FNB
First National Bank

2020

Annual financial statements

for the year ended 30 June

vision

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

mission

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

Contents

First National Bank of Namibia Limited
Incorporated in the Republic of Namibia
Registration number: 2002/0180

Introductory reports

Performance overview

This year has turned out differently from our earlier expectations of a slightly better 2020. We could not have anticipated the widespread impact that the Novel Coronavirus (COVID-19) pandemic would inflict on the global community. Amidst a tough global economic backdrop, impacted by COVID-19 and a financially challenging environment, we held steadfast in preserving capital and liquidity strength given unfolding market uncertainties. We were selective in our balance sheet expansion and placed emphasis on protecting margins in a low rate environment, while considering the wellbeing of our staff and customers alike. Globally, governments and companies, such as ours, are ramping up efforts to help mitigate the spread of the virus. Our thoughts remain with the communities and individuals, including healthcare workers and first responders, most severely hit by the COVID-19 crisis.

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

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

We continue to create value for all our stakeholders, a welcome assurance that our people, models and franchises are resilient in a tough economic recessionary cycle. The decline in profit before tax was limited to a reduction of 19.5% N$1.23 billion (2019: N$1.53 billion) for the period under review. Pre-lockdown PBT growth was 5.7%. Cost to income ratio increased to 51.4% (2019: 51.2%) and ROE was 17.3% for the period. Costs were well managed, and growth was at 3.2% for the year.

	Group		
N$ million	2020	2019	% change
Earning performance			
Earnings	865	1 060	(18.4)
Balance sheet			
Advances (gross)	31 319	31 118	0.6
Deposits	38 659	36 401	6.2
ROE (%)	17.3	21.2	(3.9)
ROA (%)	1.9	2.6	(0.6)
Credit loss ratio (%)	1.79	0.65	1.07
Performing book coverage ratio (%)	2.12	1.18	0.94
NIACC	149	332	(55.1)
Cost-to-income ratio (%)	51.4	51.2	0.2

Statement of comprehensive income

Interest income

Taking into account the repo rate and prime rate reduction during the reporting period of 275bps, net interest income reduced marginally to N$2 004.7 million (2019: N$2 009.4 million). Interest expense decreased by 0.3% while interest income decreased by 0.2%.

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

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

Impairment losses

The total impairment charge increased year-on-year to N$559.4 million (2019: N$214.8 million). The impairment charge is 1.79% (2019: 0.72%) of gross advances. The increased pressure on customers due to Covid-19 also impacted the Group's impairments.

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

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

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

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

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

Non-interest revenue

NIR grew 6.7%, led by fee and commission income growth of 6.5% driven by strong electronic transaction volumes and ongoing customer acquisition.

Volumes growth on our self-service platforms increased by 14% and the traditional in branch volumes are down 9%. Net fee and commission income represent 88.0% (2019: 88.5%) of group operational NIR.

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

The outbreak of COVID19 has driven the need to increase digital access which in turn drives the digital volumes, in response to the outbreak the group has implemented measures to provide relief to assist customers by discounting transactional fees on digital platforms. +-N$70 million NIR was lost due to the lockdown lower volumes and relief of fees provided to clients.

Operating expenses

Group operating costs have increased by 3.2% to N$1 942 million (2019: N$1 880 million). This is reflected in our cost to income ratio of 51.4% (2019: 51.2%). This level of cost growth is in-line with inflation and it is a culmination of branch transformation strategies implemented a few years ago now bearing fruit.

Staff costs increased by 5.7%. Staff cost growth is influenced by the above inflationary wage increase settlement with the union for non-managerial staff. Leave days utilisation in the second half of the financial year was lower given the lockdown restricting movement in the country, contributing to the overall increase in staff cost. Managerial variable pay was adjusted downwards by REMCO.

The operating costs include N$3.8m contribution to the HOPE Fund (Health optimisation in a Pandemic Emergency), our vehicle to support Government with much needed COVID-19 assistance to the Namibian public.

COVID-19 impact on earnings

Comparing the earnings run rate to pre March 2020 lockdown period to post lockdown, our estimate of earnings lost approximate N$430 million for the current financial year, being decreased NII N$97 million, NIR N$70 million, higher impairments of N$252 milion and PPE expenditure N$3.3 milion and HOPE fund CSR initiative N$3.8 milion.

Tax

FNB Namibia's total current tax charge amounted to N$500 million and indirect taxes incurred at N$43.6 million, the decrease in line with the decline in taxable profits. Indirect taxes are made up by VAT and stamp duties on long term deposits. FirstRand Namibia remains as significant taxpayer. We ensure that all taxes are paid in accordance with the legislative requirements

Statement of financial position

Advances

The group's total assets increased by 4.2% to N$45.7 billion (2019: N$43.9 billion). Net advances making up 66% (2019: 69%) of the balance sheet, reflected a year on year decrease of 1.1% to N$30.1 billion. Growth in private sector credit extension recorded the lowest level ever in history in June 2020, printing at 2.2%.

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

Mortgage loans increased year on year by 4.3% to N$14.1 billion and constitute 47% (2019: 45.0%) of net advances. Our exposure to home loans is reflective of the Namibian banking industry where home loans tend to average 40% of credit extended in the local market.

The tough environment, which was characterised by low consumer confidence, declining vehicle sales, a lengthening replacement cycle and certain risk cutbacks resulted in muted advances growth at WesBank, ending the year at – 5.1%. In the face of increasing competition, WesBank focused on protecting its origination franchise and return profile through disciplined risk appetite.

The decline in FNB commercial's advances reflects the difficult macroeconomic environment, characterised by low business confidence and stress in certain sectors.

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

The COVID-19 relief provided to clients amounted to advances of N$1.46 billion, with repayment cashflow amounting to N$ 122.8 million.

Deposits and funding

Deposit growth was ahead of advances, growing by 6.2% to N$38.6 billion. The FNB franchise was a significant contributor to the deposits growth as 16.9% 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.

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

Capital & regulation

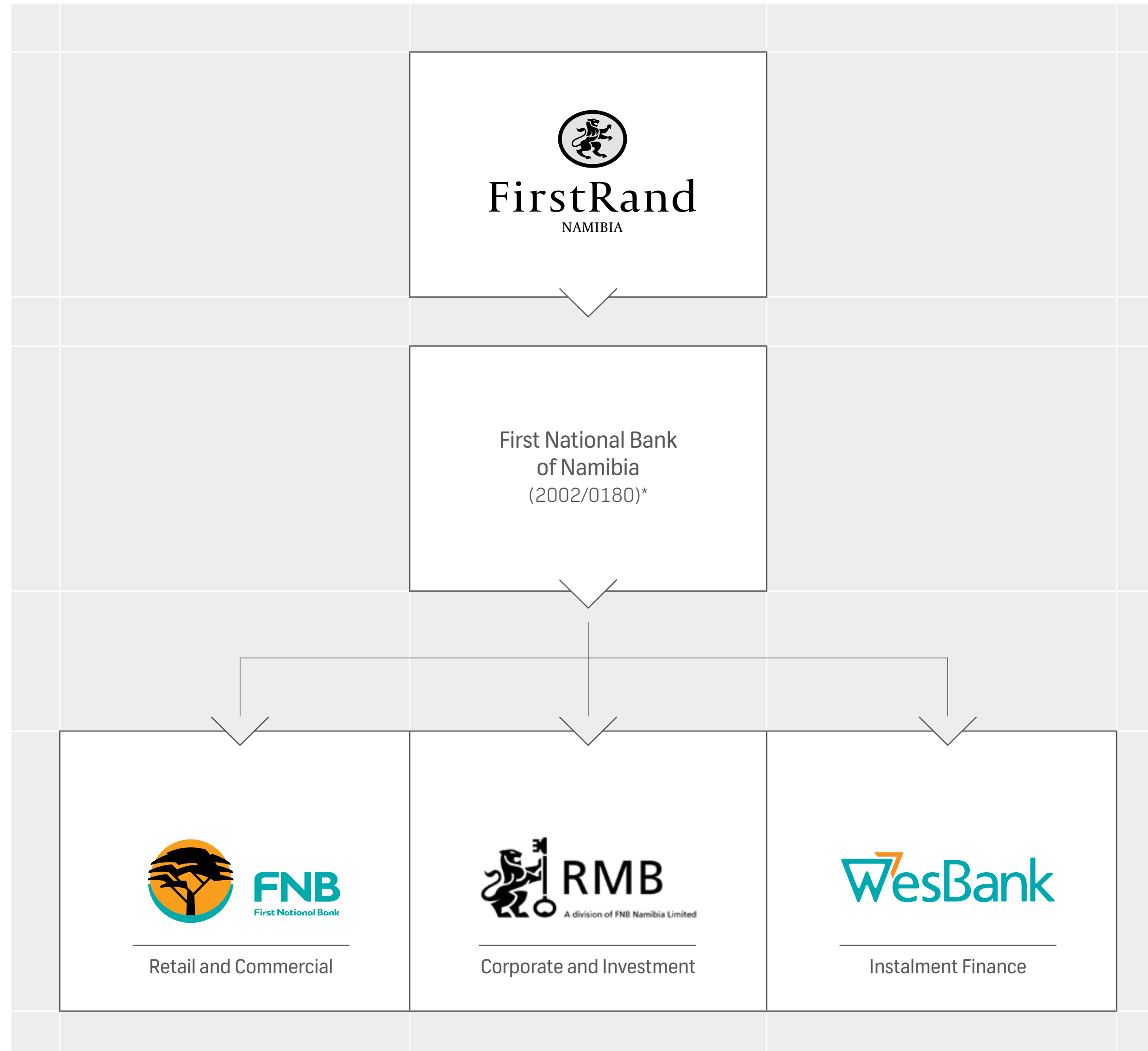
Due to the drought and COVID-19, Bank of Namibia devised strategies to provide some relief to the banking institutions and customers.

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

First National Bank of Namibia considers a strong and efficient capital position to be a priority.

For 30 June 2020, the group remained well capitalised with levels above the minimum regulatory requirements. Capital adequacy ratio was 17.6% and CET 1 capital 15.2%.

Group structure



* Subsidiaries are listed in note 15 of the annual financial statements.

Directors' responsibility statement

The shareholders of First National Bank of Namibia Limited

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

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

In preparing the annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by management. The adoption of the new standard IFRS 16 Leases had the most significant impact on the group in the current year. Refer accounting policy 9 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 66 to 118.

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

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

The directors have reviewed the group and company's budgets and flow of funds forecasts and considered the group and company's ability to continue as a going concern in the light of current and anticipated economic conditions. On the basis of this review, and in light of the current financial position and profitable trading history, the directors are satisfied that the group 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 10 to 14.

The consolidated and separate annual financial statements of the group and company which appear on pages 15 and 240, were approved by the board of directors on 19 August 2020 and signed on its behalf by:

I I Zaamwani – Kamwi
Chairperson

S J Van Zyl
Chief Executive Officer (outgoing)

Windhoek
19 August 2020

Independent auditor's report

to the Members of First National Bank of Namibia Limited

Opinion

We have audited the consolidated and separate financial statements of First National Bank of Namibia Limited ("the company") and its subsidiaries ("the Group") as set out set out on pages 15 to 16 and 60 to 240, which comprise the consolidated and separate statements of financial position as at 30 June 2020 and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies and the directors' report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the First National Bank of Namibia Limited group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and other independence requirements applicable to performing audits of financial statements in Namibia.

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. This matter was addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter – Group and company	How the matter was addressed in the audit
Impairment of advances	
Expected credit losses (ECL) in terms of IFRS 9 Financial Instruments remains an area of significant management judgement and estimation. Following initial adoption, the Group and company continued to enhance models, processes and judgements over the course of the year in response to known limitations and as part of the ongoing annual improvements. The current year has however been further complicated by the impact of the Covid-19 pandemic and the related national lockdown and economic crisis. This adds further uncertainty particularly around the incorporation of forward-looking information to predict the impact on default rates and the realisation of collateral. The Group and company advances broadly fall into three customer segments: • Retail; • Commercial as part of the First National Bank (FNB) business; and • Corporate/Wholesale which forms part of the Rand Merchant Bank (RMB) business. We have set out below the risks and responses based on the ECL approach adopted. The impairment of performing advances was considered to be a matter of significant importance and a Key Audit Matter in our current year audit due to the following: • Advances are material to the financial statements; • The level of subjective judgement applied in determining the ECL on advances; and • The uncertainty related to unprecedented global and local economic stress.	Our audit of the impairment of advances included, inter alia, the following audit procedures performed with the assistance of our credit and actuarial specialists: • Across all significant portfolios we assessed the advances impairment practices applied by management against the requirements of IFRS 9; • In addition, we tested the design and implementation of relevant controls over the processes used to calculate impairments; and • We assessed the Group and company probability-weighted macroeconomic scenario reports and analysed the outlined methodology, scenario views and associated probabilities in terms of the principles of the IFRS 9 standards, including the review of the approval. Below is a summary of the substantive procedures performed for each segment: **Retail and commercial advances** We performed the following procedures on the ECL for retail and commercial advances with the assistance of our credit and actuarial specialists: • Obtained an understanding of the methodologies and assumptions used by management in the various ECL model components (PD, EAD, LGD) and assessed these against the requirements of IFRS 9 and best practice; • Assessed the reasonableness of the significant increase in credit risk ('SICR') criteria adopted by management and tested whether this was correctly and consistently applied in the models; • Assessed the application of forward looking information in the ECL calculation, This included selection of relevant macro-economic variables such as gross domestic product (GDP) and the central bank rates, and assessing whether these variables were appropriate indicators of future losses; • Confirmed that the latest available and relevant probability weighted forward-looking information has been appropriately incorporated within the impairment models by comparing these to widely available market data; • Assessed the accuracy of the Group and company model output at a parameter level and in total against our independent challenger model output, and investigated any material variances; and • Inspected a sample of legal agreements and supporting documentation to assess the legal right to and existence of collateral.

<table>
<tr><th>Key audit matter – Group and company</th><th>How the matter was addressed in the audit</th></tr>
<tr><th colspan="2">Impairment of advances continued</th></tr>
<tr><td>
Portfolio Impairments
Where clients have not defaulted on their advances, management uses a portfolio provisioning approach in which they use statistical models incorporating various judgements and assumptions in developing their expected credit losses on the portfolio of clients. The inputs into the modelling process require significant management judgement, including:

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

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

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

Related disclosures in the Consolidated and Separate Financial statements:

• Note 4.1 – Accounting policy for financial instruments;
• Note 8.4 – Critical accounting estimates, Assumptions and Judgements;
• Note 11 – Advances to customers;
• Note 12 – Impairment of advances; and
• Note 29 – Financial risk management.
</td><td>
Corporate advances
We performed the following procedures on the ECL for corporate advances with the assistance of credit and actuarial specialists:

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

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

We determined the impairment of allowances to be within a reasonable range.
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Other Information

The directors are responsible for the other information. The other information comprises the Performance Overview, Group Structure, Directors' Responsibility Statement, Risk Report and the Corporate Governance Report which we obtained prior to the date of this auditor's report. The other information does not include the consolidated and separate financial statements, Directors' report and our Auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte & Touche

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

Per J Cronjé
Partner

PO Box 47, Windhoek, Namibia
28 September 2020

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

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

Directors' report

Nature of business

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

Share capital

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

The company's authorised share capital at year-end consists of 4 000 (2019: 4 000) ordinary shares of N$1 each.

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

Dividends

During the current year cash dividends of N$ 1 250 million (2019: N$ 525 million) were declared and paid out by the company. Included in above is the special dividend of N$ 669 million

Interest of directors

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

Group results and Covid 19 impact

The financial statements on pages 08 to 240 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 overview of financial results on pages 03 to 06.

Directorate

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

The First National Bank of Namibia Limited Board Chairperson is an independent non-executive director, whose role is separate from that of the chief executive officer. The Chairperson held office till the first board meeting in 2018, where she was duly re-elected after consideration of her independence. The Chairperson continues to provide the First National Bank of Namibia Limited the direction necessary for an effective board.

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

II Zaamwani-Kamwi (Chairperson)
SH Moir** (Deputy Chairperson)
SJ van Zyl (Chief Executive Officer)
OLP Capelao (Chief Financial Officer)
JG Daun
P Grüttemeyer
CLR Haikali
JH Hausiku
Adv. GS Hinda
JR Khethe*
GCP Kruger* (Resigned 19 August 2020)
IN Nashandi

* South African
** South African with Namibian Permanent Residence

Board changes

During the period under review a non-executive director was added to the board, Mr P Grüttemeyer appointed effective 8 April 2020. Mr S van Zyl retires as director and CEO effective 30 September 2020. Mr GCP Kruger resigned effective 19 August 2020.

Directors' emoluments

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

Management by third parties

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

Insurance

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

Property and equipment

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

Holding company

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

Subsidiaries and associate

Interest in and aggregate profits of subsidiaries are set out in note 15 to the annual financial statements.

Company secretary and registered offices

Company secretary
N Makemba

Registered office
130 Independence Avenue
Windhoek

Postal address
P O Box 195
Windhoek
Namibia

Events subsequent to the reporting date

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

Risk report

Risk report

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

Risk reporting

The group's robust and transparent risk-reporting process enables key stakeholders (including the board and strategic executive committee) to:

- obtain an accurate, complete and reliable view of the group's financial and non-financial risk profile;
- make appropriate strategic and business decisions;
- evaluate and understand the level and trend of material risk exposures and the impact on the group's capital position; and
- make timely adjustments to the group's future capital requirements and strategic plans.

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

Risk governance

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

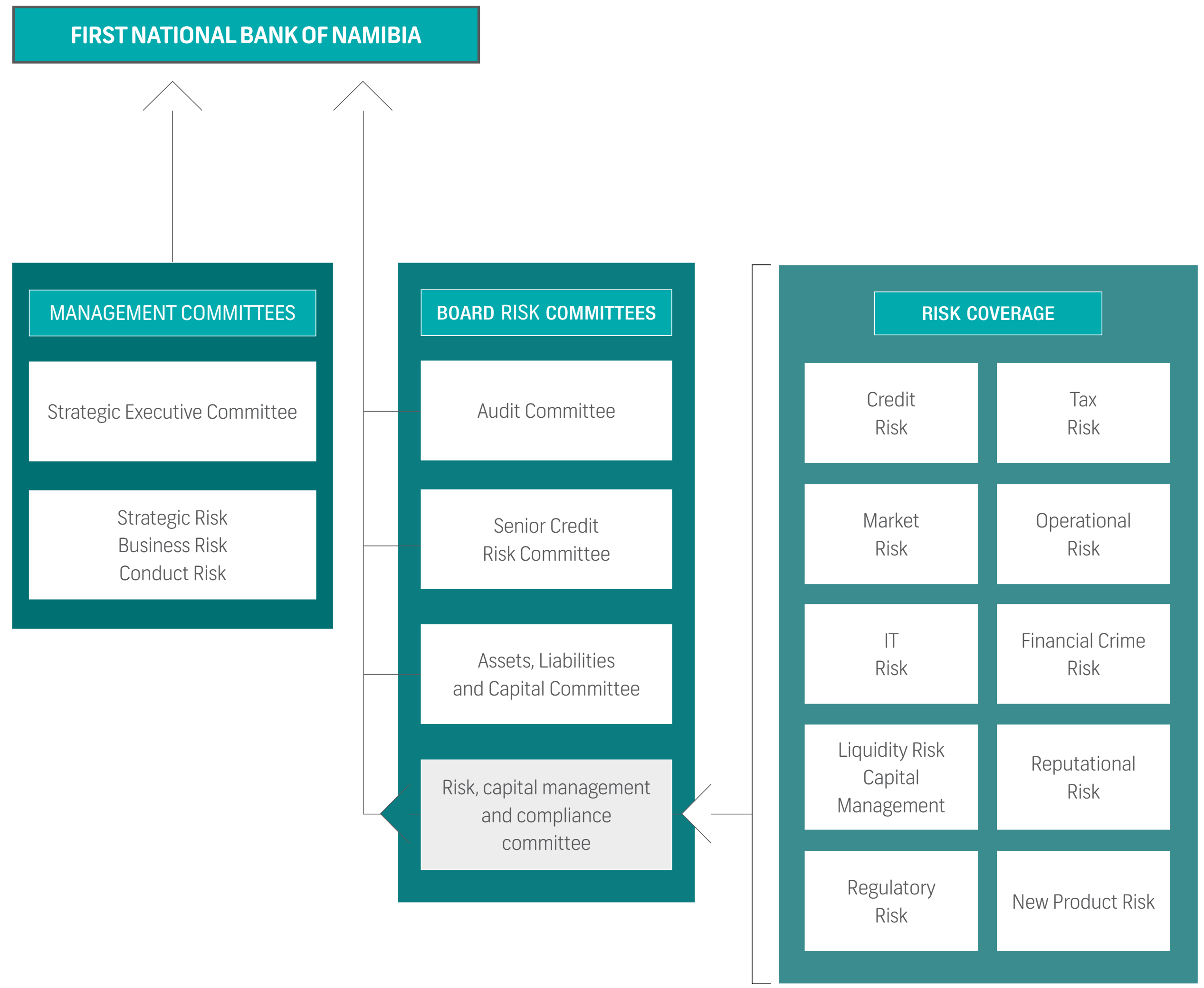
Strong governance structures and policy frameworks foster the embedding of risk considerations in business processes and ensure that consistent standards exist across the group. In line with the group's corporate governance framework, the board retains ultimate responsibility for providing strategic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

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

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

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

Risk governance continued



Risk management approach

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

These frameworks include:

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

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

Effective risk management is key to the successful execution of strategy and is based on: • risk-focused culture with multiple points of control applied consistently throughout the group; • combined assurance process to integrate, coordinate and align the risk management and assurance processes within the group to optimise the level of risk, governance and control oversight; • strong risk governance through the application of financial and risk management disciplines through frameworks; and • Risk taking is an essential part of the group's business and the group explicitly recognises core competencies as necessary and important differentiators in the competitive environment in which it operates.	These core risk competencies are integrated in all management functions, business areas and at risk-type level across the group to support business by providing the checks and balances to ensure sustainability, performance, achievement of desired objectives, and avoidance of adverse outcomes and reputational damage. A business profits from taking risks, but will only generate an acceptable profit commensurate with the risk from its activities if the risks are properly managed and controlled. The group's aim is not to eliminate risk, but to achieve an appropriate balance between risk and reward. This balance is achieved by controlling risk at the level of individual exposures, at portfolio level and in aggregate across all risk types and businesses through the application of its risk appetite framework. The group's risk appetite framework enables organizational decision making and is aligned with the Group's strategic objectives.

Risk appetite

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

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

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

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

The Board adopted the following guiding statements to frame appetite:

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

Risk culture

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

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

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

Combined assurance

Formal enterprise-wide governance structures for enhancing the practice of combined assurance at group are overseen by the audit committee. The primary objective of the group and assurance forums is for the assurance providers to work together with management to deliver appropriate assurance cost effectively. The assurance providers in this model include GIA, senior management, ERM, RRM and external auditors. The combined outcome of independent oversight, validation and audit tasks performed by the assurance providers ensure a high standard across methodological, operational and process components of the group's risk and capital management.

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

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

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

REPUTATIONAL RISK

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

Business activities and resultant risks

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

REGULATORY AND CONDUCT RISK

Introduction

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

Regulatory and Conduct Risk Management

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

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

Regulatory and Conduct Risk Management Department

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

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

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

YEAR UNDER REVIEW

Key Regulatory Developments

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

Key RCRM focus areas:

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

Emerging Risks

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

Operational risk definition

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

Operational risk management framework

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

The Operational Risk Framework is applied as follows:

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

Risk appetite and tolerance thresholds

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

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

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

Operational losses

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

Summarised commentary on operational risk events

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

CURRENT AND EMERGING CHALLENGES AND OPPORTUNITIES

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

ASSESSMENT AND MANAGEMENT

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

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

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

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

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

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

LEGAL RISK

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

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

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

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

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

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

FRAUD RISK

Introduction and objectives

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

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

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

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

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

Trends

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

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

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

Focus areas

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

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

MARKET RISK

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

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

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

Market Risk in the Banking Book

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

INTEREST RATE RISK

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

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

- Yield Curve Risk – Re-pricing mismatches can also expose a bank to loss in the event of changes in the slope and shape of the yield curve. Yield curve risk is the risk that unanticipated shifts in the yield curve will have adverse effects on a bank's income or underlying value.

- Basis Risk – This risk arises when there is an imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics. When interest rates change, these differences may give rise to unexpected changes in the cash flow and earnings spread between assets, liabilities and off-balance sheet instruments of similar maturities or re-pricing frequencies.

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

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

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

LIQUIDITY RISK

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

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

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

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

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

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

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

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

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

External Stress Testing

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

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

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

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

CREDIT RISK

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

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

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

Credit risk management objectives are two-fold:

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

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

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

Credit risk profile

	Group		Company	
N$ million	2020	2019	2020	2019
Gross advances	31 319	31 118	31 078	30 820
Credit loss ratio (%)	1.79%	0.65%	1.80%	0.65%
NPLs as % of advances	4.37%	2.72%	4.34%	2.74%
Specific coverage ratio (%)	44.4%	41.3%	46.9%	42.9%
Total impairments coverage ratio (%)	3.96%	2.27%	3.99%	2.27%
Performing book coverage ratio (%)	2.12%	1.18%	2.13%	1.16%

CREDIT RISK continued

Assessment and management

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

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

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

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

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

Mapping of FR grades to rating agency scales

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

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

Credit risk classification and impairment policy

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

Specific impairments

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

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

Portfolio impairments

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

COVID-19 Relief

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

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

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

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

Other financial relief mechanisms employed by the group included customers being offered a three-month payment holiday, during which interest accrued at the contractual rate and at the end of the relief period, the instalment was adjusted accordingly.

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

Corporate governance

CORPORATE GOVERNANCE REPORT

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

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

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

First National Bank of Namibia Limited group;s main business is banking financial service provider, regulated by the Bank of Namibia in terms of the Banking Institution Act No 2 of 1998 as amended. First National Bank of Namibia Limited has debt listed on the Namibia Stock Exchange (NSX) and complies with the Stock Exchanges Control Act of 1985, NamCode on Corporate Governance and the listing requirements of the exchange. The directors of First National Bank of Namibia Limited ensure compliance with all relevant legislation and other best practice regulations.

