FNB
First National Bank

2020

Unaudited condensed consolidated financial results

for the interim reporting period ended 31 December

CONTENTS

First National bank of Namibia Limited group analysis of financial results for the six months ended 31 December 2020 has not been audited or independently reviewed. The preparation of the financial results was supervised by the Group Chief financial Officer, Oscar Capelao, CA (Nam) (SA).

Group results in a brief

Highlights

Return on average shareholders' equity (%)

↓20.9%

2020: 20.9% I 2019: 24.4%

Return on average assets (%)

↓2.3%

2020: 2.3% I 2019: 2.8%

Cost to income ratio (%)

↑50.5%

2020: 50.5% I 2019: 49.9%

Profit for the period (N$m)

↓N$522.9

2020: N$ 522.9 I 2019: N$600.4

Overview of performance

The economic impact of COVID-19 continued to place acute pressure on the group's performance for the six months ended December 2020. Trends post lockdown are improving as the economic recovery slowly emerges, however, activity levels remained muted on a relative basis and balance sheet growth was subdued.

First National Bank of Namibia Limited delivered earnings of N$522.9 million for the period ended 31 December 2020. Its ROE at 20.9 % and CTI at 50.5 % are below the comparative period.

Interest income

The repo rate and prime rate are 300bps lower, compared to the prior year.

In terms of revenue, period-on-period (December 2019 to December 2020) net interest income (NII) decreased by 19% whilst non-interest revenue (NIR) was up marginally. NII remained resilient despite muted growth in advances, pressure on margins, and the impact of endowment and excess liquidity levels, however, the deposit franchise continued to show good growth through the period at 17.5%. Retail and commercial deposits grew with 16.7%, with large corporate deposits increasing 20.2%.

The group entered the COVID-19 crisis in a strong liquidity position as it had increased liquid asset holdings to proactively manage its liquidity coverage ratio (LCR) requirements. This, together with the group's strong deposit growth, allowed Group Treasury to successfully navigate tightening liquidity conditions following the onset of the COVID-19 crisis.

Non-interest revenue

The transactional volumes trajectory has rebounded, on an aggregate basis, and are back to pre-COVID levels. Period to period volumes varies in particular:

- total financial transactions up 6.3%;
- banking app transactions up 112.0%;
- point-of-sale swipes (merchant acquiring) up 11.2%; and
- in branch transactions are down 6.3%.

NIR improved by 2.7%, with fee and commission revenue only increasing marginally with 0.7%, reflecting decreased levels of activity across the retail and commercial segments in the first quarter of the six months, as well as the lower accommodative price increases effective 1 July 2020.

We have over 280,000 contactless cards in issue, an increase of 1400%. These cards minimise physical contact at the tills. Contactless payments mean shoppers avoid having to touch card readers and minimises queuing time to assist with social distancing.

Impairment losses

The period-on-period credit loss ratio showed a marked increase, with the impairment charge increasing 27.5% to N$150.6 million.

The six months' build-up in NPLs is marginally better than expectations. Given the prevailing uncertainty, the group has not adjusted its provisioning assumptions and methodology.

FNB Namibia has not materially revised its macroeconomic outlook for 2020/21 during the period under review. Material downward revisions to key economic variables affecting the group's activities, including a sharp contraction in real GDP of 8%, a significant increase in unemployment and weakness in property markets already taken into account in the June 2020 macroeconomic outlook. These revisions have been incorporated into the group's credit provision models in line with IFRS 9 requirements, with all segments and portfolios experiencing notable incremental impacts from forward-looking adjustments.

All provisions raised reflect the groups best estimates against available data and scenario analysis and are considered appropriately prudent given the prevailing COVID-19 risk in the economy. The Portfolio charge for the period was N$18 million (2019: N$18 million).

Operating expenses

Group operating costs have decreased by 4.3% to N$932.8 million (2019: N$974.8 million). This is reflected in our cost to income ratio of 50.7% (2019: 50.1%). Operating expenses as % of Assets at 4.3% (2019: 4.6%) reflecting the efficiency of the business.

Staff costs remained flat. The cost variance is influenced by the inflationary wage increase settlement with the union for non-managerial staff. The June 2020 performance had an impact on remuneration; with no salary increases granted to senior management.

The performance conditions for the maturing 2017 long-term incentives were not met and failed to vest, resulting in credit to variable pay of N$20 million. The remuneration committee and the board believe that these outcomes are appropriate.

The operating costs for the period include N$3.8 million 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$185 million for the period, being decreased NII of N$156 million, NIR of N$ 8 million, higher impairments of N$17 million and HOPE fund CSR initiative N$3.8 million.

Advances

The group's total assets increased by 2.2% to N$44.6 billion (2019: N$43.6 billion). Net advances making up 67.7% (2019: 71.8%) of the balance sheet, reflected a year on year decrease of (3.7%) to N$30.4 billion. Private sector credit extension (PSCE) growth was recorded at an all-time low of 2% in December 2020.

Advances growth in FNB occurred mainly in the Retail at 2.8%, with the Commercial segment sharply down at minus 13%, reflecting the lack of capacity in households to take on more credit.

At WesBank, the 6.0% decline in advances reflects the material drop in applications during the period in the Namibian retail vehicle asset finance (VAF) business, where new business contracted 26.7% for the calendar year 2020.

Card advances declined by 2.3%, year on year, reflecting reduced risk appetite given risk cuts, together with significant lower spending during the lockdown period.

Personal loans growth of 3.2%, reflecting risk cuts on the weaker macro environment pre-pandemic and the impact of the pandemic on customers.

RMB corporate and investment banking (CIB) advances decline was 5.8%.

Debt relief

As mentioned in the June 2020 Annual report, the unprecedented economic stress created by the pandemic required the group to offer payment relief solutions for customers. The group provided debt relief on N$2.3 billion of performing (stage 1 and stage 2) advances, the COVID-19 relief advances representing 7.3% of total book as at 31 December 2020.

Deposits and funding

Deposit growth was ahead of advances, growing by 2.1% to N$37.2 billion. The FNB franchise was a significant contributor to the deposit's growth at 16.3%.

Commercial deposits increased 20.4%, driven by proactive client engagement. The COVID-19 crisis also led to growth during the second half of the calendar year as clients increased bank deposits.

