FirstRand
NAMIBIA

INTEGRATED ANNUAL REPORT **2021**

people | partnership | profit | planet

Our Purpose:

"**Building** a globally competitive **Namibia**, providing **access** to opportunities."

NAVIGATION ICONS

Our capitals: human, intellectual, manufacturing, financial, social, natural

Other icons: IAR, refer to, AFS

Contents

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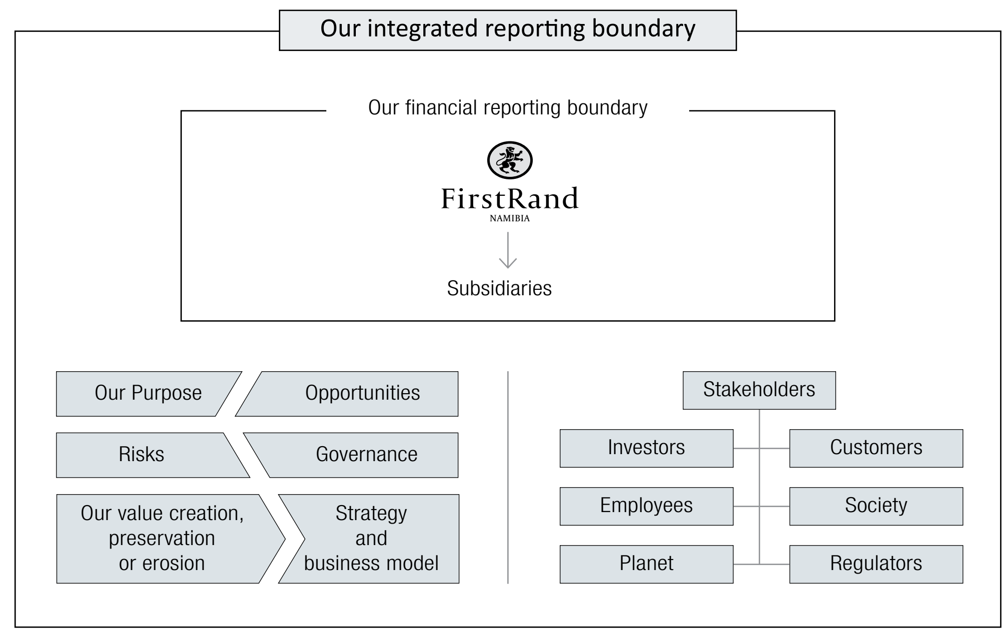
ABOUT OUR INTEGRATED REPORT

About our integrated report

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

SCOPE, BOUNDARY AND REPORTING CYCLE

This Integrated Annual Report covers the integrated financial and non-financial performance of FirstRand Namibia Limited and its subsidiaries (the Group) for the period 1 July 2020 to 30 June 2021. It contains relevant comparisons to previous periods, and is consistent with information and performance indicators included in internal management.



FORWARD LOOKING STATEMENTS

Statements relating to future operations and the performance of the group are not assurances of future operating, financial or other results and involve uncertainty as they are based on assumptions of future developments, some of which are beyond our control. Therefore, the results and outcomes may differ. The ongoing impact of COVID-19 also has a significant influence on our business, operational and financial performance.

REPORTING PRINCIPLES

Our report complies with the following reporting standards and frameworks:

Integrated Annual Report (IAR) A review of the Group's strategy, risks and opportunities and our operational and financial performance for the period. The report includes full FY21 annual financial results, disclosure of our governance structures, audit, risk and compliance committee reports and our remuneration report.

Annual Financial Statements (AFS) The audited Group and Company Annual Financial Statements for FirstRand Namibia Limited for the FY21 financial year. The report includes our directors' report.

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

APPROVALS AND ASSURANCE

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

FirstRand Namibia group applies a combined assurance model to optimise the assurance obtained from its Risk Management department and the internal and external assurance providers on risks affecting us. For more information, see Audit and Risk Committee reports.

MATERIALITY

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

How we determine materiality

We determine and assess material matters regularly by proactively assessing trends in the changing business environment and responding to unforeseen developments. Our material matters inform our strategy and its implementation, thereby enabling the Group to create and sustain value.

The material matters are assessed continually to ensure that our strategy remains relevant in an evolving operating environment.

While the FirstRand group considers all items raised by stakeholders, it does not report on all of these in its integrated annual report. The process we adopted to determine the issues material to the group and our stakeholders is aligned with our organisational decision-making processes and our strategies. By applying the principle of materiality, we determined which issues could influence the decisions, actions, and performance of the group. We describe the circumstances in which we operate, the key resources and relationships on which we depend, the key risks and opportunities we face and how our key priorities can affect our ability to create and sustain value over time.

APPROVAL BY THE BOARD

The Board acknowledges its responsibility of ensuring the integrity of this integrated report, which in the board's opinion addresses all the issues that are material to the group's ability to create value and fairly presents the integrated performance of FirstRand Namibia Group. This report was prepared under the supervision of the Chief Financial Officer, Oscar Capelao CA (NAM) (SA). The board has applied its collective mind to the preparation and presentation of this report and is confident that it has been prepared in accordance with the <IR> Framework and approved for publication on 18 August 2021.

II Zaamwani-Kamwi

P Gruttemeyer

JG Daun

IN Nashandi

JH Hausiku

C Dempsey

JR Khethe

OLP Capelao

CLR Haikali

FirstRand NAMIBIA

FNB First National Bank

RMB

02

AT A GLANCE

Overview of performance

OVERVIEW OF FIRSTRAND NAMIBIA:

N$43 billion
Total assets
(2020: N$46 billion)

2 085
Employees
(2020: 2 287)

N$36 billion
Total deposits
(2020: N$38 billion)

212 cents
Dividends declared
(2020: 154 cents)

N$30 billion
Total advances
(2020: N$30 billion)

N$15 billion
Assets under management
(2020: N$14 billion)

N$1 023 million
Headline earnings
(2020: N$867 million)

17.7%
Tier 1
(2020: 15.9%)

Market leader -
digital innovations

Customer satisfaction score (NPS)
FNB Commercial: **13%**
FNB Retail: **36%**
2020:
FNB Commercial: **9%**
FNB Retail: **41%**

FirstRand Namibia Limited is home to some of the most successful financial brands in the country.

The FirstRand Namibia Group is home to First National Bank of Namibia Limited, WesBank, RMB Namibia, Ashburton, FNB Insurance Brokers, OUTsurance to name a few. First National Bank of Namibia offers banking and investment services to individuals and businesses across our vast country whilst RMB Namibia offers the corporate and investment banking associated with a growing economy. WesBank is the vehicle and asset financing arm of the Group to individuals and businesses alike. Short term insurance through OUTsurance and FNB Insurance Brokers ensure assets are well covered.

WHAT DISTINGUISHES US:

FirstRand Namibia's purpose is to build a future of shared prosperity through enriching the lives of its customers, employees and the societies it serves.

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

Environmental guardian.

Products and services are provided through suitable channels, underpinned by an entrenched organisational culture of helpfulness and responsible business leadership.

World-class technology and leading digital innovations.

FNB Namibia, recognised for providing customers with an innovative, contextual and agile banking experience, invests a lot of time and resources in understanding what customers require from us, and we are diligent in ensuring that we deliver to their needs.

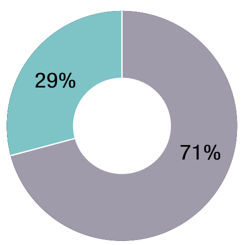
FirstRand Group - a systemically important economic contributor

FirstRand group is the largest financial services group in Namibia. FNB Namibia Limited is the largest bank in Namibia as measured by assets and capital.

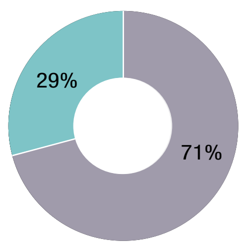
The Namibian banking sector has approximately N$100 billion in advances, of which FirstRand has a 30% share. We also have a 29% share of the N$122 billion Namibian deposit market, an important indicator of franchise strength. Our N$15 billion total AUM makes FirstRand a key asset manager in Namibia.

Despite the crisis conditions in 2020 and the continuation into 2021, large Namibian banks remain well capitalised and liquid, with key ratios well above minimum regulatory levels. In 2021 our return on equity (ROE) remained well above cost of equity (COE) when the COVID-19 pandemic impacted earnings negatively, although in normal cycles, Namibian banks generated compact returns (around 14% to 15%). While cost-to-income ratios are generally above 50%, they are expected to trend lower from current levels over time as Namibian banks optimise their cost bases and revenue growth recovers along with the economy. Credit extension has been static, but credit loss ratios (CLRs) increased significantly in 2021 as Namibian banks raised judgmental overlays and client stresses or defaults increased, leading to higher levels of bad debt.

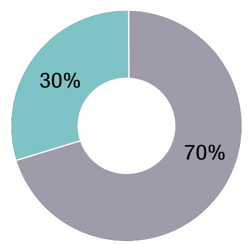
Total assets market share



Total deposits market share



Total advances market share

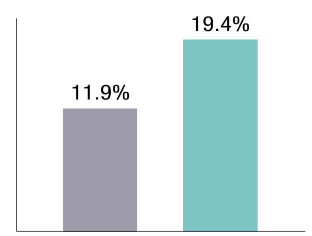


First National Bank of Namibia Limited (FNB & RMB)

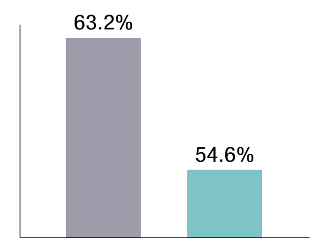
Rest of industry

Source: Bank of Namibia Consolidated Returns, March 2021

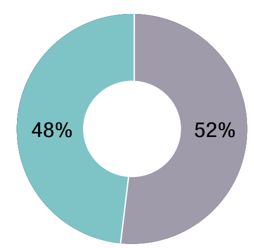
Return on equity (ROE %)



Cost-to-Income (CTI %)



Profit after tax market share



First National Bank of Namibia Limited (FNB & RMB)

Rest of industry

Our organisational structure, products and services

WHO WE ARE

At FirstRand Namibia, we offer our customers a range of products and services to suit their personal and business financial needs. We also focus on the community and strive to make a difference in the lives of our fellow Namibians.

RMB	Corporate and Investment Banking
OUR CLIENTS	Over 200 corporate relationships across a diversified mix of sectors including mining, energy, retail, manufacturing, business and financial services, public sector and telecoms.
OUR PRODUCTS AND SERVICES	Full suite of wholesale banking solutions, including investment banking and corporate lending, global markets and treasury, deposit-taking, and transactional banking.
OUR AREAS OF STRENGTH AND DIFFERENTIATION	• Market leader with strong expertise in corporate advances, advisory and renewable-energy financing. • Market-leading trading franchise with excellent trading and structuring capabilities across all asset classes. • Leading industry expertise in public sector, mining and resources, infrastructure, retail and telecoms. • Integrated model, delivering high levels of client service and better coverage. • Capability to appeal and preserve high-quality intellectual capital. • Resourceful franchise with excellent service and operational efficiencies.

FNB First National Bank	Retail and Commercial Banking
OUR CLIENTS	Individual clients and businesses.
OUR PRODUCTS AND SERVICES	Full range of Banking services, including transactional banking, card and payment solutions, lending solutions, deposit-taking services,risk management, investment products, card-acquiring services for businesses, ecosystems and platforms-based solutions.
OUR AREAS OF STRENGTH AND DIFFERENTIATION	• Competitive customer value propositions • Innovation and technology that enables diverse digital channels for self-service • Leading client experiences evidenced by recent award wins for PMR Diamond Awards in Digital banking, Private banking and Credit card • Leading provider of financial services in the market • Data analytics

FNB First National Bank / OUTsurance	Insurance and Broking Offering
OUR CLIENTS	Short term commercial and retail customers.
OUR PRODUCTS AND SERVICES	FNB Insurance Brokers: Provide guidance and advice in respect of insurance Products. Sell Products designed by Insurers, both Short Term and Long Term. OUTsurance provides the most affordable, comprehensive insurance package possible. Combine that with great benefits, awesome service and fast claim turnaround times, and that results in a winning combination.
OUR AREAS OF STRENGTH AND DIFFERENTIATION	Agreements with all Local Insurers, Specialists in both Short- & Long-Term Insurance, One-Stop-Shop for Insurance needs, Excellent Service and Negotiating Power in cases of Disputes.

ASHBURTON INVESTMENTS	Wealth and Asset Management
OUR CLIENTS	Includes more than 10 000 Financial Institutions, Corporate, and retail market .
OUR PRODUCTS AND SERVICES	Wealth Management, Estate Planning, Traditional asset management (Fixed Income) and Alternative asset management (Private Equity, Property and Infrastructure).
OUR AREAS OF STRENGTH AND DIFFERENTIATION	• Diversified asset manager with track record in fixed income and alternative assets classes (AUM/AUA of 15 billion); • 2nd biggest fixed income manager in Namibia; • Top performer in the fixed income products – flagship fund is the Pointbreak / FNB Money Market Unit Trust Fund; • Asset manager for Stimulus Limited – Namibia's oldest private equity investment vehicle with a 10 years track record.

Our business model for value creation

INPUTS

Financial capital	Manufacture capital	Human capital
• Equity of N$5.6 billion. • Common equity tier 1 ratio 17.7%. • Capital adequacy ratio 20.0%. • N$31 billion gross loans and advances to customers. • N$36 billion deposits due to customers.	• Effective information and technology infrastructure. • N$927 million property and equipment. • 45 branches, 318 ATMs, 6 668 point-of-sale devices. • Innovative digital portfolio and customer value propositions.	• 2 085 employees. • 65% women. • Fair and responsible reward structure. • Diverse, experienced management. • Skilled and engaged workforce with high internal morale.

OUR BUSINESS ACTIVITIES

Lend	Invest
Helping our customers to finance their projects, unlocking economic potential for clientele.	Managing and protecting the savings of our customers

OUTCOMES

Financial capital	Manufacture capital	Human capital
+ N$5.5 billion retained earnings. - 54.6% cost-to-income ratio. + Net asset value per share 2 136 cents. + 19.4% return on equity. - Share price N$27.30. + N$1 023 million headline earnings. • Dividend declared 212 cents.	+ Digitally active customers. increased by 35%. + Digitised branch services and self-service branch. + Uptime of application systems at 99%. - Branches reduced by 7	• N$1.2 billion paid in salaries and benefits. • Non managerial employees received a higher cost-to-company increase than management team. • N$2.7 million invested in training. + 51% women in senior management. + 47% black senior management. - 5% employee turnover. + More than 90% of office-based employees enabled to work remotely from home.

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

INPUTS

Social and relationship capital	Intellectual capital	Natural capital
• 653 656 total clients (2020: 626 026) • Good relationships with our stakeholders. • Continued commitment of 1% of NPAT to FirstRand Namibia foundation. • Hope Fund contributions N$5.2 million.	• Strong brand and presence in key markets. • Financial, commercial, technical, risk and management skills and expertise at Board, management and employee level. • World class innovative capabilities. • A leader across various products and segments, including renewable-energy finance, corporate and commercial-property lending, small-business services, retail vehicle finance, card acquiring and asset management.	• Green rated building • Focusing on renewable energy financing.

OUR BUSINESS ACTIVITIES

Transact	Insure
Offer secure transacting to our customers through several convenient channels	Protecting our clients in their day-to-day life and their professional activities

OUTCOMES

Social and relationship capital	Intellectual capital	Natural capital
+ Improving customer experience scores. + Customer complaints, trend and root cause analysis managed weekly. Volume of complaints less than 0.5% of total customer base. + N$639 million direct and indirect tax paid. + N$8.7 million CSI contributions + 88% localised procurement in Namibia.	+ Innovative end-to-end digital onboarding capability + Innovative customer compliance confirmation on digital channels + Piloting Biometric Verification Engine + Enabling customer initiation of card maintenance/ cancellation/ ordering on digital channels + Enabling customer instructions to investment products on digital channels (Notice to withdraw on APP/ USSD):	+ Renewable energy loans given - Electricity spend: N$7.6 million.

+ Value creation	• Value preservation	- Value erosion

Our stakeholders: their needs and expectations

FirstRand Namibia's purpose is to **build a future of shared prosperity through enriching the lives of its customers, employees and the societies it serves.**

This is the foundation to a sustainable future and will preserve the group's enduring promise to create long-term value and superior returns for its shareholders.

FirstRand Namibia continues to refine its thinking and processes to better determine and measure this social impact.

MACROECONOMIC CONTEXT

The macroeconomic environment created by the COVID-19 crisis is now considered to be the worst global economic crisis since the Second World War. It resulted in three simultaneous and profound shocks: to global trade; to global confidence, causing financial conditions to tighten significantly and abruptly; and to economic activity following the lockdown policies adopted by most of the world's major economies. This translated into a once-in-a-generation economic stress event. This scenario prompted coordinated efforts by central banks and governments to lower interest rates and simultaneously provide fiscal stimulus packages to cushion the impact of the economic shock to the real economy. Despite these actions, global financial conditions are expected to remain challenging and any form of recovery will be contingent on proof that the spread of the virus in developed economies has peaked.

Namibia's already extremely weak domestic position was further worsened by the COVID-19 crisis and resultant lockdown regulations, with limited fiscal space to support the economy. In line with forecasts, the economy shrank by N$11.6 billion in 2020, representing an annual contraction of 8.0% year on year.

The Bank of Namibia provided monetary policy support, keeping the repo rate unchanged at 3.75% since its June 2021 meeting. However, the real-economy impact of COVID-19 remains deep given the loss of economic activity, reduced tax revenue, and diminished household and corporate income. These challenges will result in higher levels of insolvency, structural unemployment – particularly amongst the youth – and the disruption of global supply chains which could mean certain industries will not fully recover.

ROLE OF FINANCIAL INSTITUTIONS IN SOCIETY

Given this backdrop, financial institutions must play an active role in helping economies and society recover from the impacts of COVID-19. They have the tools to drive sustainable and inclusive economic activities and positive social outcomes.

It is important to explain the financial system within which FirstRand Namibia operates to fully understand its contribution to the economy and society. A distinction is made between the real economy and the financial economy.

In the real economy, goods are manufactured, infrastructure is built, agricultural production takes place, metals and minerals are mined, and services are provided to individuals, businesses, and government entities.

In the financial economy, monetary services, including payments and credit, are provided. Financial assets such as deposits, bonds and shares are traded. These are also valued and priced in the financial economy, which gauges the risks of these assets.

The sole purpose of the financial system is to serve the real economy.

Financial institutions provide many different services that create economic value and contribute to social development. They act as intermediaries in financial transactions, facilitating the flow of funds between participants in the economy. They are also the custodians of financial assets.

These institutions also transfer risk between market participants, either directly by means of trading and market making activities, or indirectly through the shifting of risk between several market participants, as with insurance activities. This creates stability in the financial system and in society, as risk events are ultimately mitigated through broader distribution, and not concentrated in a single individual or entity.

Banks, in particular, have a further function: ensuring that capital is allocated efficiently throughout the economy between providers of funds (savers) and users of funds (borrowers).

Access to credit increases the supply of money in the system and has a multiplier effect on economic growth. Effectively, borrowers utilise their future income capacity to access current funding available in the financial system, which then enables individuals and businesses to make investments and purchases and build infrastructure much faster than if they had to build up cash reserves. A bank, through appropriate internal risk management, together with regulators, also ensures that both individuals and entities in these saving and borrowing interactions are protected and are not exposing themselves to excessive risk, thus ensuring the safety and stability of the financial system.