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

CHIEF EXECUTIVE OFFICER

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

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

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

GROUP COMPANY SECRETARY

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

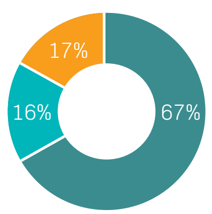
Nelago Makemba was appointed as First National Bank of Namibia group company secretary in May 2015 and is also the company secretary to the board committees. All directors have full access to the services and advice of the group company secretary in all aspects of the board's mandate and operations of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

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

COMPOSITION OF BOARD, INDEPENDENCE OF DIRECTORS AND DEMOGRAPHICS

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

Independence status

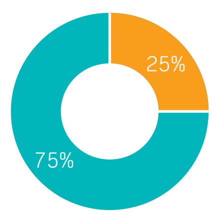


Independent non-executive

Executive

Non-executive

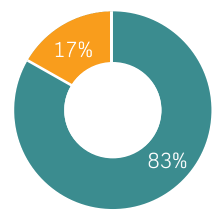
Employed by FNB Group



Yes

No

Residence

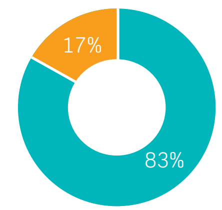


Namibian

Non Resident

COMPOSITION OF BOARD, INDEPENDENCE OF DIRECTORS AND DEMOGRAPHICS continued

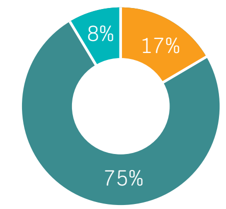
Gender diversity



Male

Female

Citizenship



Foreign

Namibian

Foreign with permanent residence

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

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

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

COMPOSITION OF BOARD, INDEPENDENCE OF DIRECTORS AND DEMOGRAPHICS continued

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

* Appointed 08 April 2020

BOARD COMMITTEE COMPOSITION

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

Audit Committee

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

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

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

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

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

Expertise and adequacy of finance function

The committee received and deliberated on the expertise, resources and experience of the company's finance function. The Committee confirmed that they are satisfied with the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function. The finance structure follows the group structure in that each segment / brand has its own finance team reporting to the respective Executive Officers of the segment or support unit head.

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

Expertise and adequacy of the internal audit function

The committee has assessed and is satisfied that the internal audit function has adequate skills and resources. The internal audit function provided assurance to the board on the adequacy and effectiveness of the group's internal control and risk management practices, and the integrity of financial reporting systems. Internal audit duly assisted management by making recommendations for improvements to the control and risk management environment. The committee received regular reports from group internal audit on weaknesses in controls that were identified, including financial controls, and considered corrective actions to be implemented by management.

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

External audit function

The Audit Committee has satisfied itself as to the performance and quality of the external audit and that the external auditors and lead partners were independent of the group. The Audit Committee is satisfied with the efficacy and independence of the independent auditor, Deloitte & Touche, who performed the audit for the year and further confirms that the appointment of Deloitte & Touche, together with that of the designated individual audit partner, was assessed in accordance with the Listings Requirements. The audit firm Deloitte & Touche, will be proposed to the shareholders at the upcoming Annual General Meeting for approval to be the Group's auditor for the 2021 financial year. Application has been made to the regulator in terms of the Banking Institutions Determination 10 (BID-10).

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

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

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

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

The committee confirms that it was able to carry out its work to fulfil its mandate under normal and unrestricted conditions. The committee is satisfied that the assurance obtained during the meetings, corroborated by the review of the documentation deemed necessary and its own analyses, sustain its conclusions reached for the 2020 financial year.

SH Moir
Chairperson, Audit Committee

Risk, Capital & Compliance Committee (RCCC)

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

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

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

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

SH Moir
Chairperson, Risk, Capital & Compliance Committee

Remuneration Committee (REMCO)

1. SCOPE

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

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

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

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

2. COMMITTEE MEMBERSHIP

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

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

3. REMUNERATION PHILOSOPHY

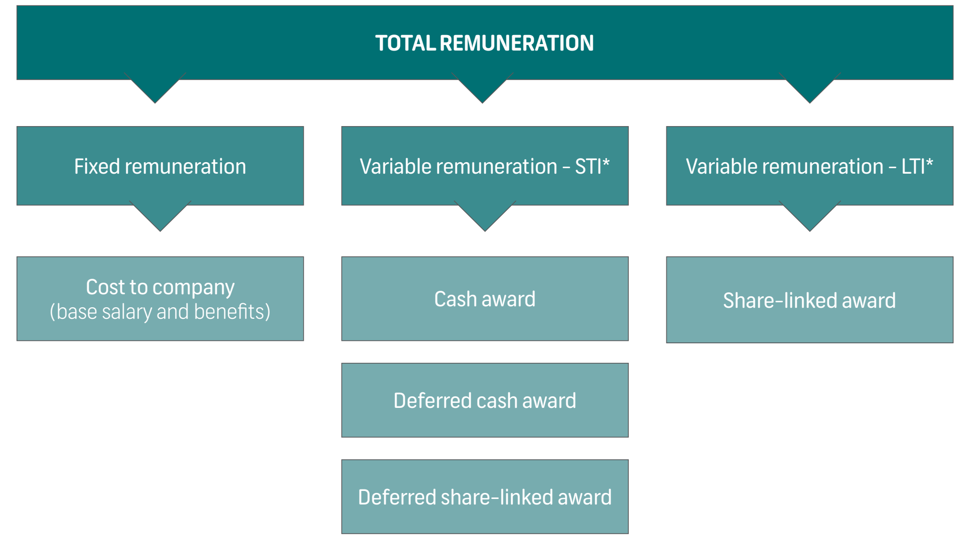
The Group's remuneration philosophy is based on FirstRand founders long-held view that remuneration must align with shareholder value. This ethos has shaped the group's remuneration philosophy and is anchored in the performance management framework through which performance is managed at individual,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

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

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

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

3. REMUNERATION PHILOSOPHY continued



* Variable remuneration is subject to malus and clawback provisions

4. REMUNERATION POLICY AND STRUCTURES

4.1. Guaranteed pay

Cash Package (Based on Cost to Company)

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

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

4. REMUNERATION POLICY AND STRUCTURES continued

4.1. Guaranteed pay continued

Guaranteed Pay Benchmarking

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

FNB engage independent service providers to benchmark market data pertaining to guaranteed remuneration. The PwC Remchannel® salary survey is specifically used to benchmark against the market as it is the most comprehensive survey in Namibia in terms of reach and information supplied. It also provides each industry with a comparator circle to ensure that benchmarking is done against peers at the correct level. This approach ensures that guaranteed pay packages are competitive allowing FNB to attract and retain the right caliber of employees. The surveyed information is used extensively during the annual remuneration review exercise to ensure appropriate pay levels.

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

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

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

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

Retirement contribution

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

Medical Aid contribution

All employees are contractually obliged to belong to a medical aid.

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay

Short-Term Incentive (STI) Scheme

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

First National Bank of Namibia does not follow a stern formulaic approach to determine the STI pool annually but uses a combination of both financial and nonfinancial performance measures.

As regard financial measures, the STI pool is determined using such performance measures as return on equity (ROE), normalized earnings growth and NIACC for the year under review as well as over a cumulative six-year period as this reflects the length of a normal business cycle. For an STI pool to be established, the ROE hurdle rates need to be met i.e. ROE must at least exceed COE while NIACC must at minimum be positive.

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

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

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

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

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

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

Long-Term Incentive (LTI) Scheme

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

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

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

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

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

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

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

FirstRand Conditional Incentive Plan (CIP)

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

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

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

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

Other LTI considerations

Outstanding LTIs

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

1. **Retirement:** The LTI awards of employees who retire in terms of the group's retirement policy continue for the duration of the performance period and remain subject to the normal rules and performance conditions.
2. **Retrenchment and death:** LTI awards are pro-rated and deemed to be vested. From 2018, the awards are pro-rated for the remaining vesting period and a probability of vesting is applied based on performance to date measured against the roll-forward vesting conditions to date.
3. **Injury, disability or ill health:** LTI awards are pro-rated and deemed to be vested. From 2018, the awards are pro-rated for the remaining vesting period and a probability of vesting is applied based on performance to date measured against the roll-forward vesting conditions to date.
4. **Resignation:** Employees who resign before the vesting date of the outstanding LTIs will forfeit these awards. However, on rare occasions, depending on the circumstances, REMCO may apply its discretion to allow some or all the outstanding awards to remain in force until the normal vesting date with specific conditions applicable to the employee's future role.

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

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

Vesting Considerations of 2017 LTIs

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

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

Malus and claw back

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

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

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

Sign-on awards

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

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

DIRECTORS REMUNERATION

Executive Directors

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

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

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

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

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

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

Key financial performance metrics for the year ended 30 June 2020 and the Executive Directors' remuneration. The committee believes that this increase and the underlying remuneration mix detailed in this report, is consistent with the Group's remuneration governance framework.

Normalised earnings growth (%)	ROE (%)	NIACC (N$m)	Dividends per share growth (%)	Headline earnings growth (%)	CTI (%)
(6.6%)	16.0%	N$ 81.5m	(26.0%)	(19.1%)	52.6%

DIRECTORS REMUNERATION continued

Executive Directors continued

Remuneration Sarel van Zyl First National Bank of Namibia CEO (outgoing)
Growth in reward and awards

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

Remuneration Oscar Capelao First National Bank of Namibia CFO
Growth in reward and awards

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

1. Variable compensation paid in cash in respect of the year ended June is paid (with an interest factor) in three tranches during the following year ending on 30 June, i.e. August, December and June.
2. Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate performance targets being met on a cumulative basis over three years.

DIRECTORS REMUNERATION continued

Non-Executive Directors

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

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

FirstRand Staff Assistance Trust

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

AGM

The FirstRand Namibia remuneration policy and report received an endorsement of 78.4%.

REMCO proceedings

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

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

The Committee is comfortable that it has rewarded FirstRand employees appropriately in the year under review. The committee is thus satisfied that it has executed its duties during the past financial year in accordance with its charter, relevant legislation, regulation and governance practices. The effectiveness of the committee is assessed annually by the board. The Chairperson attends the annual general meeting.

Ranga Haikali
Chairperson, Remuneration Committee

Directors' Affairs & Governance Committee (DAGC)

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

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

Board Competency & Skills Assessment Outcome

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

Director Succession and Appointment

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

Retirement of Deputy-Chairperson

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

Retirement of Chief Executive Officer

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

Non-Executive (including Independent Non-Executive) Director Attendance

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

Consideration and approving the annual review of non-executive directors' fees

The Committee, duly assisted by the Remuneration Committee considered the remuneration benchmark survey, while noting that ultimately fees should reflect the skills, competency, time and inputs required from an independent director, within the limits of the entity's affordability. Given the current market conditions and impact of COVID-19, the committee unanimously resolved to approve a 0% increase in directors fees for the second consecutive year.

Monitoring progress with the boards on-going director development programme and identifying relevant areas of training for the board

Other ongoing training and education courses allow directors to familiarise themselves with the Groups operations, the business environment, fiduciary duties and responsibilities, and the board's expectations in respect of a director's commitment, ethical behaviour and keeping abreast of regulatory changes and trends. The directors' affairs and governance committee oversees director induction and ongoing training programmes and will continue to make professional development of its members a priority. Directors have full and unrestricted access to management, group information and property. They are entitled to seek independent professional advice in support of their duties at the group's expense. During the year the board attended Data Privacy and X Strategy training.

DIRECTORS' AFFAIRS AND GOVERNANCE COMMITTEE continued

Making recommendations on the re-election of directors retiring by rotation

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

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

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

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

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

S Moir
Chairperson, Directors Affairs & Governance Committee

Ethics and Conduct Committee

First National Bank of 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 FNB Group.

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

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

The role of the committee is to:

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

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

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

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

S van Zyl
Chairperson, Ethics and Conduct Committee

Board of directors

Inge Zaamwani-Kamwi
Namibian :: 61

Chairperson

Independent non-executive director

LLB (Hons) – London; LLM – Dundee

Appointed April 2003

Stuart Moir
Namibian permanent res :: 72

Deputy Chairperson

Independent non-executive director

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

Appointed November 2005

Sarel van Zyl
Namibian :: 58

Chief Executive Officer

Executive director

BBA Certificate in Applied Management, BBA, MBA

Appointed December 2014

Jantje Daun
Namibian :: 53

Independent non-executive director

B.Com (Hon), CA (SA)

Appointed March 2017

Christiaan Ranga Haikali
Namibian :: 51

Independent non-executive director

BBA (Entrepreneurship)

Appointed February 2006

Peter Grüttemeyer
Namibian :: 66

Independent non-executive director

BCom (Hon), CA (SA)

Appointed April 2020

Oscar Capelao
Namibian :: 41

Chief Financial Officer

Executive director

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

Appointed March 2016

Gerson Hinda
Namibian :: 58

Independent non-executive director

B.Juris, LLB, LLM

Appointed February 2017

Jabulani Khethe
South African :: 57

Independent non-executive director

B.Com (Banking), MBA

Appointed August 2006

Justus Hausiku
Namibian :: 41

Independent non-executive director

CTA Hons (Accounting), BA

Appointed April 2017

Gert Kruger
South African :: 47

Non-executive director

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

Appointed June 2018
Resigned August 2020

I-Ben Nashandi
Namibian :: 49

Non-executive director

BCom, MSc Financial Economics, Masters Development Finance

Appointed January 2019

DIRECTORSHIPS, TRUSTEESHIPS AND COMMITTEE MEMBERSHIP

Inge Zaamwani-Kamwi Namibian
Board Chairperson

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

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

Sarel van Zyl Namibian
Chief Executive Officer

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

External directorships: FGE Investments No 3 CC

Stuart Moir Deputy Chairperson
South African with Namibian Permanent Residence

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

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

Oscar Capelao Namibian
Chief Financial Officer

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

External directorships: National Housing Enterprise, Namibian Stock Exchange

Jantje Daun Namibian

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

External directorships & trusteeships: Cornerstone (Pty) Ltd

Peter Grüttemeyer Namibian

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

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

Christiaan **Ranga** Haikali Namibian

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

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

Justus Hausiku Namibian

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

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

Gerson Hinda Namibian

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

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

Jabulani Khethe South African

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

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

Gert Kruger South African

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

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

I-Ben Nashandi Namibian

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

External directorship: GIPF Trustee

Capital management

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

Capital management

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

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

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

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

Governance and oversight

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

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

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

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

Capital overview and compliance

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

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

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

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

TIER 1

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

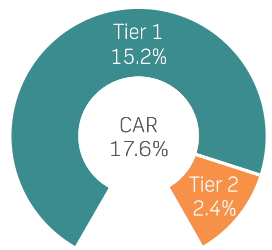
Additional Tier 1
- Qualifying capital instruments

TIER 2

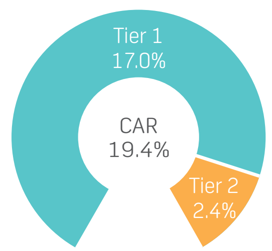
- Qualifying capital instruments
- Revaluation reserves
- Loan loss reserves
- Unaudited profits (approved by the board, with a phase-out over 5 years, after which only "reviewed" profits are included in Tier 1 capital)

Capital adequacy

June 2020



June 2019



The dividend policy plays a pivotal role in the management of the group's CET1 position and the group maintained a dividend cover of 2 for the 2020 financial year. The long-term dividend cover range remains unchanged at 1.8x to 3x. During the year cash dividends of N$ 1 249 million (2019: N$ 525 million) were declared and paid out be the company. Included in above is the special dividend of N$ 669 million.

Regulatory developments and proposals

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

	Phase-in 2020	Phase-in 2021	End-state 2022	Covid relief	Board Limits
Core equity	6.0%	6.0%	6.0%	6.0%	-
Capital conservation buffer	1.5%	2.0%	2.0%	0.0%	-
CET1 minimum	7.5%	8.0%	8.5%	6.0%	>11.5%
Additional Tier 1	1.5%	1.5%	1.5%	1.5%	-
Tier 1 minimum	9.0%	9.5%	9.5%	7.5%	-
Tier 1 (maximum)	2.5%	2.5%	2.5%	2.5%	-
Total CAR minimum	11.5%	12.0%	12.0%	10.0%	>14.0%

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

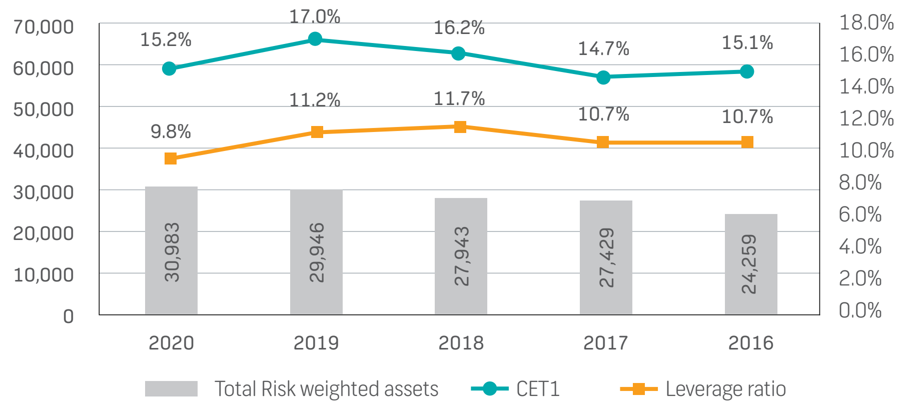
The following measures were introduced:

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

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

Regulatory developments and proposals continued

Capital highlights



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

Capital adequacy of Banking Operations

	Banking operations	
	Year ended 30 June	
N$'000	2020	2019
Risk weighted assets		
Credit risk	26 149 501	25 368 468
Market risk	38 256	53 508
Operational risk	4 796 815	4 524 168
Total risk weighted assets	30 984 572	29 946 144
Regulatory capital		
Share capital and share premium	1 142 792	1 142 792
Retained profits	3 650 827	4 032 962
Other disclosed reserves	6 086	6 000
Capital impairment: intangible assets	(81 349)	(92 799)
Total tier 1	4 718 356	5 088 955
Eligible subordinated debt	400 000	400 000
General risk reserve, including portfolio impairment	326 869	316 675
Capital impairments*	-	-
Total tier 2	726 869	716 675
Total tier 1 and tier 2 capital	5 445 225	5 805 630
Banking group		
Capital adequacy ratios		
Tier 1	15.2%	17.0%
Tier 2	2.4%	2.4%
Total	17.6%	19.4%
Tier 1 leverage ratio	9.8%	11.2%

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

Accounting policies

1. INTRODUCTION AND BASIS OF PREPARATION

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

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

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

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

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

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

1.1 COVID-19 impact

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

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

While the specific areas of judgement detailed in accounting policy note 8 did not change, given the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impact of such a pandemic has resulted in, additional judgements having been applied within those identified areas, which has resulted in changes to the estimates and assumptions that have been applied in the measurement of some of the group's assets and liabilities from the prior period.

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

1.2 Significant estimates, judgements and assumptions

The table below provides an overview of the areas where additional judgement has been applied and includes references to the relevant sections in the notes to the annual financial statements, where additional information has been included.

Description	Additional information
Impairment of goodwill	
In line with the group's accounting policies, the group has assessed its goodwill balances for impairment. The current year assessment incorporated the budgetary information for the next financial period which contains the punitive impact of COVID-19 as well as the budgets for the foreseeable future for a period of between 3 and 5 years.	Note 18 *intangible assets.*
Impairment provisions on advances	
Incorporating forward-looking information	
Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the group's forward-looking assumptions for the purposes of its Expected Credit Loss (ECL), has been provided. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of the social and economic consequences of COVID-19 will manifest, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.	Accounting policy note 8.4 *Impairment of financial assets -Forward-looking information.*
Significant increase in credit risk	
The group has not approached the ECL impact of COVID-19 on an overall blanket approach (where COVID-19 is seen as a Significant Increase in Credit Risk (SICR) trigger that will result in the entire portfolio of advances moving into their respective next staging bucket). A more systematic and targeted approach to the impact of COVID -19 on the customer base is being undertaken rather, which is in line with the group's existing policy documented in the Group Credit Impairment Framework.	Accounting policy note 8.4 *Impairment of financial assets*

1.2 Significant estimates, judgements and assumptions continued

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

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

Description	Additional information
Overall application of the going concern principle	
The directors have reviewed the group and company's budgets and flow of funds forecasts and considered the group and company's ability to continue as a going concern in light of current and anticipated economic conditions. These budgets and flow of funds forecasts took the impact of the COVID-19 pandemic into consideration, including projections of the impact on the group's capital, funding and funding requirements, all of which have remain within internal targets and above regulatory requirements. As part of this assessment, the Board considered the sufficiency of the group's financial resources throughout the pandemic. The management of the group's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of the group's stated growth and return targets and is driven by the group's overall risk appetite. Forecast growth in earnings and balance sheet risk weighted assets (RWA) is based on the group's macroeconomic outlook and is evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies. The expected outcomes and constraints are then stress tested, and the group sets targets through different business cycles and scenarios. On the basis of this review, and in light of the current financial position and profitable trading history, the directors are satisfied that the group and company has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.	Director's responsibility statement page 08.

1.2 Significant estimates, judgements and assumptions continued

Financial instruments	
COVID-19 debt relief measures provided to customers	
Due to the COVID-19 pandemic and resultant impact on the economy, a liquidity crisis was experienced by a large number of customers across the group. In order to assist customers, the group has provided various relief measures to customers. In the retail and commercial segments, these included the following: - New facilities being granted,; - Restructure of existing exposures with no change in the present value of the estimated future cash flows; and - Restructure of existing exposures with a change in the present value of the estimated future cash flows. For wholesale exposures bespoke debt relief measures were provided on a client-by-client basis. In order to determine the appropriate accounting treatment of the restructure of existing facilities and related additional disclosures required, the principles set out in accounting policy note 4.3 were applied.	For the impact on the staging of debt relief measures refer to accounting policy note 8.4 *Impairment of financial assets - Treatment of financial relief offered in response to the impacts of COVID-19.*
Financial risks	
The group's robust risk management framework continues to be applied across the various risk areas introduced by financial instruments and the various risk owners continues to monitor the impact of COVID-19 on the group's risk profile. Non-financial risks emerging from global movement restrictions, and remote working by our staff, counterparties, clients and suppliers are being identified, assessed, managed and governed through timely application of the group's risk management framework.	Note 29 *Risk Management*

Impairment of advances (significant judgement and estimates)

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1	Introduction and basis of preparation	COVID-19 impact (section 1.1)	Significant estimates, judgements and assumptions (section 1.2)	
2	Subsidiaries and associate	Consolidation and equity accounting (section 2.1)	Related party transactions (section 2.2)	
3	Income, expenses and taxation	Income and expenses (section 3.1)	Taxation (section 3.2)	
4	Financial instruments IFRS 9	Classification and measurement (section 4.1)	Impairment (section 4.2)	Transfers, modifications and de-recognition (section 4.3)
		Offset and collateral (section 4.4)	Derivatives and accounting (section 4.5)	
5	Other assets and liabilities	Property and equipment (section 5.1)	Intangible assets (section 5.1)	Provisions (section 5.1)
		Leases (section 5.2)		
6	Capital and reserves	Share capital and treasury shares	Dividends	Other reserves
7	Transactions with employees	Employee liabilities (section 7.1)	Share-based payment transactions (section 7.2)	
8	Critical judgements	Introduction (section 8.1)	Subsidiaries and associates (section 8.2)	Taxation (section 8.3)
		Impairment of financial assets (IFRS 9) (section 8.4)	Provisions (section 8.5)	Transactions with employees (section 8.6)
9	Impact of adopting revised accounting standards	Key impact of revised standards adoption (section 9.1)	Impact on consolidated SOFP (section 9.2)	Impact on consolidated income statement (section 9.3)
		Impact on consolidated statement of cash flows (section 9.3)		

1. INTRODUCTION AND BASIS OF PREPARATION continued

The following new standards were adopted in the current year:

New / revised IFRS	Description of change	Impact on FirstRand group
IFRS 16	The group adopted IFRS 16 effective 1 July 2019, which replaces IAS 17 and various related interpretations. IFRS 16 introduced a single lease accounting model for lessees, which had an impact on the group's financial results as at 1 July 2019. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents leasing transactions. Under IFRS 16, the accounting treatment of leases by the lessee has changed fundamentally as it eliminates the dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.	The group has adopted the modified retrospective approach with no restatement of prior period information on the date of initial application. Where the group is the lessee under an operating lease, the following amounts were recognised on the date of initial adoption (DIA): • A lease liability included in other liabilities measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate for the remaining period of the lease. • A corresponding right-of-use asset included in a new category within property, plant and equipment. • The group's remaining operating leases fell within the short-term and low value exemption, which resulted in no lease liability or right-of-use asset having to be recognised at DIA. For more details on the group policy for these assets, please refer to accounting policy note 9. The amended disclosure requirements of IFRS 16 and the updated presentation of operating leases, where the group is the lessee, will be prospectively applied by the group. Therefore, all comparative presentation and disclosures relating to operating leases are based on the measurement requirements of IAS 17. The adoption of IFRS 16 did not have an impact on leases where the group is the lessor. For more detail on the amounts recognised on the DIA, refer to accounting policy note 9 Impact of adopting new standards.

1. INTRODUCTION AND BASIS OF PREPARATION continued

Presentation of financial statements, functional and foreign currency

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

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

2. SUBSIDIARIES AND ASSOCIATE

2.1 Basis of consolidation and equity accounting

	Subsidiaries and other structured entities	Associate
Typical shareholding in the assessment of entities that are not structured entities	Greater than 50%	Between 20% and 50%
Nature of the relationship between the group and the investee	Entities over which the group has control as defined in IFRS 10 are consolidated. These include certain investment funds managed by the group, securitisation structures or other entities used for the purpose of buying or selling credit protection.	Entities over which the group has significant influence as defined in IAS 28.
Associate		
The company measures investments in the above entities at cost less impairment (in terms of IAS 36), with the exception of investments acquired and held exclusively with the view to disposing of them in the near future (within 12 months). These investments are measured at fair value less cost to sell in terms of IFRS 5.		
Consolidated financial statements		
	Consolidation	**Equity accounting**
Initial recognition in the consolidated financial statements	Subsidiaries acquired are accounted for by applying the acquisition method of accounting to business combinations. The excess (shortage) of the sum of the consideration transferred, the value of non-controlling interest, the fair value of any existing interest, and the fair value of identifiable net assets, is recognised as goodwill or a gain on bargain purchase, as set out further below. Transaction costs are included in operating expenses within profit or loss when incurred.	Associate are initially recognised at cost (including goodwill) and subsequently equity accounted. The carrying amount is increased or decreased to recognise the group's share of profit or loss from the investee after the date of acquisition. Items that impact the investee's net asset value that don't impact other comprehensive income are recognised directly in gains less losses from investing activities within non-interest revenue.
Intercompany transactions and balances	Intercompany transactions are all eliminated on consolidation, including unrealised gains. Unrealised losses on transactions between group entities are also eliminated unless the transaction provides evidence of impairment of the transferred asset, in which case the transferred asset will be tested for impairment in accordance with the group's impairment policies.	Unrealised gains on transactions are eliminated to the extent of the group's interest in the entity. Unrealised losses are also eliminated to the extent of the group's interest in the entity, unless the transaction provides evidence of an impairment of the transferred asset.