Retail deposits grew 13.8%, supported by ongoing customer acquisition and simplified product offerings to support savings outcomes. Reduced spending and lower withdrawals from notice products during lockdown contributed to the growth in the second quarter of the financial year. FNB Namibia held the largest market share in deposits as at November 2020.

Group Treasury's excess liquidity, combined with the strong deposit growth mentioned above, resulted in a 29.1 % decline in overall institutional funding.

FNB remains well funded with adequate liquidity buffers to meet both prudential liquidity requirements and internal targets.

Capital & regulation

In the tough backdrop of a three-year economic recession and continued uncertainty of the COVID 19 pandemic, the Bank of Namibia strategies to provide some relief to banking institutions and customers in these unprecedented economic times remains in effect.

FNB considers a strong and efficient capital position to be a priority.

The Bank has remained well capitalised throughout the period, with levels above the minimum regulatory requirements. Capital adequacy ratio was 18.5% and CET 1 capital 14.5% for December 2020.

Events subsequent to the reporting date

The directors are not aware of any material events, as defined in IAS 10, occurring between 31 December 2020 and the date of authorisation of the results announcement.

Prospects

Going into year 2021 we do see more reason for optimism as the global rollout of several effective vaccines makes progress around the world, and our own government makes plans to receive and distribute these medicines.

Condensed consolidated statement of comprehensive income

N$'000	Notes	Unaudited Six months ended 31 December 2020	Unaudited Six months ended 31 December 2019	Audited Year ended 30 June 2020
Net interest income before impairment of advances	2	903 588	1 050 300	2 004 716
Impairment and fair value of credit on advances	6.1	(150 379)	(117 973)	(559 413)
Net interest income after impairment of advances		753 209	932 327	1 445 303
Non-interest revenue	3	944 443	919 935	1 772 437
Income from operations		1 697 652	1 852 262	3 217 740
Operating expenses	4	(932 834)	(974 887)	(1 941 563)
Net income from operations		764 818	877 375	1 276 177
Share of profit from associate after tax		-	1 854	1 492
Income before indirect tax		764 818	879 229	1 277 669
Indirect tax		(17 286)	(19 496)	(43 639)
Profit before income tax		747 532	859 733	1 234 030
Income tax expense		(224 557)	(259 331)	(369 166)
Profit for the period		522 975	600 402	864 864
Other comprehensive income				
Items that may not subsequently be reclassified to profit or loss				
Remeasurements on defined benefit post-employment plans		-	-	2 553
Gains arising during the period		-	-	3 755
Deferred income tax		-	-	(1 202)
Other comprehensive income for the period		-	-	2 553
Total comprehensive income for the period		522 975	600 402	867 417
Profit for the period attributable to:				
Ordinary shareholders		522 975	600 402	864 864
Total comprehensive income for the period attributable to:				
Ordinary shareholders		522 975	600 402	867 417

Condensed consolidated statement of financial position

N$'000	Notes	Unaudited as at 31 December 2020	Unaudited as at 31 December 2019	Audited as at 30 June 2020
Assets				
Cash and cash equivalents		1 427 039	1 291 117	1 105 368
Due by banks and other financial institutions		2 916 773	1 861 522	4 442 443
Derivative financial instruments		480 171	350 934	519 294
Investment securities	5	8 163 040	7 214 212	8 381 307
Advances	6	30 398 151	31 577 192	30 078 229
Other assets		237 906	250 454	213 708
Investment in associate		-	14 193	-
Property, equipment and right of use assets		919 948	910 722	885 904
Intangible assets		88 371	87 072	81 350
Total assets		44 631 399	43 557 418	45 707 603
Equity and liabilities				
Liabilities				
Short trading positions		-	61 772	-
Derivative financial instruments		493 698	369 123	534 035
Creditors, accruals and provisions		434 728	386 911	506 974
Current tax liability		23 560	66 383	62 610
Deposits		37 382 817	36 614 993	38 659 136
- Deposits from customers	7.1	31 371 819	27 146 111	30 933 479
- Debt securities	7.2	5 206 056	8 857 362	7 607 682
- Due to banks and other financial institutions	7.3	804 942	611 520	117 975
Employee liabilities		155 803	158 238	193 076
Other liabilities		262 335	292 940	286 186
Tier 2 liabilities		402 820	402 856	402 774
Deferred income tax liability		263 102	393 209	263 101
Total liabilities		39 418 862	38 746 425	40 907 892
Capital and reserves attributable to ordinary equity holders of parent		5 212 536	4 810 993	4 799 711
Total equity		5 212 536	4 810 993	4 799 711
Total equity and liabilities		44 631 399	43 557 418	45 707 603

Condensed consolidated statement of changes in equity

N$'000	Notes	Total share capital	Total reserves	Retained earnings	Total equity
Balance at 1 July 2019		1 142 792	6 000	4 032 966	5 181 758
Total comprehensive income for the period		-	-	600 402	600 402
Transfer of vested equity options		-	280	-	280
Share-based payments		-	(2 747)	2 747	-
Ordinary dividends		-	-	(302 464)	(302 464)
Special dividend		-	-	(668 983)	(668 983)
Unaudited balance at 31 December 2019		1 142 792	3 533	3 664 668	4 810 993
Balance at 1 July 2019		1 142 792	6 000	4 032 966	5 181 758
Total comprehensive income for the year		-	2 553	864 864	867 417
Transfer of vested equity options		-	(2 467)	2 747	280
Ordinary dividends		-	-	(1 249 744)	(1 249 744)
Audited balance at 30 June 2020		1 142 792	6 086	3 650 833	4 799 711
Balance at 1 July 2020		1 142 792	6 086	3 650 833	4 799 711
Total comprehensive income for the period		-	-	522 975	522 975
Ordinary dividends		-	-	(110 150)	(110 150)
Unaudited balance at 31 December 2020		1 142 792	6 086	4 063 658	5 212 536

Condensed consolidated statement of cash flows

		Unaudited		Audited
		Six months ended 31 December		Year ended 30 June
N$'000	Notes	2020	2019	2020
Net cash generated from operations		833 789	1 324 813	1 816 247
Tax paid		(280 894)	(393 983)	(665 178)
Net cash flow from operating activities		552 895	930 830	1 151 069
Acquisition of property and equipment		(94 112)	(35 375)	(149 737)
Acquisition of intangible assets		(13 494)	-	-
Proceeds from the disposal of property and equipment		4 730	2 057	720
Net cash flow from investing activities		(102 876)	(33 318)	(149 017)
Staff share option transactions		-	280	-
Dividends paid		(110 150)	(971 447)	(1 249 744)
Principal payments of lease liabilities		(18 199)	(16 029)	(27 741)
Net cash flow from financing activities		(128 349)	(987 196)	(1 277 485)
Net increase in cash and cash equivalents		321 671	(89 684)	(275 433)
Cash and cash equivalents at beginning of the period [1]		1 105 368	1 380 801	1 380 801
Cash and cash equivalents at end of the period		1 427 039	1 291 117	1 105 368

[1] includes mandatory reserve deposits with central bank.