FIRSTRAND'S SHARED VALUE CONTRACT WITH SOCIETY

The nature, size and scale of FirstRand Namibia's business activities means that it inevitably impacts society in its broadest sense, as a:

- provider of credit,
- custodian of the country's savings,
- provider of transactional platforms for people to access and spend their funds,
- material taxpayer, and
- large employer.

Given this position, FirstRand Namibia recognises that it has a responsibility to deliver both financial value and positive social outcomes for multiple stakeholders. Embedding the principles of shared value was introduced as a strategic priority for the group in 2019.

These principles underpin the group's view that it must intentionally use core business activities, including its role in allocating capital to the economy, to add value to society – profitably and at scale.

The group views this as a transformative and sustainable business strategy, albeit a long-term journey. It requires the group to commit to extracting economic and social value from its activities and operations, and to deliberately measure this value. Integral to this objective is assessing whether the group's products and services, and the way they are delivered to customers, address key social imperatives or only drive profitability.

Namibia faces a broad range of social challenges, and whilst FirstRand Namibia cannot solve all of these challenges as a systemic financial services business, it has the capacity to be a force for good. Using its core business resources and activities, the group can achieve positive, scalable and high-impact financial and social outcomes.

1. DEPLOYING THE GROUP'S BALANCE SHEET TO DRIVE ECONOMIC GROWTH AND INCLUSION

COVID-19 created unprecedented economic stress, which has had a profound and far-reaching impact on the economy. FirstRand Namibia responded by rapidly mobilising COVID-19 payment relief solutions for customers. These solutions were particularly necessary for vulnerable small and medium enterprises (SMEs) which are important growth and job creation engines of the economy.

COVID-19 RESPONSE

The COVID-19 lockdown and national restrictions resulted in unexpected loss of income for customers and the inability to cover monthly costs and obligations. In response, the group's operating businesses provided various cash flow relief solutions to preserve livelihoods and jobs.

THE REAL MEANING OF HELP

The group is proud to see how our business is standing strong in our purpose of being a trusted partner helping to create a better world. We help by keeping businesses open, people in their homes, distributing relief efforts, keeping our doors open and our systems operational to enable customers to continue trading.

The examples are many: from the establishment of the HOPE (Health Optimisation Pandemic Emergency) Fund, which accelerated the scaling of Namibia's COVID-19 critical care capacity with focus on supporting the medical structures and resources of the country. FNB donated 15 fever screening thermal cameras to the value of N$1,4 million to the Ministry of Health and Social Services; while RMB Namibia, through the FirstRand Foundation Trust, donated N$ 500 000 to assist a COVID-19 emergency response programme directly targeting hand-washing hygiene in informal settlements. In May, the FirstRand Namibia Foundation further contributed N$1.5 million to the Government in response to COVID-19 efforts. In June RMB Namibia, through the HOPE initiative handed over N$166 000 in food parcels as part of the food drive initiative with Bokomo Namibia to help feed the vulnerable, positively impacting families across the country.

Regarding financial help to customers, FNB provided cashflow relief to individuals and businesses, in particular SMEs; supporting in the distribution of the government grant pay-outs; reducing various banking fees for customers; availing banking app transactions and cashback withdrawals at point of sale devices free of charge for three months; offering instalment payment holidays for qualifying customers across all sectors and segments, including consumers, SMEs, tourism, agriculture, students and other large businesses. The bank has invested an amount of more than N$6.5 million in fees and charges' reductions to support its clients.

Despite the economic challenges over the past months, various CSI and sponsorship initiatives of FNB Namibia have been ongoing, such as the One Africa TV #LearnOnOne initiative valued at N$ 50 000, which provides Namibian children with access to classes and educational material of their current school curriculum.

It is these examples of active citizenship that really make us proud as a Namibian business, demonstrating the true meaning of Help! As a business we have successfully overcome significant and unforeseen hurdles in the past few months, and we believe this has made us stronger and more resilient. By all of us working together, partnering with Government and providing shared value, we can weather this storm.

2. SUPPORTING SMEs

FNB Namibia contributes to economic development and employment by providing innovative funding solutions to SMEs.

Case study

FNB Namibia has partnered with the Development Bank of Namibia on the risk-sharing initiative, which was announced by the Minister of Finance, Hon. Iipumbu Shiimi, on 19 August 2020.

The intention of the guarantee scheme is to alleviate the collateral constraints entrepreneurs are facing, and it will cover loans up to 60%. The size of the loan facilities will range between N$50 000 to N$1 000 000 for both short-term overdrafts and long-term loans with a maximum repayment period of five years.

Qualifying criteria for the guarantee scheme include the following:

- SME's annual turnover of up to N$10 million;
- SME is established and operating in Namibia and exclusively owned by Namibian nationals;
- Priority will be given to SMEs with development impact capabilities such as job creation, rural development and youth and women empowerment.

This year – more than ever – has shown that in unstable economic times, entrepreneurs should recognise and grab any possible opportunity and work up the courage to establish their own business in their emerging home market.

3. HOW THE GROUP'S PRODUCTS AND TRANSACTIONAL PLATFORMS DELIVER FINANCIAL INCLUSION TO BROADER SOCIETY

Rapid technological developments have allowed financial institutions to reach previously unbanked and under-banked segments of the population. Financial inclusion for individuals and SMEs is vital to transform and scale the informal economy.

Voted the Best Bank in Namibia due to its domination of overall customer satisfaction for its mobile banking app and internet banking categories, FNB Namibia is well-placed to drive current and future trends in the financial services sector in Namibia.

FNB Namibia, recognised for providing customers with an innovative, contextual and agile banking experience, invests a lot of time and resources in understanding what customers require from us, and we are diligent in ensuring that we deliver to their needs.

To this end, the company has placed a lot of focus on expanding its offering on its banking app, through a strategy of continuously innovating and adding rich functionality across all digital interfaces, including online banking.

We are aware that the latter remains a preferred interface for some customers such as businesses or senior citizens, who tend to be more comfortable using a bigger screen than a smartphone. This also holds true for USSD or the cellphone banking interface, which is preferred by customers who hold entry-level bank accounts or phones.

DIGITAL DAY

Over the years, FNB has expanded its digital capability to cater to customers' needs in areas such as transacting, lending, investing and insuring.

We have thus introduced money management tools that essentially give customers a view of their financial position at any given time. The tools further assist them to budget, view available funds and track expenses.

Most COVID-19 research has highlighted the fact that senior citizens are among the most vulnerable to the pandemic, leading FNB to advise senior citizens to consider more efficient ways of banking, in order to minimise the risk of exposure. The adoption of digital banking channels over this period empowers consumers of all ages with tools to easily manage their money from anywhere and at any time, while allowing them to protect their health at the same time.

We aim to educate our customers around the ease and safety of using digital platforms. To those customers over the age of 55, we want to emphasise the endless benefits such as cost savings and convenience. Furthermore, in light of the pandemic, it has become essential to fully embrace the technological innovations designed to offer ease of banking, convenience and safety.

To ease customer fears, FNB utilises a number of security features in order to enable easy and secure online banking. These include monitoring the device being used to ensure that it is verified, and, if not, only limited services will be available. Customer transacting via online banking will also be required to authenticate the transaction on their banking app as an additional safety net.

For us, data is a critical instrument to understand what our customers' needs are, and we use various sources to identify and address these via innovative solutions. Digital banking interfaces are also increasingly becoming a one-stop shop for customers to access services beyond mere traditional banking.

On the core service side, digital payment features like Pay2Cell and eWallet are all becoming increasingly popular. Although it is clear some of the most recent trends can be partly attributed to COVID-19, the rise has been consistent over a lengthy period of time, driven mostly by customers seeking efficient and cost-effective ways to meet their day-to-day needs.

FNB believes that customers are increasingly aware of the benefits of using a digital platform to access banking services. Still, it continues to encourage the uptake of this by incentivising customers with FNB Rewards, free digital transactions and richer functionality. More importantly, we have also removed a critical barrier to access our app, by zero-rating cellular data usage.

3. HOW THE GROUP'S PRODUCTS AND TRANSACTIONAL PLATFORMS DELIVER FINANCIAL INCLUSION TO BROADER SOCIETY continued

AGILITY AND SIMPLICITY

In today's hyper-connected, fast-moving world, it is more important than ever to deliver an innovative, contextual and agile banking experience to customers. This is, arguably, one of the areas where FNB Namibia leads the sector locally, as the bank has been working to ensure that its digital interfaces are contextual to its customers' needs.

Contextual solutions are the future of digital banking and using data and analytical insights is imperative to achieving this.

Simplicity and access to solutions 24/7 are also key aspects of the customer experience, but, at the same time, these need to be facilitated securely. In this respect, security was one of the key mentions in our recognition as Best Bank in Namibia.

Our efforts to help customers minimise exposure off-platform has seen us create in-app messaging to give customers full control over their money. Customers are able to report fraud at a click of button on our app.

Digital banking interfaces are also increasingly becoming a one-stop shop for customers to access services beyond mere traditional banking. The role of digital banking interfaces is to enable easier access to services; security is paramount to ensuring that customers can trust and rely on these interfaces. The bank has seen a growing number of customers embracing these efforts to help them manage their money through this platform.

These are just some of the examples of our efforts to help our customers thrive into the future as we further modernise and transition into our platform aspirations. We have spent more than a decade building significant and diverse data, technology and engineering teams who are constantly working to anticipate the digital demands our customers place on us at present, and in the future. Thanks to the deep levels of talent across these experienced multi-disciplinary teams we are able to respond to these ever-increasing needs given a multi-year investment in reconfiguring and modernising of our primary line of business systems, networks, data and technology-related infrastructure.

The proactive approach, leveraging emerging technologies, is something we are constantly looking to refine. Our customers are discerning and demanding, and we appreciate it, because along with growing competition in the market, it motivates us to continually innovate, deliver helpful solutions and strive for excellence.

AGILITY AND SIMPLICITY continued

Case study

CASHPLUS: PROVIDING FINANCIAL INCLUSION

Africa is largely a cash-based economy, with the general population still preferring cash over digital options. According to a study published by the World Bank, less than a quarter of all adults in Africa make use of bank accounts from formal financial institutions and 90% of all consumer payments are conducted in cash.

Some of the main reasons for the largely unbanked population in Africa are the limited infrastructure, poor GSM 1 network coverage, smartphone unaffordability and geographical inaccessibility experienced by many people outside the major metropolitan areas. Traditional bank branches and ATMs tend to be concentrated in urban areas, leaving rural communities without service or education on formal banking.

FNB Namibia aimed to deal with many of these challenges through its merchant strategy, CashPlus which proved to be a success in improved financial inclusion for communities and has enabled growth for SMEs in the country.

FNB partners with merchants, who act as agents of the bank, to provide day-to-day banking services to customers through the CashPlus channel. FNB sets the merchants up on the FNB platform and supports them with training (compliance, business and product), as well as marketing and branding material for use in their stores and areas of business. Customer and merchant transactions are completed easily, securely and in real time via the FNB App or FNB mobile banking (USSD).

FNB Namibia currently provides cash-in services, cash-out services and airtime and electricity purchasing services. The steady growth in the channel despite the impact of the pandemic demonstrates CashPlus' relevance in the market. In instances where FNB branches needed to be closed due to COVID-19 cases, customers were redirected to CashPlus agents, which enabled them to continue transacting.

3. HOW THE GROUP'S PRODUCTS AND TRANSACTIONAL PLATFORMS DELIVER FINANCIAL INCLUSION TO BROADER SOCIETY continued

AGILITY AND SIMPLICITY continued

Case study continued

This CashPlus strategy brings several benefits to in-country customers and merchants.

BENEFITS TO CLIENTS:

- Access to formal banking transactional services to all customers, no matter where they live;
- The merchant network allows FNB to be represented in local neighbourhoods without needing a formal branch environment, saving customers time and money that would otherwise have been spent travelling to physical facilities in towns;
- The familiarity and security of dealing with a local merchant in their community;
- An alternative to dealing with large amounts of cash, thereby introducing a digital-friendly banking system to those in rural areas;
- Promotes personal savings and independent money management;
- FNB customers can send money to people in rural areas via the FNB eWallet service and the money can be withdrawn at the nearest merchant.

BENEFITS TO MERCHANTS:

- FNB recognises that the merchants are SMEs with growth potential. CashPlus could potentially increase the number of walk-in customers for approved FNB merchants.
- Allows cash to be recycled in the market by reducing the amount of cash that merchants need to constantly reconcile, secure and bank, saving them time and money.
- Merchants have an additional revenue stream by way of FNB commissions for the transactions they perform for FNB clients.
- Employment opportunities are created in the community as most merchants typically employ one to two cashiers to serve customers on the CashPlus channel.

4. TREATING CUSTOMERS FAIRLY

The group aims to offer fair value to customers. Its products and services are provided through suitable channels, underpinned by an entrenched organisational culture of helpfulness and responsible business leadership.

The principles of treating customers fairly (TCF) are important throughout the product life cycle.

Financial literacy

Financial literacy of Namibians continues to remain low, requiring new and innovative approaches to financial education.

In addition to the annual financial investment towards the Financial Literacy Initiative (FLI), FNB Namibia conducts financial education initiatives which target the low-income market. The programmes aim to help consumers make informed financial decisions. An ongoing focus is providing basic financial literacy education on digital platforms.

FNB has developed content that focuses on financial literacy, savings, credit and debt management and the benefits of digital banking channels. In addition, there was an increased focus on digital content. Animated videos and audio clips were created to respond specifically to challenges faced by consumers as a result of the economic impact of COVID-19.

Case study

FNB BUSINESS Toolkit – A RESPONSE TO COVID-19

The COVID-19 national lockdown resulted in businesses across the country completely shutting down, except for those deemed essential by the national government. FNB focused immediately on supporting its clients and the economy in unprecedented times. Within days an FNB Commercial task force was created, with different teams providing financial and non-financial assistance to SMEs. The task force created the FNB Business Toollkit, a central, digital support platform with helpful, educational and current information, developed to help businesses start, run, grow or reconfigure their operations. The solution – a crisis leadership toolkit to help businesses cope during COVID-19 and beyond – was built on the FNB App, allowing FNB clients to benefit from its information, tools and solutions right in the palm of their hand.

5. PROVIDING AN ENABLING ENVIRONMENT FOR EMPLOYEES

As part of our Human Capital strategy, we continued to build and drive a high performance and ethical culture premised on our Group philosophy which is underpinned by our Promises. The impact of COVID-19 and the subsequent lockdown during 2020, warranted the need to continuously remain innovative and embrace technology to enhance efficiencies and adapt to emerging new ways of work, specifically with reference to remote working environments. The health and wellbeing of our people takes centre stage and as a leading innovator, we develop and adopt mechanisms to enable our people to continue rendering services to our clients in the comfort of their homes. Given that the successful implementation of any change is depended upon people, appropriate time and energy was dedicated to continuously manage change through embedding a culture of open and transparent engagement, upskilling of our employees to adapt to changing work methods as well as ensuring that they are in the right state of mind and health.

CULTURE AND ENGAGEMENT

Creating a high-performance, values-driven, owner-manager and customer-centric culture underpinned by trust.

Embracing and building a culture of transparent engagement that is built on trust constitutes a key ingredient for our approach to embedding and bringing to life our Group philosophy and Promises.

The Group philosophy guides how our people conduct themselves to deliver the best results for customers, society, shareholders, and each other. It is also the core principle on guiding our employees in displaying customer centric behaviour to deliver the best results.

We implemented a number of campaigns to embed our Promises and culture in order to keep our employees engaged during the financial year. Key campaigns were:

- **Heros Amongst Us** – focused on recognising our employees' dedication and commitment during the COVID-19 lockdown.
- **Embedding our Promises** – three focus areas were addressed based on our Promises. Have Courage, Service Principles and Building Trust. Engagement packs for each topic were prepared for Line Management and employees to interact around these topics in detail. Employees who lived and displayed the behaviours linked to these Promises were rewarded and recognised via the online voting platform.
- **Gratitude Tree** – provided an opportunity for the Company and employees to submit gratitude stories that were shared via Newsflashes and the internal Newsletter. The purpose of this campaign was to show appreciation for the privileges we all still have, despite the impact COVID-19 had on the business and our personal lives.

We continue to build an environment that values differences, an environment where everyone's views and contributions can be heard and seen through remaining inclusive, gracious, decent and humble.

DIVERSITY AND INCLUSION

Gender Equity - Representation of Women:

Women as a percentage of Executive Team:

29%
2021

2020 = 34%
Target by December 2022 = 37%

Women as a percentage of Senior Management Team:

51%
2021

2020 = 48%
Target by December 2022 = 49%

Racial Equity - Representation of Previously Disadvantaged Employees:

Previously Disadvantaged Employees as a percentage of the Executive team:

50%
2021

2020 = 34%
Target by December 2022 = 39%

Previously Disadvantaged Employees as a percentage of the Senior Management team:

47%
2021

2020 = 43%
Target by December 2022 = 47%

Previously Disadvantaged Employees as a percentage of the Middle Management team:

72%
2021

2020 = 71%
Target by December 2022 = 71%

DIVERSITY AND INCLUSION continued

The Group deeply embraces diversity as it is a precondition for its successful entrepreneurial and innovative culture. We are committed to employment equity and transformation as depicted through the approval of our three year affirmative action plan and to consistently achieve employment equity certification status year-on-year. Our focus remains to increase representation of disabled persons as well as women and previously disadvantaged persons at Executive and Senior management levels. In addition to the above, we are planning to roll out a Diversity and Inclusion survey during the new financial year to further understand the progress we have made as well as the possible challenges we might have in terms of diversity and inclusion. This survey will assist us in creating new initiatives to drive this important focus area.

Employee headcount:

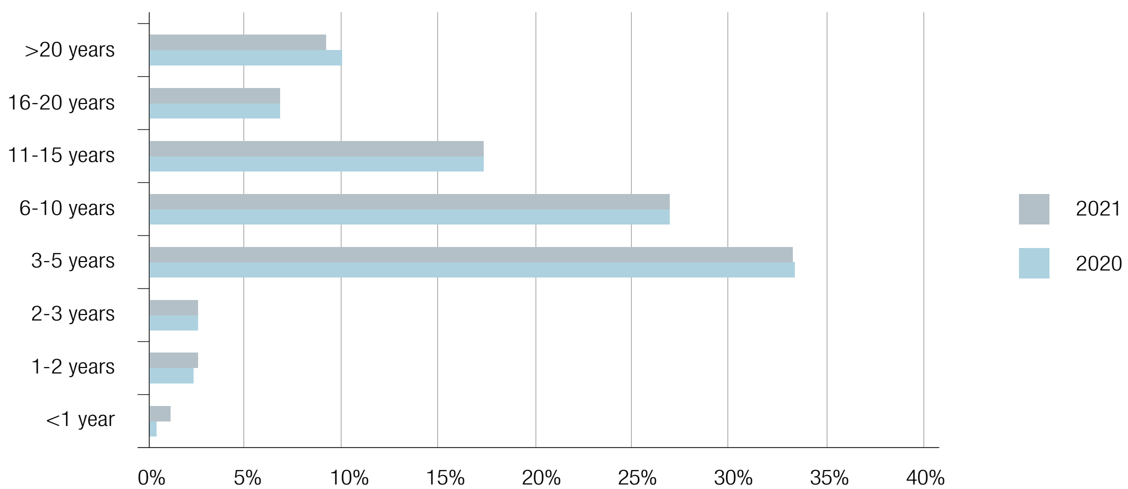
Number of Permanent Employees

2020 = 2 200 employees

Number of Non - Permanent Employees

2020 = 65 employees

Tenure:



TALENT CURATORSHIP

We implement best-practice Talent Management practices to identify, develop, select, and advance a diverse talent pool fit to execute Group strategy.