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

2. SUBSIDIARIES AND ASSOCIATE continued

2.1 Basis of consolidation and equity accounting continued

Consolidated financial statements continued		
	Consolidation	**Equity accounting**
Impairment	In the consolidated financial statements either the cash generating unit (CGU) is tested, i.e. a grouping of assets no higher than an operating segment of the group; or, if the entity is not part of a CGU, the individual assets of the subsidiary and goodwill are tested for impairment in terms of IAS 36.	The group applies the indicators of impairment in IAS 28 to determine whether a loss event exists, which would constitute objective evidence of impairment. Objective evidence of impairment for an investment in the associate includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associate. This indicates that the cost of the investment in associate may not be recovered. A significant or prolonged decline in the fair value of an associate investment below its cost is also considered objective evidence of impairment. The entire carrying amount of the investment, including other long-term interests, is tested for impairment. Certain loans and other long-term interests in associates are considered to be, in substance, part of the net investment in the entity when settlement is neither planned nor likely to occur in the foreseeable future. Such items may include preference shares and long-term receivables or loans, but do not include trade receivables or any long-term loans for which adequate collateral exists. These loans and other long-term interests in associates are included in advances on the face of the statement of financial position and are measured in terms of IFRS 9. The value of such loans after any expected credit losses raised for IFRS 9 where such loans are measured at amortised cost is, however, included in the carrying amount of the investee for purposes of determining the share of losses of the investee attributable to the group and for impairment testing purposes. Any resulting impairment losses are recognised as part of the share of profits or losses from associates.

2. SUBSIDIARIES AND ASSOCIATE continued

2.1 Basis of consolidation and equity accounting continued

Consolidated financial statements continued		
	Consolidation	Equity accounting
Goodwill	Goodwill on the acquisition of businesses and subsidiaries represents excess consideration transferred and is recognised as an intangible asset at cost less accumulated impairment losses. If this amount is negative, as in the case of a bargain purchase, the difference is immediately recognised in gains less losses from investing activities within non-interest revenue. Goodwill is tested annually for impairment by the group in March, or earlier if there are objective indicators of impairment. For subsidiaries acquired between March and June a goodwill impairment test is performed in June in the year of acquisition and thereafter annually in March. For testing purposes, goodwill is allocated to a suitable CGU. Impairment losses in respect of goodwill are not subsequently reversed.	

2. SUBSIDIARIE AND ASSOCIATES continued

2.2 Related party transactions

Related parties of the group, as defined, include:

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

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

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

3. INCOME, EXPENSES AND TAXATION

3.1 Income and expenses

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

3. INCOME, EXPENSES AND TAXATION continued

Non-interest and financial instrument revenue recognised in profit or loss	
Non-interest revenue from contracts with customers	
Under IFRS 15, where a five-step analysis is required to determine the amount and timing of revenue recognition, the group assesses contracts and determines whether the fees identified in the contract relate to revenue as defined in IFRS 15. The revenue is recognised only if the group can identify the contract and the performance obligation (i.e. the different services) and can determine the transaction price which is allocated to the identifiable performance obligations. The revenue is then recognised as and when the performance obligation is satisfied, which may be over time or at a point in time.	
Fee and commission income	Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers and are recognised in non-interest revenue. Fee and commission income is earned by the group by providing customers with a range of services and products, and consists of the following main categories: • Banking fee and commission income. • Knowledge-based fee and commission income. • Management, trust and fiduciary fees. • Fee and commission income from service providers. Fee and commission income is earned on the execution of a significant performance obligation, which may be as the performance obligation is fulfilled (over time) or when the significant performance obligation has been performed (point in time). Fees earned on the execution of a significant act typically include transactional banking fees, such as bank charges, interchange fees, point-of-sale fees, exchange commissions, cash deposit fees and knowledge-based fee and commission income. Where the performance obligation is satisfied over a period of time, the fees are recognised as follows: • Fees for services rendered are recognised on an accrual basis as the service is rendered and the group's performance obligation is satisfied, e.g. annual card fees and asset management and related fees; and • Commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis. Commitment fees for unutilised funds made available to customers in the past are recognised as revenue at the end of the contract period. Commitment fees paid upfront for a future facility, where it is not probable that a specific lending arrangement will be entered into by the group, are recognised as revenue on a straight-line basis over the period for which the funds are promised to be kept available.

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Non-interest and financial instrument revenue recognised in profit or loss	
Non-interest revenue from contracts with customers	
Fee and commission expenses	Fee and commission expenses are expenses that are incremental and directly attributable to the generation of fee and commission income and are recognised as part of fee and commission income. These include transaction and service fees, which are expensed as the services are received. The group operates a customer loyalty programme, Rewards, in terms of which it undertakes to provide reward credits to customers when they transact. Reward credits are recognised as fee and commission expenses as incurred.

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

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

Expenses	
Expenses of the group, apart from certain fee and commission expenses included in net fee and commission income, are recognised and measured in terms of the accrual principle and presented as operating expenses in profit or loss.	
Indirect tax expense	Indirect tax includes other taxes paid to central and local governments and include value-added tax. Indirect tax is disclosed separately from income tax and operating expenses in the statement of comprehensive income.

3. INCOME, EXPENSES AND TAXATION continued

3.2 Income tax expenses

Income tax includes Namibian corporate tax payable.

Current income tax	
The current income tax expense is calculated by adjusting the net profit for the year for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date, in each particular jurisdiction within which the group operates.	
Deferred income tax	
Recognition	On temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.
Typical temporary differences for which deferred tax is provided	• Provision for loan impairment. • Instalment credit assets. • Revaluation of certain financial assets and liabilities, including derivative contracts. • Provisions for post-retirement medical benefits. • Share-based payment liabilities.
Measurement	The liability method under IAS 12 is used, which means applying tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
Presentation	Deferred income tax is presented as profit or loss unless it relates to items recognised directly in equity or other comprehensive income. Items recognised directly in equity or other comprehensive income relate to: • The issue or buy-back of share capital; • Fair value remeasurement of financial assets measured at fair value through other comprehensive income; and • Remeasurements of defined benefit post-employment plans. Tax in respect of share transactions is recognised directly in equity. Tax in respect of the other items is recognised directly in other comprehensive income and subsequently reclassified to profit or loss (where applicable) at the same time as the related gain or loss.
Deferred tax assets	The group recognises deferred income tax assets only if it is probable that future taxable income will be available against which the unused tax losses can be utilised. The group reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

4. FINANCIAL INSTRUMENTS

4.1 Classification and measurement

4.1.1 Initial measurement

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

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

4.1.2 Classification and measurement

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

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and measurement continued

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

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and measurement continued

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.
Cash and cash equivalents
Cash and cash equivalents comprise of coins and bank notes, money at call and short notice and balances with central banks. All balances included in cash and cash equivalents have a maturing date of less than three months from the date of acquisition. Money at call and short notice constitutes amounts withdrawable in 32 days or less. Cash and cash equivalents are measured at amortised cost.

Retail advances		
	Business model	**Cash flow characteristics**
Retail advances	FNB, WesBank hold retail advances to collect contractual cash flows. Their business models focus on growing these advances within acceptable credit appetite limits and maintaining strong collection practices. The products included under this business model include: • residential mortgages; • vehicle and asset finance; • personal loans; • credit card; and • other retail products such as overdrafts.	The cash flows on retail advances are solely payments of principal and interest. Interest charged to customers compensates the group for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and measurement continued

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

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and measurement continued

Investment securities		
Investment securities	Group Treasury holds investment securities with lower credit risk (typically government bonds and treasury bills). These investment securities are held in a business model with the objective of collecting contractual cash flows.	The cash flows on these investment securities are solely payments of principal and interest.
Other assets		
Other assets	Other financial assets are short-term financial assets that are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.
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	In certain instances, IBD originates advances with the mandate of distributing an identified portion of the total advances in the secondary market within an approved time frame. The reason for originating these advances is not to collect the contractual cash flows, but rather to realise the cash flows through the sale of the assets.	Any advances which are originated to distribute or managed on a fair value basis; or are held to collect contractual cash flows but include cash flows related to upside features, conversion options, payments linked to equity or commodity prices or prepayment penalties that exceed reasonable compensation for early termination of the contract, will be included in this category.
Investment securities	RMB Global Markets holds portfolios of investment securities (including corporate and government bonds) to hedge risks or for short-term profit realisation. These securities are managed on a fair value basis.	
	All equity investments of the group are managed on a fair value basis, either through profit or loss (FVTPL) or designated at fair value through other comprehensive income.	
Derivative assets	Derivatives are either held for trading or to hedge risk. These instruments are managed on a fair value basis.	
Equity investments at fair value through other comprehensive income		
Investment securities	The group has elected to designate certain equity investments not held for trading to be measured at fair value through other comprehensive income.	

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.3 Classification and subsequent measurement of financial liabilities and compound instruments

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

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

This policy applies to:

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

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

4. FINANCIAL INSTRUMENTS continued

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

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

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

4. FINANCIAL INSTRUMENTS continued

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

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

4. FINANCIAL INSTRUMENTS continued

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

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

4.3 Transfers, modifications and derecognition

Financial instruments are derecognised when:

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

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

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

4. FINANCIAL INSTRUMENTS continued

4.3 Transfers, modifications and derecognition continued

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

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

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

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

4. FINANCIAL INSTRUMENTS continued

4.4 Offsetting of financial instruments and collateral

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

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

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

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

4. FINANCIAL INSTRUMENTS continued

4.5 Offsetting of financial instruments and collateral

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

Derivative instruments are classified as held for trading.

5. OTHER ASSETS AND LIABILITIES

5.1 Classification and measurement

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

5. OTHER ASSETS AND LIABILITIES continued

5.1 Classification and measurement continued

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

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

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

5. OTHER ASSETS AND LIABILITIES continued

5.2 Leases IFRS 16

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

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

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

5. OTHER ASSETS AND LIABILITIES continued

5.2 Leases IFRS 16 continued

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

5. OTHER ASSETS AND LIABILITIES continued

5.3 Leases IAS 17

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

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

6. CAPITAL AND RESERVES

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

7. TRANSACTIONS WITH EMPLOYEES

7.1 Employee benefits

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

Defined benefit plans	
Defined benefit obligation liability	**Recognition** The liabilities these funds are reflected as a liability in the statement of financial position, i.e. the present value of the defined benefit obligation at the reporting date.
	Measurement The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The discount rate used is the rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.
Profit or loss	Included as part of staff costs: • Current and past service costs calculated on the projected unit credit method. • Gains or losses on curtailments and settlements that took place in the current period. • Net interest income calculated by applying the discount rate at the beginning of the period to the net asset or liability. • Actuarial gains or losses on long-term employee benefits.
Other comprehensive income	All other remeasurements in respect of the obligation are included in other comprehensive income and never reclassified to profit or loss.

7. TRANSACTIONS WITH EMPLOYEES continued

7.1 Employee benefits continued

Termination benefits	
The group recognises termination benefits as a liability in the statement of financial position and as an expense, included in staff costs, in profit or loss when it has a present obligation relating to termination. The group has a present obligation at the earlier of the following two occurrences: when the group can no longer withdraw the offer of the termination benefit or when the group recognises any related restructuring costs.	
Liability for short-term employee benefits	
Leave pay	The group recognises a liability for the employees' rights to annual leave in respect of past service. The amount recognised by the group is based on current salary of employees and the contractual terms between the employee and the group. The expense is included in staff costs.
Bonuses	The group recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid, and the amount can be reliably measured. The expense is included in staff costs.

7.2 Share-based payment transactions

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

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

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

8.1 Introduction

In preparing the financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting estimates, assumptions and judgements made by the group, except those related to fair value measurement, which are included in note 30.

8.2 Subsidiaries and associate

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

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.2 Subsidiaries and associate continued

Subsidiaries continued	
Exposure to variable returns	Factors considered include: • the group's rights in respect of profit or residual distributions; • the group's rights in respect of repayments and return of debt funding; • whether the group receives any remuneration from servicing assets or liabilities of the entity; • whether the group provides any credit or liquidity support to the entity; • whether the group receives any management fees and whether these are market-related; and • whether the group can obtain any synergies through the shareholding, not available to other shareholders. Benefits could be non-financial in nature as well, such as employee services etc.
Ability to use power to affect returns	Factors considered include: • whether the group is acting as an agent or principal; • if the group has any de facto decision-making rights; • whether the decision-making rights the group has are protective or substantive; and • whether the group has the practical ability to direct the relevant activities.
Associate	
Determining whether the group has significant influence over an entity: • Significant influence may arise from rights other than voting rights, for example management agreements. • The group considers both the rights that it has as well as currently exercisable rights that other investors have when assessing whether it has the practical ability to significantly influence the relevant activities of the investee.	
Structured entities	
Structured entities are those where voting rights generally relate to administrative tasks only and the relevant activities are determined only by means of a contractual arrangement. When assessing whether the group has control over a structured entity specific consideration is given to the purpose and design of the structured entity, and whether the group has power over decisions that relate to activities that the entity was designed to conduct.	

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.2 Subsidiaries and associate continued

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

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.2 Subsidiaries and associate continued

Impairment of goodwill continued
The period over which management has projected cash flows ranges between three and five years. The cash flows from the final cash flow period are extrapolated into perpetuity to reflect the long-term plans of the group. The growth rate does not exceed the long-term average past growth rate for the business in which the CGU operates. The group assessed the recoverable amount of goodwill based on value in use and determined that goodwill is impaired, mainly as a result of the impact of Covid-19 on the expected future cash flows.

8.3 Taxation

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

8.4 Impairment of financial assets

Impairment of advances
In determining whether an impairment loss should be recognised, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.
The objective of the measurement of an impairment loss is to produce a quantitative measure of the group's credit risk exposure. The group 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.

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Impairment of advances continued

Forward-looking information (FLI)

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

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

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

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

The following scenarios were applied at 30 June 2020:

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

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

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Namibia

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

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

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

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Significant macroeconomic factors

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

Group and company

30 June 2020

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

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

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

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

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

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Judgement	Retail and retail SME	Wholesale and commercial SME
Measurement of the 12-month and lifetime ECL	Parameters are determined on a pooled basis, with exposures pooled on a portfolio level at a minimum. Where appropriate, more granular pooling is applied. The inputs used to determine parameter values include historically observed behaviour, as well as behavioural and demographic information related to individual exposures currently on book. PD parameters are determined through assessment of the influence that various risk drivers have had on historical default rates. EAD parameter estimates are based on product characteristics and historical draw-down and payment behaviour. LGDs are determined by estimating expected future cash flows. These cash flows include direct costs and proceeds from the sale of collateral. Collateral recovery rates are based on historically observed outcomes. The statistical models applied implicitly assume that risk drivers that influence default risk, payment behaviour and recovery expectations within the historical data will continue to be relevant in the future.	Parameters are determined based on the application of statistical models that produce estimates based on counterparty-specific financial information and transaction characteristics. These characteristics include the nature of available collateral. Due to the specialised nature of these exposures, parameters produced by models are taken through a robust review and challenge process before being applied to calculate expected credit losses, and are required to be signed off by a committee of wholesale and commercial credit experts who can motivate adjustments to modelled parameters.
	Parameters are calibrated for the calculation of 12-month and lifetime ECL using term structures that consider borrower risk, account age, historical behaviour, transaction characteristics and correlations between parameters. Term structures have been developed over the entire remaining contractual lifetime of an instrument. The remaining lifetime is limited to the contractual term of instruments in the portfolio, except for instruments with an undrawn commitment such as credit cards, where there is not a contractual expiry date. In such instances the remaining term is determined with reference to the change in client requirements that would trigger a review of the contractual terms, for example an increase in limit. Expected credit losses on open accounts are discounted from the expected date of default to the reporting date using the asset's original effective interest rate or a reasonable approximation thereof.	

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

<table>
<tr><th>Judgement</th><th>Retail and retail SME</th><th>Wholesale and commercial SME</th></tr>
<tr><td rowspan="2">Measurement of the 12-month and lifetime ECL continued</td><td colspan="2"> Although COVID-19 has had a negative impact on the economies in which the group operates, in isolation COVID-19 initially reflected a liquidity constraint more so than an inherent increase in credit risk for the entire portfolio of advances held by the group and as such the group did not impose a blanket downgrade to all ECL stages. Rather a more systematic and targeted approach to the impact of COVID-19 on the group's customer base was undertaken, following the group's existing credit framework, which allowed for a well-balanced and consistent decisions that considered not only the impact of COVID-19, but existing economic trends as well. As such, the group did not view requests for payment deferrals and liquidity assistance as the sole indicator that SICR had occurred for performing advances. </td></tr>
<tr><td> In accordance with IFRS 9, all exposures are assessed to determine whether there has been a significant increase in credit risk (SICR) at each reporting date (monthly), in which case the expected credit loss is calculated on a lifetime basis. SICR triggers are client behavioural based and are derived from client behavioural scores as well as judgemental factors. These triggers are portfolio specific and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk with reference to historic default on that portfolio. The group uses a relative movement in probability of default between reporting date and origination date to determine if there was a significant increase in credit risk. These levels are monitored and validated on a continuous basis. Management also considers other judgemental triggers, for example behaviour on other products and anticipated changes in legislation. Management also considers other judgemental triggers, for example behaviour on other products and anticipated changes in legislation. Additional judgemental triggers, such as employment in industries in distress, have also been considered in the context of COVID-19 and its financial impacts. </td><td> In accordance with IFRS 9, all exposures are assessed to determine whether there has been a significant increase in credit risk at each reporting date (monthly), in which case the expected credit loss is calculated on a lifetime basis. SICR triggers are client behavioural based and are derived from a client FR rating or risk score, as well as judgemental factors which may result in the client being added to the watch list through the group's ongoing risk management process. These triggers are tested at a deal and client level and the former is calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk. Additional judgmental triggers, such as belonging to an industry in distress, are considered in the context of the financial impact of COVID-19. The group uses a relative movement in probability of default between reporting date and origination date to determine if there was a significant increase in credit risk, and the client's watch list status at a point in time. These levels are monitored and validated on a continuous basis. </td></tr>
</table>

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

<table>
<tr><th>Judgement</th><th>Retail and retail SME</th><th>Wholesale and commercial SME</th></tr>
<tr><td>Sensitivity staging</td><td colspan="2"> As outlined above, when there is a SICR since initial recognition, the exposure is moved from stage 1 to stage 2 and the ECL is calculated based on lifetime expected credit losses. As indicated, the group did not apply a blanket downgrade to all ECL stages due to COVID-19. However, adjustments were made to coverage held for COVID-19 relief to allow for the impact of delayed arrears recognition, which results from an inability to observe normal arrears behaviour. The following table sets out the impact on the staging and total ECL provisions recognised if COVID-19 restructures had been viewed as a blanket downgrade to the next stage: Group and Company
<table>
<tr><th>N$ 000's</th><th>Stage 1</th><th>Stage 2</th><th>Stage 3</th></tr>
<tr><td>Total ECL provision as at 30 June 2020</td><td>370 147</td><td>263 526</td><td>607 860</td></tr>
<tr><td>Additional provision recognised if the exposures had moved into stage 2 from stage 1</td><td>-</td><td>14 776</td><td>-</td></tr>
<tr><td>Additional provision recognised if the exposures had moved into stage 3 from stage 2</td><td>-</td><td>-</td><td>14 959</td></tr>
<tr><td>Potential total ECL provision as at 30 June 2020</td><td>370 147</td><td>278 302</td><td>622 819</td></tr>
</table>
The table below sets out the impact of a 10% increase in the post model adjustments for COVID-19 relief currently provided for in the ECL:
<table>
<tr><th>N$ 000's</th><th>Stage 1</th><th>Stage 2</th><th>Stage 3</th></tr>
<tr><td>Total ECL provision as at 30 June 2020</td><td>370 147</td><td>263 526</td><td>607 860</td></tr>
<tr><td>Additional provisions</td><td>8 263</td><td>4 962</td><td>1 377</td></tr>
<tr><td>Potential total ECL provision as at 30 June 2020</td><td>378 410</td><td>268 488</td><td>609 237</td></tr>
</table></td></tr>
</table>

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

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

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

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

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.5 Provisions

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

8.6 Transactions with employees

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

9. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS

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

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

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

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

9. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS continued

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

N$'000	Note	Amount
ROUA recognised on DIA (equal to the present value of lease liability)		
Property held under finance leases under IAS 17	4	61 022
Total ROUA as at 1July 2019 (included in PPE)		**61 022**

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

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

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

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

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

9. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS continued

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

IMPACT ON THE STATEMENT OF FINANCIAL POSITION

N$'000	As previously reported at 30 June 2019	Adjustment for IFRS 16	1 July 2019
Assets			
Property and equipment	859 081	61 022	920 103
Total assets	859 081	61 022	920 103
Liabilities			
Other liabilities	220 486	65 877	286 363
Creditors, accruals and provisions (Straight-lining liability)	371 483	(4 855)	366 628
Total liabilities	591 969	61 022	652 991
Equity			
Ordinary shares	1	-	1
Share premium	1 142 791	-	1 142 791
Reserves	4 038 966	-	4 038 966
Capital and reserves attributable to equity-holders of the group	5 181 758	-	5 181 758
Total equity	5 181 758	-	5 181 758
	5 773 727	-	5 834 749

Annual financial statements

for the year ended 30 June 2020

Statements of comprehensive income
for the year end 30 June

N$'000	Note(s)	Group 2020	Group 2019	Company 2020	Company 2019
Interest and similar income	1	3 852 376	3 861 956	3 833 490	3 817 827
Interest expense and similar charges	2	(1 847 660)	(1 852 528)	(1 847 660)	(1 831 476)
Net interest income before impairment of advances		2 004 716	2 009 428	1 985 830	1 986 351
Impairment and fair value of credit advances		(559 413)	(214 808)	(557 651)	(216 380)
Net interest income after impairment of advances		1 445 303	1 794 620	1 428 179	1 769 971
Non-interest revenue	3	1 772 437	1 661 671	1 782 856	1 660 100
Income from operations		3 217 740	3 456 291	3 211 035	3 430 071
Operating expenses	4	(1 941 563)	(1 880 702)	(1 938 024)	(1 882 048)
Net income from operations		1 276 177	1 575 589	1 273 011	1 548 023
Share of profit of associate after tax		1 492	3 730	-	-
Income before indirect tax		1 277 669	1 579 319	1 273 011	1 548 023
Indirect tax	6	(43 639)	(45 515)	(43 251)	(45 496)
Profit before taxation		1 234 030	1 533 804	1 229 760	1 502 527
Income tax expense	6	(369 166)	(473 766)	(361 376)	(465 968)
Profit for the year		864 864	1 060 038	868 384	1 036 559

N$'000	Note(s)	Group 2020	Group 2019	Company 2020	Company 2019
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit post-employment plans		3 755	(146)	3 755	(146)
Deferred income tax		(1 202)	47	(1 202)	47
Total items that will not be reclassified to profit or loss		2 553	(99)	2 553	(99)
Other comprehensive income for the year		2 553	(99)	2 553	(99)
Total comprehensive income for the year		867 417	1 059 939	870 937	1 036 460

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

Statements of financial position

for the year end 30 June

		Group		Company	
N$'000	Note(s)	2020	2019	2020	2019
Assets					
Cash and cash equivalents	8	1 105 368	1 380 801	1 105 368	1 380 801
Due by banks and other financial institutions		4 442 443	2 803 841	4 442 443	2 803 841
Derivative financial instruments	9	519 294	459 072	519 294	459 072
Investment securities	10	8 381 307	7 577 680	8 381 307	7 577 680
Advances	11	30 078 229	30 412 740	29 843 241	30 119 613
Other assets*	13	213 708	272 399	252 515	306 026
Investment in associate	14	-	12 339	-	1 154
Investments in subsidiaries	15	-	-	104 608	170 864
Property and equipment **	16	885 904	859 081	863 883	839 313
Intangible assets	17	81 350	92 799	81 349	92 798
Total assets		45 707 603	43 870 752	45 594 008	43 751 162

		Group		Company	
N$'000	Note(s)	2020	2019	2020	2019
Equity and Liabilities					
Liabilities					
Derivative financial instruments	9	534 035	480 490	534 035	480 490
Creditors and accruals	20	506 974	371 483	505 973	369 998
Current tax liability		62 610	181 539	62 450	176 578
Deposits	21	38 659 136	36 401 396	38 656 569	36 398 982
- Deposits from customers		30 933 479	26 174 449	30 930 912	26 172 035
- Debt securities		7 607 682	9 796 914	7 607 682	9 796 914
- Due to banks and other financial institutions		117 975	430 033	117 975	430 033
Employee liabilities	18	193 076	237 587	193 076	237 587
Other liabilities**	22	286 186	220 486	286 186	220 486
Tier 2 liabilities	23	402 774	402 804	402 774	402 804
Deferred income tax liability	19	263 101	393 209	266 643	399 408
Total liabilities		40 907 892	38 688 994	40 907 706	38 686 333
Equity					
Ordinary shares	24	1	1	1	1
Share premium	24	1 142 791	1 142 791	1 142 791	1 142 791
Reserves		3 656 919	4 038 966	3 543 510	3 922 037
		4 799 711	5 181 758	4 686 302	5 064 829
Total Equity and Liabilities		45 707 603	43 870 752	45 594 008	43 751 162

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

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

Statements of changes in equity

for the year end 30 June

N$'000	Share capital	Share premium	Total share capital	Defined benefit post-employment reserve	Share based payment reserve	General risk reserve	Retained earnings	Total equity
Group								
Balance as at 1 July 2018	1	1 142 791	1 142 792	3 632	7 727	163 140	3 374 806	4 692 097
Profit for the year	-	-	-	-	-	-	1 060 038	1 060 038
Other comprehensive loss	-	-	-	(99)	-	-	-	(99)
Total comprehensive income for the year	-	-	-	(99)	-	-	1 060 038	1 059 939
Transfer of vested equity options	-	-	-	-	1 120	-	-	1 120
Share-based payments	-	-	-	-	(6 380)	-	6 380	-
Transfers to(from) reserves	-	-	-	-	-	(163 140)	163 140	-
Ordinary dividends	-	-	-	-	-	-	(525 424)	(525 424)
Dividend in specie	-	-	-	-	-	-	(45 974)	(45 974)
Balance at 01 July 2019	1	1 142 791	1 142 792	3 533	2 467	-	4 032 966	5 181 758
Profit for the year	-	-	-	-	-	-	864 864	864 864
Other comprehensive income	-	-	-	2 553	-	-	-	2 553
Total comprehensive income for the year	-	-	-	2 553	-	-	864 864	864 864
Transfer of vested equity options	-	-	-	-	280	-	-	280
Share-based payments	-	-	-	-	(2 747)	-	2 747	-
Ordinary dividends	-	-	-	-	-	-	(1 249 744)	(1 249 744)
Balance at 30 June 2020	1	1 142 791	1 142 792	6 086	-	-	3 650 833	4 799 711
Note(s)	24	24	24					

N$'000	Share capital	Share premium	Total share capital	Defined benefit post-employment reserve	Share based payment reserve	General risk reserve	Retained earnings	Total equity
Company								
Balance at 01 July 2018	1	1 142 791	1 142 792	3 632	7 727	163 140	3 280 384	4 597 675
Profit for the year	-	-	-	-	-	-	1 036 559	1 036 559
Other comprehensive loss	-	-	-	(99)	-	-	-	(99)
Total comprehensive income for the year	-	-	-	(99)	-	-	1 036 559	1 036 460
Transfer of vested equity options	-	-	-	-	1 120	-	-	1 120
Share-based payments	-	-	-	-	(6 380)	-	6 380	-
Transfers to(from) reserves	-	-	-	-	-	(163 140)	163 140	-
Ordinary dividends	-	-	-	-	-	-	(525 424)	(525 424)
Dividend in specie	-	-	-	-	-	-	(45 002)	(45 002)
Balance as at 1 July 2018	1	1 142 791	1 142 792	3 533	2 467	-	3 916 037	5 064 829
Profit for the year	-	-	-	-	-	-	868 384	868 384
Other comprehensive income	-	-	-	2 553	-	-	-	2 553
Total comprehensive income for the year	-	-	-	2 553	-	-	868 384	870 937
Transfer of vested equity options	-	-	-	-	280	-	-	280
Share-based payments	-	-	-	-	(2 747)	-	2 747	-
Ordinary dividends	-	-	-	-	-	-	(1 249 744)	(1 249 744)
Balance at 30 June 2020	1	1 142 791	1 142 792	6 086	-	-	3 537 424	4 686 302
Note(s)	24	24	24					

Statements of cash flows
for the year end 30 June

		Group		Company	
N$'000	Note(s)	2020	2019	2020	2019
Cash flows from operating activities					
Interest and commission receipts		5 396 893	5 319 515	5 376 289	5 273 722
Other non-interest income		215 163	194 822	227 288	194 496
Interest payments**		(1 847 660)	(1 852 528)	(1 847 660)	(1 831 476)
Other operating expenditure**		(1 749 658)	(1 651 382)	(1 759 504)	(1 653 066)
Cash flows from operation activities	26	2 014 741	2 010 427	1 996 413	1 983 676
Liquid assets and trading securities		(2 442 229)	(2 922 785)	(2 442 229)	(2 925 449)
Advances		(221 538)	(1 969 035)	(277 916)	(2 042 235)
Deposits		2 257 740	3 865 653	2 257 587	3 818 547
Other assets*		(58 691)	32 864	(53 511)	35 528
Creditors*		310 943	19 795	298 056	1 564
Employee liabilities		(44 511)	211	(44 511)	211
Other liablities**		(209)	18 571	(209)	16 903
Taxation paid		(665 178)	(398 153)	(651 470)	(383 975)
Net cash flows from operating activities		1 151 069	657 548	1 082 212	504 770

		Group		Company	
N$'000	Note(s)	2020	2019	2020	2019
Cash flows from investing activities					
Acquisition of property and equipment		(149 737)	(58 011)	(147 136)	(57 991)
Cash outflow from disposal of subsidiary		-	(23 385)	-	-
Reduction in loan to subsidiary		-	-	66 256	129 413
Proceeds from sale of property and equipment		720	3 998	720	3 958
Net cash flows from investing activities		(149 017)	(77 398)	(80 160)	75 380
Cash flows from financing activities					
Dividends paid		(1 249 744)	(525 424)	(1 249 744)	(525 424)
Principal payments on lease liabilities		(27 741)	-	(27 741)	-
Net cash flows from financing activities		(1 277 485)	(525 424)	(1 277 485)	(525 424)
Net (decrease) / increase in cash and cash equivalents		(275 433)	54 726	(275 433)	54 726
Cash and cash equivalents at the beginning of the year*		1 380 801	1 326 075	1 380 801	1 326 075
Total cash at end of the year	8	1 105 368	1 380 801	1 105 368	1 380 801

Includes mandatory reserve deposits with the central bank.