Financial performance

1. Analysis of interest income and interest expense

	Unaudited		Audited
	Six month ended December		Year ended June
N$'000	2020	2019	2020
Analysis of interest and similar income			
Instruments at amortised cost	1 546 446	2 038 326	3 852 376
Advances	1 243 761	1 690 967	3 190 019
Investment securities	272 083	280 123	550 344
Other	30 602	67 236	112 013
Interest and similar income	1 546 446	2 038 326	3 852 376
Analysis of interest expense and similar charges			
Instruments at amortised cost	642 858	988 026	1 847 660
Deposits			
Deposits from customers	414 674	567 340	1 083 865
Debt securities	203 700	388 332	694 673
Deposits from banks and other financial institutions	1 931	1 021	8 461
Other liabilities	5 239	9 139	17 536
Lease liabilities	2 854	2 809	5 506
Tier 2 liabilities	14 460	19 385	37 619
Interest expense and similar charges	642 858	988 026	1 847 660
Net interest Income	903 588	1 050 300	2 004 716

Condensed notes to the consolidated financial results
for the reporting period ended 31 December continued

2. Non-interest revenue

N$'000	Unaudited Six month ended December 2020	Unaudited Six month ended December 2019	Audited Year ended June 2020
Analysis of non-interest revenue			
Fee and commission income	931 522	925 034	1 737 441
Fee and commission expenses	(89 501)	(92 404)	(177 103)
Bank fees and commission income	842 021	832 630	1 560 338
Fair value income	79 618	68 538	165 790
Gross gains less losses from investing activities	5 769	15 806	18 516
Less: Share of profit from associate after tax (disclosed seperately on the face of the statement of comprehensive income)	-	(1 854)	-
Net gains	85 387	82 490	184 306
Other non-interest revenue	17 034	4 815	27 793
Total non-interest revenue	944 443	919 935	1 772 437

2.1 Fee and commission income:

N$'000	Unaudited Six month ended December 2020	Unaudited Six month ended December 2019	Audited Year ended June 2020
- Card commissions	112 043	103 082	194 397
- Cash deposit fees	51 345	58 395	103 173
- Commissions; bills, drafts	71 808	67 728	137 136
- Bank charges	696 325	695 830	1 302 735
Banking fee and commission income	931 522	925 034	1 737 441

3. Operating expenses

N$'000	Unaudited Six month ended December 2020	Unaudited Six month ended December 2019	Audited Year ended June 2020
Auditors' remuneration			
- Audit fees	4 209	3 589	8 356
- Fees for other services	30	131	896
Auditors' remuneration	4 239	3 720	9 252
Operating lease charges			
- Short term	2 189	878	9 832
- Low value	4 699	8 860	15 420
Operating lease charges	6 888	9 738	25 252
Staff costs	535 820	535 816	1086 971
Amortisation of intangible assets	6 472	5 726	11 446
Depreciation of property, equipment and right of use assets	60 067	65 278	122 194
Directors fees	6 064	4 098	12 807
Other operating costs	313 284	350 511	673 641
Total operating expenses	932 834	974 887	1 941 563

4. Investment securities

	Unaudited		Audited
	Six month ended December		Year ended June
N$'000	2020	2019	2020
Treasury bills	4 296 980	4 602 713	5 336 654
Other government and government guaranteed stock	3 585 354	2 345 517	2 769 716
Other undated securities	282 924	267 203	276 202
Total gross carrying amount of investment securities	8 165 257	7 215 433	8 382 572
Loss allowance on investment securities	(2 218)	(1 221)	(1 265)
Total investment securities	8 163 040	7 214 212	8 381 307

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.

No financial instruments held for trading 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. The total liquid asset portfolio is N$8.537 billion (2019: N$8.117 billion).

4.1 Reconciliation of the loss allowance - investment securities at amortised cost

N$'000	December 2020	December 2019	June 2020
Opening balance	1 265	1 309	1 309
Impairment charge/(release) for the period			
- Stage 1	953	(88)	(44)
Closing balance	2 218	1 221	1 265
The impairment charge in the income statement can be broken down as follows:			
Provision created/(release) in the current period	953	(88)	(44)
- New business and changes in exposure	953	(88)	(44)

The loss allowance on investment securities measured at amortised cost is N$2.2 million (2019: N$1.2 million).

5. Advances

	Unaudited		Audited
	Six month ended December		Year ended June
N$'000	2020	2019	2020
Analysis of advances per class			
Overdrafts and cash management accounts	3 655 144	4 189 931	3 321 710
Term loans	2 338 478	2 583 373	2 732 299
Card loans	464 952	475 691	464 275
Instalment sales and hire purchase agreements	2 969 536	3 159 363	3 010 522
Lease payments receivable	95 464	154 417	120 657
Home loans	14 577 054	13 928 825	14 074 847
Commercial property finance	3 579 274	3 501 705	3 411 207
Preference share agreements	944 637	962 032	971 159
Personal loans	2 552 427	2 472 090	2 471 906
Assets under agreement to resell	-	61 075	-
Investment bank term loans	268 635	337 525	310 042
Invoice financing	134 381	235 195	122 980
Other	217 818	328 683	307 895
Gross carrying amount of advances	31 797 799	32 389 905	31 319 499
Impairment and fair value of credit of advances	(1 399 648)	(812 713)	(1 241 270)
Net advances	30 398 151	31 577 192	30 078 229
Portfolio analysis			
Designated at fair value through profit or loss	268 635	337 525	310 042
Amortised cost	30 129 516	31 239 667	29 768 187
	30 398 151	31 577 192	30 078 229