Our Group's success is significantly depended upon people. Thus, the objective of the talent curatorship pillar is identification, development and retention of a diverse talent pool that is appropriately capacitated and fit to execute the Group strategy.

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

Below information illustrates the advancements we have made in terms of Succession Planning during the financial year.

Succession Planning:

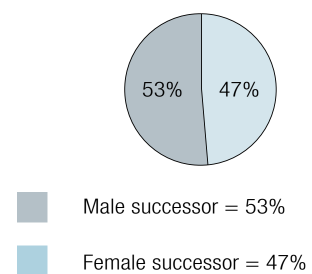
Succession Pool Size

2020 = 55 employees

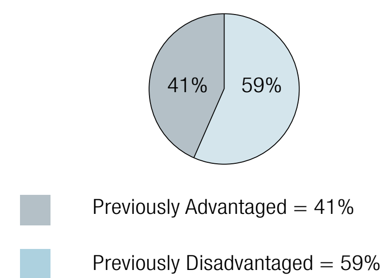
Number of Trained Organizational Mentors

2020 = 4 employees

Succession Gender Equity



Succession Racial Equity



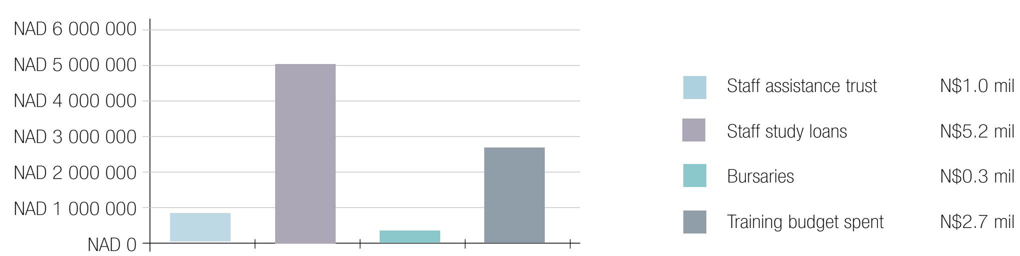
TALENT CURATORSHIP continued

Successors have been identified for various leadership, critical and specialized roles within the Group. The talent and succession management plans also reflect the Group's commitment to affirmative action and diversity in the profile of the business. As such, the Group's Transformation and Employment Equity plan will always be considered to ensure that equal development opportunities are being afforded to deserving employees, and that the Employment Equity policy is being upheld and the targets are being achieved.

Our Managers-as-Mentors Training programme reached a new level this past year where we started to see an increase in our Organisation's Mentors. The objective of this programme is to ensure that our leadership teams are appropriately capacitated to not only function effectively as leaders for their own teams but that they are also able to groom and mentor future leaders for our Group.

We also have a Talent Pipelining programme in place of which the objective is to ensure a sustainable supply and availability of talent to the Group as and when required. The programme is underpinned by several schemes, namely, the Graduate Development Programme, the Bursary scheme, Staff Study Loans, and the Staff Assistance Trust. Below graph illustrates the investment the Group has made towards these schemes over the past year:

Learning and development investments



The Group made a significant investment in the development and implementation of various in-house learning interventions focusing on the development of role-based competencies to ensure our employees are appropriately skilled for their respective roles thereby enhancing individual performance. Amongst others, one of these interventions included the introduction of two online learning platforms called Intuition and Skill Soft. These two platforms focused on the development of behavioral and technical skills. A total investment of N$ 790 000 over three years was made towards these two platforms.

In addition to the N$ 2.7 million training budget spent this past year, the Group also contributed N$ 8.4 million to the skills development fund of the National Training Authority during this financial year.

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

We therefore continued to roll-out our in-house foundational Leadership Development programme which is mandatory for all our managers and supervisors across the Group. The programme is designed to equip our leaders with hands-on people management skills to be able to lead and inspire our people towards high performance. A total of 467 Middle Managers and Supervisors have completed the programme to date.

BUSINESS CONTINUITY

Ensuring growth and stability of our business despite external factors such as the COVID-19 pandemic.

The outbreak of the COVID-19 pandemic and subsequent lockdowns forced us to be innovative and the creation of a work environment that will ensure business continuity. To this end a number of initiatives were implemented:

Flexible Work Arrangements:
At the outbreak of COVID-19 and ensuing lockdowns, most of our employees were compelled to work from home. We implemented the flexible work arrangement concept and ensured that employees whose roles qualify for working from home continue to do so even after lockdown. Online training was developed in-house, and various tools and communication were provided to employees to assist them with this new way of work.

Automation of Training:
Since we could not do face-to-face training for the majority of 2020, for 2021 we developed online training for the following courses; Performance Contracting and Appraisals, conducting 360º degree reviews and we reviewed and updated the online Induction Programme

EMPLOYEE WELLBEING

Enhanced focus on our employees' mental and physical health during and after the COVID-19 lockdown period.

The physical and emotional wellbeing of our employees remains a priority for the Group and we therefore continued to embark on a variety of programmes and initiatives to sustain employee wellness and work-life balance. As part of our Employee Wellness Programme (EWP) which is administered by our external service provider LifeAssist, wellness services are available to staff and their next of kin, free of charge on a 24/7 basis. Telephonic, electronic and face-to-face assistance is provided through self-referrals or management referrals. The programme also provides debriefing sessions to assist our employees in coping with traumatic events.

Our on-site clinic at Parkside Building which is manned by a qualified occupational health and medical practitioner continued to be available to our employees.

The following campaigns and initiatives were initiated to ensure our employee's wellbeing is ensured:

- Mental Health Campaign
- Daily COVID-19 information sharing and videos during lockdown
- Live Q&A sessions with medical doctors during lockdown
- Wellness Ambassador Training
- 21-day Mindfulness Campaign
- Four blood donations with 245 donors in total
- Blood Group testing where 57 employees participated
- Eye Testing at Head Office
- Denim for Diabetes Campaign
- Respiratory Health Clinic where 34 employees participated
- Digital fatigue online sessions
- Diabetic and hypertension online sessions
- General wellness training
- Financial wellness training
- Healthy Lifestyle Campaign where 509 employees enrolled
- LifeTrack App was launched in March for easier access to LifeAssist
- LifeAssist Training for Line Managers, Human Resources Business Partners and Wellness Ambassadors

6. A CSI STRATEGY DESIGNED TO CONTRIBUTE TO UPLIFTMENT

Social investing (or CSI) occurs through the FirstRand Foundation, and the FirstRand Staff Assistance Trust.

Case study

In response to the unexpected and unprecedented social challenges that the COVID-19 pandemic presented, FirstRand Namibia created the **Health Optimisation in a Pandemic Emergency (HOPE)** Fund immediately following lockdown. HOPE is a public benefit fund created to assist Government and other social partners in responding to the healthcare challenges of COVID-19 in Namibia. HOPE facilitated a number of interventions particularly focused on healthcare solutions and feeding schemes for vulnerable communities.

VACCINES FOR HOPE COALITION

In 2021 an amount of more than N$ 12 million was handed over to the Ministry of Health and Social Services as part of private sector companies who had pledged their support to Namibia's Vaccine Roll-out Plan 2021. The Namibian government has asked local businesses to come together to fund one-third of the cost of the vaccine, which will be distributed free of charge to all Namibians. The funds in the Vaccines for Hope account will be used to buy vaccines directly from suppliers and cover the logistical costs of distributing and managing the vaccine roll-out. The assistance from Namibian companies has been noteworthy, as many, who could not contribute towards the procurement of vaccines assisted by funding and/or supplying much-needed medical supplies such as cotton, needles and syringes – all vital components in the overall vaccination process.

On the eve of Namibia's health ministry receiving and rolling out COVID-19 vaccines in Namibia, more than 50 companies and individuals met on 1 March 2021 to discuss the way forward to ensure vaccines get to vulnerable Namibians across the country. The informal private sector coalition met specifically to support government with 'in kind' and cash pledges for logistical expenses relative to a successful roll-out of the much-anticipated vaccines.

Hosted by the HOPE Fund the coalition of skills, logistical support and financial investment offered by the interested parties, is intended to add practical value to the ministry's plan.

Case study continued

OTHER HOPE INITIATIVES:

Fever Screening Thermal Cameras

FNB, through HOPE, donated 15 thermal cameras to the value of N$1.4 million to support Government's efforts in detecting any infections as soon and as early as possible. The cameras were deployed at high contact points of migration between regions and borders as well as other crowded areas such as hospitals, to help those on the frontline of this pandemic and to manage Namibians at risk of infection.

Personal Protection Equipment Kits (PPE)

Since the outbreak of COVID-19, Namibia has been tested on an unparalleled scale and has seen a side of humanity that has re-affirmed that there is so much good in the world. It also compelled us all to be more agile, inventive, and creative than ever before. The PPE kits' sponsorship, valued at N$810 000, is vital in ensuring that our public healthcare workers continue to operate with confidence and a sense of safety, to ensure that our country stays afloat and productive in this time of crisis.

Emergency Respirator / Oxygen Support System

Given the potential shortage of ventilators across the country, and specifically in the public health sector, a low-cost, disposable emergency respirator has been created to manage patients in respiratory distress. The first 100 units valued at N$3 200 each have been manufactured and deployed for use, with very positive results in critical patients. A further 200 units will be manufactured and supplied to the Windhoek Central Hospital ICU team.

Co-Feed Namibia

Project Co-Feed Namibia is a citizen-driven initiative with the sole objective to mobilise food supplies and other basic necessities for distribution to the vulnerable within our communities in response to the national lockdown necessitated by the COVID-19 pandemic. Working with local retailers, social partners and some investee companies, Co-Feed created a platform for willing citizens to directly mitigate the inevitable shortage of basic necessities amongst the vulnerable members of our community. Ashburton's Executive Members contributed N$50 000 towards Co-Feed, which was further topped by the HOPE Fund.

Bag of Hope Initiative

RMB, through the HOPE Fund and in collaboration with Bokomo Namibia and Co-Feed established a food drive aptly named the Bag of Hope Initiative. Through this food drive, employees and the public donated N$166 000, all of which was handed over to vulnerable members of our communities.

Bed refurbishment

A key challenge in the COVID-19 pandemic is the number of people requiring quarantine, isolation or hospitalisation, resulting in a shortage of hospital beds. HOPE has paid towards the provision of spare parts to fix 393 broken beds at the Katutura Intermediate Hospital. The spare parts have been delivered and progress repair of the beds is in progress.

6. A CSI STRATEGY DESIGNED TO CONTRIBUTE TO UPLIFTMENT continued

The Group is acutely aware that an economy cannot hope to grow without a healthy, educated and engaged workforce. Responding to this, over time the foundation has shifted the bulk of its attention to systemic education and capacity building initiatives, with clear accompanying support to community upliftment, environmental guardianship and the protection and development of arts and culture.

CAPACITY BUILDING

FirstRand Namibia, as a partner to the Namibian government and the wellbeing of society as a whole, believes that one way of achieving prosperity is by reducing unemployment through education and financial literacy as well as skills and capacity development.

The FirstRand Namibia Foundation also proudly looks back at support given to the African Leadership Institute which has conducted transformational training sessions for health administrators, equipping leaders with the power to raise productivity and transform communities. The FirstRand Namibia Foundation's partnership with the Ministry of Health and Social Services and the African Leadership Institute has been invaluable and has assisted them in making significant strides in improving their leadership and transformational contributions towards healthcare for Namibians. Recipients have testified that the training effectively raised their productivity while inspiring agility of thought and process.

CHANGE Namibia, a non-governmental organisation involved in uplifting Namibians, has also received financial assistance from the FirstRand Namibia Foundation and has been able to offer various courses such as fashion design and tailoring as well as business entrepreneurial training to ex-offenders or any interested person. This has led to a number of those trained opening their own businesses.

EDUCATION

The late Nelson Mandela once said it is important for corporates and governments to work together in the area of education and technology in order to eliminate the distinction between information-rich and information-poor communities and that Information Communication Technologies (ICTs) must be seen as an enabler, to eliminating economic and other inequalities, and to improving the quality of life of all of humanity. The following projects demonstrate the FirstRand Foundation's contributions to education at various levels:

Amos Meerkat

One of the projects that we are particularly proud of is the Amos Meerkat Pre-School Development Programme, which added great value to communities by ensuring that every pre-school child in Namibia – especially from farming communities and information settlements – is given the opportunity to prepare for primary school. This programme is in line with our partnership strategy which aims to uplift the lives of the people in the communities we operate in.

EDUCATION

Edulution numeracy, literacy and ICT initiative

Edulution provides extra-curricular foundational numeracy 'catch up' programmes to primary school learners. At the heart of Edulution is the drive to convert learners from passive classroom occupants into confident, inspired participants driving their own learning journey. Edulution's vision is an Africa whose people are skilled and empowered. Using a mix of technology, enterprising coaches and evidence-based analytics, the programmes enable learners to revise and master essential foundation numeracy and ICT skills that better enable teachers to deliver curriculum objectives. The events of 2020 tested Edulution's adaptability and resilience to the full. The total closure of schools in March 2020 meant that Edulution needed to find ways to adapt to the changing landscape yet remain true to its well-defined purpose. One way in which Edulution achieved this was by running training programmes that ensured coaches would be more skilled in facilitating the programme when schools re-opened. The shutdown periods were also used to develop new products and tools.

Improving Grade 12 results at Tsumkwe Secondary School

The FirstRand Foundation has joined forces with the Edugate Private School in Otjiwarongo to eliminate the distinction between information-rich schools and information-poor schools. Edugate's aim is to share its expertise and experiences with schools in remote areas through its Eduvision programme. The progress in Tsumkwe Secondary School has been remarkable. The initial reports show more confidence amongst some of the learners and teachers as a result of access to equipment and teaching aids that no other school in the country has. The success of the project so far is worthy of praise and the Foundation is immensely proud of all the partners, learners and teachers for the hard work.

KAYEC Trust

The KAYEC School supporting centre has proven to be a great investment in the youth, by shaping them to be good leaders and young entrepreneurs in Rundu since 2009. Since the beginning in 2009 in Rundu, the programme has served over 2 340 youths from 11 different schools around Rundu, and 1 820 youth have graduated. Zero school dropouts and teenage pregnancies have been experienced since 2015 when the Foundation's sponsorship was initiated. Part of the solution is KAYEC's structured weekly curriculum with special emphasis on English, Mathematics, Arts, Youth Development, and Sports.

The programme is offered in Windhoek and at Rundu, Otjiwarongo and Ondangwa. All towns run an after-school youth programme KYD (KAYEC Youth Development), and in Windhoek and Ondangwa the ATSE (vocational school) programme is also offered.

Mondesa Youth Opportunities Trust (MYO)

FNB, through the FirstRand Foundation, is proud to sponsor the Mondesa Youth Opportunities Trust (MYO) with N$100 000 in support of the work they do to enhance and further the education of underprivileged learners in the Swakopmund district. MYO has served the Swakopmund community by giving promising learners a wider, thorough education based on foundation work in Mathematics, English and Computer Skills, focussing on reading and understanding. Learners are taken in free of charge. In return, good discipline, good attitudes and good attendance are required. MYO students achieve outstanding examination results and are recognised at their schools for their good standing. The work of MYO is based on donations from organisations which understand and support the aim of quality education, such as FNB Namibia. MYO was able to continue delivering on its promises through provision of quality e-learning for students despite the COVID-19 pandemic.

6. A CSI STRATEGY DESIGNED TO CONTRIBUTE TO UPLIFTMENT continued

COMMUNITY AND HEALTH DEVELOPMENT

The HOPE Fund, which initially focused on the purchasing of long-term medical equipment set to uplift local state hospitals even beyond the pandemic, evolved to act as a platform for stakeholder engagement and diverse value contribution, bringing together local businesses and industries and Government to alleviate real community and societal pressures, e.g. helping to execute on the COVID-19 Vaccination Roll-out Plan countrywide.

Cancer Association of Namibia (CAN)

The Cancer Association of Namibia CAN to has been contributing immensely to the fight against cancer and its consequences countrywide. The FirstRand Foundation has pledged to support CAN ensure sustainability of its efforts. In 2020, 151 patients from 11 regions received comfortable accommodation, three nutritional meals a day as well as transport to medical treatment centres.

Nampharm Foundation

Nampharm Foundation is an independent charitable organisation established with the aim to provide medicine, medical treatment and information sessions for children suffering from specified illnesses for free. Any Namibian child up to the age of 16 years without medical aid and needing facial reconstructive surgery qualifies. A multi-disciplinary team of volunteer doctors and specialists carries out operations on a weekly basis at a private hospital in Windhoek. Between July 2020 and April 2021, seven cleft lip and seven cleft palates operations, and one finger amputation was successfully performed.

Shack Dwellers Federation of Namibia

Ohorongo Cement, FirstRand Foundation, and the Pupkewitz Foundation partnered towards the end of 2015 to support the Shack Dwellers Federation of Namibia's low-cost community driven housing initiative. Over the years, the partnership has made major strides towards the common goal of a more effective model of solving one of the country's most fundamental needs. Thus far our joint venture – with our partners the SDFN, Ohorongo Cement and the Pupkewitz Foundation – has assisted in building 284 houses throughout the country, ranging from Otavi, Omaruru, Tsumeb, Tsandi, Henties Bay, Mariental, Tsumkwe, Okongo, Kalkveld, Outjo, Keetmanshoop, Katima Mulilo, Otjinene, Grootfontein and Okahao.

ENVIRONMENTAL GUARDIANSHIP

The Foundation supports initiatives that seek to bring about positive environmental change in the communities in which we operate, while at the same time creating awareness on climate change as well as the environment and its fragile ecosystems.

SPCA Windhoek

FNB, through the FirstRand Namibia Foundation, donated N$100 000 to the SPCA's Dixie Fund, an account specifically launched to provide ordinary and extraordinary medical treatment and procedures for the animals in the care of the SPCA. Hanna Rhodin, the SPCA's national director, said: "FNB's ongoing support makes a significant impact on the SPCA's ability to care for the most vulnerable animals in need, as we rely almost entirely on corporate donors and private individuals to fund our operations and care for the over 4 000 animals we see in a year. Thanks to FNB's contribution to Dixie's Fund, the SPCA has been able to administer 2 431 vaccines and has sterilised 559 pets over the last year, making sure that these animals can be responsibly adopted by members of the community and given a second chance in life."

Zambezi River - Sikunga Conservancy Fish Protection Project

This project was established with the aim to act as a sanctuary for breeding and to enhance exploitable fish stocks in fishing areas adjacent to the fish protection area. It continues to fulfil this aim as it has reported improved revenue to the community as a result of increased angling tourism to the lodges in the area. In addition, on a yearly basis, more than 1 000 residents of Katima Mulilo benefit from the restocking of fish.

ARTS AND CULTURE

Song Night, now called RMB Song Night, has changed lives with experiences and the motivation to believe in oneself. In 2020, the mentorship programme actively gave emerging vocalists from the Khomas, //Kharas, Erongo, Kavango and Hardap regions the experience of receiving training from a host of music professionals, including musical directors, stylists to vocal trainers. This was done online in observance of COVID-19 protocols.