* In the prior year, other assets and creditors were presented as a net movement. Due to the underlying nature of these cash flows, these cash flows will be separately disclosed.

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

Notes to the annual financial statements

for the year ended 30 June

1. Interest and similar income

	Group		Company	
N$'000	2020	2019	2020	2019
Analysis of interest and similar income				
Instruments at amortised cost	3 852 376	3 861 956	3 833 490	3 817 827
Advances				
- Overdrafts and cash managed accounts	396 323	367 714	395 576	359 714
- Term loans*	362 673	344 338	362 673	344 338
- Card loans	60 889	58 967	60 889	58 967
- Instalment sales and hire purchase agreements	309 671	340 730	309 673	340 730
- Lease payments receivable	15 292	25 850	15 292	25 850
- Home loans*	1 373 893	1 419 569	1 348 295	1 385 060
- Commercial property finance*	214 413	237 950	213 526	236 330
- Personal loans	336 447	333 986	336 447	333 986
- Preference share agreements	71 810	18 326	71 810	18 326
- Investment bank term loans	48	750	48	750
- Other advances	34 445	31 921	42 789	31 921
- Invoice finance*	14 115	19 449	14 115	19 449
	3 190 019	3 199 550	3 171 133	3 155 421
Cash and cash equivalents	108 649	166 940	108 649	166 940
Investment securities	550 344	494 783	550 344	494 783
Accrued on off-market advances	3 364	683	3 364	683
Interest and similar income	3 852 376	3 861 956	3 833 490	3 817 827

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

2. Interest expense and similar charges

	Group		Company	
N$'000	2020	2019	2020	2019
Instruments at amortised cost	1 847 660	1 852 528	1 847 660	1 831 476
Interest expense and similar charges	1 847 660	1 852 528	1 847 660	1 831 476
Deposits from customers				
- Current accounts	125 715	123 681	125 715	114 643
- Savings deposit	10 219	8 803	10 219	8 803
- Call deposit	329 925	343 064	329 925	343 064
- Fixed and notice deposits*	618 006	600 739	618 006	600 739
	1 083 865	1 076 287	1 083 865	1 067 249
Debt securities				
- Negotiable certificates of deposit	611 153	576 254	611 153	576 254
- Fixed and floating rate notes	83 520	118 389	83 520	118 389
	694 673	694 643	694 673	694 643
Deposits from banks and other financial liabilities	8 461	24 561	8 461	12 547
Other funding liabilities				
Other liabilities	17 536	17 963	17 536	17 963
Lease liabilities**	5 506	-	5 506	-
Tier 2 liabilities	37 619	39 074	37 619	39 074
	40 578	35 926	40 578	35 926
	1 847 660	1 852 528	1 847 660	1 831 476

* In the prior year, these amounts were disclosed as term deposits. The new disclosure is more appropriate based on the nature of the interest.

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

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

3. Non-interest revenue

N$'000	Note(s)	Group 2020	Group 2019	Company 2020	Company 2019
Analysis of non-interest revenue:					
Fee and commission income		1 737 441	1 630 850	1 735 736	1 629 614
Instruments at amortised cost		1 737 441	1 630 850	1 735 736	1 629 614
Fees incurred		(177 103)	(159 477)	(177 104)	(159 486)
Net fee and commission income	3.1	1 560 338	1 471 373	1 558 632	1 470 128
- Mandatory		122 875	98 092	122 875	98 092
- Designated		42 915	45 122	42 915	45 122
Fair value gains or losses	3.2	165 790	143 214	165 790	143 214
Instruments at fair value through profit or loss		18 516	21 967	31 555	21 967
Gains less losses from investing activities	3.3	18 516	21 967	31 555	21 967
Other non-interest revenue	3.4	27 793	25 117	26 879	24 791
Total non-interest revenue		1 772 437	1 661 671	1 782 856	1 660 100

3. Non-interest revenue continued

N$'000	Note(s)	Group 2020	Group 2019	Company 2020	Company 2019
3.1 Net fee and commission income					
Banking fee and commission income:					
- Card commissions		194 397	176 885	194 397	176 885
- Cash deposit fee		103 173	109 076	103 173	109 076
- Commissions: bills and drafts		137 136	148 863	137 422	149 146
- Bank charges		1 302 735	1 196 026	1 300 744	1 194 507
- Transaction and service fees		1 202 695	1 086 676	1 201 505	1 085 446
- Documentation and administration fees		39 115	26 524	38 314	26 235
- Cash handling fees		60 925	82 826	60 925	82 826
Fee and commission income		1 737 441	1 630 850	1 735 736	1 629 614
Fee and commission expense:					
Transaction processing fee		(120 184)	(107 423)	(120 185)	(107 432)
Cash sorting, handling and transportation charges		(26 993)	(26 229)	(26 993)	(26 229)
Customer loyalty programmes		(18 979)	(16 365)	(18 979)	(16 365)
ATM commission paid		(7 856)	(5 642)	(7 856)	(5 642)
Other		(3 091)	(3 818)	(3 091)	(3 818)
Fee and commission expenses		(177 103)	(159 477)	(177 104)	(159 486)
Net fees and commission income		1 560 338	1 471 373	1 558 632	1 470 128

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

3. Non-interest revenue continued

N$'000	Note(s)	Group 2020	Group 2019	Company 2020	Company 2019
3.2 Fair value gains or losses					
Foreign exchange		96 530	94 191	96 530	94 191
Designated at fair value through profit or loss		69 260	49 023	69 260	49 023
Total fair value gains		165 790	143 214	165 790	143 214
3.3 Gains less losses from investing activities					
Gains on investment securities designated at fair value through profit or loss (money market funds)		16 850	17 590	16 850	17 590
Dividends received (unlisted investments) (money market funds)		1 622	4 798	1 622	4 798
Loss allowance on investment securities*		44	(421)	44	(421)
Dividend on derecognition of associate		-	-	13 039	-
Gains less losses from investing activities		18 516	21 967	31 555	21 967
3.4 Other non-interest revenue					
Gain/(loss) on disposal of property and equipment		3 063	661	3 063	661
Rental income		6 482	5 131	5 568	4 805
Other income		18 248	19 325	18 248	19 325
Other non-interest revenue		27 793	25 117	26 879	24 791
Total non-interest revenue		1 772 437	1 661 671	1 782 856	1 660 100

* Prior year loss allowance disclosed under other non interest revenue. The new disclosure is more appropriate based on the nature of the interest.

4. Operating expenses

N$'000	Group 2020	Group 2019	Company 2020	Company 2019
Auditor's remuneration				
- Audit fees	8 356	9 972	8 013	9 592
- Fees for other services	896	289	896	289
	9 252	10 261	8 909	9 881
Leases				
Operating lease charges*				
- Short term leases	9 832	-	11 576	5 357
- Leases of low value assets	15 420	-	15 369	-
- Lease rentals on operating lease	-	61 353	-	61 353
	25 252	61 353	26 945	66 710
Staff costs				
- Salaries, wages and allowances	863 352	805 644	863 352	805 644
- Contributions to employee benefit funds	177 988	169 397	177 988	169 397
- Defined contribution schemes: pension	89 637	83 510	89 637	83 510
- Defined contribution schemes: medical	88 351	85 887	88 351	85 887
- Severance pay provision: death in service	504	1 033	504	1 033
- Post-retirement medical expense	3 348	3 211	3 348	3 211
- Social security levies	1 995	2 050	1 995	2 050
- Training levies	9 122	7 857	9 122	7 857
- Share-based payments	29 428	37 660	29 428	37 660
- Other staff costs	1 234	1 833	1 234	1 833
	1 086 971	1 028 685	1 086 971	1 028 685

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

4. Operating expenses continued

	Group		Company	
N$'000	2020	2019	2020	2019
Other operating costs				
- Amortisation of intangible assets	11 446	11 446	11 446	11 446
- Depreciation of property and equipment*	122 194	96 844	121 846	96 506
- Insurance	9 207	8 881	9 135	8 812
- Advertising and marketing	43 619	52 294	43 619	52 294
- Donations	14 694	10 537	14 694	10 537
- Property and maintenance	79 275	75 665	77 002	74 793
- Computer expenses	350 474	339 960	350 448	339 873
- Stationery	6 626	8 155	6 626	8 155
- Telecommunications	20 285	19 082	20 281	19 079
- Legal fees	11 790	12 572	11 792	12 554
- Postage	3 461	4 199	3 461	4 199
- Professional fees	7 686	9 480	7 685	9 420
- Business travel	11 957	17 477	11 957	17 465
- Total directors' emoluments	12 807	12 085	12 807	12 085
- Other operating expenditure**	114 567	101 726	112 400	99 554
	820 088	780 403	815 199	776 772
Total operating expenses	1 941 563	1 880 702	1 938 024	1 882 048

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

** Other operating expenditure includes management fee, development costs, training and operating costs.

5. Directors emoluments

Non-executive - Group and company

N$'000	2020	2019
Zaamwani-Kamwi II	362	420
Moir SH	998	897
Daun JG	414	352
Grüttemeyer P (appointed April 2020)	64	-
Haikali CLR	712	614
Hamer RJ (resigned December 2018)	-	223
Hausiku JH	301	183
Hinda Adv GS	316	224
Khethe JR	316	224
Nashandi IN	222	104
	3 562	3 173

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

5. Directors' emoluments continued

Executive – Group and company

N$'000	2020	2019
S.J. van Zyl		
Cash packages paid during the year	2 633	2 591
Retirement contributions paid during the year	430	411
Other allowances	205	122
Guaranteed package	3 268	3 124
Performance related short-term incentive (STI):		
Cash:		
- within 6 months	1 907	1 797
- Within 1 year	659	603
Variable pay	2 566	2 400
Total guaranteed and variable pay	5 834	5 524

5. Directors' emoluments continued

Executive – Group and company

N$'000	2020	2019
OLP Capelao		
Cash package paid during the year	1 656	1 491
Retirement contributions paid during the year	267	254
Other allowances	137	221
Guaranteed package	2 060	1 966
Performance related STI:		
Cash:		
- within 6 months	1 108	1 156
- within 1 year	241	266
Variable pay	1 349	1 422
Total guaranteed and variable pay	3 409	3 388

Cash package, performance related, retirement contributions and other allowances reflect what was paid during the year ended 30 June 2020 although the remuneration cycle runs from 1 August to 31 July. Variable compensation paid in cash in respect of the year ended June, is paid (with an interest factor) in three tranches, during the following year ending on 30 June.

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

5. Directors' emoluments continued

Conditional incentive plan

SJ van Zyl

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

OLP Capelao

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

6. Taxation

	Group		Company	
N$'000	2020	2019	2020	2019
6.1 Indirect tax				
Stamp duties	12 346	11 507	12 346	11 507
Value-added tax (net)	31 293	34 008	30 905	33 989
	43 639	45 515	43 251	45 496
6.2 Direct tax				
Namibian income tax				
Current				
Current year	500 476	401 158	495 343	392 637
Deferred				
Current year	(131 310)	72 608	(133 967)	73 331
Total income tax expense	369 166	473 766	361 376	465 968
Tax rate reconciliation – Namibian income tax				
Reconciliation between applicable tax rate and average effective tax rate.				
Standard rate of income tax	32,00%	32,00%	32,00%	32,00%
Total tax has been affected by:				
Dividend income	(1,90)%	(0,85)%	(2,24)%	(0,87)%
Other non-taxable income*	(0,59)%	(0,29)%	(0,55)%	(0,14)%
Disallowed expenditure**	0,41%	0,02%	0,18%	0,02%
Effective rate of tax	29,92%	30,88%	29,39%	31,01%

* Includes fair value income which are not-taxable.

** Includes donations.

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

7. Analysis of assets and liabilities

Group - 2020	Amortised cost	At fair value through profi or loss Mandatory	At fair value through profi or loss Designated	Non-financial instruments	Total carrying value	Current	Non-current and Non contractual
Assets							
Cash and cash equivalents	1 105 368	-	-	-	1 105 368	1 105 368	-
Due from banks and other financial institutions	4 442 443	-	-	-	4 442 443	4 442 443	-
Derivative financial instruments	-	519 294	-	-	519 294	519 294	-
Investment securities	8 037 567	67 538	276 202	-	8 381 307	5 759 715	2 621 592
Advances	29 768 187	-	310 042	-	30 078 229	6 387 993	23 690 236
Other assets	16 462	-	-	197 246	213 708	213 708	-
Non-financial assets	-	-	-	967 254	967 254	-	967 254
Total assets	43 370 027	586 832	586 244	1 164 500	45 707 603	18 428 521	27 279 082
Equity	-	-	-	-	4 799 711	-	4 799 711
Liabilities							
Derivative financial instruments	-	534 035	-	-	534 035	534 035	-
Creditors, accruals and provisions	135 942	-	-	371 031	506 973	506 973	-
Deposits	38 659 136	-	-	-	38 659 136	36 602 925	2 056 211
Other liabilities	219 928	-	-	66 258	286 186	65 787	220 399
Tier 2 liabilities	402 774	-	-	-	402 774	2 774	400 000
Non-financial liabilities	-	-	-	518 788	518 788	-	518 788
Total liabilities	39 417 780	534 035	-	956 077	40 907 892	37 712 494	3 195 398
Equity and liabilities	39 417 780	534 035	-	956 077	45 707 603	37 712 494	7 995 109

7. Analysis of assets and liabilities continued

Group - 2019	Amortised cost	At fair value through profit or loss Mandatory	At fair value through profit or loss Designated	Non-financial instruments	Total carrying value	Current	Non-current and Non contractual
Assets							
Cash and cash equivalents	1 380 801	-	-	-	1 380 801	1 380 801	-
Due from banks and other financial institutions	2 803 841	-	-	-	2 803 841	2 803 841	-
Derivative financial instruments	-	459 072	-	-	459 072	459 072	-
Investment securities	7 144 544	120 407	312 729	-	7 577 680	6 508 377	1 069 303
Advances	30 043 808	-	368 932	-	30 412 740	7 436 561	22 976 179
Other assets	27 504	-	-	-	27 504	27 504	-
Non-financial assets	-	-	-	1 209 114	1 209 114	-	1 209 114
Total assets	41 400 498	579 479	681 661	1 209 114	43 870 752	18 616 156	25 254 596
Equity	-	-	-	-	5 181 758	-	5 181 758
Liabilities							
Derivative financial instruments	-	480 490	-	-	480 490	480 490	-
Creditors, accruals and provisions	197 489	-	-	-	197 489	197 489	-
Deposits	36 401 396	-	-	-	36 401 396	32 313 359	4 088 037
Other liabilities	220 486	-	-	-	220 486	1 734	218 752
Tier 2 liabilities	402 804	-	-	-	402 804	2 804	400 000
Non-financial liabilties	-	-	-	986 329	986 329	-	986 329
Total liabilities	37 222 175	480 490	-	986 329	38 688 994	32 995 876	5 693 118
Equity and liabilities	37 222 175	480 490	-	986 329	43 870 752	32 995 876	10 874 876

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

7. Analysis of assets and liabilities continued

Company - 2020	Amortised cost	At fair value through profit or loss Mandatory	At fair value through profit or loss Designated	Non-financial instruments	Total carrying value	Current	Non-current and non-contractual
Assets							
Cash and cash equivalents	1 105 368	-	-	-	1 105 368	1 105 368	-
Due from banks and other financial institutions	4 442 443	-	-	-	4 442 443	4 442 443	-
Derivative financial instruments	-	519 294	-	-	519 294	519 294	-
Investment securities	8 037 567	67 538	276 202	-	8 381 307	5 759 715	2 621 592
Advances	29 533 199	-	310 042	-	29 843 241	6 153 005	23 690 236
Other assets	16 462	-	-	236 053	252 515	252 515	-
Non-financial assets	-	-	-	1 049 840	1 048 840	-	1 049 840
Total assets	43 135 039	586 832	586 244	1 285 893	45 594 008	18 232 340	27 361 668
Equity	-	-	-	-	4 686 302	-	4 686 302
Liabilities							
Derivative financial instruments	-	534 035	-	-	534 035	534 035	-
Creditors, accruals and provisions	135 942	-	-	370 030	505 972	505 972	-
Deposits	38 656 569	-	-	-	38 656 569	36 604 358	2 052 211
Other liabilities	219 928	-	-	66 258	286 186	65 787	220 399
Tier 2 liabilities	402 774	-	-	-	402 774	2 774	400 000
Non-financial liabilties	-	-	-	522 170	522 170	-	522 170
Total liabilities	39 415 213	958 458	-	896 911	40 907 706	37 712 926	3 194 780
Equity and liabilities	39 415 213	958 458	-	896 911	45 594 008	37 712 926	7 881 082

7. Analysis of assets and liabilities continued

Company - 2019	Amortised cost	At fair value through profit or loss mandatory	At fair value through profit or loss designated	Non-financial instruments	Total carrying value	Current	Non-current and Non contractual
Assets							
Cash and cash equivalents	1 380 801	-	-	-	1 380 801	1 380 801	-
Due from banks and other financial institutions	2 803 841	-	-	-	2 803 841	2 803 841	-
Derivative financial instruments	-	459 072	-	-	459 072	459 072	-
Investment securities	7 144 543	120 407	312 730	-	7 577 680	6 508 377	1 069 303
Advances	29 750 681	-	368 932	-	30 119 613	7 143 434	22 976 179
Other assets	27 504	-	-	-	27 504	27 504	-
Non-financial assets	-	-	-	1 382 651	1 382 651	-	1 382 651
Total assets	41 107 370	579 479	681 662	1 382 651	43 751 162	18 323 029	25 428 133
Equity	-	-	-	-	5 064 829	-	5 064 829
Liabilities							
Derivative financial instruments	-	480 490	-	-	480 490	480 490	-
Creditors, accruals and provisions	197 489	-	-	-	197 489	197 489	-
Deposits	36 398 982	-	-	-	36 398 982	32 310 945	4 088 037
Other liabilities	220 486	-	-	-	220 486	1 734	218 752
Tier 2 liabilities	402 804	-	-	-	402 804	2 804	400 000
Non-financial liabilties	-	-	-	986 082	986 082	-	986 082
Total liabilities	37 219 761	480 490	-	986 082	38 686 333	32 993 462	5 692 871
Equity and liabilities	37 219 761	480 490	-	986 082	43 751 162	32 993 462	10 757 700

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

8. Cash and cash equivalents

	Group		Company	
N$'000	2020	2019	2020	2019
Coins and bank notes	555 053	516 232	555 053	516 232
Balances with central bank	550 315	864 569	550 315	864 569
Total cash and cash equivalents	1 105 368	1 380 801	1 105 368	1 380 801
Mandatory reserve balance included in above	409 263	381 671	409 263	381 671

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

ECL for cash and cash equivalents are insignificant.

9. Derivatives

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

For further notes on the valuation of derivaties refer to note 30.

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

For further details on the group's approach to managing interest rate risk and market risk, refer to note 29.

9. Derivatives continued

By using derivative financial instruments to hedge exposures to changes in interest rates, the group also exposes itself to credit risk of the derivative counterparty, which is not offset by the hedged item. For information on how the group minimises counterparty risk in derivative instruments, refer to note 29.

Most of the group's derivative transactions relate to sale activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take on, transfer, modify or reduce current or expected risk.

The following tables reflect the notional and fair value of the derivatives that are held for trading:

	Group and company			
	2020			
N$'000	Assets notional	Fair value	Liabilities notional	Fair value
Held for trading				
- Currency derivatives	3 787 962	279 567	3 841 849	289 634
- Interest rate derivatives	1 763 936	187 977	2 054 640	192 651
- Commodity derivatives	1 322 440	48 815	1 322 440	48 815
- Energy derivatives	20 112	2 935	20 112	2 935
Total	6 894 450	519 294	7 239 041	534 035

	Group and company			
	2019			
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

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

10. Investment securities

N$'000	Group and company 2020 Assets notional	Group and company 2020 Fair value	Group and company 2020 Liabilities notional	Group and company 2020 Fair value
Treasury bills	5 336 654	5 052 083	5 336 654	5 052 083
Other government and government guaranteed stock	2 769 716	2 214 176	2 769 716	2 214 176
Other undated securities (money market funds)	276 202	312 730	276 202	312 730
Total gross carrying amount of investment securities	8 382 572	7 578 989	8 382 572	7 578 989
Loss allowance on investment securities	(1 265)	(1 309)	(1 265)	(1 309)
Total investment securities	**8 381 307**	**7 577 680**	**8 381 307**	**7 577 680**

N$'000	Group and company 2019 Assets notional	Group and company 2019 Fair value	Group and company 2019 Liabilities notional	Group and company 2019 Fair value
Analysis of Investment securities				
Other securities – fair value through profit and loss	276 202	312 730	276 202	312 730
Debt instruments	8 105 105	7 264 950	8 105 105	7 264 950
Amortised cost	8 037 567	7 144 543	8 037 567	7 144 543
Fair value through profit or loss	67 538	120 407	67 538	120 407
Total investment securities	**8 381 307**	**7 577 680**	**8 381 307**	**7 577 680**

10. Investment securities continued

N$ 8 037 million (2019: N$ 7 146 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.

The loss allowance on investment securities measured at amortised cost is N$ 1.3million (2019: N$ 1.3million).