5. Advances continued

Analysis of total gross advances per impairment stage

December 2020

N$'000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Category analysis				
Residential mortgages	14 577 054	-	(345 219)	14 231 835
Vehicle asset finance	1 811 017	-	(97 469)	1 713 548
Total retail secured	16 388 071	-	(442 688)	15 945 383
Credit card	435 482	-	(19 192)	416 290
Personal loans	2 546 474	-	(200 874)	2 345 600
Other retail	846 163	-	(107 128)	739 035
Total retail unsecured	3 828 119	-	(327 194)	3 500 925
FNB Commercial	7 430 210	-	(577 230)	6 852 980
RMB corporate and investment banking	3 882 764	268 635	(52 536)	4 098 863
Total corporate and commercial	11 312 974	268 635	(629 766)	10 951 843
Total advances	31 529 164	268 635	(1 399 648)	30 398 151

5. Advances continued

December 2019

N$'000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Category analysis				
Residential mortgages	13 987 014	-	(202 117)	13 784 897
Vehicle asset finance	3 538 355	-	(83 713)	3 454 642
Total retail secured	17 525 369	-	(285 830)	17 239 539
Credit card	440 490	-	(48 407)	392 083
Personal loans	2 469 930	-	(122 466)	2 347 464
Other retail	675 430	-	(30 351)	645 079
Total retail unsecured	3 585 850	-	(201 224)	3 384 626
FNB Commercial	6 886 174	-	(286 213)	6 599 961
RMB corporate banking	4 054 987	337 525	(39 446)	4 353 066
Total corporate and commercial	10 941 161	337 525	(325 659)	10 953 027
Total advances	32 052 380	337 525	(812 713)	31 577 192

5. Advances continued

Analysis of total gross advances continued

June 2020

N$'000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Category analysis				
Residential mortgages	14 124 707	-	(309 943)	13 814 764
Vehicle asset finance	1 856 543	-	(101 383)	1 755 160
Total retail secured	15 981 250	-	(411 326)	15 569 924
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	7 808 656	-	(510 238)	7 298 418
RMB corporate 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	31 009 457	310 042	(1 241 270)	30 078 229

5.1 Impairment of advances

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

	Gross advances			
N$000's	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 July 2020	28 126 397	1 823 762	1 369 340	31 319 499
Transfer from Stage 1 to Stage 2	(1 577 331)	1 577 331	-	-
Transfer from Stage 1 to Stage 3	(49 653)	-	49 653	-
Transfer from Stage 2 to Stage 3	-	(74 260)	74 260	-
Transfer from Stage 2 to Stage 1	324 057	(324 057)	-	-
- Attributable to change in measurement basis	(3 186 159)	(69 233)	-	(3 255 392)
- Attributable to change in risk parameter	-	439 638	97 972	537 610
- Attributable to new business	2 976 735	236 238	4 961	3 217 934
Bad debts written off	-	-	(21 852)	(21 852)
Amount as at 31 December 2020	26 614 046	3 609 419	1 574 334	31 797 799
Amortised cost	26 345 411	3 609 419	1 574 334	31 529 164
Fair value	268 635	-	-	268 635
	26 614 046	3 609 419	1 574 334	31 797 799

5.1 Impairment of advances

Reconciliation of the gross advances and loss allowance on total advances as at 31 December 2019

	Gross advances			
N$000's	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 July 2019	28 948 598	1 324 617	844 604	31 117 819
Transfer to stage 1	689 531	(688 543)	(988)	-
Transfer to stage 2	(1 115 831)	1 146 111	(30 280)	-
Transfer to stage 3	(167 783)	(138 903)	306 686	-
Provision created/(released) for the current reporting period	1 175 980	148 773	(20 080)	1 304 673
Bad debts written off	-	-	(32 587)	(32 587)
Amount as at 31 December 2019	29 530 495	1 792 055	1 067 355	32 389 905
Amortised cost	29 192 970	1 792 055	1 067 355	32 052 380
Fair value	337 525	-	-	337 525
	29 530 495	1 792 055	1 067 355	32 389 905

5.1 Impairment of advances continued

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

	Loss allowance			
N$000's	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 July 2020	369 880	263 527	607 863	1 241 270
Transfer from Stage 1 to Stage 2	(14 435)	14 435	-	-
Transfer from Stage 1 to Stage 3	(952)	-	952	-
Transfer from Stage 2 to Stage 3	-	(14 957)	14 957	-
Transfer from Stage 2 to Stage 1	24 864	(24 864)	-	-
- Attributable to change in measurement basis	(234 280)	4 329	-	(229 952)
- Attributable to change in risk parameter	183 540	43 424	144 733	371 697
- Attributable to new business	19 231	18 127	1 128	38 485
Bad debts written off	-	-	(21 852)	(21 852)
Amount as at 31 December 2020	347 847	304 020	747 781	1 399 648
Amortised cost	346 261	304 020	747 781	1 398 062
Fair value	1 586	-	-	1 586
	347 847	304 020	747 781	1 399 648

5.1 Impairment of advances continued

Reconciliation of the gross advances and loss allowance on total advances as at 31 December 2019

	Loss allowance			
N$000's	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 July 2019	189 174	166 650	349 255	705 079
Transfer to stage 1	38 221	(37 349)	(872)	-
Transfer to stage 2	(17 881)	22 515	(4 634)	-
Transfer to stage 3	(1 942)	(16 182)	18 124	-
Provision created/(released) for the current reporting period	(17 388)	48 353	90 178	121 143
Interest on stage 3 advances	-	-	19 082	19 082
Bad debts written off	-	-	(32 587)	(32 587)
Amount as at 31 December 2019	190 184	183 987	438 546	812 717
Amortised cost	188 605	183 987	438 546	811 138
Fair value	1 579	-	-	1 579
	190 184	183 987	438 546	812 717

5.1 Impairment of advances continued

Reconciliation of the gross advances and loss allowance on total advances as at 30 June 2020

	Gross advances			
N$000's	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 July 2019	28 964 797	1 324 617	828 405	31 117 819
Transfer from Stage 1 to Stage 2	(1 807 817)	1 807 817	-	-
Transfer from Stage 1 to Stage 3	(40 333)	-	40 333	-
Transfer from Stage 2 to Stage 3	-	(16 851)	16 851	-
Transfer from Stage 2 to Stage 1	470 901	(470 901)	-	-
Change in exposure:				
- Attributable to new business	538 849	(820 920)	553 068	270 997
Bad debts written off	-	-	(69 317)	(69 317)
Amount as at 30 June 2020	28 126 397	1 823 762	1 369 340	31 319 499
Amortised cost	27 816 355	1 823 762	1 369 340	31 009 457
Fair value	310 042	-	-	310 042
	28 126 397	1 823 762	1 369 340	31 319 499