The Foundation is aware that arts and culture can boost local economies by attracting visitors, creating jobs, and developing skills and talent. However, the arts, culture and music industries were particularly feeling the brunt of the COVID-19 pandemic in 2020 given the closure and/or restrictions on visits to heritage sites, museums, and craft centres.

SPORTS DEVELOPMENT

The Foundation supports the mandate of the National Sports Commission and its development of grassroots sports development programmes. These programmes were introduced to support early access to sport for beneficiaries as well as to develop and enable achievement through skills sharing and talent enhancement. Most sports development events across the country have been cancelled or postponed.

The Foundation renewed its partnership with the Shatokan Karate Academy for the third year. The academy offers karate training to children of the Namibia Children's Home (NCH). Karate offers students many life lessons, discipline and skills that they will take with them throughout their lives and that will better prepare them for the challenges that the modern world presents.

RMB, through the FirstRand Namibia Foundation Trust, is proud to partner with the Namibian Cycling Federation (NCF) and the Physically Active Youth (PAY) to encourage and remind youth of their innate ability to achieve future success. This initiative is a practical way to engage young people within their communities and has proven to result in higher levels of leadership, community engagement, and altruism, particularly among our young women.

The Ashburton Kwata Cricket Development Programme, which has reached 31 000 children in 2020 alone, was introduced to encourage the growth and development of cricket amongst children between the ages of 7 to 14 years. The platform gives young children the opportunity to be exposed to the game of cricket in an engaging way through modified, fun and enjoyable coaching techniques, while also providing an environment where children can learn lifelong principles and disciplines as they engage in a physical activity.

6. A CSI STRATEGY DESIGNED TO CONTRIBUTE TO UPLIFTMENT continued

EMPLOYEE SUPPORT

FirstRand volunteers who support their communities are valued. The FirstRand Namibia Foundation Trust provides employees from across the group with the opportunity to make a real difference by matching their time and monetary donations to their chosen organisation or school.

Members of the FirstRand Namibia Exco successfully summitted Konigstein, the highest point in Namibia, as part of an initiative to raise money and awareness on the issue of gender-based violence (GBV) in Namibia. For every member who made it to the top of the Brandberg Mountain, the FirstRand Namibia Foundation pledged to donate N$10 000 toward any staff nominated GBV or child protection charity. All seven members of the team reached the pinnacle, thereby raising N$70 000, which the Foundation topped up to N$120 000, donated towards initiatives/charities involved (directly or indirectly) in the societal challenge of GBV.

The RMB Namibia team and FNB Commercial raised N$5 240 and the FirstRand Namibia Foundation doubled the amount raised, raising the total amount for the needy this winter to N$10 480.

On 23 April 2021 RMB Namibia, through our CSI and Internal Social Committee, had an RMB Relay Day to raise funds in order to assist with ad-hoc projects coming through the RMB CSI Committee and in helping to make a difference in the lives of our staff and people around us who have been affected by COVID-19. Eight teams entered the competition and each team had to pay N$1 000. An amount of N$9 000 was raised.

FirstRand Staff Assistance Trust

The FNB Staff Assistance Trust's objective is to assist previously disadvantaged non-managerial staff to pay medical bills and cover educational costs. The Trust owns shares in FirstRand Namibia Limited and utilises dividends received to fund the assistance provided to staff. For the 2020/21 financial year, the Trust assisted employees to fund educational programmes to the tune of N$1.5 million, while N$310 899 was channelled towards medical assistance.

03

Leadership for value creation and preservation through good governance

Report of the board chairperson

INGE ZAAMWANI-KAMWI | *chairperson*

COVID-19 compounded the severe economic challenges already underway in our market, resulting in depressed economic growth, growing fiscal deficits, and overwhelming social vulnerabilities.

As we reflect on how COVID-19 has forever distorted our concept of "normal" and caused devastating turmoil for communities, lives, and livelihoods., we realise that despite these challenges, our country has remained resilient. I view resilience as a positive outcome of this pandemic and beam with pride when I think about the dedication shown by our FirstRand Namibia team this past year. The pandemic has compelled us to be mindful of the interconnectivity of people, because every citizen has been impacted in some way. It has reinforced the idea of an undivided humanity, which requires equitable access to opportunities. As we enter our second year of navigating this pandemic, our purpose offers insight into how we can promote socio-economic recovery and help curb the spread of COVID-19 through the power of digitisation and shared value.

COVID-19 has exacerbated already existing societal challenges, thus increasing inequalities and mobility constraints. It has required us all to look beyond ourselves to see how we can serve others, because not only are we interconnected, but our future depends on what we do today. As a Group and a leadership team, FirstRand Namibia is committed to supporting our customers and stakeholders and to address the challenges presented by COVID-19. We remain committed to operating responsibly by preserving our natural resource base and using technology to enable more sustainable business practices. We understand that the legacy we leave for future generations is determined by how we operate today.

Our Government's decisiveness in calling for lockdown restrictions and the Bank of Namibia's proactive approach in response to the pandemic, makes me proud to be a Namibian. The dedication and excellent work by our clinicians and frontline healthcare workers must also be acknowledged. Through the group's HOPE Fund, which is described in the Sustainability Report, we were able to assist the amazing doctors, nurses and general hospital staff in our public hospitals. They are undoubtedly leading experts in their field and caregivers with an unmatched spirit of public service. They refused to buckle under the weight of a crumbling healthcare system and have remained focused on saving lives.

Based on international experience, there is an expectation that there will be more waves of COVID-19 for us to weather. It is important that we build on our successes and learnings to date – both epidemiological and economic – as we confront these new waves. Active testing, tracking and sound isolation practices must remain key elements of our response. Partnerships such as these, formed during this pandemic, are an important part of the success so far and we must strengthen the cohesion between Government and business. Targeted economic stimulus to impacted people and industries must also be mobilised. The successful implementation of these measures will support the rebuilding of confidence in our economy, the health and wellbeing of our people and ultimately allow us to win the fight against COVID-19.

This pandemic clearly illustrated why public-private partnership must be at the core of Namibia's national policy responses to the many burning issues of our time. The private sector was not sitting on the side-lines during this pandemic, it was actively engaged in assisting Government with its healthcare and social responses. Many corporates in the country stepped in and invested significant amounts of time, money, resources, networks and skills. Whether through contributions to the Vaccines for HOPE initiative (which has to date deployed more than N$12 million to the Government's vaccine roll-out), or other initiatives, the private sector voluntarily tackled healthcare challenges, food shortages and supply chain breakdowns, to name a few. All of this was done as companies worked to run their businesses, protect their employees, service customers and keep the wheels of commerce turning as best they could. For a systemic financial services group like FirstRand Namibia, an economic recovery is vital to our ability to grow earnings and deliver returns to our shareholders.

As we look forward to the next financial year, the outlook remains challenging. We expect conditions to remain tough, as the full impact of the lockdown restrictions and a second wave of COVID-19 becomes increasingly visible.

The socio-economic fallout of the COVID-19 pandemic has brought forward the inevitable inflection point that our country was bound to eventually face. Confronted by an accelerating unemployment rate, reduced economic activities and rising government debt burden, economic change has become inevitable as the weight of these developments is becoming too heavy for the current system to carry.

However, we still have the opportunity to choose how we would best effect the changes necessary to reverse the trajectory. These choices cannot be wasted and need to be executed in a manner that optimises the roles of each of the social partners. This will create an environment for businesses to play their part in delivering goods and services through employing skills, capital and technology.

FirstRand Namibia and other private sector players remain ready to partner with Government to rebuild this economy and make job creation and social upliftment a reality.

In closing, I want to thank each and every employee for their courageous response to the COVID-19 pandemic and their commitment to continuing to provide our customers with outstanding service, despite social and economic disruptions. I also want to thank all of our customers, as our business is successful because of their trust and loyalty. My sincere gratitude goes to my colleagues on the Board for their wisdom and counsel. I would also like to thank the FirstRand Namibia executive team for their resilience in a trying year. To all our stakeholders – thank you for your unwavering support.

Inge Zaamwani - Kamwi
Chairperson

Board profiles, responsibilities and oversight areas

CHAIRPERSON

INGE ZAAMWANI-KAMWI | 62

Chairperson (Namibian)
Independent non-executive director
Appointed: April 2003
LLB (Honours); LLM

EXECUTIVE DIRECTORS

CONRAD DEMPSEY | 45

Chief Executive Officer (South African with Namibian Permanent Residence)
Executive director
Appointed: October 2020
CA (SA), CA (Nam), CGMA, AMCT, M.Phil

OSCAR CAPELAO | 42

Chief Financial Officer (Namibian)
Executive director
Appointed: March 2016
B.Com (Hon) (Accounting), CA (Nam) (SA)

NON-EXECUTIVE DIRECTOR

I-BEN NASHANDI | 50

Non-executive director (Namibian)
Appointed: January 2019
B.Com, MSc Financial Economics, Masters Development Finance

INDEPENDENT NON-EXECUTIVE DIRECTORS

JANTJE DAUN | 54

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

CHRISTIAAN RANGA HAIKALI | 52

(Namibian)
Independent non-executive director
Appointed: February 2006
BBA (Entrepreneurship)

INDEPENDENT NON-EXECUTIVE DIRECTORS

JUSTUS HAUSIKU | 42

(Namibian)
Independent non-executive director
Appointed: April 2017
B.Acc (Hon)/CTA

JABULANI KHETHE | 58

(South African)
Independent non-executive director
Appointed: August 2006
B.Com (Banking); MBA

PETER GRÜTTEMEYER | 67

(Namibian)
Independent non-executive director
Appointed: April 2020
B.Com (Hon), CA (SA)

DIRECTORSHIPS, TRUSTEESHIPS AND COMMITTEE MEMBERSHIP

Inge Zaamwani-Kamwi
Namibian
Chairperson

Employment: Advisor – Office of the President

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Ltd, First National Bank of Namibia Limited, 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 Holdings (Pty) Ltd, Debmarine Namibia

Conrad Dempsey
South African with Namibian Permanent Residence
Chief Executive Officer

FirstRand Namibia group directorships and trusteeship: FirstRand Namibia Ltd Limited, First National Bank of Namibia Ltd, Swabou Investments (Pty) Ltd, Talas Properties (Windhoek) (Pty) Ltd, RMB Investments (Pty) Ltd, FNB Nominees Namibia (Pty) Ltd, FNB Insurance Brokers (Namibia) (Pty) Ltd, FNB Staff Assistance Trust

External directorships: Green Building Council of Namibia, Cirrus Strategic Finance Solutions CC, Erf Four Nil Nine One Vogelstrand CC, Phillips, Robinson & Associates CC, Portion 1 of the Farm Sukses No. 172, African Wanderer Tours & Safaris

Oscar Capelao
Namibian
Chief Financial Officer

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

External directorships: National Housing Enterprise, Namibian Stock Exchange

I-Ben Nashandi
Namibian

Employment: Executive Director, Office of the Prime Minister

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

Jantje Daun
Namibian

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

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 Strategic 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 Limited, Risk, Capital and Compliance Committee

External directorships: Quanta Holdings, Arch Group of Companies, MMI Short Term Insurance, InoHarith Capital (Pty) Ltd, Namibia Desert Diamonds (Pty) Ltd, Momentum Short-term Insurance

Jabulani Khethe
South African

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

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

Peter Grüttemeyer
Namibian

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

External directorships & trusteeships: Ohlthaver & List Group of Companies, Namibia Breweries Limited, Goreangab Trust, Namibian Lloyds representative

Corporate governance report

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

The FirstRand Namibia Group is subject to and endorses the on-going disclosure, corporate governance, and other conditions required by the Namibia Stock Exchange ("NSX"). In response to the notice by the NSX contained in Government Gazette No. 139, the FirstRand Namibia Group supported and applied the principles of The Corporate Governance Code of Namibia ("NamCode"); and, further replaced all references made to King III in the NSX Listings Requirements with that of the NamCode.

The FirstRand Namibia Group's main business is diversified into banking and non-banking financial services. FirstRand Namibia is duly registered controlling company of First National Bank of Namibia Limited pursuant to the Banking Institutions Act No. 2 of 1998 as amended. Additionally, FirstRand Namibia is listed on the NSX, and complies with the Stock Exchanges Control Act No. 1 of 1985, the NamCode, and the NSX Listings Requirements. The short-term insurance, insurance brokerage, unit trusts, fund management, and asset management businesses are regulated by the Namibia Financial Institutions Supervisory Authority ("NAMFISA") according to the applicable legislative instruments. The Directors of the FirstRand Namibia Limited ensure compliance with all applicable legislation and other industry best practices.

The FirstRand Namibia 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 financial year confirmed the processes implemented by the FirstRand Namibia Limited Group in relation to corporate governance, internal controls, risk management, capital management, and capital adequacy have successfully achieved the above objective. The Board is satisfied that the FirstRand Namibia Limited Group has complied with all these principles in all material respects through the financial year.

CHIEF EXECUTIVE OFFICER

Conrad Dempsey was appointed as the Chief Executive Officer of FirstRand Namibia Limited and First National Bank of Namibia Limited by the respective Boards on 01 October 2020 and 20 October 2020 respectively. 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 others, managing the strategies, Group performance and vision of FirstRand Namibia Limited Group, and ensuring the achievement of its performance targets.

GROUP COMPANY SECRETARY

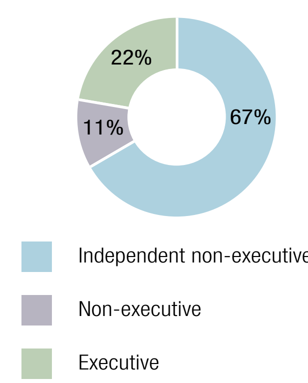
The Group Company Secretary is responsible to the Board for, inter alia, acting as a central source of information and advice to the Board on their duties and responsibilities, adherence to good corporate governance principles, and compliance with procedures and applicable statutes and regulations. Nelago Makemba was appointed as FirstRand Namibia Limited's 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 has discharged her responsibilities effectively for the financial year.

COMPOSITION OF BOARD, INDEPENDENCE OF DIRECTORS AND DEMOGRAPHICS

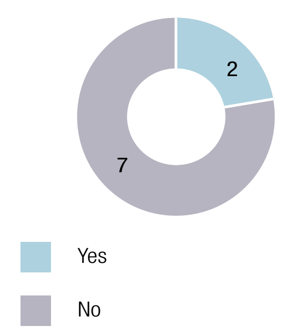
As at 30 June 2021, FirstRand Namibia Limited had a unitary board of 9 Directors. The Board is satisfied that all Directors, whether classified as executive, non-executive or independent non-executive, act independently, free of undue influence, and in the best interest of the Group. The roles of the Chairperson and Chief Executive Officer are separate from each other as required by Principle C2-16 of the NamCode, and are clearly defined in the Board Charter, demonstrating a clear balance of power and authority at the Board to ensure that no one Director has unfettered powers of decision-making.

The independence status of the Board was assessed in term of NamCode Principle C2-18 requiring that the Chairperson annually assess the independence of those directors classified as Independent Non-Executive Directors weighing all relevant factors that may impair independence.

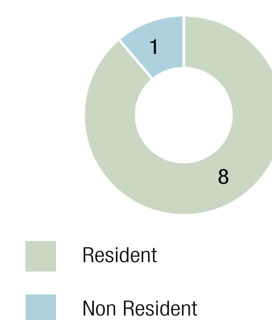
Independence status



Employed by FirstRand Group

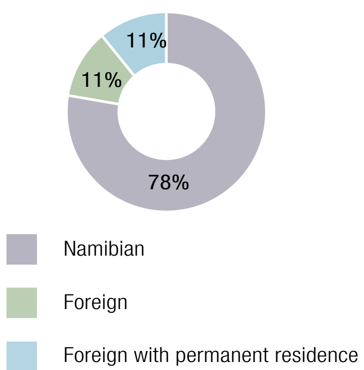


Residence

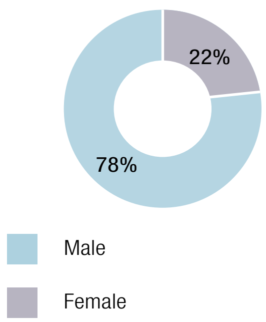


COMPOSITION OF BOARD, INDEPENDENCE OF DIRECTORS AND DEMOGRAPHICS continued

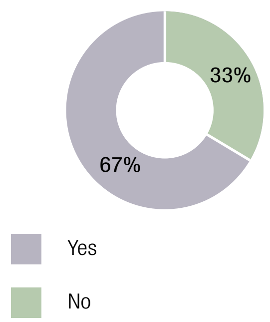
Citizenship



Gender diversity



Previously disadvantaged



Directors	Independence Status	Employed by Group	Resident in Namibia	Gender	Previously Disadvantaged
II Zaamwani-Kamwi	Independent non-executive	No	Yes	Female	Yes
JG Daun	Independent non-executive	No	Yes	Female	No
CLR Haikali	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
C Dempsey	Executive	Yes	Yes	Male	No
OLP Capelao	Executive	Yes	Yes	Male	Yes

* *IN Nashandi was nominated and represents the GIPF. According to Principle C2-18.62 of the NamCode, he is not considered as independent as he has a direct or indirect interests 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 the issue.*

Tenure

The Banking Institutions Determination – 1 ("BID1") published in the Government Gazette No. 7339, prescribes that "...a director of a banking institution or controlling company must serve for a maximum of (10) ten years". This is not applicable to executive directors. The BID1 has provided banking institutions and controlling companies with a 3 year grace period from 18 September 2020 to comply with this requirement.

FirstRand Namibia Limited being the controlling company of First National Bank of Namibia, has 3 independent non-executive directors serving for periods of more than 10 years on its Board. The Directors' Affairs and Governance Committee has put in place plans to have the following affected Directors resign from the Boards of FirstRand Namibia Limited and First National Bank of Namibia Limited:

1. II Zaamwani-Kamwi,
2. CLR Haikali, and
3. JR Khethe.

BOARD COMMITTEE COMPOSITION

Directors	Audit Committee	Risk, Capital and Compliance Committee	Directors Affairs and Governance Committee	Remuneration Committee
II Zaamwani-Kamwi			√	
JG Daun	√			
CLR Haikali	√		√	√
JH Hausiku		√		
JR Khethe			√	√
P Grüttemeyer	√	√		√
IN Nashandi *				
C Dempsey				
OLP Capelao				

COMPOSITION OF BOARD, INDEPENDENCE OF DIRECTORS AND DEMOGRAPHICS continued

Directors	FirstRand Namibia Ltd	Board meeting attendance	Audit Committee	Risk, Capital and Compliance Committee	Remuneration Committee	Directors Affairs and Governance Committee
II Zaamwani-Kamwi	4/4	100%				3/3
JG Daun	4/4	100%	4/4			
CLR Haikali	4/4	100%	4/4		2/2	3/3
JH Hausiku	4/4	100%		5/5		
JR Khethe	4/4	100%			2/2	3/3
P Grüttemeyer [1]	4/4	100%	3/3	3/3	1/1	
IN Nashandi	4/4	100%				
C Dempsey	4/4	100%				
OLP Capelao	3/4	75%				
S Moir [2]	2/2	100%	2/2	2/2	1/1	2/3
GS Hinda [3]	2/2	100%				
GCP Kruger [4]	1/1	100%			1/2	
S van Zyl [5]	1/1	100%				

[1] *Appointed at the 21 October 2020 to the Audit Committee and Risk, Capital, and Compliance Committees. Further, he was appointed to the Remuneration Committee at the 07 April 2021 Committee meeting.*

[2] *Retired as at 31 December 2020.*

[3] *Resigned as at 03 November 2020.*

[4] *Resigned during August 2020.*

[5] *Retired as at 30 September 2020.*

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 internal and external audit functions. The Committee works closely with the Group Risk, Capital, and Compliance Committee to identify common risk and control themes and achieve synergy between combined assurance processes, thus ensuring that these functions can leverage off each other to the extent necessary.