N$'000	Group and company 2020	Group and company 2019
Reconciliation of the loss allowance – investment securities at amortised cost		
Amount as at 1 July (IFRS 9)	1 309	888
Impairment charge for the period	(44)	421
- Stage 1	(44)	421
Amount as at 30 June (IFRS 9)	1 265	1 309
Stage 1	1 265	1 309

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

11. Advances

	Group		Company	
N$'000	2020	2019	2020	2019
Category analysis				
Overdrafts and cash managed accounts	3 321 710	3 514 597	3 321 710	3 514 597
Term loans*	2 732 299	2 634 516	2 732 299	2 634 516
Card loans	464 275	474 923	464 275	474 923
Installment sales	3 010 522	3 108 445	3 010 544	3 108 465
Lease payments receivable	120 657	192 078	120 657	192 078
Home loans*	14 074 847	13 500 552	13 841 598	13 213 811
Commercial property finance*	3 411 207	3 466 591	3 402 507	3 455 585
Personal loans	2 471 906	2 380 215	2 471 906	2 380 215
Preference share agreements	971 159	949 020	971 159	949 020
Investment bank term loans	310 042	368 932	310 042	368 932
Invoice finance*	122 980	191 551	122 980	191 551
Other*	307 895	336 399	307 895	336 399
Gross value of advances	31 319 499	31 117 819	31 077 572	30 820 092
Impairment and fair value of credit of advances (note 12)	(1 241 270)	(705 079)	(1 234 331)	(700 479)
Net advances	30 078 229	30 412 740	29 843 241	30 119 613
Portfolio analysis				
Designated at fair value through profit or loss	310 042	368 932	310 042	368 932
Amortised cost	29 768 187	30 043 808	29 533 199	29 750 681
Net advances	30 078 229	30 412 740	29 843 241	30 119 613

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

11. Advances continued

Group and company - 2020

N$'000	Installment sale and lease payments receivable	Less: Unearned finance charges	Net
Within 1 year	1 339 367	(201 677)	1 137 690
Between 1 and 5 years	2 215 545	(210 818)	2 004 727
More than 5 years	2 065	(19)	2 046
Less: Interest in suspense	(13 284)	-	(13 284)
Sub-total	3 543 693	(412 514)	3 131 179
Total net instalment sale and lease payment receivable	3 543 693	(412 514)	3 131 179

Group and company - 2019

N$'000	Installment sale and lease payments receivable	Less: Unearned finance charges	Total
Within 1 year	1 626 833	(313 337)	1 313 496
Between 1 and 5 years	2 267 360	(272 059)	1 995 301
More than 5 years	2 250	(71)	2 179
Sub-total	3 896 443	(585 467)	3 310 976
Less: interest in suspense	(10 454)	-	(10 454)
Total net instalment sale and lease payment receivable	3 885 989	(585 467)	3 300 522

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

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

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

11. Advances continued

Group - 2020	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	14 124 707	-	(309 943)	13 814 764
Vehicle and asset finance	1 856 543	-	(101 383)	1 755 160
Total retail secured	15 981 250	-	(411 326)	15 569 924
Credit card	433 254	-	(29 063)	404 191
Personal loans	2 468 297	-	(164 603)	2 303 694
Other retail	556 904	-	(76 594)	480 310
Total Retail unsecured	3 458 455	-	(270 260)	3 188 195
FNB Commercial	6 326 956	-	(431 046)	5 895 910
Commercial vehicle and asset finance	1 481 700	-	(79 192)	1 402 508
Total FNB Commercial	7 808 656	-	(510 238)	7 298 418
RMB Corporate and Investment banking	3 761 096	310 042	(49 446)	4 021 692
Total Corporate and Commercial	11 569 752	310 042	(559 684)	11 320 110
Total advances	31 009 457	310 042	(1 241 270)	30 078 229

11. Advances continued

Group - 2019	Amortised cost	Fair value through profit or loss	Loss allowance	Total
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	548 597	-	(28 111)	520 486
Total Retail unsecured	3 359 223	-	(164 782)	3 194 441
FNB Commercial	6 760 954	-	(250 504)	6 510 450
RMB Corporate and Investment banking	3 552 158	368 932	(40 331)	3 880 759
Total Corporate and Commercial	10 313 112	368 932	(290 835)	10 391 209
Total advances	30 748 887	368 932	(705 079)	30 412 740

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

11. Advances continued

Company - 2020	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	13 882 777	-	(303 004)	13 579 773
Vehicle and asset finance	1 856 543	-	(101 383)	1 755 160
Total retail secured	15 739 320	-	(404 387)	15 334 933
Credit card	433 254	-	(29 063)	404 191
Personal loans	2 468 297	-	(164 603)	2 303 694
Other retail	556 904	-	(76 594)	480 310
Total Retail unsecured	3 458 455	-	(270 260)	3 188 195
FNB Commercial	6 326 959	-	(431 046)	5 895 913
Commercial vehicle and asset finance	1 481 700	-	(79 192)	1 402 508
Total FNB Commercial	7 808 659	-	(510 238)	7 298 421
RMB Corporate and Investment banking	3 761 096	310 042	(49 446)	4 021 692
Total Corporate and Commercial	11 569 755	310 042	(559 684)	11 320 113
	30 767 530	310 042	(1 234 331)	29 843 241

11. Advances continued

Company - 2019	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	13 268 134	-	(161 722)	13 106 412
Vehicle and asset finance	3 521 602	-	(83 140)	3 438 462
Total retail secured	16 789 736	-	(244 862)	16 544 874
Credit card	432 948	-	(42 004)	390 944
Personal loans	2 377 678	-	(94 667)	2 283 011
Other retail	537 686	-	(28 111)	509 575
Total Retail unsecured	3 348 312	-	(164 782)	3 183 530
FNB Commercial	6 760 954	-	(250 504)	6 510 450
RMB Corporate and Investment banking	3 552 158	368 932	(40 331)	3 880 759
Total Corporate and Commercial	10 313 112	368 932	(290 835)	10 391 209
	30 451 160	368 932	(700 479)	30 119 613

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

11. Advances continued

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

Group - 2020

	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amortised cost	28 595 865	1 324 617	828 405	30 748 887	187 058	166 650	349 255	702 963
Fair value	368 932	-	-	368 932	2 116	-	-	2 116
Amount as at 1 July 2019	28 964 797	1 324 617	828 405	31 117 819	189 174	166 650	349 255	705 079
Transfer from stage 1 to stage 2	(1 807 817)	1 807 817	-	-	(20 386)	20 386	-	-
Transfer from stage 1 to stage 3	(40 333)	-	40 333	-	(436)	-	436	-
Transfer from stage 2 to stage 3	-	(16 851)	16 851	-	-	(1 853)	1 853	-
Transfer from stage 2 to stage 1	470 901	(470 901)	-	-	40 643	(40 643)	-	-
Opening balance after transfer	27 587 548	2 644 682	885 589	31 117 819	208 995	144 540	351 544	705 079
Current period provision created/(released)	538 849	(820 920)	553 068	270 997	160 885	118 987	325 636	605 508
Change in exposure of back book in the current year	-	-	-	-	90 254	35 469	323 135	448 858
- Attributable to change in measurement basis	-	-	-	-	-	72 623	-	72 623
- Attributable to change in risk parameter	-	-	-	-	90 254	(37 154)	323 135	376 235
Total new book exposure								
Change in exposure due to new business in the current year	538 849	(820 920)	553 068	270 997	70 631	83 518	2 501	156 650
Bad debts written off	-	-	(69 317)	(69 317)	-	-	(69 317)	(69 317)
Amount as at 30 June 2020	28 126 397	1 823 762	1 369 340	31 319 499	369 880	263 527	607 863	1 241 270
Amortised cost	27 816 355	1 823 762	1 369 340	31 009 457	368 301	263 527	607 863	1 239 691
Fair value	310 042	-	-	310 042	1 579	-	-	1 579

11. Advances continued

Group - 2019

N$'000	Stage 1	Stage 2	Stage 3	Total
Amount as at 30 June 2018 (IAS 39)	28 007 251	456 789	481 537	28 945 577
IFRS 9 adjustments	-	-	67 155	67 155
Amount as at 1 July 2018 (IFRS 9)	28 007 251	456 789	548 692	29 012 732
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	2 128 055	133 294	(101 604)	2 159 745
Amount as at 30 June 2019	28 964 797	1 324 617	828 405	31 117 819

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

11. Advances continued

Company – 2020

	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amortised cost	28 298 138	1 324 617	828 405	30 451 160	184 671	166 105	347 587	698 363
Fair value	368 932	-	-	368 932	2 116	-	-	2 116
Amount as at 1 July 2019	28 667 070	1 324 617	828 405	30 820 092	186 787	166 105	347 587	700 479
Transfer from stage 1 to stage 2	(1 807 817)	1 807 817	-	-	(20 386)	20 386	-	-
Transfer from stage 1 to stage 3	(40 333)	-	40 333	-	(436)	-	436	-
Transfer from stage 2 to stage 3	-	(16 851)	16 851	-	-	(1 853)	1 853	-
Transfer from stage 2 to stage 1	470 901	(470 901)	-	-	40 643	(40 643)	-	-
Opening balance after transfer	27 289 821	2 644 682	885 589	30 820 092	206 608	143 995	349 876	700 479
Current period provision created/(released)	613 804	(820 920)	533 913	326 797	158 546	118 987	325 636	603 169
Change in exposure of back book in the current year	-	-	-	-	90 254	35 469	323 135	448 858
- Attributable to change in measurement basis	-	-	-	-	-	72 623	-	72 623
- Attributable to change in risk parameter	-	-	-	-	90 254	(37 154)	323 135	376 235
Total new book exposure								
Change in exposure due to new business in the current year	613 804	(820 920)	533 913	326 797	68 292	83 518	2 501	154 311
Bad debts written off	-	-	(69 317)	(69 317)	-	-	(69 317)	(69 317)
Amount as at 30 June 2020	27 903 625	1 823 762	1 350 185	31 077 572	365 154	262 982	606 195	1 234 331
Amortised cost	27 593 583	1 823 762	1 350 185	30 767 530	363 575	262 982	606 195	1 232 752
Fair value	310 042	-	-	310 042	1 579	-	-	1 579

11. Advances continued

Company – 2019

N$'000	Stage 1	Stage 2	Stage 3	Total
Amount as at 30 June 2018 (IAS 39)	27 639 528	456 789	481 537	28 577 854
IFRS 9 adjustments	-	-	67 155	67 155
Amount as at 1 July 2018 (IFRS 9)	27 639 528	456 789	548 692	28 645 009
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	2 198 051	133 294	(101 604)	2 229 741
Amount as at 30 June 2019	28 667 070	1 324 617	828 405	30 820 092

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

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

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

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

11. Advances continued

Group - 2020

N$'000	Gross advances				Loss allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Total Retail	17 815 099	773 353	851 251	19 439 703	210 502	99 393	371 691	681 586
FNB Commercial	4 981 940	867 652	477 364	6 326 956	106 029	126 417	198 600	431 046
Commercial vehicle finance	1 349 770	91 206	40 725	1 481 701	37 828	3 792	37 572	79 192
RMB Corporate and Investment banking	3 979 588	91 551	-	4 071 139	15 523	33 923	-	49 446
	28 126 397	1 823 762	1 369 340	31 319 499	369 882	263 525	607 863	1 241 270

Company - 2020

N$'000	Gross advances				Loss allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Total Retail	17 592 327	773 353	832 096	19 197 776	208 814	99 393	366 440	674 647
FNB Commercial	4 981 940	867 652	477 364	6 326 956	106 029	126 417	198 600	431 046
Commercial vehicle finance	1 349 770	91 206	40 725	1 481 701	37 828	3 792	37 572	79 192
RMB Corporate and Investment banking	3 979 588	91 551	-	4 071 139	15 523	33 923	-	49 446
	27 903 625	1 823 762	1 350 185	31 077 572	368 194	263 525	602 612	1 234 331

12. Impairment of advances

Group

N$'000	2020				2019			
	Loss allowance				Loss allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Included in the total loss allowance	369 882	263 525	607 863	1 241 270	189 174	166 650	349 255	705 079
On and off balance sheet exposure*	367 530	261 955	607 863	1 237 348	185 073	166 650	349 255	700 978
Letters of credit and guarantees	2 352	1 570	-	3 922	4 101	-	-	4 101
Significant components of total loss allowance								
- Forward looking information	50 931	11 798	-	62 729	***	***	***	***
- Changes in models	(275)	1 311	-	1 036	***	***	***	***
- Interest on stage 3 advances**	-	-	39 264	39 264	***	***	***	***

Company

N$'000	2020				2019			
	Loss allowance				Loss allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Included in the total loss allowance	368 194	263 525	602 612	1 234 331	186 787	166 105	347 587	700 479
On and off balance sheet exposure*	365 842	261 955	602 612	1 230 409	182 686	166 105	347 587	696 378
Letters of credit and guarantees	2 352	1 570	-	3 922	4 101	-	-	4 101
Significant components of total loss allowance								
- Forward looking information	50 931	11 798	-	62 729	***	***	***	***
- Changes in models	(275)	1 311	-	1 036	***	***	***	***
- Interest on stage 3 advances**	-	-	39 264	39 264	***	***	***	***

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

** Cumulative balance as at 30 June.

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

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

12. Impairment of advances continued

Breakdown of impairment charge recognised during the year

Group

N$'000	2020 Amortised cost	2020 Fair value	2020 Total	2019 Amortised cost	2019 Fair value	2019 Total
Increase in loss allowance	565 690	537	566 227	220 702	1 547	222 249
Recoveries of bad debts	(6 814)	-	(6 814)	(7 441)	-	(7 441)
Impairment of advances recognised during the period	558 876)	537	559 413	213 261	1 547	214 808

Company

N$'000	2020 Amortised cost	2020 Fair value	2020 Total	2019 Amortised cost	2019 Fair value	2019 Total
Increase in loss allowance	563 928	537	564 465	222 274	1 547	223 821
Recoveries of bad debts	(6 814)	-	(6 814)	(7 441)	-	(7 441)
Impairment of advances recognised during the period	557 114	537	557 651	214 833	1 547	216 380

12. Impairment of advances continued

	Group - 2019			
N$'000	Stage 1	Stage 2	Stage 3	Total
Amount as at 30 June 2018 (IAS 39)	51 900	76 622	173 038	301 560
IFRS 9 adjustments	103 267	38 451	67 155	208 873
Amount as at 1 July 2018 (IFRS 9)	155 167	115 073	240 193	510 433
Transfers to stage 1	38 121	(37 933)	(188)	-
Transfers to stage 2	(8 294)	9 064	(770)	-
Transfers to stage 3	(7 495)	(15 073)	22 568	-
Bad debts written off	-	-	(54 658)	(54 658)
Increase/(decrease) in impairment	11 675	95 519	115 060	222 254
- 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	2 915	2 689	29 749
- Provision created/(released) due to transfers	(27 125)	37 187	38 571	48 633
Interest suspended	-	-	27 050	27 050
Closing balance	189 174	166 650	349 255	705 079
Residential mortgages	16 416	43 253	106 653	166 322
Vehicle and asset finance	15 304	14 232	53 604	83 140
Total retail secured	31 720	57 485	160 257	249 462
Credit card	16 218	9 002	16 784	42 004
Personal loans	29 918	13 906	50 844	94 668
Other retail	10 968	8 520	8 624	28 112
Total retail unsecured	57 104	31 428	76 252	164 784
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	189 176	166 651	349 252	705 079

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

12. Impairment of advances continued

N$'000	Company - 2019			
	Stage 1	Stage 2	Stage 3	Total
Amount as at 30 June 2018 (IAS 39)	50 838	76 622	171 552	299 012
IFRS 9 adjustments	102 350	38 109	67 155	207 614
Amount as at 1 July 2018 (IFRS 9)	153 188	114 731	238 707	506 626
Transfers to stage 1	38 121	(37 933)	(188)	-
Transfers to stage 2	(8 294)	9 064	(770)	-
Transfers to stage 3	(7 495)	(15 073)	22 568	-
Bad debts written off	-	-	(54 658)	(54 658)
Increase/(decrease) in impairment	11 268	95 316	114 878	221 462
- Changes in models and risk parameters	(12 170)	38 189	94 909	120 928
- New business and changes in exposure	26 418	17 025	(21 291)	22 152
- Changes in economic forecasts	24 145	2 915	2 689	29 749
- Provision created/(released) due to transfers	(27 125)	37 187	38 571	48 633
Interest suspended	-	-	27 050	27 050
Closing balance	186 788	166 105	347 587	700 480
Residential mortgages	14 058	42 707	104 988	161 753
Vehicle and asset finance	15 304	14 232	53 604	83 140
Total retail secured	29 362	56 939	158 592	244 893
Credit card	16 218	9 002	16 784	42 004
Personal loans	29 918	13 906	50 844	94 668
Other retail	10 968	8 520	8 624	28 112
Total retail unsecured	57 104	31 428	76 252	164 784
FNB commercial	73 991	63 738	112 743	250 472
RMB corporate and investment banking	26 330	14 000	-	40 330
Total corporate and commercial	100 321	77 738	112 743	290 802
Closing balance	186 787	166 105	347 587	700 479

12. Impairment of advances continued

Group - 2020

N$'000	Total Retail	FNB Commercial	Commercial vehicle asset finance	RMB Corporate and Investment banking	Total
Amount as at 1 July 2019	379 326	250 504	34 919	40 330	705 079
Transfers to stage 1	23 604	106	1 407	(5 296)	19 821
Transfers to stage 2	(24 927)	(447)	(2 031)	5 296	(22 109)
Transfers to stage 3	1 323	341	624	-	2 288
Bad debts written off	(51 510)	(14 582)	(3 223)	-	(69 315)
Provision created/(released) for current period	353 771	195 124	47 495	9 116	605 506
Stage 1	104 506	31 900	29 993	(5 512)	160 887
Stage 2	41 386	63 127	(154)	14 628	118 987
Stage 3	207 879	100 097	17 656	-	325 632
Amount as at 30 June 2020	681 587	431 046	79 191	49 446	1 241 270
Stage 1	210 504	106 029	37 827	15 522	369 882
Stage 2	99 393	126 417	3 792	33 923	263 525
Stage 3	371 691	198 600	37 572	-	607 863

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

12. Impairment of advances continued

	Group - 2019							
	Retail secured		Retail unsecured			Corporate and commercial		
N$'000	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other	FNB Commercial	RMB Corporate and Investment banking	Total
Amount as at 1 July 2018	**101 947**	**63 778**	**26 974**	**75 673**	**23 941**	**173 325**	**44 796**	**510 434**
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 period	**54 682**	**20 560**	**12 430**	**35 047**	**21 222**	**82 778**	**(4 465)**	**222 254**
Stage 1	33 379	(5 880)	(4 348)	(9 925)	(6 458)	11 003	(1 875)	15 896
Stage 2	4 593	11 906	8 995	13 591	7 869	25 133	(2 590)	69 497
Stage 3	16 710	14 534	7 783	31 381	19 811	46 642	-	136 861
Interest in suspense	12 979	2 405	302	2 642	353	8 370	-	27 051
Total	166 875	83 141	35 762	92 026	36 442	250 504	40 331	705 081
Stage 1	16 971	15 304	9 976	27 275	19 298	74 023	26 330	189 177
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
Amount as at 30 June 2019	166 876	83 140	35 762	92 025	36 442	250 504	40 330	705 079

12. Impairment of advances continued

Company - 2020

N$'000	Total Retail	FNB Commercial	Commercial vehicle asset finance	RMB Corporate and Investment banking	Total
Amount as at 1 July 2019	374 726	250 504	34 919	40 330	700 479
Transfers to stage 1	23 604	106	1 407	(5 296)	19 821
Transfers to stage 2	(24 927)	(447)	(2 031)	5 296	(22 109)
Transfers to stage 3	1 323	341	624	-	2 288
Bad debts written off	(51 510)	(14 582)	(3 223)	-	(69 315)
Provision created/(released) for current period	351 432	195 124	47 495	9 116	603 167
Stage 1	102 167	31 900	29 993	(5 512)	158 548
Stage 2	41 386	63 127	(154)	14 628	118 987
Stage 3	207 879	100 097	17 656	-	325 632
Amount as at 30 June 2020	674 648	431 046	79 191	49 446	1 234 331
Stage 1	208 815	106 029	37 828	15 522	368 194
Stage 2	99 393	126 417	3 792	33 923	263 525
Stage 3	366 440	198 600	37 572	-	602 612

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

12. Impairment of advances continued

	Company - 2019							
	Retail secured		Retail unsecured			Corporate and commercial		
N$'000	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other	FNB Commercial	RMB Corporate and Investment banking	Total
Amount as at 1 July 2018	**98 140**	**63 778**	**26 974**	**75 673**	**23 941**	**173 325**	**44 796**	**506 627**
Transfers to stage 1	2 163	(280)	1 515	5 982	3 165	4 595	21 702	38 842
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 period	**53 920**	**20 560**	**12 430**	**35 047**	**21 222**	**82 747**	**(4 465)**	**221 461**
Stage 1	33 002	(5 880)	(4 348)	(9 925)	(6 458)	10 972	(1 875)	15 488
Stage 2	4 390	11 906	8 995	13 591	7 869	25 133	(2 590)	69 294
Stage 3	16 528	14 534	7 783	31 381	19 811	46 642	-	136 679
Interest in suspense	12 979	2 405	302	2 642	353	8 370	-	27 051
Total	162 304	83 141	35 762	92 026	36 442	250 473	40 331	700 479
Stage 1	15 677	15 304	9 976	27 275	19 298	73 992	26 330	187 852
Stage 2	42 707	14 232	9 002	13 906	8 520	63 738	14 000	166 105
Stage 3	103 923	53 604	16 784	50 844	8 624	112 743	-	346 522
Amount as at 30 June 2019	162 307	83 140	35 762	92 025	36 442	250 473	40 330	700 479

12. Impairment of advances continued

COVID-19 Relief

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

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

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

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

Other financial relief mechanisms employed by the group included customers being offered a three-month payment holiday, during which interest accrued at the contractual rate and at the end of the relief period, the instalment was adjusted accordingly.

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

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

13. Other assets*

	Group		Company	
N$'000	2020	2019	2020	2019
Items in transit	33 913	48 949	72 799	82 679
Deferred staff costs	43 457	121 759	43 457	121 759
Property in possession	51 425	37 355	51 425	37 355
Prepayments	56 301	51 007	56 301	51 007
Other accounts receivable	28 854	13 329	28 750	13 226
Loss allowance	(242)	-	(217)	-
	213 708	272 399	252 515	306 026
Financial instrument and non-financial instrument component of other assets				
Financial	16 462	27 504	16 462	27 504
Non-financial	197 246	244 895	236 053	278 522
Total	213 708	272 399	252 515	306 026

Information about the credit quality of the financial portion of other assets balances is set out in the risk management note 29.

The carrying value of accounts receivable approximates the fair value.

ECL of other assets is N$ 242 000 (2019: Nil)

14. Investment in associate

Details of investment in unlisted associate company held during the year:

Group

Name of company	Nature of relationship	Country of incorporation	Method	% ownership interest 2020	% ownership interest 2019	Carrying amount 2020	Carrying amount 2019
Namclear (Pty) Ltd	Interbank clearing house	Namibia	Equity	- %	25,00%	-	12 339

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

In November 2019 the directors of Namclear (Pty) Ltd declared a dividend of N$13.8m of the total value of the total share capital, share premium and retained earnings reflected on the audited financial statements at 31 December 2019. The shareholders resolved to convert the dividend declared into a loan at agreed terms.

The advance from FNB Namibia as at 30 June 2020 is reported at N$ 14million.

In January 2020 Namclear (Pty) Ltd was officially registered as Non-Profit Association Incorporated under Section 21 company.

The group no longer has significant influence over this entity.

Summarised financial information of material associates

Statement of Comprehensive Income	Namclear (Pty) Ltd	
N$'000	2020	2019
Revenue	-	33 227
Other income and expenses	-	(20 798)
Profit before tax	-	12 429
Tax expense	-	(3 877)
Profit for the period	-	8 552
Total comprehensive income for the period	-	8 552

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

14. Investment in associate continued

Statement of Financial Position

N$'000	Namclear (Pty) Ltd Unaudited 2020	Namclear (Pty) Ltd Unaudited 2019
Assets		
Non-current	-	52 801
Current	-	49 128
Total assets	-	101 929
Liabilities		
Non-current	-	36 996
Current	-	15 410
Total liabilities	-	52 406
Total net assets	-	49 523

The summarised information presented above reflects the financial statements of the associates after adjusting for differences in accounting policies between the group and the associate.

14. Investment in associate continued

Effective holding and carrying amount in unlisted associate company

N$'000	Group 2020	Group 2019	Company 2020	Company 2019
Unlisted investment				
Namclear (Pty) Ltd	-	12 339	-	1 154
Carrying value of investment in associate	-	12 339	-	1 154
Opening balance	12 339	8 608	1 154	1 154
Share of profit	1 492	3 731	-	-
Disposal of investment in associate				
Consideration received	-	-	-	-
- Dividend declared	(13 831)	-	(1 154)	-
Closing balance	-	12 339	-	1 154

The associate's financial year ends on 31 December. The summarised information presented above reflects the management accounts of the associate as at 30 June 2019.

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

15. Investment in subsidiaries

Significant subsidiary

	Nature of business	Date of acquisition	Country of incorporation	Listed/ unlisted	% 2020	% 2019
Swabou Investments (Pty) Ltd	Property finance	1-Jul-03	Namibia	Unlisted	100	100

Swabou Investments (Pty) Ltd

	Company	
N$'000	2020	2019
Aggregate income of subsidiary (before tax)	7 938	24 984
Total indebtedness	104 608	170 864
Total investment	104 608	170 864

Interest paid by Swabou Investments (Pty) Ltd to First National Bank of Namibia Ltd totalled N$ 8.3million (2019 N$14.8million).

15. Investment in subsidiaries continued

	Group	
N$'000	2020	2019
Disposal of subsidiary		
Carrying amount of net assets over which control was lost		
Assets		
Cash and cash equivalents	–	23 385
Accounts receivable	–	22 589
	–	45 974
Liabilities		
Liabilities	–	–
Net assets derecognised	–	45 974
Transfer of shares	–	45 974
Gains/(loss) on disposal	–	–

During 2019 financial year, First National Bank of Namibia Ltd disposed of 100% of it's shareholding in FNB Easy Loans Ltd to FirstRand Namibia Ltd.

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

16. Property and equipment

Group

N$'000	2020 Cost or revaluation	2020 Accumulated depreciation	2020 Carrying value	2019 Cost or revaluation	2019 Accumulated depreciation	2019 Carrying value
Property						
Freehold land and buildings	668 616	(43 148)	625 468	648 193	(34 904)	613 289
Leasehold property	79 015	(61 299)	17 716	70 452	(57 494)	12 958
Right of use property*	88 829	(29 009)	59 820	-	-	-
	836 460	(133 456)	703 004	718 645	(92 398)	626 247
Equipment						
Capitalised lease equipment	12 289	(12 289)	-	12 289	(12 289)	-
Computer equipment	261 942	(206 748)	55 194	245 329	(172 173)	73 156
Furniture and fittings	252 418	(146 487)	105 931	248 345	(126 579)	121 766
Motor vehicles	8 202	(4 922)	3 280	8 202	(4 461)	3 741
Office equipment	122 474	(103 979)	18 495	122 186	(88 015)	34 171
	657 325	(474 425)	182 900	636 351	(403 517)	232 834
Total	1 493 785	(607 881)	885 904	1 354 996	(495 915)	859 081

16. Property and equipment continued

Company

N$'000	2020 Cost or revaluation	2020 Accumulated depreciation	2020 Carrying value	2019 Cost or revaluation	2019 Accumulated depreciation	2019 Carrying value
Property						
Leasehold land and buildings	634 413	(30 566)	603 847	616 580	(22 325)	594 255
Leasehold property	77 696	(61 299)	16 397	69 137	(57 494)	11 643
Right of use property*	88 829	(29 009)	59 820	-	-	-
	800 938	(120 874)	680 064	685 717	(79 819)	605 898
Equipment						
Capitalised lease equipment	12 289	(12 289)	-	12 289	(12 289)	-
Computer equipment	261 932	(206 738)	55 194	245 320	(172 163)	73 157
Furniture and fixtures	251 413	(145 570)	105 843	247 340	(125 696)	121 644
Motor vehicles	8 202	(4 922)	3 280	8 203	(4 461)	3 742
Office equipment	121 450	(101 948)	19 502	121 165	(86 293)	34 872
	655 286	(471 467)	183 819	634 317	(400 902)	233 415
Total	1 456 224	(592 341)	863 883	1 320 034	(480 721)	839 313

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

16. Property and equipment continued

Reconciliation of property and equipment: Group - 2020

N$'000	Opening balance	Additions	Disposals	Depreciation	Total
Freehold land and buildings	613 289	19 284	(190)	(6 915)	625 468
Leasehold property	12 958	11 666	(38)	(6 870)	17 716
Right of use property*	-	89 698	-	(29 878)	59 820
Capitalised lease equipment	-	-	-	-	-
Computer equipment	73 156	18 527	(63)	(36 426)	55 194
Furniture and fittings	121 766	7 745	(395)	(23 185)	105 931
Motor vehicles	3 741	-	-	(461)	3 280
Office equipment	34 171	2 817	(34)	(18 459)	18 495
	859 081	149 737	(720)	(122 194)	885 904

Reconciliation of property and equipment: Group - 2019

N$'000	Opening balance	Additions	Disposals	Depreciation	Total
Freehold land and buildings	616 150	3 143	(203)	(5 801)	613 289
Leasehold property	19 095	2 288	-	(8 425)	12 958
Capitalised lease equipment	-	-	-	-	-
Computer equipment	92 523	18 499	(148)	(37 718)	73 156
Furniture and fittings	129 540	18 066	(2 193)	(23 647)	121 766
Motor vehicles	4 686	21	(443)	(523)	3 741
Office equipment	39 257	15 994	(350)	(20 730)	34 171
	901 251	58 011	(3 337)	(96 844)	859 081

16. Property and equipment continued

Reconciliation of property and equipment: Company - 2020

N$'000	Opening balance	Additions	Disposals	Depreciation	Total
Freehold land and buildings	594 255	16 692	(190)	(6 910)	603 847
Leasehold property	11 643	11 661	(38)	(6 869)	16 397
Right of use property*	-	89 698	-	(29 878)	59 820
Computer equipment	73 157	18 526	(63)	(36 426)	55 194
Furniture and fittings	121 644	7 742	(395)	(23 148)	105 843
Motor vehicles	3 742	-	-	(462)	3 280
Office equipment	34 872	2 817	(34)	(18 153)	19 502
	839 313	147 136	(720)	(121 846)	863 883

Reconciliation of property and equipment: Company - 2019

N$'000	Opening balance	Additions	Disposals	Depreciation	Total
Freehold land and buildings	597 116	3 137	(203)	(5 795)	594 255
Leasehold property	17 780	2 288	-	(8 425)	11 643
Computer equipment	92 523	18 499	(147)	(37 718)	73 157
Furniture and fittings	129 404	18 052	(2 193)	(23 619)	121 644
Motor vehicles	4 686	21	(443)	(522)	3 742
Office equipment	39 615	15 994	(310)	(20 427)	34 872
	881 124	57 991	(3 296)	(96 506)	839 313

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

In prior year automatic teller machines were reported separately, in the current year these have been presented together with computer equipment to align to FirstRand Namibia Limited group reporting.