5.1 Impairment of advances continued

Reconciliation of the gross advances and loss allowance on total advances as at 30 June 2020 continued

	Loss allowance			
N$000's	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 July 2019	189 174	166 650	349 255	705 079
Transfer from Stage 1 to Stage 2	(20 386)	20 386	-	-
Transfer from Stage 1 to Stage 3	(436)	-	436	-
Transfer from Stage 2 to Stage 3		(1 853)	1 853	-
Transfer from Stage 2 to Stage 1	40 643	(40 643)	-	-
Change in exposure:				
- Attributable to change in measurement basis	-	72 623	-	-
- Attributable to change in risk parameter	90 254	(37 154)	323 135	376 235
- Attributable to new business	70 631	83 518	2 501	156 650
Bad debts written off	-	-	(69 317)	(69 317)
Amount as at 30 June 2020	369 880	263 527	607 863	1 168 647
Amortised cost	368 301	263 527	607 863	1 239 691
Fair value	1 579	-	-	1 579
	369 880	263 527	607 863	1 241 270

	December		June
N$000's	2020	2019	2020
Provision created/(released) for the current reporting period (Total ECL)	154 208	121 143	566 227
Recoveries of bad debts	(3 829)	(3 170)	(6 814)
Impairment of advances recognised during the period	150 379	117 973	559 413
Specfic / stage 3 impairments	132 039	99 629	283 592
Portfolio / stage 1 and stage 2 impairments	18 341	18 344	275 821
	150 379	117 973	559 413

5.1 Impairment of advances continued

The group offered financial relief to its customers through various mechanisms in response to COVID-19. These relief measures were granted to eligible customers whose accounts were up to date and included the following features:

- 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 COVID-19 relief provided to clients amounted to Advances of N$ 2.3 billion of performing (stage 1 and stage 2) advances, the COVID-19 relief advances representing 7.3 % of total book as at 31 December 2020.

Macroeconomic factors for ECL disclosures

The table sets out the scenarios and the probabilities assigned to each scenario at 31 December 2020 for the group's operations. During the period to 31 December the probabilities assigned to the macro scenarios were adjusted slightly towards the baseline and upside regimes. These adjustments were made to cater for the change in the perceived balance of risk to the domestic economy resulting from the effectiveness of global policy measures to support the global economy, and the effectiveness of domestic policy measures both to contain the spread of COVID-19 and to manage the economic impact of the pandemic.

Scenario	Probability	Description
Baseline regime	31% (30 June 2020 - 32%)	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	54% (30 June 2020 - 53%)	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	15% (30 June 2020 - 15%)	Assumes that the global economy slows down whilst DM inflation and interest rates lift. Increased policy uncertainty, a collapse in corporate governance at state-owned enterprises (SOEs), increased populism and fiscal recklessness drive Namibia growth lower.

5.1 Impairment of advances continued

31 December 2020

Namibia	Upside scenario	Baseline expectation	Downside scenario
Real GDP growth (%)	(1.00)	(8.00)	(9.00)
Policy interest rate (%)	3.25	3.50	5.50

30 June 2020

Namibia	Upside scenario	Baseline expectation	Downside scenario
Real GDP growth (%)	0.70	(3.40)	(5.00)
Policy interest rate (%)	4.20	3.30	6.10

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 this existing contraction in GDP growth with the economy contracting. While domestic economic activities have been allowed to resume since May 2020, the economy still faces a number of COVID-19 related pressures. Firstly, a global slowdown and falling external demand weighed on exports and export-dependent industries. 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. Finally, the government faces significant funding constraints and is unable to provide enough fiscal support to lift activity meaningfully.

6. Deposits

	Unaudited		Audited
	Six month ended December		Year ended June
N$'000	2020	2019	2020
6.1 Deposits from customers			
- Current accounts	12 887 006	10 927 698	12 276 853
- Savings accounts	445 053	344 412	400 252
- Call deposits	7 335 506	6 392 536	6 831 443
- Fixed and notice deposits	10 704 254	9 481 465	11 424 931
	31 371 819	27 146 111	30 933 479
6.2 Debt securities			
- Negotiable certificates of deposit	4 662 402	7 969 147	7 064 014
- Fixed and floating rate notes	543 654	888 215	543 668
	5 206 056	8 857 362	7 607 682
6.3 Due to banks and other financial institutions			
Due to banks and financial institutions			
- In the normal course of business	804 942	611 520	117 975
	804 942	611 520	117 975
Total deposits	37 382 817	36 614 993	38 659 136

Capital management

7. Capital adequacy

Banking Operations

N$'000	Six months ended 31 December 2020	Six months ended 31 December 2019	Year ended 30 June 2020
Risk weighted assets			
Credit risk	26 223 972	25 244 050	26 149 501
Market risk	67 575	53 636	38 256
Operational risk	4 890 152	4 682 617	4 796 815
Total risk weighted assets	31 181 699	29 980 303	30 984 572
Regulatory capital			
Share capital and share premium	1 142 792	1 142 792	1 142 792
Retained profits	3 461 930	3 061 515	3 650 827
Other undisclosed reserves	6 086	6 280	6 086
Capital impairment: Intangible assets	(88 371)	(87 072)	(81 349)
Total Tier 1	4 522 437	4 123 515	4 718 356
Eligible subordinated debt	400 000	400 000	400 000
General risk reserve, including portfolio impairment	327 800	315 551	326 869
Capital impairment	-	-	-
Current board approved profits	522 976	600 402	-
Total tier 2	1 250 776	1 315 953	726 869
Total tier 1 and tier 2 capital	5 773 213	5 439 468	5 445 225
Banking group			
Capital adequacy ratios			
Tier 1	14.5%	13.8%	15.2%
Tier 2	4.0%	4.3%	2.4%
Total	18.5%	18.1%	17.6%
Tier 1 leverage ratio	9.5%	9.1%	9.8%

Other information

8. Basis of preparation

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

- International Financial Reporting Standard, IAS 34 Interim Financial Reporting;
- Framework concepts and the recognition and measurement requirements of International Financial Reporting Standards;
- Interpretations issued by the IFRS Interpretation Committee (IFRS-IC);
- Financial Reporting Pronouncements as issued by Financial Reporting Standards Council;
- The Namibian Companies Act; and
- Banking Institutions Determination 2 (BID2) with regards to assets classification, suspension of interest and provisioning.

