2020		June 2021	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Assets						
Investment securities at amortised cost	6 703 851	7 011 493	7 718 123	7 997 300	6 673 704	6 654 060
Advances at amortised cost	31 004 521	31 162 030	30 044 240	30 040 011	29 965 380	30 017 844
Total	37 708 372	38 173 523	37 762 363	38 037 311	36 639 084	36 671 904
Liabilities						
Deposits	35 188 734	34 092 047	36 467 574	36 454 934	35 663 763	35 675 035
Tier 2 liabilities	402 825	406 722	402 820	408 724	402 770	417 779
Other liabilities	173 239	173 123	204 182	217 456	189 064	188 123
Total	35 764 798	34 671 892	37 074 576	37 081 114	36 255 597	36 280 937

11. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

N\$'000	Six months ended 31 December		Year ended 30 June
	2021	2020	2021
Contingent liabilities	3 642 281	3 813 307	3 605 886
Capital commitments	47 350	185 536	152 336

12. SEGMENT INFORMATION

Group's chief operating decision maker	Chief executive officer
Major customers	The FirstRand group has no major customer as defined (i.e. revenue from the customer exceeds 10% of total revenue) and is, therefore, not reliant on revenue from one or more major customers.

Reportable segments	Products and services
FNB	FNB represents FirstRand's activities in the retail and commercial segments. FNB offers a diverse set of financial products and services to market segments including consumer, small business, agricultural, medium corporate, parastatals and government entities. FNB's products cover the entire spectrum of financial services – transactional, lending, insurance, investment and savings – and include mortgage loans, credit and debit cards, personal loans, funeral, credit life, life and other insurance policies, and savings and investment products. Services include transactional and deposit taking, card acquiring, credit facilities, insurance and FNB distribution channels (branch network, ATMs, call centres, cellphone and online). WesBank represents the group's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments of Namibia.
RMB	RMB represents the group's activities in the corporate and investment banking. RMB offers advisory, financing, trading, corporate transactional banking and principal investing solutions. Ashburton Investments offers focused traditional and alternative investment solutions to individual and institutional investors and combines established active fund management expertise with alternative investment solutions from product providers across the FirstRand group. Ashburton Investments' results are included in this reportable segment, in the prior year it was included under FCC and other. Prior year number not restated as the change is not material.
FCC and other	FCC represents group-wide functions, including group treasury (capital, funding and liquidity and financial resource management), group finance, group tax, enterprise risk management, regulatory and conduct risk management and group internal audit. FCC has a custodianship mandate which includes managing relationships on behalf of the group with key external stakeholders (e.g. shareholders, debt holders, regulators) and the ownership of key group strategic frameworks (e.g. performance measurement, risk/ reward). Its objective is to ensure the group delivers on its commitments to stakeholders. The reportable segment includes all management accounting and consolidated entries.

Condensed notes to the consolidated financial results for the reporting period ended

12. SEGMENT INFORMATION *continued*

N\$'000	Six months ended 31 December			
	2021			
	FNB	RMB	FCC and other	Total
Income from operations	1 598 053	289 819	89 667	1 977 539
Profit for the period	453 522	80 321	85 735	619 578
Depreciation	50 856	552	67	51 474
Amortisation	1 349	523	6 907	8 779
Advances	26 596 407	4 468 817	4 278	31 069 502
Investment securities	89 439	186 163	6 701 343	6 976 945
Total assets	25 760 750	8 991 659	11 779 215	43 059 839
Deposits	20 620 798	8 583 497	5 984 439	35 188 734
Total liabilities	24 876 473	8 778 831	6 926 179	37 109 698

12. SEGMENT INFORMATION *continued*

N\$'000	Six months ended 31 December			
	2020			
	FNB	RMB	FCC and other	Total
Income from operations	1 534 609	249 062	49 146	1 832 816
Profit for the period	435 764	101 663	27 504	564 931
Depreciation	61 272	95	522	61 889
Amortisation	750	-	6 747	7 497
Advances	25 945 340	4 367 532	-	30 312 873
Investment securities	116 214	161 993	8 019 997	8 298 204
Total assets	24 446 859	8 591 995	11 749 381	44 788 233
Deposits	19 958 405	9 530 406	6 978 764	36 467 574
Total liabilities	23 604 019	8 459 622	7 303 381	39 367 021