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 the accounting policy.

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

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

17. Intangible assets

Group

N$'000	2020 Cost / Valuation	2020 Accumulated amortisation	2020 Carrying value	2019 Cost / Valuation	2019 Accumulated amortisation	2019 Carrying value
Trademarks	380 713	(347 330)	33 383	380 713	(335 884)	44 829
Software	46 512	(46 512)	-	46 515	(46 512)	3
Goodwill	47 967	-	47 967	47 967	-	47 967
Total	475 192	(393 842)	81 350	475 195	(382 396)	92 799

Company

N$'000	2020 Cost / Valuation	2020 Accumulated amortisation	2020 Carrying value	2019 Cost / Valuation	2019 Accumulated amortisation	2019 Carrying value
Trademarks	354 099	(320 717)	33 382	354 099	(309 271)	44 828
Software	46 512	(46 512)	-	46 515	(46 512)	3
Goodwill	47 967	-	47 967	47 967	-	47 967
Total	448 578	(367 229)	81 349	448 581	(355 783)	92 798

17. Intangible assets continued

Reconciliation of intangible assets – Group – 2020

N$'000	Opening balance	Amortisation	Total
Trademarks	44 829	(11 446)	33 383
Software	3	(3)	-
Goodwill	47 967	-	47 967
	92 799	(11 449)	81 350

Reconciliation of intangible assets – Group – 2019

N$'000	Opening balance	Amortisation	Total
Trademarks	56 275	(11 446)	44 829
Software	3	-	3
Goodwill	47 967	-	47 967
	104 245	(11 446)	92 799

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

17. Intangible assets continued

Reconciliation of intangible assets - Company - 2020

N$'000	Opening balance	Amortisation	Total
Trademarks	44 828	(11 446)	33 382
Software	3	(3)	-
Goodwill	47 967	-	47 967
	92 798	(11 449)	81 349

Reconciliation of intangible assets - Company - 2019

N$'000	Opening balance	Amortisation	Total
Trademarks	56 274	(11 446)	44 828
Software	3	-	3
Goodwill	47 967	-	47 967
	104 244	(11 446)	92 798

Impairment of goodwill

For impairment testing purposes, goodwill is allocated to cash generating units (CGU) at the lowest level of operating activity (business) to which it relates, and is therefore not combined at group level.

When testing for impairment, the recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one year period. Cash flows beyond one year are extrapolated using the estimated growth rate of the CGU. The growth rate does not exceed the long-term average past growth rate for the business in which the CGU operates.

The discount rate used is the weighted average cost of capital for the specific segment, adjusted for specific risks relating to the segment. Some of the other assumptions include investment returns, expense inflation rates, tax rates and new business growth. Discount rate 16.3% (2019: 14.3%) and growth rate 5.6% (2019: 6% - 9%) applied.

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

Reasonably different assumptions would not have resulted in an impairment being required.

18. Employee liabilities

	Group and company	
N$'000	2020	2019
Liability for short-term employee liabilities	154 877	163 732
Share-based payment liability	-	33 433
Defined contribution post-employment benefit liabilities	38 199	40 422
	193 076	237 587

Refer to note 25 (remuneration schemes) for more detail on the cash settled share-based payment schemes.

Defined contribution post-employment benefit liabilities

1. The group has a liability to subsidise the post-retirement medical expenditure of certain of its employees which constitutes a defined benefit plan. All employees who join the employ of the group on or after 1 December 1998 are not entitled to the post retirement medical aid subsidy.

   The actuarial method used to value the liabilities is the projected unit credit prescribed by IAS 19 Employee Benefits. The liability is measured as the present value of the group's share of contributions to the medical scheme. Continuing member contributions are projected into the future year using the assumption rate of health care cost inflation and are then discounted back using the discount rate. The group subsidises medical aid contributions for all eligible members at various rates.

2. A severance pay provision is carried in terms of the Labour Act of 2007 and relates to when employment services are terminated by dismissal under certain circumstances or if employees die while employed.

3. The medical plan is regulated by Namfisa. The medical fund is governed by a board of trustees independent of the group. An external auditor performs an audit of the fund on an annual basis.

The employer contributed N$ 2.3 million (2019: N$ 2.1 million) to the post-retirement medical benefit.

The severance pay liability is unfunded and is valued using the projected unit credit method prescribed by IAS 19 Employee Benefits.

The independent actuarial valuations are done on an annual basis.

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

18. Employee liabilities continued

	Group and company					
	2020			2019		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Present value of unfunded liabilities	32 445	5 754	38 199	34 290	6 132	40 422

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

	Group and company					
	2020			2019		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Current service cost	187	468	655	201	472	673
Interest cost	3 161	772	3 933	3 010	561	3 571
Included in staff cost	3 348	1 240	4 588	3 211	1 033	4 244
Recognised in other comprehensive income						
Actuarial (gains) / loss recognised	(2 500)	(1 618)	-	1 019	(564)	(3 663)
Total	848	(378)	4 588	4 230	469	581

18. Employee liabilities continued

Movement in post-employment liabilities

	Group and company					
	2020			2019		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Present value at beginning of the year	34 290	6 132	40 422	32 505	5 663	38 168
Current service cost	187	468	655	201	472	673
Interest cost	3 161	772	3 933	3 010	561	3 571
Benefits paid	(2 693)	-	(2 693)	(2 445)	-	(2 445)
Actuarial (gains) / loss from changes in financial assumptions	(2 500)	(1 618)	(4 118)	1 019	(564)	455
Present value at end of the year	32 445	5 754	38 199	34 290	6 132	40 422

The sensitivity analysis illustrates how the value of the liability would change in response to certain changes in actuarial assumptions

N$'000	2020	2019
Effect of 1% change in the medical aid inflation assumptions is as follows:		
1% increase - effect in current service cost and interest cost	4 153	3 786
1% decrease - effect in current service cost and interest cost	3 357	2 984
Effect of 1% change in the normal salary inflation assumptions is as follows:		
1% increase - effect in current service cost and interest cost	1 459	1 394
1% decrease - effect in current service cost and interest cost	1 234	1 154

The principal actuarial assumptions used for accounting purposes were:

	2020		2019	
	Medical	Severance	Medical	Severance
Discount rate (%)	11.33%	13.82%	9.52%	10.38%
Medical aid inflation (%)	7.69%	-	7.33%	-
Salary inflation (%)	-	9.61%	-	8.35%
Employees covered	101	2 060	99	2 120

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

19. Deferred income tax liability

N$'000	Group 2020	Group 2019	Company 2020	Company 2019
Deferred tax liability				
Opening balance	393 209	320 600	399 408	326 077
Charge to profit or loss	(139 310)	72 562	(133 967)	73 284
Deferred tax on amounts charged directly to other comprehensive income	1 202	47	1 202	47
Total deferred tax liability	263 101	393 209	266 643	399 408
Reconciliation of deferred tax liability				
Deferred income tax assets and liabilities and deferred tax charge/(credit) in the statement of comprehensive income are attributable to the following items:				
Deductable temporary differences				
Provision for loan impairment	(151 595)	(85 398)	(151 161)	(85 208)
Provision for post-employement benefits	(12 224)	(12 135)	(12 224)	(12 935)
Other provisions	162 727	145 209	161 814	145 154
Financial instruments	(16 304)	(14 293)	(16 304)	(14 294)
Instalment credit assets	88 524	98 185	88 524	98 185
Accruals	201 551	277 600	201 551	277 600
Financial instruments at fair value through other comprehensive income	1 202	(132)	1 202	(132)
Share-based payments	(6 758)	(8 962)	(6 758)	(8 962)
Other	(4 022)	(6 865)	-	-
Total deferred liability	263 101	393 209	266 644	399 408
Charge through profit and loss	(131 310)	72 562	(133 967)	73 284
Deferred tax on other comprehensive income	(1 202)	47	(1 202)	47
Total	(132 512)	72 609	(135 169)	73 331

20. Creditors and accruals

N$'000	Group 2020	Group 2019	Company 2020	Company 2019
Creditors and accruals				
Items in transit	159 373	55 018	159 369	55 016
Audit fees accrued	5 774	5 011	5 431	4 682
Accrued expenses	60 512	35 006	60 512	34 950
Other accounts payable	281 315	276 448	280 661	275 350
Total creditors and accruals	506 974	371 483	505 973	369 998

All amounts are expected to be settled within twelve months.

The carrying value of creditors and accruals approximates fair value.

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

21. Deposits

N$'000	Group 2020	Group 2019	Company 2020	Company 2019
Deposits from customers				
Current accounts	12 276 853	10 021 028	12 274 286	10 018 614
Call deposits	6 831 443	5 737 067	6 831 443	5 737 067
Savings account	400 252	292 742	400 252	292 742
Fixed and notice deposits	11 424 931	10 123 612	11 424 931	10 123 612
	30 933 479	26 174 449	30 930 912	26 172 035
Debt securities				
Negotiable certificates of deposit	7 064 014	8 526 854	7 064 014	8 526 854
Fixed and floating rate notes	543 668	1 270 060	543 668	1 270 060
	7 607 682	9 796 914	7 607 682	9 796 914
Geographical analysis (based on counterparty risk)				
Namibia	38 541 161	35 971 363	38 538 594	35 968 949
Due to banks and other financial instruments				
In the normal course of business	117 975	430 033	117 975	430 033
Geographical analysis (based on counterparty risk)				
Namibia	117 975	430 033	117 975	430 033
Total deposits	38 659 136	36 401 396	38 656 569	36 398 982

22. Other liabilities

N$'000	Group 2020	Group 2019	Company 2020	Company 2019
Other funding liabilities	219 928	220 486	219 928	220 486
Lease liabilities *	66 258	-	66 258	-
	286 186	220 486	286 186	220 486

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

Other liabilities reconciliation

N$'000	Group and company 2020	Group and company 2019
Opening balance	220 486	220 447
IFRS 16 adjustment**	65 878	-
Cash flow movements		
- Principal payments towards lease liabilities	(27 741)	-
- Interest paid	(22 995)	(17 924)
	(50 736)	(17 924)
Non-cash flow movements		
- New leases issued during the year	28 162	-
- Interest accrued	22 396	17 963
	50 558	17 963
Total other liabilities	286 186	220 486

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

23. Tier 2 liabilities

Subordinated debt instruments	Interest rate	Final maturity date	Note	2020	2019
FNB X27 fixed rate notes	Three-month JIBAR + 2.50%	Monday, 29 March 2027	(i)	100 000	100 000
FNB J27 floating rate notes	10.36%	Monday, 29 March 2027	(ii)	300 000	300 000
Accrued interest				2 774	2 804
				402 774	402 804

(i) The FNB X27 fixed rate notes may be redeemed in full at the option of the group on 29 March 2022. Interest paid quarterly in arrears on 29 March and 29 September of each year.

(ii) The FNB J27 floating rate notes may be redeemed in full at the option of the group on 29 March 2022. Interest is paid quarterly on 29 March, 29 June, 29 September and 29 December each year.

These notes are listed on the Namibian Stock Exchange (NSX).

The notes listed above qualify as Tier 2 capital for First National Bank of Namibia Limited.

Refer to note 30, fair value of financial instruments for the methodologies used to determine the fair value of the tier 2 liabilities.

Tier 2 liabilities reconciliation

N$'000	2020	2019
Opening balance	402 804	402 783
Cash flow movement	(37 649)	(39 179)
- Proceeds on the issue of Tier 2 liabilities	-	-
- Interest paid	(37 649)	(39 179)
Non-cash flow movement	37 619	39 200
- Interest accrued	37 619	39 200
Total Tier 2 liabilities	402 774	402 804

24. Share capital

	Group		Company	
	2020	2019	2020	2019
Authorised				
4000 (2019: 4000) Ordinary shares of with a par value of N$1 per share	4	4	4	4
Issued and fully paid up				
1200 (2019: 1200) Ordinary shares with a par value of N$1 per share	1	1	1	1
Share premium	1 142 791	1 142 791	1 142 791	1 142 791
Total issued share capital attributable to ordinary equityholders	1 142 792	1 142 792	1 142 792	1 142 792

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

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

25. Remuneration schemes

N$'000	Group and company 2020	Group and company 2019
The charge to profit or loss for share-based payments is as follows:		
FirstRand Namibia Share options	292	1 120
FirstRand conditional share plan	29 136	36 540
Charge against staff costs	29 428	37 660

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.

No liability is recognised for the CIP scheme, as the liability is prepaid. Included in prepayments in note 13 is an amount of N$ 44.0million (2019: N$ 37.4 million) relating to the group's share-based payment scheme. The prepayment fund is managed by RMB Morgan Stanley. Share based payments allocated to employees are accumulated in advance through the fund. The vesting of these schemes are subject to the vesting conditions set out below.

25. Remuneration schemes continued

Share incentive scheme
Fair values for the share incentive schemes, are calculated at the date of grant using a modification of the Cox-Rubenstein binomial model. For valuation purposes, each call option granted has been valued as a Bermudan call option with a number of exercise dates.

The days on which the options can be exercised has been assumed to be the last day that the share trade cum-dividend.

Market data consists of the following:
- Volatility is the expected volatility over the period of the option. In the absence of other available data, historical volatility can be used as a proxy for expected volatility; and
- The interest rate is the risk-free rate of return, recorded on the date of the option grant, on a South African government zero coupon bond of a term equal to the expected life of the option.

Employee statistic assumptions consist of the following:
- Annual employee turnover is the average annual rate that employees participating in the option scheme are expected to leave before the options have vested;
- Number of iterations is the number to be used in the binomial model, which is limited to 500; and
- The weighted average number of forfeitures is based on the major grants because these grants have a more reliable cancellation or forfeiture pattern.

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

25. Remuneration schemes continued

Corporate performance targets:

The FirstRand Ltd group remuneration committee sets the corporate performance targets (CPT's) based on the expected prevailing macroeconomic conditions anticipated during the performance period for the group's long-term incentive schemes, the conditional share plan and the conditional incentive plan. These criteria, which must be met or exceeded to enable vesting, vary from year to year, depending on the macro conditions expected to prevail over the vesting period.

In terms of the scheme rules, participants are not entitled to any dividends on their long term incentive (LTI) allocations during the performance period, nor do these accrue to them during the performance period.

The criteria for the currently open schemes are as follows:

2017 (vests in 2020) – FirstRand Limited must achieve growth in normalised EPS, adjusted for CPI, which equals or exceeds the South African real GDP growth, on a cumulative basis, over the performance period from the base year-end being 30 June 2017, to the year end immediately preceding the vesting date, and the company must deliver a ROE of at least 18% over the performance period. Real GDP and CPI are advised by the Group Treasury, macro strategy unit. For vesting to occur, the criteria must be met or exceeded. However, the scheme rules allow the remuneration committee the discretion to determine whether the conditional awards will vest in full or partially in circumstances where the performance conditions were not fulfilled. During the current year, the company failed to achieve the targets set for the cumulative growth in normalised earnings per share and Remco notified qualifying employees that the scheme would consequently not vest.

2018 (vests in 2021) – FirstRand Limited must achieve growth in normalised earnings per share which equals or exceeds the South African CPI plus Real Gross Domestic Product ("GDP") growth, on a cumulative basis, over the performance period from the base year end, being 30 June 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 whether the conditional awards will vest in full or partially in circumstances where the performance conditions were not fulfilled.

2019 (vests in 2022) – The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment and the remaining 50% of the awards remain subject to performance conditions. For the awards subject to performance conditions, graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a super stretch target with linear grading between targets. The minimum ROE and earnings growth conditions will vest at 70% and if these are not met the award will lapse.

25. Remuneration schemes continued

	Performance conditions		
	ROE target (average over the 3-year performance period)	Normalised earnings per share growth requirement (3-year compound annual growth rate)	Vesting level should both conditions be met
		FirstRand Limited must achieve growth in normalised earnings per share relative to the South African CPI plus real GDP growth on a cumulative basis over the performance period from the base year-end, being 30 June 2019, as set out for each vesting level indicated below:	
Minimum vesting, below which the award lapses	≥ 20%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >0% or CPI where real GDP growth is negative	70%
On target performance	≥ 20.5%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 1.5% to 3%	100%
Stretch target	≥ 21%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >5% to 7%	120%
Super stretch target	≥ 22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >7% to 10%	150% (maximum vesting)

Linear vesting applies between each vesting level based on the achieved normalised earnings per share growth rate. The ROE is based on NAV without material adjustments resulting from dividend policy changes, regulatory changes, IFRS changes or volatile reserves. Under the new structure, Remco cannot apply upward vesting judgement if performance criteria are not met.

Notes to the annual financial statements

for the year ended 30 June continued

25. Remuneration schemes continued

	FirstRand Namibia share incentive scheme		FirstRand Ltd conditional share plan	
	2020	2019	2020	2019
Weighted average share price (N$)	1 180 - 2 452	1 180 - 2 452	-	-
Expected volatility (%)	402 - 16	402 - 16	-	-
Expected option life (years)	5	5	2 - 3	2 - 3
Expected credit free rate (%)	-	581 - 769	391 - 532	699 - 761
Share option schemes				
Number of options in force at the beginning of the year (N$'000)	548	2 097	1 788	1 651
Granted prices ranging between (cents)	1 180 - 2 452	1 180 - 2 452	-	-
Number of options granted during the year (N$'000)	-	-	620	587
Granted at prices ranging between (cents)	-	-	-	-
Number of options exercised during the year (N$'000)	(548)	(1 548)	(573)	(490)
Market value range at the date of exercise/release (cents)	3 178 - 3 500	3 500 - 4 498	5 105 - 6 520	6 662 - 6 662
Number of options cancelled/lapsed during the year (N$'000)	-	-	(5)	(14)
Granted at prices ranging between (cents)	-	-	-	-
Number of options in force at the end of the year (N$'000)	-	548	1 830	1 788
Granted at prices ranging between (cents)	-	1 180 - 2 452	-	-

25. Remuneration schemes continued

	FirstRand Namibia Ltd share incentive scheme	
Outstanding awards (thousands)	2020	2019
Conditional outstanding**		
Vesting during 2020	-	548
	-	548

* Market value indicated above includes those instances where a probability of vesting is applied to accelerated share award vesting prices due to a no-fault termination, as per the rules of the scheme.

** Years referenced in the rows relates to calendar years and not financial years.

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

25. Remuneration schemes continued

Impact of COVID-19 on existing schemes
As noted, due to the impact of COVID-19, the 2017 scheme has failed and will not vest, the vesting of the 2018 scheme is also in doubt. As such Remco is considering mechanism to mitigate the increased retention risk resulting from the COVID-19 impact.

	Conditional share plan (FirstRand shares)			
	2020		2019	
Share awards outstanding**	Weighted average remaining life (years)	Outstanding awards (millions)	Weighted average remaining life (years)	Outstanding awards (millions)
Vested during 2019	-	-	0.32	0.560
Vesting during 2020#	0.30	0.654	1.30	0.664
Vesting during 2021	1.30	0.564	2.30	0.564
Vesting during 2022	2.29	0.612	-	-
Total conditional awards	-	1.830	-	1.788
Number of participants	-	159	-	175

* Market values indicated above include those instances where a probability of vesting is applied to accelerated share award vesting prices due to a no-fault termination, as per the rules of the scheme.
** Years referenced in the rows relate to calendar years and not financial years.
# Scheme vesting during 2020 failed to vest due to not achieving the performance conditions attached to the scheme.

26. Cash generated from operations

	FirstRand Namibia Ltd share incentive scheme		FirstRand Ltd conditional share plan	
N$'000	2020	2019	2020	2019
Profit before taxation	1 234 030	1 533 804	1 229 760	1 502 527
Adjusted for:				
Depreciation, amortisation and impairment losses	133 640	108 290	133 292	107 952
Impairment charge on advances	559 413	214 808	557 651	216 380
Provision for post employment benefit obligations	3 852	4 244	3 852	4 244
Other employment accruals	38 093	79 809	38 093	79 809
Creation and revaluation of derivative financial instruments	(6 678)	5 185	(6 678)	5 185
Profit on disposal of property and equipment	(3 063)	(661)	(3 063)	(661)
Share-based payment	29 428	37 660	29 428	37 660
Accrued on off-market advances	3 364	683	3 364	683
Net release of deferred fees and expenses	(16 121)	(14 497)	(16 134)	(14 916)
Off-market staff loans amortisation	(3 364)	(683)	(3 364)	(683)
Share (profit) from associate company	(1 492)	(3 730)	-	-
Indirect tax	43 639	45 515	43 251	45 496
Dividend on derecognition of associate	-	-	(13 039)	-
	2 014 741	2 010 427	1 996 413	1 983 676

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

27. Contingencies and commitments

	Group and company	
N$'000	2020	2019
Contingencies		
Guarantees *	1 222 282	1 450 027
Letters of credit	16 775	67 619
Total contingencies	1 239 057	1 517 646
Irrecoverable unutilised facilities	2 122 750	4 917 200
Committed capital expenditure	190 723	205 900
Total contingencies and commitments	3 552 530	6 640 746

* Guarantees consist predominantly of endorsement and performance guarantees. The fair value of guarantees approximates the face value as disclosed.

Legal proceedings

There are a number of legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material, either on an individual or group basis.

Provision is made for all liabilities which are expected to materialise.

Commitments in respect of capital expenditure and long-term investments are approved by the directors.

27. Contingencies and commitments continued

Group and company leasing arrangements

	2020			2019		
N$'000	Next year	2 to 5 years	5+ years	Next year	2 to 5 years	5+ years
Office premises	-	-	-	39 620	49 189	-
	-	-	-	39 620	49 189	-

Notice periods on operating lease contracts are between 3-6 months, no operating lease contract is fixed and escalation clauses range between 7% and 10% (2019: 7% and 10%).

The group has various operating lease agreements, which may or may not contain renewal options. The lease terms do not contain restrictions on the group's activities concerning dividends, additional funding or further leasing.

The group elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS17 basis. Refer to accounting policy note 5.2 for details.

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

28. Related parties

First National Bank of Namibia Limited is 100% (2019: 100%) owned by FirstRand Namibia Limited.

FirstRand Namibia Limited is listed on the Namibian Stock Exchange and is 58.4% (2019: 58.4%) owned by FirstRand EMA Holdings Proprietary Limited, with its ultimate holding company FirstRand Limited, which is incorporated in South Africa, listed on the JSE Limited and on the NSX. Refer to section 2.2 of the accounting policies.

Details of transactions with relevant related parties appear below:

Related party balances

	Group and company	
N$'000	2020	2019
Advances		
Entities that have significant influence over the group and its subsidiaries	2 332 216	2 354 744
Fellow subsidiary to banking group	103 814	8 594
Associates	-	9 768
Key managment personnel	36 021	22 785
Accounts receivable		
Entities that have significant influence over the group and its subsidiaries	-	7 297
Derivative assets		
Entities that have significant influence over the group and its subsidiaries	139 793	291 586
Deposits		
Entities that have significant influence over the group and its subsidiaries	14 193	418 411
Fellow subsidiaries to banking group	71 791	53 207
Associate	-	36 178
Key management personnel	20 530	10 011
Derivative liabilities		
Entities that have significant influence over the group and its subsidiaries	407 275	186 895
Related party transactions		

28. Related parties continued

	Group and company	
N$'000	2020	2019
Interest received		
Entities that have significant influence over the group and its subsidiaries	64 412	102 282
Fellow subsidiaries to banking group	6 437	1 707
Associate	533	1 030
Key management personnel	57	65
Interest paid		
Entities that have significant influence over the group and its subsidiaries	4 156	9 039
Associates	1 253	1 181
Non-interest revenue		
Fellow subsidiaries to banking group	5 428	5 353
Operating expenses		
Entities that have significant influence over the group and its subsidiaries	347 552	320 558
Associate	17 780	18 085
Dividends paid		
Entities that have significant influence over the group and its subsidiaries	1 249 744	571 398
Details of transactions with relevant related parties appear below:		
Key management personnel		
- Cash package	27 766	25 793
- Retirement contributions	4 231	3 679
- Performance-related benefits	14 531	13 784
	46 528	55 835

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

Related party transactions between the company and its subsidiary is disclosed in note 15.

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

29. Risk management

The financial instruments recognised on the group's statement of financial position expose the group to various financial risks. The COVID-19 pandemic has far-reaching impacts on the group's operations and impacts each of the financial risks managed by the group. The impact on each of the financial risks is decribed in the sub-section below.

The risk report of the group appears on pages 17 to 33 of this annual report. The report describes the various risks the group is exposed to, as well as the methodology and instruments to mitigate these risks. The report includes the disclosures required by IFRS 7 related to the management of credit markets, liquidity and interest rate risks. Capital management is dealt with in the Capital Management report. Risk control policies and exposures limits for key risk areas of the group are approved by the board, while operational policies and control procedures are approved by the relevant risk committees. The following assets and off-balance sheet amounts expose the group to credit risk. For all on-balance sheet exposures, the carrying amount recognised in the statement of financial position represents the maximum exposure to credit risk, before taking into account collateral and other credit.

Credit risk

Objective
Credit risk managment objectives are two-fold:

- Risk control: Appropriate limits are placed on the assumption of credit risk and steps are taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfill this task.
- Management: Credit risk is taken within the constraints of the risk appetite framework. The credit portolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions, overseen by the group's credit risk management function in ERM and relevant board committees, fulfill this role.