The condensed consolidated interim results for the six months ended 31 December 2020 have not been audited or independently reviewed by the group's external auditors.

8.1 Accounting Policies

The accounting policies and methods of computation applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those applied for the year ended 30 June 2020.

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

Improvements to the Conceptual Framework, which included revised definitions of assets and liabilities and clarified concepts relating to prudence, stewardship, measurement uncertainty and substance over form, became effective in the current year. Other amendments that became effective in the current year include amendments to IFRS 3 to clarify the definition of a business in a business combination and amendments to IAS 1 and IAS 8 to update and clarify the definition of materiality. None of new or amended IFRS that became effective for the six months ended 31 December 2020 impacted the group's reported earnings, financial position or reserves, or the accounting policies.

No other new or amended IFRS became effective for the six months ended 31 December 2020 that impacted the group's reported earnings, financial position or reserves, or the accounting policies.

8. Basis of preparation continued

8.2 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 consolidated financial results, where additional information has been included:

Description	Additional information
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.	Refer to note 5.1
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.	Refer to note 5.1

9. Related party information

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, its ultimate holding company being FirstRand Limited, which is incorporated in South Africa and is listed on the JSE Limited and the NSX.

	Unaudited		Audited
	Six month ended December		Year ended June
N$'000	2020	2019	2020
Related party balances:			
Advances			
Entities that have significant influence over the group and its subsidiary	334 931	1 504 821	2 332 216
Fellow subsidiaries to banking group	119 342	146	103 814
Associate	-	8 318	-
Key management personnel	14 660	12 013	36 021
Deposits			
Entities that have significant influence over the group and its subsidiary	3 015 387	617 186	14 193
Fellow subsidiaries to banking group	11 762	43 310	71 791
Associate	-	37 957	-
Key management personnel	12 155	17 479	20 530
Derivative instruments: assets			
Entities that have significant influence over the group and its subsidiary	279 359	243 435	139 793
Derivative instruments: liabilities			
Entities that have significant influence over the group and its subsidiary	224 271	119 824	407 275

9. Related party information continued

	Unaudited		Audited
	Six month ended December		Year ended June
N$'000	2020	2019	2020
Related party transactions:			
Interest received from (paid to) related parties			
Entities that have significant influence over the group and its subsidiary	19 115	37 994	60 256
Fellow subsidiaries to banking group	491	806	6 437
Associate	-	720	(720)
Non-interest revenue			
Fellow subsidiaries to banking group	3 990	3 993	5 428
Operating expenses			
Entities that have significant influence over the group and its subsidiary	164 891	175 980	347 552
Associate	-	8 469	17 780
Dividends paid			
Entities that have significant influence over the group and its subsidiary	110 150	971 447	1 249 744

10. Fair value measurements

10.1 Valuation methodology

In terms of IFRS, the group is required to or elects to measure and/or disclose 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. At a subsidiary level, valuation specialists 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 valuation specialists, valuation committees and relevant risk committees annually or more frequently if considered appropriate.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date i.e. an exit price. Fair value is therefore a market based measurement and when measuring fair value the group uses the assumptions that market participants would use when pricing an asset or liability under current market conditions, including assumptions about risk. When determining fair value it is presumed that the entity is a going concern and the fair value is therefore not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

Fair value measurements are determined by the group on both a recurring and non-recurring basis.

Recurring fair value measurements

Recurring fair value measurements are those for assets and liabilities that IFRS requires or permits to be recognised at fair value and are recognised in the statement of financial position at reporting date. This includes financial assets, financial liabilities and non-financial assets, including investment properties and commodities that the group measures at fair value at the end of each reporting period.

Financial instruments

When determining the fair value of a financial instrument, where the financial instrument has a bid or ask price (for example in a dealer market), the group uses the price within the bid-ask spread that is most representative of fair value in the circumstances. Although not a requirement, the group uses the bid price for financial assets or the ask/offer price for financial liabilities where this best represents fair value.

When determining the fair value of a financial liability or the group's own equity instruments the quoted price for the transfer of an identical or similar liability or own equity instrument is used. Where this is not available, and an identical item is held by another party as an asset, the fair value of the liability or own equity instrument is measured using the quoted price in an active market of the identical item, if that price is available, or using observable inputs (such as the quoted price in an inactive market for the identical item) or using another valuation technique.

Where the group has any financial liability with a demand feature, such as demand deposits, the fair value is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid where the time value of money is significant.

10. Fair value measurements continued

10.1 Valuation methodology continued

Non-financial assets

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.

Other fair value measurements

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 below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

10.2 Fair value hierarchy and measurements

The group classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. If this information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The valuation techniques employed by the group include, inter alia, quoted prices for similar assets or liabilities in an active market, quoted prices for the same asset or liability in an inactive market, adjusted prices from recent arm's length transactions, option-pricing models, and discounted cash flow techniques.

"Where a valuation model is applied and the group cannot mark-to-market, it applies a mark-to-model approach, subject to prudent valuation adjustments. Mark-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. When applying mark-to-model, an extra degree of conservatism is applied. The group will consider the following in assessing whether a mark-to-model valuation is appropriate:

- As far as possible, market inputs are sourced in line with market prices;
- Generally accepted valuation methodologies are consistently used for particular products unless deemed inappropriate by the relevant governance formuns;
- 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. The group considers factors such as counterparty and own credit risk when making appropriate valuation adjustments.

10. Fair value measurements continued

10.2 Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 2

The table below sets out the valuation techniques applied by the group for recurring fair value measurements of assets and liabilities categorised as Level 2.