Condensed notes to the consolidated financial results

for the reporting period ended

12. SEGMENT INFORMATION *continued*

N\$'000	Year ended 30 June			
	2021			
	FNB	RMB	FCC and other	Total
Income from operations	3 001 788	498 826	155 167	3 655 781
Profit for the period	833 916	188 393	10 140	1 032 228
Depreciation	123 317	220	1 138	124 675
Amortisation	1 799	-	14 146	15 945
Advances	26 250 207	3 956 469	-	30 206 674
Investment securities	118 903	80 341	6 986 517	7 185 761
Total assets	24 238 918	7 751 317	11 451 316	43 441 551
Deposits	19 716 883	9 000 839	6 943 995	35 661 763
Total liabilities	23 869 908	7 751 740	6 155 406	37 795 870

CAPITAL ADEQUACY

Banking Operations

N\$'000	Six months ended 31 December		Year ended 30 June
	2021	2020	2021
Risk weighted assets			
Credit risk	25 192 975	26 223 972	25 572 607
Market risk	35 714	67 575	51 134
Operational risk	5 053 128	4 890 152	4 972 202
Total risk weighted assets	30 281 817	31 191 699	30 595 943
Regulatory capital			
Share capital and share premium	1 142 792	1 142 792	1 142 792
Retained profits	3 991 582	3 461 930	4 175 579
Other disclosed reserve	6 334	6 086	6 334
Capital impairment*	(74 527)	(88 371)	(81 599)
Total tier 1	5 066 181	4 522 437	5 243 106
Eligible subordinated debt	400 000	400 000	400 000
General risk reserve, including portfolio impairment	314 927	327 800	319 953
Current board approved profits	280 534	522 976	-
Total tier 2	995 461	1 250 776	719 953
Total tier 1 and tier 2 capital	6 061 642	5 773 213	5 963 059
Banking group			
Capital adequacy ratios			
Tier 1	16.7%	14.5%	17.1%
Tier 2	3.3%	4.0%	2.4%
Total	20.0%	18.5%	19.5%
Tier 1 leverage ratio	10.9%	9.5%	11.4%

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

CAPITAL ADEQUACY

Regulated consolidated group

N\$'000	Six months ended 31 December		Year ended 30 June
	2021	2020	2021
Risk weighted assets			
Credit risk	25 563 669	26 396 703	25 727 559
Market risk	35 714	67 575	51 134
Operational risk	5 174 272	5 002 104	5 093 106
Total risk weighted assets	30 773 655	31 466 382	30 871 799
Regulatory capital			
Share capital and share premium	282 148	282 148	282 148
Retained profits	5 124 802	4 536 447	5 298 061
Capital impairments*	(103 820)	(112 011)	(112 116)
Total tier 1	5 303 130	4 706 584	5 468 063
Eligible subordinated debt	400 000	400 000	400 000
Current board approved profits	280 534	522 976	-
General risk reserve, including portfolio impairment	314 917	327 942	319 958
Capital impairments*	(19 945)	(19 944)	(19 945)
Total tier 2	975 506	1 230 974	700 013
Total tier 1 and tier 2 capital	6 278 636	5 937 558	6 168 106
Consolidated group			
Capital adequacy ratios			
Tier 1	17.2%	15.0%	17.7%
Tier 2	3.2%	3.9%	2.3%
Total	20.4%	18.9%	20.0%
Tier 1 leverage ratio	12.2%	10.5%	12.5%

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

Corporate information

DIVIDEND DECLARATION

Notice is hereby given that an interim cash dividend (number 57) for the six months ended 31 December 2021 of 153 cents per ordinary share was declared on 10 February 2022. The last day to trade shares on a cum dividend basis will be on 01 April 2022 and the first day to trade ex-dividend will be 04 April 2022. The record date will be 08 April 2022 and the payment date 22 April 2022.

BOARD OF DIRECTORS

Il Zaamwani-Kamwi (Chairperson), J Coetzee, OLP Capelao, C Dempsey** (Chief Executive), P Grüttemeyer, CLR Haikali, JH Hausiku, IN Nashandi

**South African with Namibian Permanent Residence

COMPANY SECRETARY

N Makemba

@Parkside, 130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia
Tel: +264 (61) 299 2111

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.frbnamibia.com.na

TRANSFER SECRETARIES

Transfer Secretaries (Pty) Ltd

4 Robert Mugabe Avenue, Windhoek
P O Box 2401, Windhoek, Namibia
Registration No. 93/713.
E-mail: ts@nsx.com.na | Tel: +264 (61) 227 647

SPONSOR

Cirrus Securities (Pty) Ltd (Member of the NSX)

35 Schanzen Road, Windhoek, Namibia,
P O Box 27, Windhoek, Namibia,
Registration No.98/463.
E-mail: sponsor@cirrus.com.na | Tel: +264 (61) 256 666



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