The Committee is constituted as a statutory committee of the Board in respect of its duties. The objectives and functions of the Committee is detailed in its Charter.

The independence of the Audit Committee is paramount and is thus comprised of three independent directors. The Board assures stakeholders that the Committee's collective skills are appropriate to oversee integrated reporting taking into consideration the industry, the Group's size and circumstances.

Stuart Moir has retired as at 31 December 2020, after serving on the FirstRand Namibia Limited Group Board and Committees, including chairing this Committee. After due consideration, the Committee assisted by the Directors' Affairs and Governance Committee elected Peter Grüttemeyer as the Chairperson of the Committee.

The period for which the Audit Committee members have served are as follows:

P Grüttemeyer	Appointed 2020
CLR Haikali	Appointed 2016
JG Daun	Appointed 2017

Expertise and Adequacy of Finance Function

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

Further, the Committee opined and confirmed that they are satisfied that OLP Capelao, the Group Chief Financial Officer and Executive Director, possesses the appropriate expertise and experience to perform his duties as the Chief Financial Officer.

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 C Simasiku. After having served as Acting Head of Internal Audit since May 2020, C Simasiku was appointed as Head of Internal Audit in February 2021. 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 from 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 NSX Listings Requirement, the Banking Institutions Act no 2 of 1998 as amended, and the Companies Act, 2004. The application in terms of the Banking Institutions Determination-10 (BID-10) has been made and approved by the Bank of Namibia. 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 2022 financial year.

Following the review of the Annual Financial Statements, the Audit Committee is of the opinion that, in all material respects they comply with the relevant provisions of the Companies Act, 2004, International Financial Reporting Standards (IFRS), 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 ended.

The Committee has reviewed a documented assessment including key assumptions, prepared by management of the going concern status of the Group 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 the entire Integrated Report to the Board for approval. The Audit Committee is of the opinion that it has discharged its functions in terms of its Charter and as ascribed to it by the Companies Act, 2004 and the the Banking Institutions Act no 2 of 1998 as amended. The Audit Committee confirms that the Company has established appropriate financial reporting procedures and that those procedures are operating.

External Audit Function continued

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

- overseeing the internal and external audits, including reviewing and approving the internal and external audit plans, reviewing significant audit findings and 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 annual financial statements;
- confirming and monitoring the internal audit process and assessing the effectiveness of the internal audit function;
- reviewing the quality, independence and cost-effectiveness of the statutory audit and non-audit engagements;
- monitoring internal control frameworks and procedures, including accounting policies, legislative compliance, regulatory matters and governance;
- reviewing the effectiveness of the systems of internal control, 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 Group, for approval by shareholders at the Annual General Meeting;
- approving the remuneration of the external auditors and assessment of their performance;
- performing an annual assessment of the independence of the external auditors;
- setting the principles for recommending the use of external auditors for non-audit services;
- advising and updating the Board on issues ranging from accounting standards to published financial information;
- providing independent oversight of the integrity of the Annual Financial Statements and other external reports issued and recommending the Annual Integrated Report to the Board for approval;
- assessing combined assurance from the external auditors, internal auditors and management ensuring that the combined assurance received is adequate to address all material risks;
- reviewing the appointment of the external auditors for recommendation to the Board; and
- assessing the expertise, resources and experience of the Chief Financial Officer and finance function.

The Audit Committee confirms that it was able to carry out its work to fulfil its mandate under normal and unrestricted conditions. The Committee is satisfied that the assurance obtained during the meetings, corroborated by the review of the documentation deemed necessary and its analyses, sustain its conclusion reached for the 2021 financial year end.

P Grüttemeyer
Chairperson

Risk, Capital & Compliance Committee (RCCC)

The RCCC provides independent oversight of risk, capital management, compliance, regulatory and conduct risk management, and enterprise risk activities in the FirstRand Namibia Limited Group. This includes ensuring that effective policies and plans for risk management have been implemented to improve the Group'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 potential serious consequences.

Stuart Moir retired as at 31 December 2020, after serving on the FirstRand Namibia Limited Board and Committees, including as chairperson of this Committee. After due consideration, the Committee assisted by the Directors' Affairs and Governance Committee elected Peter Grüttemeyer as the Chairperson of the Committee.

The period for which the RCCC members have served are as follows:

P Grüttemeyer	Appointed 2020
JH Hausiku	Appointed 2017

The following Committees are Sub-Committees of the RCCC:

1. Enterprise Risk Management Committee,
2. Asset, Liability, and Capital Committee,
3. Information Technology Governance Committee, and
4. Social, Ethics, and Transformation Committee.

The RCCC discharged its duties during 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, Internal Capital Adequacy Assessment Process (ICAAP) and compliance processes to the Board. In doing so, the RCCC approved assumptions underlying the Group's ICAAP and stress testing process, including reviewing the management plans to address additional risk arising from risk scenarios;
- Monitoring implementation of the risk and compliance management strategy, risk appetite limits and effectiveness of risk and compliance management;
- Received presentations and tracking of the progress made with BCBS (Basel Committee on Banking Supervision) 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 risk, 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; and
- Receiving reports on the effectiveness of Group corporate governance practices.

P. Grüttemeyer

P Grüttemeyer
Chairperson

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 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.

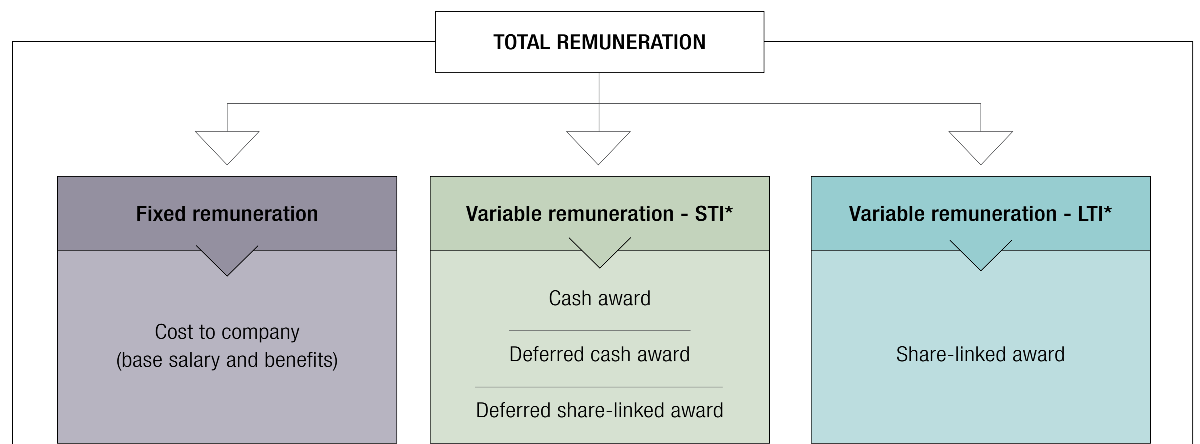
The group has adopted the principles of an outcomes-based remuneration philosophy, which it believes to be appropriate given the diverse nature of the businesses that make up its portfolio. The group's remuneration philosophy is founded on the following principles:

- Attracting and retaining the best talent in the market is a critical enabler for 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.

- Remco considers total remuneration across fixed salaries, STIs and LTIs as encapsulated in the table below:



* 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.

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.

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

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

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

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

All remuneration increases are reviewed and approved by 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 Retirement Fund. An independent Board of Trustees is in place constituted by employer and employee representatives. The Board of Trustees manage the Pension Fund and has been tasked to improve retirement outcomes by maximizing investment returns and minimizing costs.

4.1. Guaranteed pay continued

Medical Aid contribution

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

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.

The STI pool for managerial employees of FirstRand Namibia is determined by FirstRand SA Remco by using a combination of both financial and non-financial 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 reduce or disappear 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 are also paid in three tranches but a component of the bonus is deferred as a share-linked award which vest two years later (based on continued employment and good standing). Should an employee resign or leave the employ of the Group for any reason before the date on which any tranche is payable, any outstanding tranches will no longer be payable and are forfeited.

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

Long-Term Incentive (LTI) Scheme

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

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

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

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

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

4.2. 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 participating 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 and 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).

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

Other LTI considerations

Outstanding LTIs
The group has a "good leaver" policy covering remuneration already awarded that has not fully vested. 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.

Currently open

2018 LTI AWARDED (Not vesting at the expected vesting date of September)

FirstRand Limited must achieve growth in normalised earnings per share which equals or exceeds the South African CPI plus 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 must deliver a 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 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 ROE, and Remco notified qualifying employees that the scheme would consequently not vest.

4.2. Variable pay continued

2019 LTI AWARDED

Graded vesting is applied to the 2019 LTI. The LTI for certain employees has time-based vesting applied to 50% of the award. The remaining 50% as well as 100% of the award for senior employees are linked to performance conditions. The performance conditions for 2019 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 apply for vesting at 70%. If these conditions are not met the award lapses. Further conditions, including both ROE and growth, are set for 100%, 120% and 150% vesting, with the conditions set progressively harder up to the maximum level of 150%.

The performance conditions were set after careful consideration of the following:

- the group's ROE at 30 June 2019 as well as ROE projections and the stated long-term through-the-cycle ROE range of 18% to 22%;
- the group's stated long-term earnings growth target of nominal GDP plus more than 0% up to 3%, which was set after careful consideration of:
  - the size of its South African earnings base and balance sheet and the challenge of growing these materially above system growth given its relative market share;
  - the required investment in platforms, and new business development for future growth strategies, given the group's preference to expense and not capitalise where possible;
  - the outcomes of the budget process as well as scenario analyses on the budgets with incorporation of risk and stressed views; and
  - the macroeconomic outlook together with the probabilities assigned to the different scenarios considered. Remco retains the ability to adjust the vesting level downwards from the level determined by the ROE and growth outcomes as it deems appropriate.

For awards issued from 2019 onwards, Remco cannot apply upward vesting judgement if performance criteria are not met.

The 2019 performance conditions and relevant vesting levels are described below, measured over the period 1 July 2019 to 30 June 2022.

	Performance conditions	
Vesting level should both Conditions be met	ROE target average over the 3-year period	Normalised earnings per share growth target (3-Year compound annual growth rate)
70% (minimum vesting, below which the award lapses)	≥20%	Cumulative growth rate over 3 years – the greater of: • real GDP growth + CPI + >0%; and • CPI (to cater for negative real GDP growth)
100% (on-target performance)	≥20.5%	Cumulative growth rate over 3 years: • real GDP growth + CPI + 1.5% to 3%
120% (stretch target)	≥21%	Cumulative growth rate over 3 years: • real GDP growth + CPI + >5% to 7%
150% (super stretch target, maximum vesting)	≥22%	Cumulative growth rate over 3 years: • real GDP growth + CPI + >7% to 10%

4. REMUNERATION POLICY AND STRUCTURES continued

4.2. Variable pay continued

2020 LTI AWARDED

Given that the impact of the COVID-19 crisis is expected to influence the operating environment for the next 18 – 24 months, Remco wanted to incorporate this scenario when considering the performance conditions for the 2020 LTI. At the time, the forecasts for earnings and ROE and the macroeconomic variables and the cost of equity were extremely fluid.

Remco determined that the 2020 LTI conditions should therefore align to the deliverables asked of management, namely:

- To strengthen and protect the balance sheet and franchise to enable the group to effectively weather the prevailing environment, and emerge from the current crisis with limited vulnerabilities, well positioned to capitalise on the recovery; and
- To restore both earnings and returns to previous levels by June 2023.

The metrics Remco will therefore consider for minimum vesting are: liquidity and capital ratios, earnings and ROE. The growth requirements are not set relative to economic variables as is usually the practice. Remco emphasised that vesting above 100% would only be possible once the group exceeded the 30 June 2019 earnings level and ROE was back within or above the group's targeted range of 18% – 22% at June 2023. To achieve minimum vesting of 70%, the group must exceed the liquidity and capital targets set by the board at 31 March 2023. If the conditions set for 70% vesting are not met, the award lapses. It further included an adjustment mechanism which will allow Remco to adjust the vesting outcome down by up to 20%. This would be exercised if material negative outcomes for the business occur that are within management control. Examples would include:

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

If performance criteria are not met Remco cannot adjust the vesting outcome upwards.

4.2. Variable pay continued

2020 LTI AWARDED continued

The conditions for each vesting level are unpacked in detail in the table below.

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

* *Linear grading between these vesting levels based on the growth achieved.*
** *In the event that the ROE target is not met, the required growth condition will not be considered.*

What retention measures are being considered?

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

- For senior employees, including the FirstRand executive directors and prescribed officers, the retention condition is for three years (rolling every 12 months) in the form of an LTI with only time-based vesting and no performance conditions.
- This retention instrument was awarded in September 2020. The value will be converted to a FirstRand LTI on the award date and will vest in equal proportions (tranches) over the next three years (September 2021, 2022 and 2023).
- Should an employee who receives this award resign within 12 months of a tranche of the award vesting, they will be required to repay the full amount of the vested tranche. Thereby the instrument represents a retention period of up to four years.
- The instrument will not additionally benefit an employee. In the event that the 2018 and 2019 LTI awards do vest, only the higher of the COVID-19 vesting tranche or the outstanding LTI awards will vest (not both).

DIRECTORS REMUNERATION

Executive Directors

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

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

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

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

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

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

FINANCIAL PERFORMANCE

FirstRand's results for FY20 reflect the extremely difficult operating environment, with normalised earnings decreasing. Most of this decline was due to the much higher than expected credit impairment charge, driven by forward-looking economic assumptions required under IFRS 9. In addition, post the beginning of lockdown in March 2020, underlying customer income and affordability in all segments deteriorated sharply, as evidenced by lower levels of underlying transactional and credit turnover and the increase in non-performing loans.

Given the scale of the economic crisis, which FirstRand expects to influence the operating environment for the next 18 to 24 months, the group has anchored business to certain FRM principles, adherence to which will ensure FirstRand returns to its historical trajectory of growth, quality earnings and delivery of superior returns to shareholders. These FRM principles include:

- Carefully price for financial resources.
- Appropriately provide against lending portfolios.
- Apply strict cost management.
- Further strengthen and appropriately tilt the balance sheet to the macro outlook.
- Accrete capital and NAV – deployment of capital to reflect the increased cost of equity.
- Emerge from COVID-19 with limited vulnerabilities, with capital for growth.

The adoption of these principles shifted the group's focus from earnings growth and return to measures that protect both the franchise and the balance sheet. The board considered this shift to be strategically appropriate for the year under review, and therefore Remco partly recalibrated the remuneration performance measures to support these outcomes. This recalibration will remain in place for the duration of the crisis.

As a result, earnings growth and NIACC were not the only performance measures considered when awarding short-term incentive awards for the year under review and for target setting for 2022. Remco also took the view that management should be recognised for navigating a severe operational challenge which, whilst not fully reflected in NIACC and earnings over the short term, will be key to the future sustainability of the business. However, to ensure appropriate shareholder alignment (a long-standing remuneration principle) given the financial performance, Remco determined that the short-term incentive (STI) pool should reduce by a greater percentage than the decline in earnings.

Given the financial 2020 performance remuneration was impacted as follows:

- No salary increases on senior management in the ensuing 2021 year, except to the extent related to the remuneration mix alignment implemented in RMB, with the reduction of STIs in favour of higher long-term incentives (LTIs) and a more appropriate guaranteed pay.
- The largest impact on earnings was the creation of provisions due to the forward-looking assumptions required by IFRS 9. This does not represent lost earnings but conservative front-loading. Given the absolute decline in earnings, the STI pool reduced 27%, driven by the decline in normalised earnings. These reductions, and the fact that the other components of total return to shareholders, namely dividend and NAV, were flat demonstrate adherence to the key principle that management should not do better than shareholders.
- The decline in executive STIs was greater than the reduction in normalised earnings and the decline in the total STI pool (27%).

Key financial performance metrics for the year ended 30 June 2021 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)	NAV growth (%)	Dividends per share growth (%)	Headline earnings growth (%)
2021	(1.1%)	19.4%	N$190.5 mil	13.1%	37.7%	17.9%
2020	(6.6%)	16.0%	N$81.5 mil	7.7%	(26.0%)	(19.1%)

DIRECTORS REMUNERATION continued

Executive Directors continued

Remuneration Sarel van Zyl FirstRand Namibia CEO (retired 30 September 2020)
Growth in reward and awards for 2021

N$ ('000)	2021	2020	% growth
Cost to company	820	3 269	(74.9%)
Compensation for loss of office	1 282	-	-
STI	2 541	2 566	(1.0%)
- Cash within 6 months	2 541	1 907	33.3%
- Cash within 1 year	-	659	(100%)
LTI award	107	3 073	(96.5%)
Total including LTI award	4 750	8 909	(46.7%)
Total guaranteed and variable pay (excluding LTIs)	4 643	5 835	(20.4%)

Remuneration Conrad Dempsey FirstRand Namibia CEO (appointed with effect from 1 October 2020)
Growth in reward and awards for 2021

N$ ('000)	2021	2020	% growth
Cost to company [1 2]	2 292	-	-
STI [1 2]	-	-	-
- Cash within 6 months	-	-	-
- Cash within 1 year	-	-	-
LTI award [1 2]	-	-	-
Total including LTI award	2 292	-	-
Total guaranteed and variable pay (excluding LTIs)	2 292	-	-

[1] *Pro rata 2021 remuneration disclosed to reflect the period of the year he was executive director.*

[2] *2020 remuneration not disclosed as he was not an executive director for 2020.*

Executive Directors continued

Remuneration Oscar Capelao FirstRand Namibia CFO
Growth in reward and awards for 2021

N$ ('000)	2021	2020	% growth
Cost to company	2 067	2 060	-
STI	868	1 349	(35.7%)
- Cash within 6 months	794	1 108	(28.3%)
- Cash within 1 year	74	241	(69.3%)
LTI award	-	1 654	(100.0%)
Total including LTI award	2 935	5 063	(42.0%)
Total guaranteed and variable pay (excluding LTIs)	2 935	3 409	(13.9%)

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.*

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.

DIRECTORS REMUNERATION continued

FNB Staff Assistance Trust

The FNB Staff Assistance Trust's mandate is to assist non-managerial racially disadvantaged employees as well as their immediate families, with their tertiary education and healthcare needs. For the 2021 school cycle the trust assisted employees to the value of N$ 1.89 million.

AGM

In line with NAMCODE, King IV and the NSX Listings Requirements, the 2020 remuneration policy and implementation report was tabled at the AGM for separate non-binding advisory votes by shareholders. The group's remuneration policy and report received an endorsement of 88.54%.

REMCO proceedings

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

Members		Meeting Attendance
CLR Haikali	Independent Non-Executive Director	2/2
SH Moir	Independent Non-Executive Director	2/2
JR Khethe	Independent Non-Executive Director	2/2
GCP Kruger	Independent Non-Executive Director	1/2
P Gruttemeyer	Independent Non-Executive Director	1/1

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

Directors' Affairs and Governance Committee (DAGC)

The DAGC is constituted as a Committee of the Board and consequently 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 DAGC 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 the governance and Board effectiveness, Board continuity and Board succession planning.