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Derivative financial instruments			
Forward rate agreements	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates, interest rate curves and credit spreads.
Swaps	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date of each swaplet is determined in terms of legal documents pertaining to the swap.	Market interest rates and interest rate curves, credit and currency basis curves.
Options	Option pricing model	The Black Scholes model is used.	Strike price of the option; market related discount rate; forward rate .
Forwards	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Spot price of underlying instrument, interest rate curves and dividend yield.
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Market interest rates, curves, volatilities, dividends and share prices.
Loans and advances to customers			
Other loans and advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Although the fair value of credit is not significant year-on-year it may become significant in future. In the event that credit spreads are observable for a counter party, loans and advances to customers are classified as level 2 of the fair value hierarchy.	Market interest rates, curves and credit spreads

10. Fair value measurements continued

10.2 Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 2

The table below sets out the valuation techniques applied by the group for recurring fair value measurements of assets and liabilities categorised as Level 2.

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Investment securities			
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds are valued similarly to advances measured at fair value. The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period. . In the event that credit spreads are observable for a counterparty, the bonds are classified as level 2 of the fair value hierarchy.	Market interest rates and curves
Unlisted equities	Price earnings (P/E) model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place- in which case, level 2 classifications are used.	Market transactions
Negotiable certificates of deposit	Discounted cash flows	The future cash flows are discounted using a market related interest rate. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and curves
Treasury Bills	JSE Debt Market bond pricing model	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Market interest rates and curves
Investments in funds and unit trusts	Third party valuations	For certain investments in funds such as hedge funds or unit trusts, where an internal valuation technique is not applied, the bank places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the bank applies minority and marketability or liquidity discount adjustments to these third-party valuations. Third-party valuations are reviewed by the relevant subsidiary's investment committee on a regular basis. Where these underlying investments are listed, these third-party valuations can be corroborated with reference to listed share prices and other market data and are thus classified in level 2 of the fair value hierarchy.	Market transactions (listed)

10. Fair value measurements continued

10.2 Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 2 continued

The table below sets out the valuation techniques applied by the group for recurring fair value measurements of assets and liabilities categorised as Level 2.

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Deposits			
Call and non-term deposits	None - the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand i.e. the undiscounted amount of the deposit.	None - the undiscounted amount approximates fair value and no valuation is performed
Other deposits	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
Other liabilities	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Where the value of a liability is linked to the performance of an underlying and the underlying is observable, these liabilities are classified at level 2.	Market interest rates and performance of underlying
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	The future cash flows are discounted using a market related interest rate and curves adjusted for credit inputs.	Market interest rates and curves

10. Fair value measurements continued

10.2 Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 3

The table below sets out the valuation techniques applied by the group for recurring fair value measurements of assets and liabilities categorised as Level 3.

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Derivative financial instruments			
Option	Option pricing model	The Black Scholes model is used.	Volatilities
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as stock prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Volatilities and unlisted share prices
Loans and advances to customers			
Investment banking book*	Discounted cash flows	The group has elected to designate the investment banking book of advances 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 and as such, these advances are classified as level 3 on the fair value hierarchy. The future cash flows are discounted using a market related interest rate. To calculate the fair value of credit the group uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenor and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance. Similarly an increase in credit rating would result in a decrease in the spread below the base rate and an increase of the fair value of the advance.	Credit inputs
Other loans and advances	Discounted cash flows	The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period. Although the fair value of credit is not significant year-on-year it may become significant in future. For this reason, together with the fact that the majority of South African counterparties do not have actively traded or observable credit spreads, the group has classified loans and advances to customers in level 3 of the fair value hierarchy.	Credit inputs

10. Fair value measurements continued

10.2 Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 3 continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Investment securities			
Equities listed in an inactive market	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e. level 1). However if the market is not active and the listed price is not representative of fair value 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, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds listed in an inactive market are valued similarly to advances measured at fair value. The future cash flows are discounted using a market related interest rates adjusted for credit inputs, over the contractual period. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs
Unlisted equities	P/E model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Growth rates and P/E ratios
Investments in funds and unit trusts	Third party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the bank places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary the bank applies minority and marketability or liquidity discount adjustments to these third party valuations. Third party valuations are reviewed by the relevant subsidiary's investment committee on a regular basis. Where thses underlying investments are unlisted, the bank has classified these in level 3 of the fair value hierarchy, as there is no observable market data to which to compare the third party valuations.	None (unlisted) - third party valauations used, minority and marketability adjustments

10. Fair value measurements continued

10.2 Fair value hierarchy and measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Deposits			
Deposits that represent collateral on credit linked notes	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins are used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs on related advances
Other deposits	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins are used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs, market risk and correlation factors
Other liabilities	Discounted cash flows	For preference shares which require the bank to share a portion of profits of underlying contracts with a third party, the value of the liability is linked to the performance of the underlying. Where the underlying is not observable, these liabilities are therefore classified as level 3. Future cash flows are discounted using market related interest rates, adjusted for the performance of the underlying contracts.	Performance of the underlying contracts
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using a market related interest rate and curves adjusted for credit inputs.	Credit inputs

* The group has elected to designate certain investment banking book advances at fair value through profit or loss. The designation is on a deal basis. Credit risk is not observable and has a significant impact on the fair value measurement of these advances and as such, these advances are classified as Level 3 on the fair value hierarchy.

For non-recurring fair value measurements the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table. Where the underlying assets or liabilities are not items for which recurring fair value measurements are required, for example property and equipment or intangible assets, the carrying value is considered to be equal to a reasonable approximation of the fair value. This will be assessed per transaction and details will be provided in the relevant notes of the annual financial statements when applicable. There were no assets or liabilities measured at fair value on a non-recurring basis in the current and prior years.