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

29. Risk management continued

Assessment and management

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

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

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

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

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

Mapping of FR grades to rating agency scales

FirstRand rating	Midpoint PD	RMB rating (based on S&P)*
FR 1 -14	0.06%	AAA, AA+, AA, AA-, A, A-
FR 15 - 25	0.29%	BB+, BBB(upper), BBB, BBB-(upper), BBB-, BB+(upper)
FR 26 -32	0.77%	BB+, BB(upper), BB, BB-(upper)
FR 33 - 39	1.44%	BB-, B+(upper)
FR 40 - 53	2.52%	B+
FR 54 - 83	6.18%	B(upper), B, B-(upper)
FR 84 - 90	13.68%	B-
FR 91 - 99	59.11%	CCC
FR 100	100.00%	D (Defaulted)

Credit assets

The following assets and off-balance sheet amounts expose the group to credit risk. For all on-balance sheet exposures, the gross amount disclosed represents the maximum exposure to credit risk, before taking into account collateral and other credit enhancements.

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

29. Risk management continued

Total exposure (items where credit risk exposure exist)

N$'000	Group 2020	Group 2019	Company 2020	Company 2019
Balances with central bank	550 315	864 569	550 315	864 569
Total cash and cash equivalents	550 315	864 569	550 315	864 569
Due from banks and other financial institutions	4 442 443	2 803 841	4 442 443	2 803 841
Advances				
Residential mortgages	13 814 764	13 388 628	13 579 773	13 106 412
Vehicle and asset finance	1 755 160	3 438 462	1 755 160	3 438 462
Credit card	404 191	390 944	404 191	390 944
Personal loans	2 303 694	2 283 011	2 303 694	2 283 011
Other retail	480 310	520 486	480 310	509 575
FNB Commercial	5 895 910	6 510 450	5 895 913	6 510 450
Commercial vehicle finance	1 402 508	-	1 402 508	-
RMB Corporate and Investment banking	4 021 692	3 880 759	4 021 692	3 880 759
Total advances	30 078 229	30 412 740	29 843 241	30 119 613
Derivative financial instruments	519 294	459 072	519 294	459 072
Debt investment securities				
Listed investment securities	2 769 716	2 214 176	2 769 716	2 214 176
Unlisted investment securities	5 611 591	5 363 504	5 611 591	5 363 504
Total debt investment securities	8 381 307	7 577 680	8 381 307	7 577 680
Other assets	170 493	150 640	209 275	184 267
Guarantees	1 222 282	1 450 027	1 222 282	1 450 027
Letters of credit	16 775	67 619	16 775	67 619
Irrecoverable commitments	2 122 750	4 917 200	2 122 750	4 917 200

29. Risk management continued

The table below sets out the maximum exposure to credit risk for financial assets at amortised cost and fair value through profit or loss debt instruments.

	Group						
	2020						
N$'000	Carrying amount	Loss allowance	Maxium exposure to credit risk	Financial collateral	Net exposure to credit risk	Unsecured	Secured
Total exposure (items where credit exposure exists)							
Cash and cash equivalents							
Balances with central bank	550 315	-	550 315	-	550 315	550 315	-
Total cash and cash equivalents	550 315	-	550 315	-	550 315	550 315	-
Due from banks and other financial institutions	4 442 443	-	4 442 443	-	4 442 443	4 442 443	-
Advances							
Residential mortgages	14 124 707	(309 943)	13 814 764	350 790	13 463 974	-	13 463 974
Vehicle and asset finance	1 856 543	(101 383)	1 755 160	20 095	1 735 065	-	1 735 065
Credit card	433 254	(29 063)	404 191	-	404 191	404 191	-
Personal loans	2 468 297	(164 603)	2 303 694	-	2 303 694	2 303 694	-
Other retail	556 904	(76 594)	480 310	-	480 310	480 310	-
FNB Commercial	6 326 956	(431 046)	5 895 910	38 329	5 857 581	3 782 712	2 074 869
Commercial vehicle finance	1 481 700	(79 192)	1 402 508	14 552	1 387 956	-	1 387 956
RMB Corporate and Investment banking	4 071 138	(49 446)	4 021 692	251 456	3 770 236	1 518 705	2 251 531
Total advances	31 319 499	(1 241 270)	30 078 229	675 222	29 403 007	8 489 612	20 913 395
Investment securities	8 382 572	(1 265)	8 381 307	-	8 381 307	8 381 307	-
Derivatives	519 294	-	519 294	-	519 294	402 957	116 337
Other assets	213 708	-	213 708	-	213 708	213 708	-
Off balance sheet exposures							
Guarantees	1 222 282	-	1 222 282	-	1 222 282	1 056 306	168 977
Letters of credit	16 775	-	16 775	-	16 775	16 775	-
Irrevocable commitments	2 122 750	-	2 122 750	-	2 122 750	2 122 750	-

There are no assets and liabilities that have been offset.

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

29. Risk management continued

N$'000	Group 2019 Carrying amount	Loss allowance	Maximum exposure to credit risk	Financial collateral	Net exposure to credit risk	Unsecured	Secured
Total exposure (items where credit exposure exists)							
Cash and cash equivalents							
Balances with central bank	864 569	-	864 569	-	864 569	864 569	-
Total cash and cash equivalents	864 569	-	864 569	-	864 569	864 569	-
Due from banks and other financial institutions	2 803 841	-	2 803 841	-	2 803 841	2 803 841	-
Advances							
Residential mortgages	13 554 950	(166 322)	13 388 628	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	2 377 678	(94 667)	2 283 011	-	2 283 011	2 283 011	-
Other retail	548 597	(28 111)	520 486	-	520 486	520 486	-
FNB Commercial	6 760 954	(250 504)	6 510 450	-	6 510 450	4 223 881	2 286 569
RMB Corporate and investment banking	3 921 090	(40 331)	3 880 759	112 890	3 767 869	151 872	3 615 997
Total advances	49 533 554	(706 388)	48 826 456	682 748	48 143 708	46 626 062	46 626 062
Investment securities	7 578 989	(1 309)	7 578 989	-	7 578 989	7 578 989	-
Derivatives	459 072	-	459 072	-	459 072	348 012	111 060
Accounts receivable	272 399	-	272 399	-	272 399	272 399	-
Off-balance sheet exposures							
Guarantees	1 450 027	-	1 450 027	-	1 450 027	-	-
Letters of credit	67 619	-	67 619	-	67 619	-	-
Irrevocable commitments	4 917 200	-	4 917 200	-	4 917 200	4 917 200	-

29. Risk management continued

N$'000	Company 2020 Carrying amount	Loss allowance	Maxium exposure to credit risk	Financial collateral	Net exposure to credit risk	Unsecured	Secured
Total exposure (items where credit exposure exists)							
Cash and cash equivalents							
Balances with central bank	550 315	-	550 315	-	550 315	550 315	-
Total cash and cash equivalents	550 315	-	550 315	-	550 315	550 315	-
Due from banks and other financial institutions	4 442 443	-	4 442 443	-	4 442 443	4 442 443	-
Advances							
Residential mortgages	13 882 777	(303 004)	13 579 773	350 790	13 228 983	-	13 228 983
Vehicle and asset finance	1 856 543	(101 383)	1 755 160	20 095	1 735 065	-	1 735 065
Credit card	433 254	(29 063)	404 191	-	404 191	404 191	-
Personal loans	2 468 297	(164 603)	2 303 694	-	2 303 694	2 303 694	-
Other retail	556 904	(76 594)	480 310	-	480 310	480 310	-
FNB Commercial	6 326 959	(431 046)	5 895 913	38 329	5 857 584	3 782 715	2 074 869
Commercial vehicle finance	1 481 700	(79 192)	1 402 508	14 552	1 387 956	-	1 387 956
RMB Corporate and Investment banking	4 071 138	(49 446)	4 021 692	251 456	3 770 236	1 518 705	2 251 531
Total advances	31 077 572	(1 234 331)	29 843 241	675 222	29 168 019	8 489 615	20 678 404
Investment securities	8 382 572	(1 265)	8 381 307	-	8 381 307	8 381 307	-
Derivatives	519 294	-	519 294	-	519 294	402 957	116 337
Other assets	252 515	-	252 515	-	252 515	252 515	-
Off balance sheet exposures							
Guarantees	1 222 282	-	1 222 282	-	1 222 282	1 053 306	168 977
Letters of credit	16 775	-	16 775	-	16 775	16 775	-
Irrevocable commitments	2 122 750	-	2 122 750	-	2 122 750	2 122 750	-

There are no assets and liabilities that have been offset.

Notes to the annual financial statements

for the year ended 30 June continued

29. Risk management continued

N$'000	Company 2019 Carrying amount	Loss allowance	Maximum exposure to credit risk	Financial collateral	Net exposure to credit risk	Unsecured	Secured
Total exposure (items where credit exposure exists)							
Cash and cash equivalents							
Balances with central bank	864 569	-	864 569	-	864 569	864 569	-
Total cash and cash equivalents	864 569	-	864 569	-	864 569	864 569	-
Due from banks and other financial institutions	2 803 841	-	2 803 841	-	2 803 841	2 803 841	-
Advances							
Residential mortgages	13 268 134	(161 722)	13 106 412	553 262	12 553 150	-	12 553 150
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	2 377 678	(94 667)	2 283 011	-	2 283 011	2 283 011	-
Other retail	537 686	(28 111)	509 575	-	509 575	509 575	-
FNB Commercial	6 760 954	(250 504)	6 510 450	-	6 510 450	4 223 881	2 286 569
RMB Corporate and investment banking	3 921 090	(40 331)	3 880 759	112 890	3 767 869	151 872	3 615 997
Total advances	49 269 454	(701 788)	48 566 956	682 748	47 884 208	46 366 562	46 366 562
Investment securities	7 578 989	(1 309)	7 578 989	-	7 578 989	7 578 989	-
Derivatives	459 072	-	459 072	-	459 072	348 012	111 060
Accounts receivable	306 026	-	306 026	-	306 026	306 026	-
Off-balance sheet exposures							
Guarantees	1 450 027	-	1 450 027	-	1 450 027	-	-
Letters of credit	67 619	-	67 619	-	67 619	-	-
Irrevocable commitments	4 917 200	-	4 917 200	-	4 917 200	4 917 200	-

29. Risk management continued

Quality of credit assets

The following table shows the gross carrying amount of advances carried at amortised cost and the fair value of advances measured at fair value through profit or loss, as well as the exposure to credit risk of loan commitments and financial guarantee per class of advances and per internal credit rating.

The amount in stage 3 that do not have a rating of FR 91 - 100 relates to technical cures (performing accounts that have previously defaulted but don't meet the 12-month curing definition remains in stage 3) and paying debt-review customers as the PD's on these customers are lower than operational stage 3 advances and the PD drives the FR rating. In addition, where the groip holds a guarantee against a stage 3 advance, the FR rating would reflect same.

	2020							
	Group				Company			
	FR 26 - 90		FR 91 - 100		FR 26 - 90		FR 91 - 100	
N$'000	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
FNB Retail								
Stage 1	18 991 992	1 678 202	110 003	85 569	18 991 992	1 678 202	110 003	85 596
Stage 2	493 344	-	388 746	-	493 344	-	388 746	-
Stage 3	79 183	-	812 794	-	79 183	-	812 794	-
Total retail	19 564 519	1 678 202	1 311 543	85 569	19 564 519	1 678 202	1 311 543	85 596
FNB Commercial								
Stage 1	4 814 033	1 042 549	146 543	14 131	4 814 033	1 042 549	146 543	14 131
Stage 2	464 048	-	403 605	-	466 048	-	403 605	-
Stage 3	3 791	-	473 573	-	3 791	-	473 573	-
Total Commercial	5 281 872	1 042 549	1 023 721	14 131	5 283 872	1 042 549	1 023 721	14 131
RMB Corporate banking								
Stage 1	977 258	-	972	340 071	977 258	-	972	340 071
Stage 2	-	-	-	277	-	-	-	277
Stage 3	-	-	-	-	-	-	-	-
Total RMB Corporate banking	977 258	-	972	340 348	977 258	-	972	340 348

Notes to the annual financial statements

for the year ended 30 June continued

29. Risk management continued

N$'000	2020							
	Group				Company			
	FR 26 - 90		FR 91 - 100		FR 26 - 90		FR 91 - 100	
	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
RMB Investment banking								
Stage 1	2 765 335	201 007	-	-	2 765 335	201 007	-	-
Stage 2	17 531	-	-	-	17 531	-	-	-
Fair value through profit or loss	310 042	-	-	-	310 042	-	-	-
Total RMB Investment banking	3 092 908	201 007	-	-	3 092 908	201 007	-	-

29. Risk management continued

N$'000	2019					
	Group			Company		
	FR 26-90		FR 91-100	FR 26-90		FR 91-100
	On balance sheet	Off balance sheet	On balance sheet	On balance sheet	Off balance sheet	On balance sheet
Retail						
Stage 1	15 799 830	3 294 157	-	15 502 103	3 294 157	-
Stage 2	594 383	-	-	594 383	-	-
Stage 3	-	-	519 958	-	-	519 958
Total retail	16 394 213	3 294 157	519 958	16 096 486	3 294 157	519 958
FNB commercial						
Stage 1	6 019 528	1 605 216	-	6 019 528	1 605 216	-
Stage 2	480 078	-	-	480 078	-	-
Stage 3	-	-	261 348	-	-	261 348
Total FNB commercial	6 499 606	1 605 216	261 348	6 499 606	1 605 216	261 348
WesBank						
Stage 1	3 235 350	225 570	-	3 235 350	225 570	-
Stage 2	222 955	-	-	222 955	-	-
Stage 3	-	-	63 298	-	-	63 298
Total WesBank	3 458 305	225 570	63 298	3 458 305	225 570	63 298
RMB corporate banking						
Stage 1	772 393	916 877	-	772 393	916 877	-
Total RMB corporate banking	772 393	916 877	-	772 393	916 877	-
RMB investment banking	-	-	-	-	-	-
Stage 1	2 779 765	-	-	2 779 765	-	-
Fair value through profit or loss	368 932	-	-	368 932	-	-
Total RMB investment banking	3 148 697	-	-	3 148 697	-	-

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

29. Risk management continued

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

	Group					
	2020			2019		
N$'000	Gross carrying amount	Expected recoveries from collateral	Loss allowance	Gross carrying amount	Expected recoveries from collateral	Loss allowance
Stage 3 by class						
Total retail secured	695 037	474 789	220 248	469 313	333 178	136 135
- Residential mortgages	641 707	470 660	171 047	434 499	327 846	106 653
- Vehicle asset finance	53 330	4 129	49 201	34 814	5 332	29 482
Total retail unsecured	153 305	4 545	148 760	85 459	9 207	76 252
- Credit card	25 718	(87)	25 805	17 263	479	16 784
- Personal loans	106 847	2 531	104 316	54 327	3 483	50 844
- Other retail	20 740	2 101	18 639	13 869	5 245	8 624
Total corporate and commercial	520 998	282 143	238 855	289 832	152 967	136 865
- FNB commercial	477 364	278 764	198 600	261 348	148 605	112 743
- Commercial vehicle finance	43 634	3 379	40 255	28 484	4 362	24 122
- RMB corporate banking	-	-	-	-	-	-
Total stage 3	1 369 340	761 477	607 863	844 604	495 352	349 252
Stage 3 by category						
Overdrafts and cash management accounts	190 689	71 689	119 000	95 726	35 154	60 572
Term loans	205 045	138 709	66 336	116 654	75 560	41 094
Card loans	25 718	(787)	26 505	17 262	478	16 784
Instalment sales and hire purchase agreements	90 446	2 737	87 709	59 928	8 007	51 921
Lease payments receivable	6 518	4 771	1 747	3 370	1 688	1 682
Property finance	743 956	541 827	202 129	497 337	370 982	126 355
Personal loans	106 968	2 531	104 437	54 327	3 483	50 844
Total stage 3	1 369 340	761 477	607 863	844 604	495 352	349 252

29. Risk management continued

	Company					
	2020			2019		
N$'000	Gross carrying amount	Expected recoveries from collateral	Loss allowance	Gross carrying amount	Expected recoveries from collateral	Loss allowance
Stage 3 by class						
Total retail secured	675 882	460 882	214 997	453 114	318 644	134 470
- Residential mortgages	641 827	456 756	165 796	418 300	313 312	104 988
- Vehicle asset finance	53 330	4 129	49 201	34 814	5 332	29 482
Total retail unsecured	153 305	4 545	148 760	85 459	9 207	76 252
- Credit card	25 718	(87)	25 805	17 263	479	16 784
- Personal loans	106 847	2 531	104 316	54 327	3 483	50 844
- Other retail	20 740	2 101	18 639	13 869	5 245	8 624
Total corporate and commercial	520 998	282 143	238 855	289 832	152 967	136 865
- FNB commercial	477 364	278 764	198 600	261 348	148 605	112 743
- Commercial vehicle finance	43 634	3 379	40 255	28 484	4 362	24 122
- RMB corporate banking	-	-	-	-	-	-
Total stage 3	1 350 185	747 573	602 612	828 405	480 818	347 587
Stage 3 by category						
Overdrafts and cash management accounts	190 689	71 689	119 000	95 726	35 154	60 572
Term loans	205 045	138 709	66 336	116 654	75 560	41 094
Card loans	25 718	(787)	26 505	17 262	478	16 784
Instalment sales and hire purchase agreements	90 446	2 737	87 709	59 928	8 007	51 921
Lease payments receivable	6 518	4 771	1 747	3 370	1 688	1 682
Property finance	724 801	527 920	196 881	481 138	356 448	124 690
Personal loans	106 968	2 531	104 437	54 327	3 483	50 844
Total stage 3	1 350 185	747 573	602 612	828 405	480 818	347 587

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

29. Risk management continued

Quality of credit assets – non-advances

N$'000	Group 2020 BB+ to B-	Group 2019 BB+ to B-	Company 2020 BB+ to B-	Company 2019 BB+ to B-
Investment securites at amortised cost				
Stage 1	7 957 242	7 144 543	7 957 242	7 144 543
Investment securities at fair value through profit or loss				
Stage 1	343 740	433 137	343 740	433 137
Total investment securities	8 300 982	7 577 680	8 300 982	7 577 680
Other financial assets				
Stage 1	16 462	27 504	16 462	27 504
Cash and cash equivalents				
Stage 1	1 105 367	1 380 801	1 105 367	1 380 801
Derivative assets				
Stage 1	519 294	459 072	519 294	459 072
Due from banks and other financial institutions				
Stage 1	4 442 443	2 803 841	4 442 443	2 803 841

Sector analysis concentration of advances

Advances expose the group to concentration risk in various industry sectors. The table below set out the groups exposure to the various industry sectors for total advance and credit -impaired advances.

29. Risk management continued

Group

N$'000	2020 Total advances	2020 Stage 3/NPLs Credit impaired advances	2020 Stage 3/NPLs Security held and expected recoveries	2020 Stage 3/NPLs Specific impairment
Sector analysis				
Agriculture	1 516 157	156 136	115 984	40 152
Banks and Financial institutions	1 536 988	10 675	-	10 675
Building and property development	3 821 930	186 504	102 161	84 343
Individuals	19 365 995	843 658	476 708	366 950
Manufacturing and commerce	2 054 933	120 685	51 434	69 252
Mining	88 371	4 340	768	3 572
Transportation and communication	462 116	20 262	3 625	16 637
Other services	2 473 009	28 104	11 821	16 283
Total	31 319 499	1 369 340	761 477	607 863

Group

N$'000	2019 Total advances	2019 Stage 3/NPLs Credit impaired advances	2019 Stage 3/NPLs Security held and expected recoveries	2019 Stage 3/NPLs Specific impairment
Sector analysis				
Agriculture	1 374 765	84 495	66 063	18 432
Financial institutions	1 324 546	9 687	2 099	7 588
Building and property development	2 458 748	81 574	39 365	42 208
Individuals	18 840 702	548 582	338 860	209 722
Manufacturing and commerce	2 503 009	70 418	32 945	37 473
Mining	278 720	872	361	511
Transportation and communication	507 302	23 246	5 296	17 949
Other services	3 830 027	25 730	10 362	15 369
Total	31 117 819	844 604	495 351	349 252

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

29. Risk management continued

Company

N$'000	2020			
		Stage 3/NPLs		
	Total advances	Credit impaired advances	Security held and expected recoveries	Specific impairment
Sector analysis				
Agriculture	1 516 157	156 136	115 984	40 152
Banks and Financial institutions	1 536 988	11 434	501	10 933
Building and property development	3 821 930	184 841	100 759	84 082
Individuals	19 100 761	824 383	462 681	361 701
Manufacturing and commerce	2 078 240	120 685	51 434	69 252
Mining	88 371	4 340	768	3 572
Transportation and communication	462 116	20 262	3 625	16 637
Other services	2 473 009	28 104	11 821	16 283
Total	31 077 572	1 350 185	747 573	602 612

Company

N$'000	2019			
		Stage 3/NPLs		
	Total advances	Credit impaired advances	Security held and expected recoveries	Specific impairment
Sector analysis				
Agriculture	1 374 765	84 495	66 063	18 432
Financial institutions	1 324 546	9 687	2 099	7 588
Building and property development	2 458 748	81 574	39 365	40 724
Individuals	18 542 975	532 383	324 327	209 541
Manufacturing and commerce	2 503 009	70 418	32 945	37 473
Mining	278 720	872	361	511
Transportation and communication	507 302	23 246	5 296	17 949
Other services	3 830 027	25 730	10 362	15 369
Total	30 820 092	828 405	480 818	347 587

Security held and expected recoveries approximate the fair value.

29. Risk management continued

Concentration analysis of deposits

N$'000	Group 2020	Group 2019	Company 2020	Company 2019
Sector analysis				
Deposit current accounts and other loans				
Sovereigns, including central banks	518 872	627 596	518 872	627 596
Public sector entities	3 744 179	2 006 189	3 744 179	2 006 189
Local authorities	707 781	650 021	707 781	650 021
Banks	345 747	258 135	345 747	258 135
Corporate customers	22 176 712	23 164 438	22 176 712	23 162 024
Retail customers	11 165 845	9 695 017	11 163 278	9 695 017
Total deposits	38 659 136	36 401 396	38 656 569	36 398 982
Geographical analysis				
Namibia	38 659 136	36 401 396	38 656 569	36 398 982

Concentration risk

Credit concentration risk is the risk of loss to the group arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, or maturity. This concentration typically exists when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Concentration risk is managed based on the nature of the credit concentration in each portfolio. The group's credit portfolio is well diversified, which is achieved through setting maximum exposure guidelines to individual counterparties. The group constantly reviews its concentration levels and sets maximum exposure guidelines for these.

The group seeks to establish a balanced portfolio profile and closely monitors credit concentrations.

Geographical risk is all is Namibian counter parties.

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

29. Risk management continued

Credit risk mitigation and collateral held

Since taking and managing credit risk is core to its business, the group aims to optimise the amount of credit risk it takes to achieve its return objectives. Mitigation of credit risk is an important component of this, beginning with the structuring and approval of facilities only for those clients and within those parameters that fall within risk appetite.

Although, in principle, credit assessment focuses on the counterparty's ability to repay the debt, credit mitigation instruments are used where appropriate to reduced the group's lending risk, resulting in security against the majority of exposures. These include financial or other collateral, netting agreements, guarantees or credit derivatives. The collateral types are driven by portfolio, product and counterparty type.

Credit risk mitigation instruments:

- Mortgage and instalment sale finance portfolios in FNB and WesBank are secured by the underlying assets financed;
- FNB Commercial credit exposures are secured by the assets of the SME counterparties and commercial property finance deals are secured by the underlying property and associated cash flows;
- Structured facilities in RMB are secured as part of the structure through financial or other collateral, including guarantees, credit derivative instruments and assets;
- Counterparty credit risk in RMB is mitigated through the use of netting agreements and financial collateral;
- Personal loans, overdrafts and credit card exposures are generally unsecured or secured by guarantees and securities;
- Invoice finance is secured by the underlying receivables (trade invoices); and
- Working capital facilities in RMB corporate banking are secured.

The group employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally to ensure that title is retained over collateral taken over the life of the transaction. Collateral is valued at inception of the credit agreement and subsequently where necessary through physcial inspection or index valuation methods. For corporate and commercial counterparties, collateral is reassessed during the annual review of the counterparty's creditworthiness to ensure that proper title is retained. For mortgage portfolios, collateral is revalued on an ongoing basis using an index model and physical inspection, which is performed at the beginning of the recovery process. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

Concentrations in credit risk mitigation types, such as property, are monitored and managed at a product and credit segment level, in line with the requirements of the group's credit risk appetite framework.

Collateral is taken into account for capital calculation purposes through the determination of LGD. Collateral reduces LGD, and LGD levels are determined through statistical modelling techniques based on historical experience of the recovery processes as well as incorporating forward looking information.

The financial effect of collateral and other credit enhancements has been calculated separately per class of advance for the performing book (IBNR and portfolio specific impairments) and the non-performing book. The amounts disclosed above repesents the difference between the impairment recognised on the statement of financial position using the actual LGD and a proxy LGD for all secured portfolios. The proxy LGD is based on the LGD used to determine the impairment recognised on the statement of financial position for unsecured portfolios.

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

29. Risk management continued

Offsetting of financial assets and financial liabilities

Where appropriate, various instruments are used to mitigate the potential exposure to certain counterparties. These include financial or other collateral in line with common credit risk practices, as well as netting agreements, guarantees and credit derivatives. In addition, the group has set up a function to clear OTC derivatives centrally as part of risk mitigation.

The group uses the International Swaps and Derivatives Association (ISA) and International Securities Market Association agreements for the purpose of netting derivative transactions and repurchase transactions respectively. These master agreements as well as associated credit support annexes (CSA) set out internationally accepted valuation and default covenants, which are evaluated and applied daily, including daily margin calls based on the approved CSA thresholds.

Liquidity risk

Objective

The group strives to fund its activities in a sustainable, diversified, efficient and flexible manner, underpinned by strong counterparty relationships within prudential limits and minimum requirements. The objective is to maintain natural market share, but also to outperform at the margin, which will provide the group with a natural liquidity buffer.

Given the liquidity risk introduced by its business activities, the group's objective is to optimise its funding profile within structural and regulatory constraints to enable its franchises to operate in an efficient and sustainable manner.

Compliance with the Basel III LCR influences the group's funding strategy, in particular as it seeks to restore the correct risk-adjusted pricing of liquidity. The group is actively building its deposit franchise through innovative and competitive product and pricing, while also improving the risk profile of its institutional funding. This continues to improve the funding and liquidity profile of the group.

Given market conditions and the regulatory environment, the group increased its holdings of available liquidity over the year in line with risk appetite. The group utilised new market structures, platforms and regulatory programmes to efficiently increase the available liquidity holdings.

Liquidity risk arises from all assets and liabilities with differing maturity profiles.