Board Evaluation Outcome

The DAGC conducted board evaluations which purpose was to measure the success of the board, identify any problems and highlight areas where performance can be enhanced. The evaluation assessed the effectiveness of the board charter, board meetings, board responsibilities, board composition, executive director, chairperson, and the company secretary. The evaluation yielded that the board members are generally satisfied with the areas evaluated. Further, that in the pursuit of recruiting new directors to that it is crucial to conduct thorough background checks to ensure that candidates considered and/ or appointed meet all ethical standards. The Committee noted that the following skills and experience are required on the board: banking, human capital, information governance, audit (including financial controls), risk management, asset management, and insurance.

Director succession and appointment

The DAGC considered and reviewed the Board structure, size and composition, taking account of skills and experience requirements and a need for appropriate demographics and the balance between independent non-executive directors, non-executive directors and executive directors. During this reporting year, continued focus has been applied to succession planning of the Board. During the year the DAGC has made plans and progress on compliance with the new BID-1 as gazetted focusing, amongst others, on the directors who have served for longer than 9 years on the Board. Further, the DAGC successfully vetted candidates and continues to do so for appointment to the Board and recommending them to the Board in a formal and transparent manner. In making its recommendations, the DAGC took cognizance of the candidate's integrity, skills and further ensured that any statutory requirements for the proposed appointments were complied with.

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

The BID-1 requires non-executive Board members to attend at least 75% of Board meetings in any particular year. This is to ensure that they will discharge their duties and responsibilities effectively. The Board is required to review the sustainability of any such Non-Executive Director who fails to comply to the 75% attendance rule without valid reason. The DAGC received and considered the attendance of all the Directors and noted that all Directors have attended at least 75% of the scheduled Board meetings for the reported financial year.

Monitoring Progress with the Boards on-going Director Development Programme and Identifying Relevant Areas of Training for the Board

Other on-going training and education courses allow directors to familiarize themselves with the Groups operations, the business environment, fiduciary duties and responsibilities, the Board's expectations in respect of a Director's Commitment, ethical behaviour and keeping abreast of regulatory changes and trends. 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.

Monitoring Progress with the Boards on-going Director Development Programme and Identifying Relevant Areas of Training for the Board continued

The Directors are accountable and responsible for all actions of Board Committees. Ongoing training and education allow the Directors to familiarise themselves with the FirstRand Namibia Group's operations, the business environment, fiduciary duties and responsibilities, the Board's expectations in respect of a Director's commitment and ethical behaviour and keeping abreast of regulatory changes and trends. The DAGC oversees Director induction and ongoing training programmes and will continue to make professional development of its members a priority.

During the financial year the following training topics were covered:

- Chairman Rest of Africa Conference,
- Regulatory Conduct Risk Management Training; and
- JSE Debt Listing Training.

In addition, the Directors attended the FirstRand Namibia Limited Group Strategy Session.

Making Recommendations on the Re-election of Directors Retiring by Rotation

Each year, one third of the Company's non-executive directors retire by rotation, subject to the provision of the Companies Act, 2004, and the NamCode relating to the removal and/ or retiring by rotation. Article 18.2 of the Articles of Association prescribes that the non-executive directors that have been longest in office to retire by rotation at the Annual General Meeting. The Executive Directors holding office for an unexpired term shall not be subject to rotation. The following Directors of the Company, being eligible, are up for re-election at the Annual General Meeting:

- Peter Grüttemeyer,
- Jantje Daun, and
- Justus Hausiku.

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

- monitoring the adequacy and effectiveness of the 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 the FirstRand Namibia Limited Group and making recommendations thereon to the Board,
- to consider the independence of the non-executive directors annually as required by law and/ or recommended by the NamCode,
- regulatory and audit findings relating to governance;
- monitoring and advising on the executive committee talent pipeline;
- monitoring any adverse media of the Directors; and
- advising the Board on succession planning in respect of the office of the Chairperson of the Board, executive and non-executive directors.

The DAGC's future focus areas will continue to be Board continuity and specific focus on Board succession planning to ensure compliance with the BID-1.

II Zaamwani-Kamwi
Chairperson

04

SUSTAINABLY CREATING VALUE THROUGH OUR STRATEGY

Reflections from our Chief Executive Officer

CONRAD DEMPSEY | *CEO*

Dear fellow stakeholders,

The past financial year was an extraordinary year by any measure. It was **a year where Namibia bravely faced its toughest battle against the global COVID-19 pandemic's invasive march,** amid turbulent macro-economic and political tensions and deeply felt social and racial injustice became animated in dramatic scenes globally.

Here in Namibia, our clients, employees, and broader society suffered sustained, complex personal challenges and many loved ones were lost to the pandemic. As FirstRand we share their grief and feel genuinely saddened by the numerous members of our FirstRand Namibia family that passed away through COVID-19-related illnesses. We extend our condolences to their families and loved ones.

Our strategy, resolve and resilience were tested time and again. But, thanks to the astounding innovation and creativity of our teams across the country we successfully navigated the stormy waters of the year. During this time, FirstRand, like many other companies big and small, not only discovered what it is capable of, but also where we needed to realign operating models; and through many innovative responses to the changes in our operating environment, more than glimpsed the promising reality of what we might become. It is fair to say that our experience of more than 118 years in Namibia gave us the ability to constantly adapt, with speed and with a future-fit mindset. This has become our basic operating standard, and coupled with an agile technology set, the group continues to find ways to elevate financial services daily.

This past year reset the way in which companies think about the hurt of joblessness and growing poverty and our now forever-changed role in society. It is time for boldness. We have huge problems to address, locally and globally. In response, our corporate vision and ambition has been stretched to encompass helping to build a globally competitive Namibia, with the understanding of all the societal and economic challenges this presents. Our ambition and vision for the role that FirstRand plays in market, will always expand to meet the need of our customers in any country.

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As I write this report, Namibia is in the most challenging phase of the pandemic to date. Still, I feel encouraged and optimistic about the significant public and private effort, despite limited resources, to curb the spread of the virus across the country. Any meaningful recovery in our fragile economy is only possible if we all work together to get on top of this health crisis.

Globally, economies and societies are starting to emerge from the pandemic. In some countries, post-pandemic life is becoming a reality, with swift economic recovery creating new jobs. This view of life on the other side inspires us and our partners to step up and rebuild lost capacity to ensure that Namibia keeps in step with the global recovery.

RESPONDING TO THE COVID-19 PANDEMIC

The Group's collective innovative thinking, disruptive digital platforms, and owner-manager philosophy directed the way we responded to the profound socio-economic challenges brought about by COVID-19. FirstRand Namibia, having swiftly responded on our own and through strategic partnerships with other private sector players, continues to be at the forefront of helping the to curb the spread of COVID-19, and to mitigate its deep impact on Namibian lives and livelihood.

As we entered the financial year, we created an enabling environment for customers transact, lend, invest and insure, and our staff to work from home wherever possible, and we focused on expanding our footprint through CashPlus in communities, enhancing our digital solutions to support our customers as they adapted to the still-evolving new normal.

Both the Namibian government and the central bank's decisive actions were instrumental in protecting lives and ensuring financial stability. However, the country's precarious fiscal position limited government's ability to deal with the magnitude of the economic consequences of the pandemic. FirstRand Namibia and its operating businesses provided significant help to three key stakeholder groups in response to the pandemic, as outlined below.

Helping customers

COVID-19 created unprecedented economic stress, which has had a profound and far-reaching impact on our customers, individuals, and businesses alike.

Some of the many innovative solutions to alleviate stress for customers are outlined below:

- Retail customers in good standing were offered emergency funds designed to bridge short-term liquidity needs and provide cash flow relief. This customer-centric approach covered all FNB products and WesBank customers who bank with FNB Namibia. Payment holidays were also offered.
- As Namibia's leading digital bank, FNB Namibia was able to assist customers by waiving swiping fees, and other data charges, and encourage banking behaviour change to alternative channels to manage numbers in branch.
- FNB Namibia provided relief to commercial customers, primarily in the form of payment holidays, and additional relief was offered to small and medium-sized enterprises (SMEs) through the government-guaranteed loan scheme.
- More than N$2 billion of facilities received some form of cashflow relief over the past year.
- For corporate customers, relief was advanced on a case-by-case basis. Corporate relief was provided in the form of additional liquidity facilities, payment holidays and covenant waivers. Eligibility for relief followed a risk-based approach and was assessed at an overall customer level by RMB.

Equipping employees

Employees were provided with the necessary equipment, VPN access, hardware support and data solutions to enable the majority of the workforce to work effectively from home. Microsoft Teams was deployed across the group and is now the primary tool of trade. Appropriate protective measures were implemented to ensure a safe working environment, and at on-site premises, temperature screening was conducted, and sanitising stations were permanently installed. The group also provided PPE and installed screens where appropriate; implemented safe zoning and floor spacing to enforce social distancing; and conducted visitor pre-screening and sanitising of all premises including branches. To date we continue to provide support to employees dealing with COVID-19 either as victims themselves or as they experience loss, through an expansive and detailed wellbeing process including care hampers, daily messaging, access to counselling and, where appropriate, financial solutions through this challenging time.

Tackling broader social challenges

Immediately following lockdown restrictions, FirstRand Namibia created the HOPE (Health Optimisation in a Pandemic Emergency) Fund initially focused on purchasing long-term medical equipment set to uplift local state hospitals even beyond the pandemic. The HOPE Fund evolved further to act as a platform for stakeholder engagement and diverse value contribution, bringing together local business and industries and the government to alleviate community and societal pressures, e.g. helping to execute on the MOHSS COVID-19 Vaccination Roll-out Plan countrywide and helping partner government in the sourcing and delivery of oxygen to health facilities.

TRACKING STRATEGIC PROGRESS

Despite the challenges presented by the COVID-19 crisis, the Group continued to execute well on its stated growth strategies for the 2020/21 financial year. Group earnings remained strong and were mainly generated by FirstRand Namibia's large lending and transactional franchises, FNB and RMB, which have deep and loyal customer bases.

Ultimately the Group's strategy is to deliver integrated financial services to its customers to make Namibia globally competitive. Successful execution is underpinned by a long-standing culture of solutionist thinking and innovation, combined with disciplined allocation and pricing of financial resources. This approach has resulted in a solid set of results adding to a proven track record of delivering superior resilient economic profits, returns and dividends to shareholders.

Our results evidence our continued efforts to protect and grow our banking businesses, through FNB, RMB, even while transforming into a financial services business with a fully integrated, platform-based, customer-centric approach in Namibia. At the same time FirstRand continued to diversify it's offering to align to the needs of our clients in providing savings, insurance, and investment products on- and off- balance sheet through diverse offerings within FNB and Ashburton.

Over the past few years, FNB Namibia has focused on developing a strong financial service offering, with special emphasis on digitalisation. We review our representation points and locations on a regular basis and take into account other offerings, including digital banking technology such as USSD, Online Banking and the FNB App, as well as the increasing availability of alternative channels such as Cash@Till, eWallet@Till, and CashPlus where cash can be deposited and withdrawn, and eWallets can be withdrawn at partner retailers countrywide and specifically, in rural areas. This has allowed FNB to decrease its physical presence across the country, while exponentially increasing its customer access to banking through merchants and alternative channels.

We have seen a steady increase of transactions by our customers at these merchants and trust they will continue to make use of the numerous alternative banking channels designed to ensure that channels remain affordable and accessible to all Namibians, while also delivering us with increased opportunities for engagement, speed to market efficiencies and in the future, reduced overhead.

Collaboration across Franchises to ensure a true customer-centric approach has increased over the past year, specifically between Ashburton and Pointbreak and RMB and FNB. From public sector engagements on infrastructure development, to managing wealth for individuals that lead these, to bespoke solutions for institutional and commercial companies both locally and cross-border, and collaboration between segments to enable credit quality enhancement through technology, and efficient automation of numerous processes.

RESILIENCE AND OPTIMISM

Economies that were weak entering the crisis will most likely take longer to recover. Consequently, Namibia's recovery will be slow unless its underlying fundamental long-term structural weaknesses are resolved.

For FirstRand Namibia, the economic impact of COVID-19 will continue to place acute pressure on the Group's performance for the rest of the 2021 calendar year. However, trends are improving post-lockdown even as economic recovery slowly emerges, and we remain hopeful that the remaining year will be better for Namibia and its people and the world at large.
Our resilience this year puts us in a stronger position to accelerate our exponential help for customers in our transact, credit, insure and invest areas in the months ahead.

We recently concluded the realignment of our business into two distinct client clusters, being the Retail and Commercial (R&C) client segment and the Corporate and Institutional (C&I) segment. This alignment allows us to serve the needs of our clients across the full continuum of financial services and we are very excited about the value that this will unlock for clients in their own personal wealth journeys.

As a group, we are driven by our purpose to be a force for good and, no matter the circumstances, we will continue to navigate towards a future of shared prosperity for all. Financial inclusion, sound money management, youth employment creation and Public-Private Partnerships are all important themes in our strategy to provide sustainable help into the market.

Our business is well aligned to deliver on our purpose and unlock value in the multitude of opportunities that we continue to see. FirstRand's capital position and well provided balance sheet unlocks a series of real options for the executive and management team.
As a team we remain positive that we can combat the impact of COVID-19 on our business, and we will continue positioning the Group to best weather the many anticipated headwinds through the next planning period. Protecting and growing customers and their financial wellbeing, while equipping and rewarding employees appropriately, will ensure our success.

A note of thanks

Notwithstanding the difficulties that customers continue to experience as a result of the pandemic, as an Exco team, we are humbled by their more than 100 years of support, and we are grateful to be their preferred partner in navigating the current challenges. Equally, our contribution to the lives of our customers and society makes this a fulfilling journey of help.

We also extend our gratitude to all frontline workers across the country, irrespective of industry, for their selfless service to our nation.

My own sincere thanks go out to our employees countrywide, the executive team and the Board for their collective contribution. To our business partners, shareholders, and other stakeholders– thank you for your ongoing support.

For over a century our products and services have helped to positively transform the lives of thousands of people in Namibia. In this time of uncertainty, delivering on our Promises has never been more critical. Our strategy is working, and we will continue to build a future of shared prosperity through enriching the lives of our customers, employees, and communities in which we operate.

I am confident that FirstRand is in a strong position to take on the challenges and opportunities ahead.

Conrad Dempsey
CEO

Our operating environment

FNB Operational Review

FNB Namibia ("FNB") represents FirstRand Namibia's activities in the Retail and Commercial segments. FNB provides end to end financial services to retail and commercial customers through the pillars of, Transact, Lend, Invest and Insure. Insurance products and services are provided through OUTsurance Insurance Company of Namibia Ltd, FNB Insurance Brokers (Namibia) (Pty) and through a strategic partnership with Momentum Metropolitan Namibia. FNB's mission is to be a trusted partner helping to create a better world by providing contextual innovative financial solutions platforms.

In spite of the severe economic and social impact of COVID-19, we present a strong performance, which echoes the strength and diversity of our franchise.

Customers have been materially affected in their lives, with regard to their disposable income and at times financial security coming under great pressure. Financial strain aside, **we have observed major shifts in how our customers are preferring to transact with us,** as well as some changes in the need and appetite for products across our product range.

Ensuring smooth business continuity through this time has been a major priority and the speed to respond to the operating environment with mitigating actions is evident in the outcomes of this financial year. Strong and skilled leadership in navigating all aspects of the strategy, culture, talent and disciplined deployment of resources in execution is reflected in both the financial and non-financial results.

STRATEGY AND RESOURCE ALLOCATION

FNB Namibia is committed to meaningfully impacting people's lives by offering real help – prioritizing accessible, affordable and contextually relevant solutions, and consistently delighting customers in the experiences they have with us. We aspire to sustainably grow our customer base and to deliver differentiated value propositions to customers in each of the sub segments served.

Our ongoing journey to evolve to a platform business is core to achieving this strategy and growing the choice of digital channels we offer, as well as increased use of these by our customers remains key. Besides accessing our wide network of physical infrastructure, we expect consumers to increasingly prefer self-servicing in future and our customers have the luxury of choice to conduct their transactions via our app, online and cellphone channels. These channels are supplemented with the 6 668 POS devices, 238 ATMs and 80 ADTs that we have located nationwide. All of these options allow us to provide more affordable, safe and convenient banking services to our customers, be they individuals, small business, large corporates, or Government entities.

Ensuring the sustainability of this business is key, and we effectively deploy our resources to deliver value to our customers and shareholders alike. Data-driven actionable insights inform the business strategy, decision-making, execution and measurement as a fundamental. This allows us to have appetite for growth whilst continuing to actively manage and mitigate credit risk to our balance sheet. The unending move towards more efficient and optimized processes that are automated where appropriate, furthermore contributes to the frictionless delivery of our various customer value propositions.

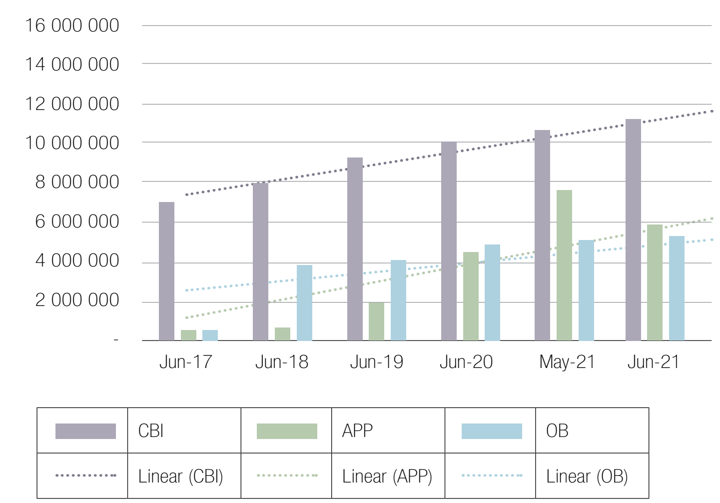
It is recognized that none of this can be achieved without our people. Deepening our culture that is simultaneously purposeful, service-oriented and results-driven is crucial and we remain committed to having a talent base that is best-in-class and future fit.

CUSTOMER MIGRATION TO PLATFORM

In 2018, FNB embarked on a formal transformation journey necessitated by advances in technology and the increased utilisation of digital platforms. We are proud to have been awarded the PMR Diamond Arrow award for the Best Digital Banking Service in 2020. This continued investment in platform meant that the business could quickly adapt to the challenges brought on by the COVID-19 pandemic.

Over the past year, the mid- to high-income segment has seen an increase of 11% take-up on our app. USSD registrations in the lower income segment grew by 3% off a base of already high penetration. In addition to card maintenance on app, we added statement downloads and disinvestment functionality, increasing customers' ability to conveniently self-service. Prepaid purchases for items such as electricity and airtime, and electronic payments increased by 10.6% and 32.6% respectively.