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

10. Fair value measurements continued

10.3 Fair value hierarchy and measurements continued

The following table presents the fair value measurements and fair value hierarchy of assets and liabilities of the group which are recognised at fair value:

December 2020

N$'000	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Investment securities	-	280 706	-	280 706
Advances	-	-	268 635	268 635
Derivative financial instruments	-	480 171	-	480 171
Total financial assets	-	760 877	268 635	1 029 512
Liabilities				
Recurring fair value measurements				
Derivative financial instruments	-	493 698	-	493 698
Total financial liabilities	-	493 698	-	493 698

10. Fair value measurements continued

10.3 Fair value hierarchy and measurements continued

December 2019

N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities	-	451 898	-	451 898
Advances	-	-	337 525	337 525
Derivative financial instruments	-	350 934	-	350 934
Total financial assets	-	802 832	337 525	1 140 357
Liabilities				
Recurring fair value measurements				
Derivative financial instruments	-	369 123	-	369 123
Short trading position	61 772	-	-	61 772
Total financial liabilities	61 772	369 123	-	430 895

10. Fair value measurements continued

10.3 Fair value hierarchy and measurements continued

June 2020

N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities	-	343 740	-	343 740
Advances	-	-	310 041	310 041
Derivative financial instruments	-	519 294	-	519 294
Total financial assets	-	863 034	310 041	1 173 075
Liabilities				
Recurring fair value measurements				
Derivative financial instruments	-	534 035	-	534 035
Total financial liabilities	-	534 035	-	534 035

During the reporting period ending 31 December 2020 (31 December 2019), there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Changes in the group's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on statement of financial position and the movement in fair values recognised in the statement of comprehensive. However, changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N$295 498 (2019:N$376 423) and using more negative reasonable possible assumptions to N$241 771 (2019: N$307 982). These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

10. Fair value measurements continued

10.3 Fair value hierarchy and measurements continued

Changes in level 3 fair value instruments

N$'000	Fair value on June 2020	Gains or losses recognised in profit and loss	Purchases/ (sales)/ issues/ (settlements)	Fair value on December 2020
Assets				
Advances	310 042	10 295	(51 702)	268 635
Total financial assets at fair value	310 042	10 295	(51 702)	268 635

N$'000	Fair value on June 2019	Gains or losses recognised in profit and loss	Purchases/ (sales)/ issues/ (settlements)	Fair value on December 2019
Assets				
Advances	368 932	18 378	(49 785)	337 525
Total financial assets at fair value	368 932	18 378	(49 785)	337 525

N$'000	Fair value on June 2019	Gains or losses recognised in profit or loss	Purchases/ (sales)/ issues/ (settlements)	Fair value on June 2020
Assets				
Advances	368 932	43 408	(102 298)	310 042
Total financial assets at fair value	368 932	43 408	(102 298)	310 042

10. Fair value measurements continued

10.3 Fair value hierarchy and measurements continued

The table below presents the total gains (losses) relating to financial instrument classified in Level 3 that are still held on:

	Six months ended 31 December		Year ended 30 June
N$'000	2020	2019	2020
	Advances	Advances	Advances
Assets			
Gains or losses recognised in profit or loss	10 295	18 378	43 408
Total	10 295	18 378	43 408

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position.

	December 2020		December 2019		June 2020		
N$'000	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Fair value hierarchy
Assets							
Advances	30 129 517	30 125 286	31 577 192	31 127 026	29 768 187	29 753 793	Level 3
Investment securities	7 884 551	8 169 748	6 762 314	6 793 355	8 037 567	8 097 623	Level 2
Total	38 014 068	38 295 034	38 339 506	37 920 381	37 805 754	37 851 416	
Liabilities							
Deposits	37 382 817	37 369 893	36 003 473	35 768 268	38 795 078	38 797 060	Level 2
Other liabilities	262 335	279 390	220 477	219 393	219 928	219 928	Level 2
Tier 2 liabilities	402 820	408 724	402 856	402 895	402 774	405 282	Level 2
Total	38 047 972	38 058 007	36 626 806	36 390 556	39 417 780	39 422 270	

10. Fair value measurements continued

10.3 Fair value hierarchy and measurements continued

Sensitivity of fair values to changing significant assumptions to reasonably possible alternatives

Fair values of financial instruments recognised in the financial statements may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data. In these instances, the net fair value recorded in the financial statements is the sum of three components:

(i) the value given by application of a valuation model, based upon the group's best estimate of the most appropriate model inputs;

(ii) any fair value adjustments to account for market features not included within valuation model (for example, bid mid spreads, counterparty credit spreads and / or market data uncertainty); and

(iii) day one profit or loss, or an unamortised element thereof, not recognised immediately in the income statement in accordance with the group's accounting policy, and separately detailed within the derivative note above.

The group classifies financial instruments in Level 3 of the fair value hierarchy when significant inputs into the valuation model are not observable. In addition to the valuation model for Level 3, financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

11. Contingencies and commitments

	Six months ended 31 December		Year ended 30 June
N$'000	2020	2019	2020
Contingent liabilities	3 813 307	3 389 408	3 361 807
Capital commitments	185 536	194 960	190 723

Condensed notes to the consolidated financial results
for the reporting period ended 31 December continued

12. Segment information

Group's chief operating decision maker	Chief executive officer
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
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.
RMB	RMB represents the group's activities in the corporate and investment banking segments in Namibia.
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.

12. Segment information continued

	Six months ended 31 December			
	2020			
N$'000	FNB	RMB	FCC and other	Total
Income from operations	1 449 788	249 062	(1 196)	1 697 652
Profit for the period	420 311	101 663	1 003	522 975
Advances	26 030 621	4 367 532	-	30 398 151
Investment securities	-	161 993	8 001 047	8 163 040
Total assets	24 347 360	8 591 995	11 692 046	44 631 399
Deposits	20 099 762	9 547 338	7 735 718	37 382 817
Total liabilities	23 661 613	8 459 622	7 297 634	39 418 863

	Six months ended 31 December			
	2019			
N$'000	FNB	RMB	FCC and other	Total
Income from operations	1 593 318	228 340	30 974	1 852 262
Profit for the period	494 656	87 611	18 135	600 402
	-			
Advances	27 163 052	4 414 140	-	31 577 192
Investment securities	-	185 916	7 028 296	7 214 212
Total assets	22 454 253	7 156 505	13 946 660	43 557 418
Deposits	17 890 829	7 928 243	10 795 921	36 614 993
Total liabilities	21 618 234	7 048 814	10 079 377	38 746 425

Condensed notes to the consolidated financial results
for the reporting period ended 31 December continued

12. Segment information continued

N$'000	Year ended 30 June 2020 FNB	RMB	FCC and other	Total
Income from operations	2 727 610	473 614	14 515	3 217 740
Profit for the period	684 160	178 871	1 833	864 864
Advances	26 056 537	4 021 692	-	30 078 229
Investment securities	-	147 863	8 233 444	8 381 307
Total assets	24 278 519	8 453 097	12 975 987	45 707 603
Deposits	19 678 155	9 112 263	9 868 718	38 659 136
Total liabilities	23 489 498	8 223 845	9 194 549	40 907 892

First National Bank of Namibia Limited
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FNB

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