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

29. Risk management continued

Assessment and management

The group focuses on continuously monitoring and analysing the potential impact of other risks and events on the funding and liquidity position of the group to ensure business activities preserve and improve funding stability. This ensures the group is able to operate through periods of stress when access to funding is constrained.

Mitigation of market and funding liquidity risks is achieved via contingent liquidity risk management. Buffer stocks of high quality, highly liquid assets are held, either to be sold into the market or to provide collateral for loans to cover any unforeseen cash shortfall that may arise.

The group's approach to liquidity risk management distinguishes between structural, daily and contingency liquidity risk management across all currencies, and various approaches are employed in the assessment and management of these on a daily, weekly and monthly basis.

Regular and rigorous stress tests are conducted on the funding profile and liquidity position as part of the overall stress testing framework with a focus on:

- Quantifying the potential exposure to future liquidity stresses;
- Analysing the possible impact of economic and event risks on cash flows, liquidity, profitability and solvency position; and
- Proactively evaluating the potential secondary and tertiary effects of other risks on the group.

Impact of Covid-19

The Group entered the crisis in a strong liquidity position. The group has remained well funded, and within prudential liquidity requirements and internal risk appetite levels through the stress period. The interventions introduced by global regulators have ensured that markets continue to operate smoothly through the crisis. The Group remains in a strong funding and liquidity position; however, the crisis has not yet come to an end and key risk metrics and early warning indicators continue to be closely monitored. The Group regularly forecasts its liquidity position and uses scenario analysis to inform decision making. The Group has appropriate liquidity buffers and access to funding to withstand the anticipated liquidity risks in the near term.

Undiscounted cash flows

The following table presents the group's undiscounted cash flows of financial liabilities and off-balance sheet amounts and includes all cash outflows related to principal amounts, as well as future payments. These balances will not reconcile to the statement of financial position for the following reasons:

- Balances are undiscounted amounts whereas the statement of financial position is prepared using discounted amounts;
- The table includes cash flows not recognised on the statement of financial position;
- All instruments held for trading purposes are included in the call to three-month bucket and not by maturity, as trading instruments are typically held for short periods of time; and
- Cash flows relating to principal and associated future coupon payments have been included on an undiscounted basis.

29. Risk management continued

	Group							
	2020				2019			
	Term to maturity				Term to maturity			
N$'000	Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual	Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual
On-balance sheet exposures								
Deposits and current accounts	40 164 974	26 641 611	9 873 940	3 649 423	38 130 601	25 508 604	8 533 960	4 088 037
Derivative financial instruments	534 035	534 035	-	-	480 490	480 490	-	-
Creditors, accruals and provisions	456 130	456 130	-	-	393 200	393 200	-	-
Tier 2 liabilities	595 969	10 046	19 565	566 358	696 468	12 399	26 836	657 233
Other liabilities*	261 367	2 846	39 329	219 192	304 970	4 557	13 573	286 840
Financial liabilities	42 012 475	27 644 668	9 932 834	4 434 973	40 005 729	26 399 250	8 574 369	5 032 110
Off-balance sheet exposures								
Financial and other guarantees	1 239 057	1 222 282	16 775	-	3 930 896	94 396	1 112 229	2 724 271
Facilities not drawn	2 122 750	2 122 750	-	-	4 917 200	-	-	4 917 200

* Other liabilities includes lease liabilities of N$ 66.3m, which includes > 12 months and non-contractual balance of N$ 32.7m and current portion of N$ 33.6m.

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

29. Risk management continued

	Company							
	2020				2019			
	Term to maturity				Term to maturity			
N$'000	Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual	Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual
On-balance sheet exposures								
Deposits and current accounts	40 164 974	26 641 611	9 873 940	3 649 423	38 130 601	25 508 604	8 533 960	4 088 037
Derivative financial instruments	534 035	534 035	-	-	480 490	480 490	-	-
Creditors, accruals and provisions	456 130	456 130	-	-	393 200	393 200	-	-
Tier 2 liabilities	595 969	10 046	19 565	566 358	696 468	12 399	26 836	657 233
Other liabilities	261 367	2 846	39 329	219 192	304 970	4 557	13 573	286 840
Financial liabilities	42 012 475	27 644 668	9 932 834	4 434 973	40 005 729	26 399 250	8 574 369	5 032 110
Off-balance sheet exposures								
Financial and other guarantees	1 239 057	1 222 282	16 775	-	3 930 896	94 396	1 112 229	2 724 271
Facilities not drawn	2 122 750	2 122 750	-	-	4 917 200	-	-	4 917 200

Discounted cash flows

The following table represents the group's contractual discounted cash flows of total assets, liabilities and equity for the group. Relying solely on the liquidity mismatch when assessing a bank's maturity analysis would overstate risk, since this represents an absolute worst case assessment of cash flows at maturity.

Due to Namibia's structural liquidity position, banks tend to have a particularly pronounced negative gap in the shorter term due to short-term institutional funds which represent a significant proportion of banks' liabilities. These are used to fund long-term assets, e.g. mortgages.

Discounted cash flow analysis – maturity analysis of total assets, liabilities and equity based on the present value of the expected payment.

29. Risk management continued

	Group							
	2020				2019			
	Term to maturity				Term to maturity			
N$'000	Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual	Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual
Total assets	45 707 602	14 037 753	5 506 636	26 163 213	43 870 752	14 564 862	5 260 408	24 045 482
Total equity and liabilities	45 707 602	27 796 738	10 000 901	7 909 963	43 870 752	30 630 003	8 533 960	4 706 789
Net liquidity gap	-	(13 758 985)	(4 494 265)	18 253 250	-	(11 106 168)	(3 273 552)	19 338 693
Cumulative liquidity gap	-	(13 758 985)	(18 253 250)	36 891	-	(11 106 168)	(14 379 720)	4 958 973

	Company							
	2020				2019			
	Term to maturity				Term to maturity			
N$'000	Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual	Total	Call - 3 months	4 - 12 months	> 12 months and non-contractual
Total assets	45 594 007	13 924 158	5 506 636	26 163 213	43 751 162	14 445 272	5 260 408	24 045 482
Total equity and liabilities	45 594 007	27 683 143	10 000 901	7 909 963	43 751 162	30 510 413	8 533 960	4 706 789
Net liquidity gap	-	(13 758 985)	(4 494 265)	18 253 250	-	(11 106 168)	(3 273 552)	19 338 693
Cumulative liquidity gap	-	(13 758 985)	(18 253 250)	(257 077)	-	(11 106 168)	(14 379 720)	4 958 973

As illustrated in the table above, the negative liquidity short-term gap increased slightly in the short end on a cumulative basis. This is aligned to the funding strategy to grow the deposit franchise via transactional deposit accounts. Management continues to align stress-funding buffers, taking into account prevailing economic and market conditions.

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

29. Risk management continued

Market risk

Non-traded market risk

Interest rate risk in the banking book
Interest rate risk in the banking book originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in banking book products.

Assessment and management

Sensitivity analysis
A change in interest rates impacts both the earnings potential of the banking book (as underlying assets and liabilities reprice to new rates), as well as in the economic value/PV01 of an entity (as a result of a change in the fair value of any open risk portfolios used to manage the earnings risk). The role of management is to protect both the financial performance as a result of a change in earnings and to protect the long-term economic value. To achieve this, both earnings sensitivity and economic sensitivity measures are monitored and managed within appropriate risk limits and appetite levels, considering the macroeconomic environment and factors which would cause a change in rates.

Earnings sensitivity
Earnings models are run on a monthly basis to provide a measure of the NII sensitivity of the existing banking book balance sheet to shocks in interest rates. Underlying transactions are modelled on a contractual basis and behavioural adjustments are applied where relevant. The calculation assumes a constant balance sheet size and product mix over the forecast horizon. Behavioural assumption is applied in relation to non-maturing deposits, which reprice on a discretionary basis. This assumption is based on historical product behaviour.

Most of the NII sensitivity relates to the inability to cut interest rates on certain funding and capital components to the same extent as the cut of the MPC rate. The size of this portfolio is approximately N$ 10.8 billion. (2019: N$ 9.8 billion).

Assuming no change in the balance sheet and no management action in response to interest rate movements, an instantaneous, sustained parallel 200 bps decrease in interest rates would result in a reduction in projected 12–month NII of N$ 287 million (2019: N$ 272 million). A similar increase in interest rates would result in an increase in projected 12?month NII of N$ 283 million (2019: N$ 265 million).

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

	Group and company	
	2020	2019
%	Change in period 12-month NII	Change in period 12-month NII
Downward 200 bps	(17,3%)	(4,71%)
Upward 200 bps	17,0%	4,57%

30. Fair value measurements

Valuation methodology

In terms of IFRS, the group is required to or elects to measure certain assets and liabilities at fair value. The group has established control frameworks and processes to independently validate its valuation techniques and inputs used to determine its fair value measurements. Technical teams are responsible for the selection, implementation and any changes to the valuation techniques used to determine fair value measurements.Valuation committees comprising representatives from key management have been established at an overall group level and are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval by the required technical teams, valuation committees, relevant risk committees and external auditors annually or more frequently if considered appropriate.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date i.e. an exit price. Fair value is therefore a market based measurement and when measuring fair value the group uses the assumptions that market participants would use when pricing an asset or liability under current market conditions, including assumptions about risk. When determining fair value it is presumed that the entity is a going concern and the fair value is therefore not an amount that respresents a forced transaction, involuntary liquidation or a distressed sale.

Fair value measurements are determined by the group on both a recurring and non recurring basis.

Recurring fair value measurements

Recurring fair value measurements are those for assets and liabilties that IFRS requires or permits to be recognised at fair value and are recognised in the statement of financial position at reporting date. This includes financial assets, financial liabilities and non financial assets that the group measures at fair value at the end of each reporting period.

Financial instruments

When determining the fair value of a financial instrument, where the financial instrument has a bid or ask price (for example in a dealer market), the group uses the price within the bid ask spread that is most representative of fair value in the circumstances. Although not a requirement, the group uses the bid price for financial assets or the ask/offer price for financial liabilities where this best represents fair value.

When determining the fair value of a financial liability or the group's own equity instrument is used. Where this is not available, and an identical item is held by another party as an asset, the fair value of the liability or own equity instrument is measured using the quoted price in an active market of the identical item, if that price is available, or using observable inputs (such as the quoted price in an inactive market for the identical item) or using another valuation technique.

Where the group has any financial liability with a demand feature, such as demand deposits, the fair value is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid where the time value of money is significant.

Non recurring fair value measurements

Non recurring fair value measurements are those triggered by particular circumstances and include the classification of assets and liabilities as non current assets or disposal groups held for sale under IFRS 5 where fair value less costs to sell is the recoverable amount, IFRS 3 business combinations where assets and liabilities are measured at fair value at acquisition date, IAS 36 impairments of assets where fair value less costs to sell is the recoverable amount. These fair value measurements are determined on case by case basis as they occur within each reporting period.

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

30. 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 on page 232, or all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair vlaue.

Non financial instruments

When determining the fair value of a non financial asset, a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use, is taken into account. This includes the use of the asset that is physically possible, legally permissible and financially feasible. In determining the fair value of the group's investment properties and commodities, the highest and best use of the assets was their current use.

Fair value hierarchy and measurements

The group classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. If this information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and 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 active market, adjusted prices from recent arm's length transactions, option pricing models and discounted cash flow techniques.

Where a valuation model is applied and the group cannot participate in the mark to market, it applies a mark to model approach, subject to prudent valuation adjustments. Mark to model is defined as any valuation which has been bench marked, extrapolated or otherwise calculated from a market input. When applying mark to model, an extra degree of conservatism is applied. The group will consider the following in assessing whether a mark to model valuation 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.

30. Fair value measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable	Significant unobservable inputs of Level 3 items
– **Investment banking book**	Level 3	Discounted cash flows	Certain of the group's investment banking advances do not meet the requirements to be carried at amortised cost and are measured at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances. As such, these advances are classified as level 3 on the fair value hierarchy. Future cash flows are discounted using a market -related interest rate, adjusted for credit inputs.	Market interest rates and curves	Credit inputs
			Investment securities and other investments		
– **Equities / bonds listed in an inactive market**	Level 2	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e. Level 1). However if the market is not active and the listed price is not representative of fair value, these are classified as Level 2 and a valuation technique is used, for example the discounted cash flow is used for listed bonds. This will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. The future cash flows are discounted using a market related interest rate. Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rates and curves	Not applicable
– **Unlisted bonds**	Level 2 and Level 3	Price earnings ("P/E") model	Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate.	Market transactions	Growth rates and P/E ratios
– **Negotiable certificates of deposit**	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and curves	Not applicable
– **Treasury Bills**	Level 2	JSE debt market	The BESA bond pricing model uses the BESA mark to market bond yield.	Market interest rates and curves	Not applicable

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

30. 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	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 curve	Credit inputs

Refer to page 233 for the effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonably possible alternatives.

30. Fair value measurements continued

The group has elected to designate certain investment banking book advances at fair value through profit or loss. The designation is on a deal basis. Credit risk is not observable and has significant impact on the fair value measurement of these advances and as such, these advances are classified as Level 3 on the fair value hierarchy.

For non-recurring fair value measurements, the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the model would be in line with those as set out in the table. Where the underlying assets or liabilities are not items for which recurring fair value measurements are required, for example property and equipment or intangible assets, the carrying value is considered to be equal to or a reasonable approximation of the fair value. This will be assessed per transaction and details will be provided in the relevant notes. There were no assets or liabilities measured at fair value on a non-recurring basis in the current and prior year.

The following table presents the fair value measurements and fair value hierarchy of assets and liabilities of the group which are recognised at fair value:

	Group and company - 2020			
N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Advances	–	–	310 042	310 042
Derivative financial instruments	–	519 294	–	519 294
Investment securities	–	343 740	–	343 740
Total financial assets	–	863 034	310 042	1 173 076
Liabilities				
Recurring fair value measurement				
Derivative financial instruments	–	534 035	–	534 035
	–	534 035	–	534 035

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

30. Fair value measurements continued

N$'000	Group and company - 2019 Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Advances	-	-	368 932	368 932
Derivative financial instruments	-	459 072	-	459 072
Investment securities	-	433 137	-	433 137
Total financial assets	-	892 209	368 932	1 261 141
Liabilities				
Recurring fair value measurements				
Derivative financial instruments	-	480 490	-	480 490
	-	480 490	-	480 490

Sensitivity of fair values to changing significant assumptions to reasonably possible alternatives

Fair values of financial instruments recognised in the financial statements may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data. In these instances, the net fair value recorded in the financial statements is the sum of three components:

(i) the value given by application of a valuation model, based upon the group's best estimate of the most appropriate model inputs;
(ii) any fair value adjustments to account for market features not included within the valuation model (for example, bid mid spreads, counterparty credit spreads and / or market data uncertainty; and
(iii) day one profit or loss, or an unamortised element thereof, not recognised immediately in the income statement in accordance with the group's accounting policy, and separately detailed within the derivative note above.

The group classifies financial instruments in Level 3 of the fair value hierarchy when significant inputs into the valuation model are not observable. In addition to the valuation model for Level 3, financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

Changes in the gorup's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on the statement of financial postion and the movement in fair values recognised in the statement of comprehensive income. However, changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N$ 365 miilion (2019: N$ 480 million) and using more negative reasonable possible assumptions to N$ 299 million (2019: N$ 393 million). These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

30. Fair value measurements continued

Changes in level 3 instruments with recurring fair value measurements

N$'000	Group and Company - 2020 Fair value as at June 2019	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income	Purchases / (sales) / issues / (instruments)	IFRS 9 adjustment	Fair value as at June 2020
Advances	368 932	43 408	-	(102 298)	-	310 042
Total financial assets at fair value	368 932	43 408	-	(102 298)	-	310 042

N$'000	Group and company - 2019 Fair value as at June 2019	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income	Purchases / (sales) / issues / (settlements)	IFRS 9 adjustment	Fair value as at June 2020
Advances	419 769	46 415	-	(95 705)	(1 547)	368 932
Total financial assets at fair value	419 769	46 415	-	(95 705)	(1 547)	368 932

Unrealised gains or losses on level 3 instruments with recurring fair value measurements

The valuation model for level 3 assets or liabilities typically relies on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservabel inputs. The table below presents the total gains relating to financial instruments classified as level 3 that are still held on 30 June. With the exception of interest on funding instruments all of these gains are recognised in non-interest revenue .

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

30. Fair value measurements continued

Company – 2020

Valuation techniques used to derive level 2 fair values

	Group and Company			
	2020		2019	
N$'000	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income
Advances	43 408	–	46 415	–
	43 408	–	46 415	–

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.

	Group					
	2020			2019		
N$'000	Carrying value	Fair value hierarchy level 2	Fair value hierarchy level 3	Carrying value	Fair value hierarchy level 2	Fair value hierarchy level 3
Assets						
Advances	29 768 187	–	29 753 793	30 043 808	–	30 004 918
Total investment securities at amortised cost	8 037 567	8 097 623	–	7 144 543	7 214 253	–
	37 805 754	8 097 623	29 753 793	37 188 351	7 214 253	30 004 918
Liabilities						
Total liabilities at amortised cost	38 795 078	38 797 060	–	35 886 144	35 825 376	–
Tier 2 liabilities	402 774	405 282	–	402 804	406 788	–
Other liabilities	219 928	219 928	–	220 486	219 530	–
	39 417 780	39 422 270	–	36 509 434	36 451 694	–

30. Fair value measurements continued

Loans and receivables designated at fair value through profit or loss.

The group has designated certain financial assets at fair value through profit or loss that would be otherwise have been measured at amortised cost or fair value through other comprehensive income.

The table below contains details on the change in credit risk attributable to these financial assets.

	2020			2019		
	Change in fair value due to credit risk			Change in fair value due to credit risk		
N$'000	Fair value	Current period	Cumulative	Fair value	Current period	Cumulative
Advances	310 042	(537)	1 579	368 932	1 547	2 116
Investment securities	276 202	–	–	312 730	–	–
Total	586 244	(537)	1 579	681 662	1 547	2 116

The change in the fair value of these liabilities due to own credit risk is not material.

Effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonably possible alternatives

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

Asset/liability	Significant unobservable inputs	Unobservable input to which reasonably possible changes are applied	Reasonably possible changes applied
Advances	Credit	Scenario analysis	A range of scenarios are run as part of the group's credit risk managment process for advances measured at fair value through profit or loss to determine credit losses and change in credit spread in various economic conditions. The probability of default is adjusted either upwards or downwards versus the base case.

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

30. Fair value measurements continued

Effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonably possible alternatives

	Group and company					
	2020			2019		
	Reasonably possible alternative fair value			Reasonably possible alternative fair value		
N$'000	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
Assets						
Advances	310 042	341 046	279 038	368 932	405 825	332 039
Total financial assets measured at fair value in level 3	310 042	341 046	279 038	368 932	405 825	332 039

31. Financial instruments designated at fair value through profit or loss

Certain instruments designated at fair value through profit or loss would meet the definition for classification as financial assets in terms of IFRS 9 were it not for the fair value designation i.e. unquoted debt instruments. The table below contains details on the carrying value of the advance designated as fair value through profit or loss:

N$'000	2020	2019
Included in advances	310 042	368 932

The change in credit risk is the difference between fair value of the advances based on the original credit spreads and the fair value of the advances based on the most recent market observable credit spreads.

There was no change in credit risk due to the difference between fair value of the advances based on the original credit spreads and the fair value of the advances based on the most recent market observable credit spreads.

In accordance with IAS 32 the group offsets financial assets and financial liabilities and presents the net amount in the statement of financial position only if there is both a legally enforceable right to offset and there is an intention to settle the amounts on a net basis or to realise the asset and settle the liability simultaneously.

The group is subject to a MNA in the form of an ISDA agreement with a derivative counterparty. Due to the fact that ISDA agreements under which derivatives are traded are not legally enforceable within Namibia, in the normal course of business or on bankruptcy, the IAS 32 set-off requirements of legal enforceability is not met thus no financial assets and financial liabilities have been presented on the net amount in the statement of financial position.

32. Segment information

SEGMENT REPORTING	
Group's chief operating decision maker	Chief executive officer
Identification and measurement of operating segments	Aligned with the internal reporting provided to the CEO and reflects the risks and rewards related to the segments' specific products and services offered in their specific markets. Operating segments whose total revenue, absolute profit or loss for the period or total assets are 10% or more of all the segments' revenue, profit or loss or total assets, are reported separately.
Major customers	The group has no major customer as defined (i.e. revenue from the customer exceeds 10% of total revenue) and is, therefore, not reliant on revenue from one or more major customers.
Reportable segments	
RETAIL AND COMMERCIAL	
	Products and services
FNB	FNB represents FirstRand's activities in the retail and commercial segments in Namibia. FNB offers a diverse set of financial products and services to market segments including consumer, small business, agricultural, medium corporate, parastatals and government entities. FNB's products cover the entire spectrum of financial services – transactional, lending, insurance, investment and savings – and include mortgage loans, credit and debit cards, personal loans, funeral, credit life, life and other insurance policies, and savings and investment products. Services include transactional and deposit taking, card acquiring, credit facilities, insurance and FNB distribution channels (branch network, ATMs, call centres, cellphone and online). WesBank represents the group's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments of Namibia.
CORPORATE AND INSTITUTIONAL	
RMB	RMB represents the group's activities in the corporate and investment banking segments in Namibia.
FCC AND OTHER	
FCC and other	FCC represents groupwide functions, including group treasury (capital, funding and liquidity and financial resource management), group finance, group tax, enterprise risk management,CC regulatory and conduct risk management and group internal audit. FCC has a custodianship mandate which includes managing relationships on behalf of the group with key external stakeholders (e.g. shareholders, debt holders, regulators) and the ownership of key group strategic frameworks (e.g. performance measurement, risk/reward). Its objective is to ensure the group delivers on its commitments to stakeholders. The reportable segment includes all management accounting and consolidated entries.

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

32. Segment information continued

	FNB		RMB		FCC and other		Total Group	
'N$'000	2020	2019	2020	2019	2020	2019	2020	2019
Net interest income	1 723 578	1 659 640	264 180	229 948	16 958	119 840	2 004 716	2 009 428
Impairment and fair value of credit advances	(550 295)	(219 274)	(9 118)	4 466	-	-	(559 413)	(214 808)
Net interest income after impairment of advances	1 173 283	1 440 366	255 062	234 414	16 958	119 840	1 445 303	1 794 620
Non-interest revenue	1 556 327	1 459 766	218 553	183 211	(2 443)	18 694	1 772 437	1 661 671
Net income from operations	2 729 610	2 900 132	473 615	417 625	14 515	138 534	3 217 740	3 456 291
Operating expenses	(1 731 394)	(1 683 281)	(206 140)	(195 433)	(4 029)	(1 988)	(1 941 563)	(1 880 702)
Share of profit of associate after tax	1 492	3 730	-	-	-	-	1 492	3 730
Income before tax	999 708	1 220 581	267 475	222 192	10 486	136 546	1 277 669	1 579 319
Indirect tax	(31 418)	(34 896)	(4 430)	(2 014)	(7 791)	(8 605)	(43 639)	(45 515)
Profit for the year before tax	968 290	1 185 685	263 045	220 178	2 695	127 941	1 234 030	1 533 804
Income tax expense	(284 130)	(362 367)	(84 174)	(70 457)	(862)	(40 942)	(369 166)	(473 766)
	684 160	823 318	178 871	149 721	1 833	86 999	864 864	1 060 038
The income statement includes:								
Depreciation	(122 044)	(96 720)	(129)	(97)	(18)	(27)	(122 191)	(96 844)
Amortisation	(11 449)	(11 449)	-	-	-	-	(11 449)	(11 449)
Net impairment charges	(550 296)	(219 275)	(9 118)	4 466	-	-	(559 414)	(214 809)
Statement of financial position inlcudes:								
Advances	26 056 537	26 531 983	4 021 692	3 880 759	-	-	30 078 229	30 412 742
Investment securities	-	-	147 863	120 408	8 233 444	7 457 272	8 381 307	7 577 680
Total assets	24 278 519	20 836 954	8 453 097	6 673 515	12 975 986	16 360 283	45 707 603	43 870 752
Deposits	19 678 155	17 132 921	9 112 263	7 429 633	9 868 718	11 838 842	38 659 136	36 401 396
Total liabilities	23 489 497	20 856 237	8 223 845	6 702 215	9 194 549	11 130 542	40 907 892	38 688 994

33. Standards and Interpretations issued but not yet effective

The following new and revised standards and interpretations are applicable to the group. The group will comply with these from the stated effective date.

Standard	Impact assessment	Effective date
Conceptual framework	The improvements to the conceptual framework include: revising the definitions of an asset and liability, updating the recognition criteria for including assets and liabilities in financial statements and the following concepts have been clarified; prudence, stewardship, measurement uncertainty and substance over form. Minor amendments have also been made to various other standards. The amendments are not expected to have a significant impact on the bank's accounting policies.	Annual periods commencing on or after 1 January 2020
IFRS 3	Business Combinations – Amendments to clarify the definition of a business The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment is only applicable to business combinations for which the acquisition date is on or after the effective date going forward and the clarified requirements will be applied on a transaction-by-transaction basis.	Business combinations entered into on or after 1 January 2020
IAS 1 and IAS 8	Amendments regarding the definition of material The amendments aligns the definition of material across the IFRS Standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendment must be applied prospectively. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2020

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

33. Standards and Interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	The IASB issued amendments to the following standards as part of the interest rate (IBOR) benchmark reform that has a direct impact on the bank's hedging relationships. These impacts are: The highly probable requirement under IFRS 9 and IAS 39: When a forecast transaction is designated as a hedged item, that transaction must be highly probable to occur. When determining whether a forecast transaction is highly probable, a company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform. Prospective assessments: When performing prospective assessments for effectiveness, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based are not altered as a result of the interest rate benchmark reform. Separately identifiable risk components: IFRS 9 and IAS 39 require a risk component (or a portion) to be separately identifiable to be eligible for hedge accounting. The amendment allows for hedges of a non-contractually specified benchmark component of interest rate risk. A company shall apply the separately identifiable requirement only at the inception of such hedging relationships. These reliefs are essential to mitigate the hedge accounting issues that could arise during the period of uncertainty before IBOR contracts are amended to new ARRs. The bank has evaluated the impact of these amendments and concluded that the amendments will benefit future hedging transactions the bank is likely to enter into. The IASB is now finalising phase two of the IBOR reform project, which addresses issues that could affect financial reporting when an existing interest rate benchmark is replaced with an ARR.	Annual periods commencing on or after 1 January 2020

33. Standards and Interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
Annual improvements 2016 - 2018	Improvements to IFRS The IASB issued the Annual improvements to IFRS standards 2016-2018 Cycle. These annual improvements include amendments to the following standards: • IFRS 9 – The amendment clarifies that fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
IFRS 3	Reference to the Conceptual Framework – Amendment to IFRS 3 The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022

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

33. Standards and Interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IAS 16	Property, plant and equipment: Proceeds before intended use – Amendment to IAS 16 The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
IAS 37	Onerous contracts – cost of fulfilling a contract. Amendment to IAS 37 The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022

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