Channel volume (financial and non-financial)

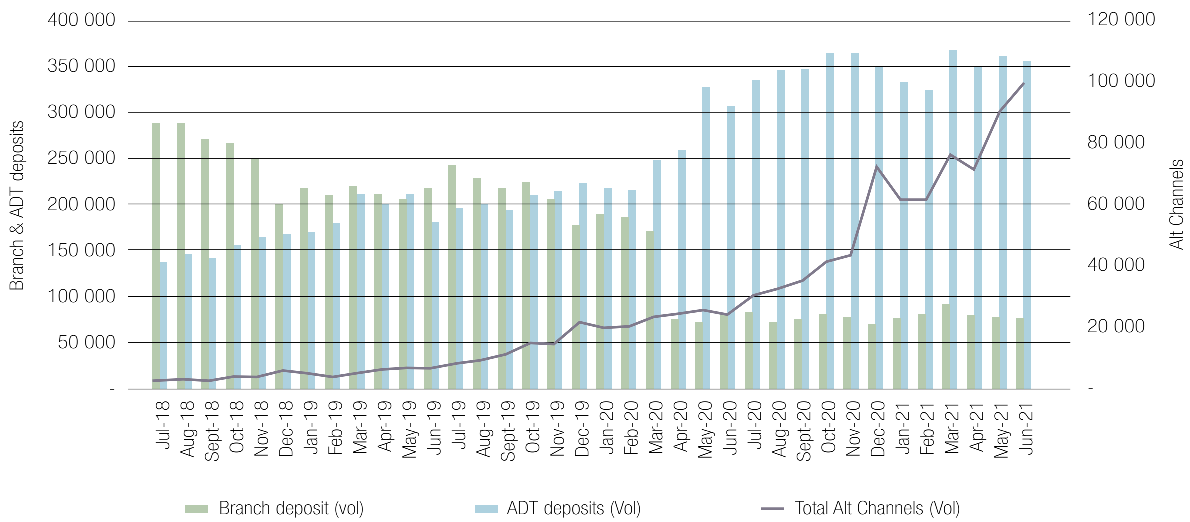


We observed an increase in eWallet send volumes and values of 12.2% and 16.4% respectively. Our efforts to encourage customers to swipe cards instead of using cash are evidenced in the increase of swipes by 19.6%. It is worth noting that 54% of our cards in circulation are contactless enabled, representing an increase of 408% above prior year. This functionality further supports our efforts to facilitate safe banking in light of the pandemic, allowing our customers to have reduced physical contact when transacting via POS devices.

CUSTOMER MIGRATION TO PLATFORM continued

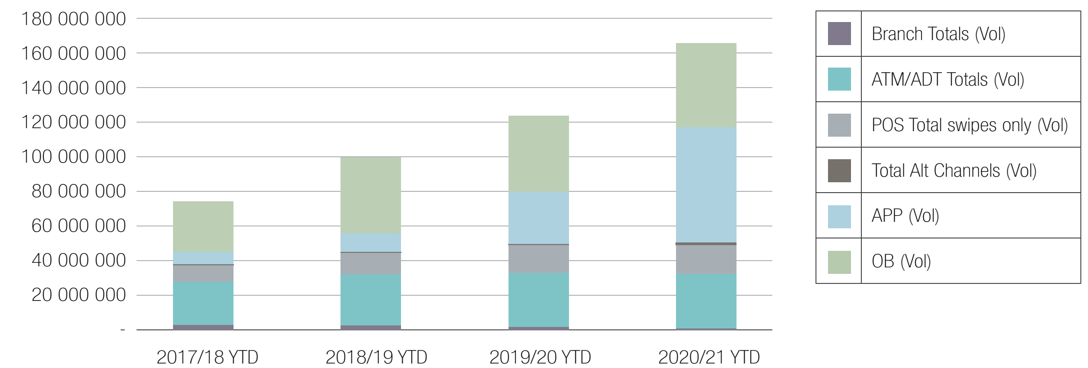
Our nation-wide network of ADT's (automated deposit taking machines) has played a significant role in reduced queue congestion in branch whilst allowing for convenient banking for the customer. The ADT offers customers access to 24-hour, real time, deposit functionality. ADT deposits increased by 49.7% in volumes with a resultant decrease of 29.5% in-branch transactions as we supported customers in efforts to practice health-related safety measures by providing alternatives to conducting transactions in our physical branches.

Total Channels Volume Contribution (Branch,ADT and Alt Channels)



Our recently introduced alternative channels offering, collectively known as FNB Cash Instore, delivered a 177% increase in volumes and a correlated increase in value of 161%. Customers can withdraw cash, withdraw eWallets and pay with eWallet at stores countrywide offering the Instore services. Customers can further make account deposits at selected stores countrywide. The FNB Cash Instore services allow for more convenient access to cash, benefitting not only the FNB customer but reducing the cash and related burden on the retailer offering the service. The focus now is to grow the network of stores that offer the FNB Cash Instore services and to offer access to banking in a safe and secure manner.

Total volume (Branch v ATM v POS vs APP vs OB vs Alt Channels)



As a result of customer migration to digital platforms, we have had to adjust branch operating models. The "Teller Lite" and "Teller Less" operating models have been implemented in branches where teller volumes have significantly reduced. At specific locations, this migration to a customer self-help model has resulted in branch activity volumes dropping to the extent that it was no longer feasible to keep these branches open. Branches in Oshikuku, Arandis, Usakos, Mondesa, Klein Windhoek, Old PowerStation and Aussenkehr have thus been closed over the past year. Similarly, several ATMs have also been removed where no longer warranted due to availability of alternatives and more affordable channels in close proximities to where these ATM's were situated. The consolidation of our ATM network will also enable us to redirect ATM's from low volumes sites to high volumes sites in order to reduce queues at the high volumes sites.

CUSTOMER MIGRATION TO PLATFORM continued

Not all customers are comfortable or have access to the technology to switch immediately from branch to digital platforms. Over the past year, we have thus introduced several enhancements within the Contact Centre. These enhanced capabilities allowed it to act as a service centre that is a fitting alternative to branch. Call volumes in the contact centre increased by 46% in relation to pre COVID-19 levels, to about 75 000 calls per month. These volumes have tapered back to an average of around 68 000 calls per month. The Contact Centre operating hours were extended, with weekdays from 07h00 to 22h00, and now also open on Saturdays, Sundays, and Public Holidays.

Activities such as updating of customer profiles on the banking system, stop payments on accounts, statement request, disinvestments, adding of nominated electronic payments, disputes for debit orders and enhanced credit enquiries have all been directed to the Contact Center, thereby further reducing footprint and activity in branch.

Calls offered

FINANCIAL PERFORMANCE

The operating environment remains challenging and the effects of the COVID-19 pandemic are still being felt. Despite these obstacles, the business delivered a set of solid results. FNB's earnings are up 4.4%% with normalised earnings declining by only 2.4% from N$1.27 billion to N$1.24 billion which points to a resilient operating performance, despite margin pressure, subdued noninterest revenue growth due to lower absolute volumes during the lockdown period, and depressed new business origination. Net interest income declined 11% mainly impacted by slower advances growth and cumulative rate cut of 300bps which had a negative impact on net interest income. Non-interest revenue remained flat year on year. Although there was notable increase in digital activities and utilisation of the alternative channels, this revenue was offset by the regulatory pressures on fee income and marked decreased volumes in traditional channels such as branch and ATM activities. Impairment losses decreased by 57% year on year. The decrease was mainly due to a significant decrease in the COVID-19 related judgemental overlays that were created in the prior year. FNB remains prudently provided with coverage ratios matching prior year levels. Operating expenses were well contained reducing by 2% compared to prior year reflecting focus on cost management and lower variable expenditure given the current year performance.

The balance sheet showed muted growth as both advances and deposits only increased by 1% respectively. Necessary COVID-19 restrictions adversely impacted advances growth and led to a low levels demand for new loans and rise in non-performing assets but within acceptable risk appetite parameters. Deposits increase mainly emanated from the retail customers who opted to hold their cash in savings or in call deposits due to uncertain economic environment.

OUTLOOK

Although the outlook remains challenging mainly due to impacts of the pandemic on both Retail and Commercial customers, as well as an anticipated increase in compliance costs, management is confident that the strategy and execution capability of the business is well-positioned to continue anticipating and responding to evolving customer needs in order to delight them. The combination of this with our innovation and continuous improvement capability, along with the disciplines of how this business is run are expected to continue to deliver value to our employees, customers, shareholders and broader society at large. To achieve this, we will execute our strategy through 4 strategic pillars:

- High performance culture
- Delighted customers
- Contextual solutions
- Sustainability mindset

We will remain true to our purpose of providing real help for impactful change in the lives of our customers, employees and society at large and thereby helping to build a globally competitive Namibia.

Erwin Tjipuka
CEO FNB

RMB Operational Review

RMB continued to generate positive value amidst a challenging macroeconomic environment which was further compounded by the COVID-19 pandemic. The RMB purpose to liberate diverse talent to partner and innovate for a sustainable Namibia allowed the team to intentionally drive and achieve long-term sustainable value for all stakeholders, without being distracted by short-term exogenous shocks. The businesses' sustainability is further anchored by a diversified mix of commoditized and bespoke solutions, enabled by disciplined financial resources management and risk capabilities. The balance between risk and return allowed RMB to navigate through market disruptions, while maintaining our promise to contribute to a sustainable Namibia. Growth initiatives that contributed to value creation, allowing RMB to achieve Primary Bank and Trusted advisor status, include:

- Building on our competitive position by providing bespoke and innovative client solutions;
- A highly skilled team, deeply invested in clients, allowing value to be unlocked along value-chains and within ecosystems;
- Streamlining our business model through service excellence, simplification of operations and capacity building;
- Strict and stringent financial resource management principles.

Debt and Trade Solutions (DTS) provides a meaningful contribution to the overall business through a series of landmark and innovative short-term and long-term structured deals. Despite external headwinds, DTS maintained momentum through a proactive approach to addressing client needs and achieving Trusted Advisor status. This is further driven by the twin goal of diversifying exposure and revenue streams with key focus areas in capital markets, lending, structuring activities and advisory. These efforts have also added to Namibia's sustainable goals by contributing to sectors such as Energy and Affordable housing.

Namibia's domestic consumption has come under pressure as result of COVID-19, which was cushioned by 300 bps repo rate cut, which impacted our flow business. The teams deliberately set out to provide alternative transactional banking solutions and channels to mitigate contact and COVID-19 associated risks, while driving client behaviour towards digital channels for a healthy society. The team also focused on retention of clients through investment in service. In addition, to a proactive approach to providing value-adds and competitive transactional banking offering to achieve Primary Bank Status.

The team set out to deliberately de-link from the macros with an active investment in the Markets Business. This is showing positive gains as the Markets business has been increasingly contributing to the overall business. The team was able to embrace volatility of the global markets and was able to navigate with the clients through this new normal and diversify income streams. The teams collaborated strongly with client to de-risk their market risk profiles and enhance the performance of their businesses. By doing so, business sustainability was improved for clients and their ecosystems as well the surrounding economic system. Bringing value to clients through innovative solution allows for value to diffuse throughout the economic, financial, and social systems.

The success of RMB is further entrenched in its ability to leverage off the wider FirstRand ecosystem, both locally and internationally, and to partner with the FNB and Ashburton franchises. Through this, RMB can meaningfully solve for our clients through value-added and enhanced solutions, while creating internal synergies. In addition, our success remains a factor of our talent and skills, our teams were able to prove their resilience and fully embrace solutionist thinking to solve for our clients, and also for Namibia itself, as we work together to rebuild our economy.

Philip Chapman
CEO RMB

05

DRIVING PERFORMANCE

Reflections from our Chief Financial Officer

OSCAR CAPELAO | *CFO*

In response to the pandemic, the Namibian government declared a National State of Emergency with associated stages of lockdown in order to protect lives. The Ministry of Finance and BON simultaneously acted to ensure financial stability. The measures undertaken by the Namibian government and its various agencies followed a similar response seen in many other countries but need to be seen in the context of the limited fiscal space available to government. **Namibia was one of the first countries in Africa to roll out the COVID-19 vaccination programme** ahead of initially anticipated timelines.

We started this financial year, in various levels of lockdown in the country. 2020 was an extraordinary year by several measures. We had to realign and rethink to ensure our focus was on supporting our clients through this treacherous time. Namibian projected GDP was set to decline at 5.5% annualised for the period to June 2021 but as we entered the fourth of the current financial year some economic activity started to pick up and a slight conservative optimism emerged.

Our clients, both individuals and corporates, came under serious pressure and transactional volumes fell tremendously in the first quarter of the financial year, before recovering somewhat into the last three quarters of the year.

FirstRand Namibia entered the crisis in a strong position. Financial resource management, technology and talent are the instruments that helped us weather the storm. We experienced a reasonable recovery in July, with activity levels still lower than March, but as of October growth had started to progress.

The negative impact of interest rate cuts that BON implemented to try and alleviate the impact of COVID-19 became noticeable in our earnings. A total repo rate cut of 300 bps since the start of the pandemic took the rate to 3.75%.

REFLECTIONS FROM OUR CHIEF FINANCIAL OFFICER continued

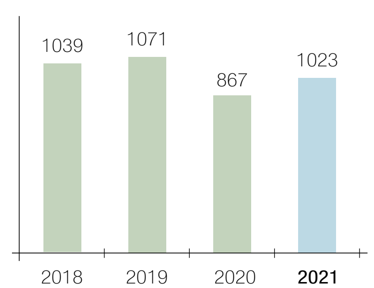
Despite this difficult operating environment, FirstRand Namibia's proven commitment to create and preserve value for all our stakeholders remained in tact. This highlights that our people, models, and franchises are resilient in a harsh economic declining cycle. Earnings per share increased to 390.9 cents (2020: 313.4 cents). Profit before tax increased by 23% to N$1.492 billion (2020: N$1.209 billion) for the period under review. Cost to income ratio increased to 54.6% (2020: 52.6%) and ROE was 19.4% for the period. Costs were well maintained, declining with 2% for the year

Pre-provision profit has decreased by 2.2% to N$1.730 billion whereas headline earnings increased by 17.9% to N$1.023 billion. This was impacted largely by a significant decrease in impairments mainly related to IFRS 9 forward-looking macro models and COVID-19-related judgemental overlays recognised in the prior year.

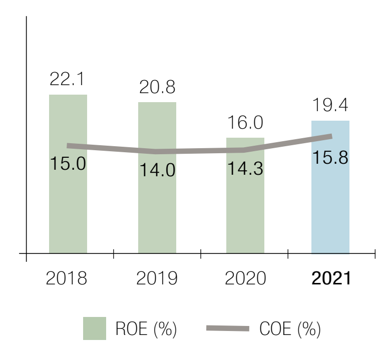
ROE and ROA improved to 19.4% and 2.3% respectively. NAV per share of 2 136 cents increased by 13%, compared to 1 888 cents in June 2020.

During the crisis we upheld robust capital and liquidity positions. Our capital adequacy ratio of 20.0% increased from 2020 levels and remained well above our board targets of 14.0% and well above the BON and SARB minimum requirements of 10.0% and 12.25% respectively.

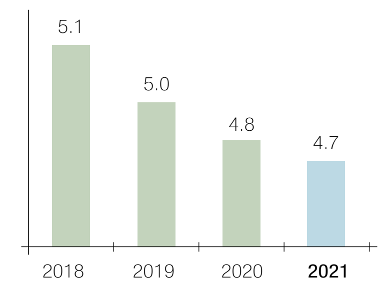
Headline Earnings (N$ million)



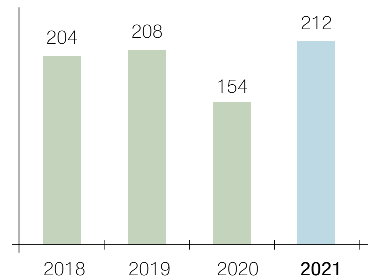
ROE and Cost of Equity (COE)



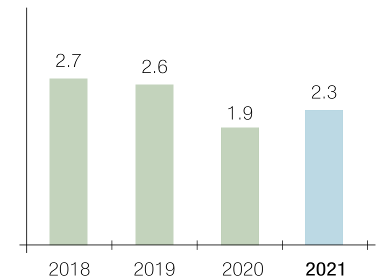
Opex vs. Assets (%)



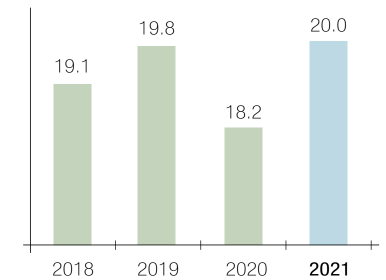
Dividend per ordinary share declared (cents)



ROA (%)



CAR (%)



STATEMENT OF COMPREHENSIVE INCOME

Summarised statement of comprehensive income:

N$' million	2021	2020	%
Net interest income	1 877	2 013	(7%)
Impairment of advances	(238)	(560)	(57%)
Non-interest revenue	1 954	1 891	3%
Insurance	63	84	(25%)
Income from operations	3 656	3 428	6%
Operating expenses	(2 126)	(2 174)	(2%)
Income before tax	1 530	1 254	22%
Indirect tax	(38)	(45)	(15%)
Profit before tax	1 492	1 209	23%
Income tax expenses	(460)	(376)	22%
Profit for the year	1 032	833	24%

Net interest income (NII) declined 7% from 2020, as stable balance sheet growth was more than offset by margin compression. Cumulative interest rate cuts of 300 bps had a negative impact on endowment income, decreasing net interest margins. Interest expense decreased by 37% while interest income decreased by 21%.

NII was down N$21 million on average in the last 12 months following the MPC repo rate since March 2020.

Impairment losses

The total impairment charge declined year-on-year to N$238 million (2020: N$560 million). The impairment charge is 0.75% (2020: 1.79%) of gross advances.

Based on international experience, there is an expectation that there will be more waves of COVID-19 for us to weather. It is important that we build on our successes and learnings to date – both epidemiological and economic – as we confront these new waves.

The slightly optimistic outlook on the macro environment and positive effect of the earlier rolled out COVID-19 vaccines contributed to lower portfolio impairment charge for the year of N$58 million. Overlays increased on account of forward-looking assumptions used in the modelling of expected credit losses. As we closed off the financial year the third wave hit. Uncertainties include drop in employment, vaccines efficacy against new virus strains and permanent changes in consumer behaviour and the recovery of the directly impacted sectors.

The group remains prudently provided, with portfolio impairments as a percentage of the performing book at 200 bps, exceeding the annual credit charge.

The ratio of non-performing loans (NPLs) to gross advances as at period end was 0.80% up from the 4.4% in 2020 and in dollar terms deteriorated from N$1 369 million to N$1 645 million. This compares well to the industry NPLs ratio which stood at 6.5% for March 2021.

STATEMENT OF COMPREHENSIVE INCOME continued

Non-interest revenue

Non-interest revenue (NIR) improved by 3%.

During the first two months of the year and the last month, when lockdown was implemented with the resultant drop in activity levels, certain channel volumes declined markedly, however, app volumes remained resilient, with overall transactional volumes 28% higher than the prior year.

The pandemic accelerated the need for digital solutions, and the volume trend this year increased, as the result of being led by more digital transactions compared to brick and mortar assisted transactions.

Pressure on fee income was further caused by the introduction of PSD 5 and 10, eroding fees in the second half.

Net fee and commission income represent 86.6% (2020: 85.4%) of group operational NIR.

Cash deposit volumes in branch decreased with 50% compared to an increase in Automatic Deposit Taking machine (ADT) deposits of 49.8%.

The number of customers using the FNB app increased by 54%, with volumes increasing 107%.

Insurance

Insurance premiums have declined to N$134 million (2020: N$161 million). Claims paid for the period declined by 8% to N$71 million (2020: N$77 million).

The renegotiated long-term insurance agreement with our strategic partner has contributed N$23 million, boosting the group's NIR growth for the period.

Operating expenses

Group operating costs have decreased by 2% to N$2 126 million (2020: N$2 174 million), reflecting the close management of our discretionary spend. The ratio of operating expenses over average assets stood at 4.76% (2020: 4.77%) demonstrating the efficiencies of our operations during these challenging times.

Staff costs increased by 1% and remain the largest component at 57% of the total cost. There were no increases to senior management, below inflation to managerial and inflation to non-managerial staff.

We experienced relief from leave days utilisation during the December / January season as the lockdown levels in the country were lifted. Staff costs also benefited from the non-vesting of the 2017 long-term incentives. The remuneration committee and the board believe that these outcomes are appropriate.

Remco report.

Cost containment initiatives are ongoing, whilst maintaining investment in core platform modernisation. IT costs were down overall by 9%.

STATEMENT OF COMPREHENSIVE INCOME continued

Operating expenses continued

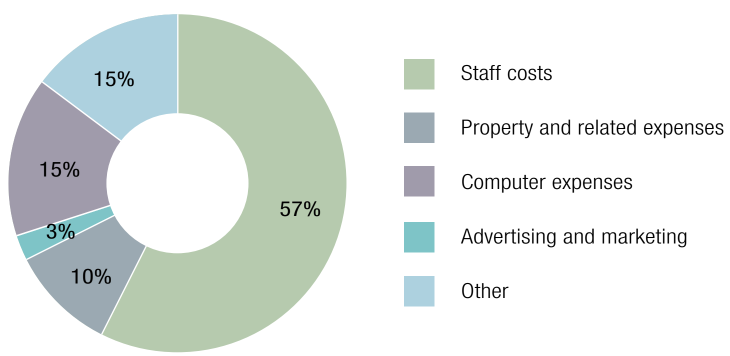
The pandemic accelerated the remote working capabilities, which will likely carry forward for the foreseeable future. Remote working arrangements will change as and how we manage our corporate real estate. The trend is to have more open seating and a reduced office space for on average every 100 employees.

We have paid N$1.89 million of benefits to our non-managerial staff via our Staff Assistance Trust, which is consolidated in the group results. The FNB Staff Assistance Trust is funded out of the trust's dividend income.

Included in operating expenses is the FirstRand Foundation's contribution for the year amounting to N$8.7 million (2020: N$ 10.7 million). The contribution to the foundation is calculated as 1% of headline earnings. We believe this contribution continues to do greater good to the Namibian nation.

The FirstRand Namibia further donated N$5.2 million to the HOPE Fund created to assist government and other social partners in responding to the healthcare challenges of COVID-19.

Our stakeholders – their needs and expectations report for more details on the activities of the FirstRand Foundation.



Tax

FirstRand Namibia's total current tax charge amounted to N$460 million and indirect taxes incurred at N$38 million, Indirect taxes are made up by VAT and stamp duties on long term deposits. FirstRand Namibia remains a significant taxpayer. We ensure that all taxes are paid in accordance with the legislative requirements.

COVID-19 impact on earnings

Comparing the NII run rate of pre March 2020 lockdown period to post lockdown period, our estimate of earnings lost approximate N$248 million for the current financial year, as well as higher specific impairments of N$64 million.

STATEMENT OF FINANCIAL POSITION

Summarised financial position:

N$' million	2021	2020	%
Cash and investments	8 484	9 640	(12%)
Advances	30 207	29 994	1%
Other assets	4 751	6 234	(24%)
Total assets	**43 442**	**45 868**	(5%)
Total equity	5 646	5 000	13%
Deposits	35 797	38 545	(7%)
Other liabilities	1 999	2 322	(15%)
Total equity and liabilities	**43 442**	**45 868**	(5%)
Key ratios (%)			
ROE	19.4%	16.0%	3.4%
ROA	2.3%	1.9%	0.4%
CAR	20.0%	18.2%	1.8%
CTI	54.6%	52.6%	2.0%

Advances

We have been lending and will continue to lend to our clients throughout the pandemic with prudent credit risk management.

Gross banking loans and advances increased by 1%, impacted by a 5.5% and 2.1% decline in commercial and CIB advances respectively. Retail customer advances showed growth at 4.4%. Provisions held increased 17% year-on-year (Y-O-Y).

The annual growth in private sector credit extension (PSCE) declined relative to the same period of 2020 driven by lower demand and more cautious supply. The ratio of household debt to disposable income increased due to subdued growth in disposable income, relative to the growth in credit. Fuelled by low interest rates mortgage loans increased Y-O-Y with 5.4% and still makes up 49% (2020: 47%) of net advances.

WesBank sales remain subdued with advances declining with 4.8% Y-O-Y. This is an overall market phenomenon.

Card advances increase of 1.8% was sufficient when compared to the decline of the comparative prior period. This is reflecting the increased risk appetite given the cuts, together with higher spending during the lockdown period. Personal loans growth of 3.6%, reflecting the credit rating cuts on the weaker macro environment pre-pandemic and the impact of the pandemic on customers.

STATEMENT OF FINANCIAL POSITION continued

Deposits and funding

For 30 June 2021, the group remained well capitalised with levels above the minimum regulatory requirements. Capital adequacy ratio for the group was 20.0% and CET 1 capital 17.7%.

Increasing essential deposits remain of importance and is an indicator of the health of our position. Total customer deposit growth improved with 0.3% Y-O-Y. With pleasing remarks we note that our customer deposits increased to 85% of our total funding mix from 81%.

FNB franchise retail deposits grew 1%, with strong growth in savings and investment products as well as call deposits. This is 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. Commercial deposits declined with 4.6%.

Deposits from financial institutions in our treasury sphere declined with 29% because of sufficient excess liquidity and growth highlighted above.

Capital and regulation

The worsening macros in the economic environment trickled into sovereign grades and client risk ratings and this sequentially filtered into manageable RWA. Accordingly, with the 1.2% decrease in RWA, the group maintained strong capital adequacy ratios.

Conclusion

FirstRand Namibia's results for the year ended 30 June 2021 reflect the extremely difficult operating environment, with pre-provision profits decreasing by 2.2% to N$1 730 million compared to N$1 769 million for 30 June 2020.

Most of this decline was due to accommodative lower interest rates during the financial year. Pleasantly the credit impairment charge, driven by forward-looking economic assumptions required under IFRS 9, came in lower than modelled a year ago at N$238 million. ROE has improved to 19.4% (2020: 16.0%).

The group has been prudent in its provisioning and continues to focus on further strengthening and appropriately tilting the balance sheet to the macro outlook.

Oscar Capelao
Chief Financial Officer

Managing risk stategically

FirstRand 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 strategic decision-making processes.

	FNB	RMB	Wesbank	Ashburton	FCC
Key activities	Retail and commercial banking, wealth and Investment management	Corporate and Investment banking	Instalment finance and short-term insurance (VAPS)	Asset management	Group-wide functions
Market segments	• Retail • Small business • Agricultural • Medium corporate • Public sector	• Financial institutions • Large corporates • Public sector	• Retail, commercial and corporate	• Retail and institutional	• Institutional (and internal/intragroup)
Products and services	• Transactional • Deposit taking • Mortage and personal loans • Credit and debit cards • Investment products • Card acquiring • Credit facilities • Wealth and investment management	• 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)	• Traditional and alternative investment solutions	• Funding and liquidity - Banking • Funding instruments • Capital management • Foreign exchange management • Tax risk management
Risks	• Retail and commercial credit risk • Operational risk, People Risk, IT 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 • Equity investment risk
Other risks	Strategic, business, reputational, model, environmental and social, tax regulatory and conduct risks				

OVERVIEW OF TOP AND EMERGING RISKS FOR 2021

The 2021 risk profile and response plans were impact by the following factors and scenarios:

- Persistent Pandemic pressure impacting on ability to service clients and contributing to the economic decline.
- Significant downward pressure on revenue growth given challenging macroeconomic conditions.
- Potential effect of the sovereign rating downgrades on the macroeconomic environment and funding costs as well as risk of an additional sovereign downgrade.
- Increasing cost and scarcity of financial resources.
- Ongoing introduction of new regulations and legislation (particularly in banking activities), which could impact profitability over the medium to long term.
- Intensifying competition in banking profit pools from non-traditional competitors.
- Rising regulatory and macroeconomic risks.

ECONOMIC RISK

The operating environment is now considered to be the worst global economic crisis since the Second World War. The COVID-19 pandemic and associated economic crisis resulted in three simultaneous and profound shocks: to global trade; to global confidence, causing financial conditions to tighten significantly and abruptly; and to economic activity following the lockdown policies adopted by most of the world's major economies.

This translated into a once in a generation economic stress event. This scenario prompted coordinated efforts by central banks and governments to lower policy rates and simultaneously provide fiscal stimulus packages to cushion the impact of the economic shock to the real economy. Despite these actions, global financial conditions are expected to remain challenging and any form of recovery will be contingent on proof that the spread of the virus in developed economies has peaked, allowing containment measures to be relaxed, and that the various governments' fiscal support to consumers and small businesses has been successful to some degree.

The diminished economic activity during the COVID-19 pandemic is likely to cause structural shifts in the global economy with emerging economies at risk of deeper crises. A prolonged recession of the global economy is a potentially prevailing risk. Most emerging economies are challenged by weaker health systems and lower capacity to stimulate growth. A much-needed fiscal response to the pandemic places further pressure on capacity by lowering revenue and raising the cost of debt. These challenges will result in higher levels of bankruptcies, structural unemployment, particularly amongst the youth, and the disruption of global supply chains which means certain industries will not fully recover.

CLIMATE CHANGE CHALLENGE

Fiscal capacity has focused on the COVID-19 pandemic with a resultant shortfall of investment in climate adaptation and mitigation efforts. However, worldwide lockdowns resulted in reduced emissions due to decreased industrial activity, travelling and commuting.

As economies reopen, global emissions will increase and there is emerging evidence that large-scale infectious disease outbreaks may become more frequent due to a warming climate and biodiversity loss.

Many governments have announced green recovery packages that aim to address both economic recovery and climate change.

CYBERSECURITY AND PRIVACY

Technology has been central to the way people, companies and governments have managed the COVID-19 pandemic and the contact-free economy may also create new employment opportunities in the post-pandemic world. However, a greater dependence on technology has increased cybersecurity risks and privacy concerns. New working patterns may increase cyber-attacks and data fraud.

SOCIAL IMPACT

The pandemic has resulted in wide-scale social anxiety and exacerbated existing inequality. For example:

- High unemployment levels have affected mental health and caused financial distress.
- The rapid shift to remote working has, in some instances, resulted in a lack of work-life balance and low morale due to isolation.
- Large social gatherings, such as religious and civil gatherings that promote well-being, have been restricted to limit the spread of the virus.
- The of lack of access to online learning is widening the inequality gap.
- Additional unemployment from accelerated workforce automation is a global concern.

The spread of COVID-19 has severely impacted many local industries in Namibia. Businesses are being forced to cease or limit operations for long or indefinite periods of time. Although Government have taken measures to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Our Government and central bank have responded with monetary and fiscal interventions to stabilise economic conditions.

While the outbreak has had an impact on almost all entities either directly or indirectly, some of the worst hit sectors are aviation, hospitality and retail with more and more sectors coming under its radar with widespread lockdowns being enforced across the world. The aviation industry is facing massive disruption with travel restrictions imposed by most jurisdictions. The hospitality sector has been impacted with low occupancy in business and holiday destinations having to close down entirely. Other affected sectors are automobiles, apparel, consumer durables, pharmaceuticals, leather goods, electronics and others where the supply chain is dependent on countries worst hit by COVID-19.

The Group set up a COVID-19 Operations committee (OPSCO) that oversees the Groups response to the pandemic to ensure that the Group applies their Pandemic Response Plan, but also maintain a flexible and agile approach as situations develop.

SOCIAL IMPACT continued

The COVID-19 OPSCO has the following subcommittees:

- Human Resources and employee wellbeing – monitor Staff wellness, productivity and succession planning
- Credit – implement payment holidays, review of security held, adjusted credit scoring and impairment models.
- Liquidity and market risk – adjust market risk limits and ensure high level of liquidity available to group
- Operations and IT – implement remote working tools and maintain cyber resilience with split workforce
- Front line business – ensure client service are maintained while balancing client facing and remote working capabilities

IMPAIRMENTS

The Group is required to test its assets for impairment when indicators of impairment are present. An impairment test must be performed in response to indicators of impairment in addition to a mandatory impairment test for goodwill and intangible assets with indefinite useful lives at least annually.

Although some indicators of impairment are based on internal information (eg damage to property, plant and equipment, plans to remove the asset from use), others are triggered by events and circumstances external to the entity.

The negative economic outlook and cash flow difficulties experienced by customers as a result of COVID-19 must be factored into an entity's forecasts of future conditions, which may result in an increase in its provision for ECLs to reflect (a) a greater probability of default across many borrowers, even those that currently do not exhibit significant increases in credit risk but may in the future; and (b) a higher magnitude of loss given default, due to possible decreases in the value of collateral and other assets.

OPPORTUNITY AND RISK MANAGEMENT FOCUS

As economies restart, there is an opportunity to create greater societal equality and embed sustainable development goals. In business, the opportunity exists for the transformation to more sustainable and digital operating models and enhancing productivity.

The Group expects the following risks to materialise worldwide and have planned accordingly:

- Cybercrime and IT related disruptions
- Environmental and social risk
- Data protection and market conduct
- Theft, fraud, and violent crime
- War for scarce talent

OPPORTUNITY AND RISK MANAGEMENT FOCUS continued

Current and emerging challenges	Opportunities and focus areas
Funding, Liquidity and Capital	
In response to the COVID-19 pandemic, the regulator implemented temporary capital and liquidity relief measures to provide additional capital capacity and liquidity relief to enable banks to counter economic risks to the financial system and to promote financial stability. Regulatory reforms may put further pressure on required capital levels.	The Group exceeded all prudential minimum regulatory requirements and maintained a strong balance sheet with buffers in excess of minimum requirements. The group continues to focus on growing its deposit base through innovative products, improving the risk profile of its institutional funding, and the management and optimisation of liquidity buffers. The group's internal capital targets have not been adjusted for the COVID-19 temporary relief measures. The Group continues to focus on optimising the capital usage. The impact of regulatory reforms continues to be assessed and incorporated into the group's capital planning.
Credit Risk	
COVID-19 created significant economic dislocation, directly impacting consumers and businesses, particularly in industries impacted by lockdown measures. This required immediate credit risk management responses across various disciplines, including the development of payment relief programmes, assessment of impairments within the context of the deteriorating growth outlook, and credit origination incorporating industry and high-frequency transactional data. The outlook remains uncertain and is dependent on the extent and duration of prevention measures, as well as the impact of consumer and business confidence on the recovery of activity. The impact of physical and transition climate risks on the group's lending book may heighten credit risks for climate-sensitive industries, such as fossil fuels and agriculture. Counterparty credit risk remains sensitive to mark-to-market changes driven by volatility of underlying risk factors for derivative instruments, especially those that are uncollateralised or concluded without netting agreements. Exposures increased due to increased trading volumes to facilitate client hedging activities in volatile markets.	COVID-19 created unprecedented economic stress, which has had a profound and far-reaching impact on the economy. One of the implications of this stress was the need to provide payment relief solutions for customers. Some of these solutions are outlined below: Retail customers in good standing were offered emergency funds designed to bridge short-term liquidity needs and provide cash flow relief. The loans were priced at the prime interest rate with zero fees and a flexible repayment period starting three months after relief was taken up. No early settlement penalties are levied. This customer-centric approach covered all FNB products. FNB provided relief to commercial customers primarily in the form of payment holidays and additional relief will be offered to SMEs through the government-guaranteed loan scheme. For corporate customers, relief was advanced on a case-by-case basis. Corporate relief was provided in the form of additional liquidity facilities, payment holidays and covenant waivers. Conservative credit provisions were raised, incorporating forward-looking information on the expected weak economic outlook. The group had a smooth transition to remote working practices, allowing effective execution on required credit risk management responses. Despite challenging economic conditions, the group is benefiting from prudent risk mitigation measures in support of its existing customers, as well as in its new credit origination. The group continues to review risk appetite and credit origination strategies on an ongoing basis

OPPORTUNITY AND RISK MANAGEMENT FOCUS continued

Current and emerging challenges	Opportunities and focus areas
Regulatory Risk	
Regulatory and conduct risk management is affected by the changing regulatory landscape and the ongoing introduction of new and/or amended legal and related regulatory instruments. This may result in an increase in the cost of compliance. Heightened scrutiny and monitoring by regulators and other stakeholders on regulatory compliance and ethical conduct in areas such as debt relief, new products and new business origination, impact regulatory and conduct risk management. Responding to crisis-related changes in the operating environment and ensuring the group continues to effectively manage regulatory and conduct risk with unique risks, including a suddenly dispersed workforce, have an impact on regulatory and conduct risk management.	Continue to make significant investments in people, systems and processes to manage risks emanating from the large number of new and amended local and international regulatory requirements, market conduct reforms, data privacy and financial crime-related legislation. Ensure ongoing monitoring of, among others, the risk culture with a focus on prevention and, where required, effective and timely remediation. The risk of ethical drift is heightened with the majority of employees working remotely. Implement conduct risk programmes focused on defining key business metrics and materiality thresholds which are sufficiently noteworthy for board-level reporting.
Operational Risk	
Operational risk is driven by the complex IT environment, the growing sophistication of cybercrime, the interplay between cyber risk and fraud, and their effects on reputational risk, operational challenges in meeting various new regulatory requirements across multiple jurisdictions, the risk of process breakdowns in manually intensive process environments, industry-wide payments risk, and organisational change. The impact of external factors on business operations, such as the COVID-19 pandemic and intermittent electricity supply interruptions, pose a heightened risk to operations, especially where employees are working from home, and require management to continuously review operational resilience plans to ensure minimal business disruption whilst managing employee wellbeing. Planning an operational response to the unprecedented COVID-19 pandemic. Ensuring compliance with continuously changing COVID-19-related regulations within a short space of time. Increased business digitisation (including robotics, artificial intelligence and cloud computing) introduces additional risks due to the demand and speed of digital technology adoption, which the group must be in a position to speedily identify and mitigate. Global demand for critical IT resources across industries poses a challenge in terms of attracting and retaining the best IT skills. Key vendor dependency and supply-chain risk requires ongoing management and monitoring to ensure uninterrupted, continuous service provision.	The group continues to address possible control weaknesses, and there are ongoing improvements in information security, IT risk processes and operational business resilience capability. Efforts to improve staff and customer awareness of cybercrime and information security are ongoing. Build an integrated group cybercrime framework and cyber incident response planning and testing. Continue to improve risk data management, aggregation and reporting. Align IT risk management practices with changing business models and technological landscape. Enhance vendor risk management processes throughout the vendor lifecycle. Improve information management capabilities and the control environment, and roll out awareness programmes on records management, data quality and data privacy management. Adopt a holistic approach to the development of key staff retention plans. Use technology capability and capacity to enable flexible and remote working arrangements seamlessly. Increase the drive for automation of controls and digitisation of risk processes, where possible, to facilitate robust risk management in the context of remote working arrangements. Agility in response to and lessons learnt from the COVID-19 pandemic may be used to refine operational risk responses to future crises.

Group response

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

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

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

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

Risk reporting and governance

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 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.

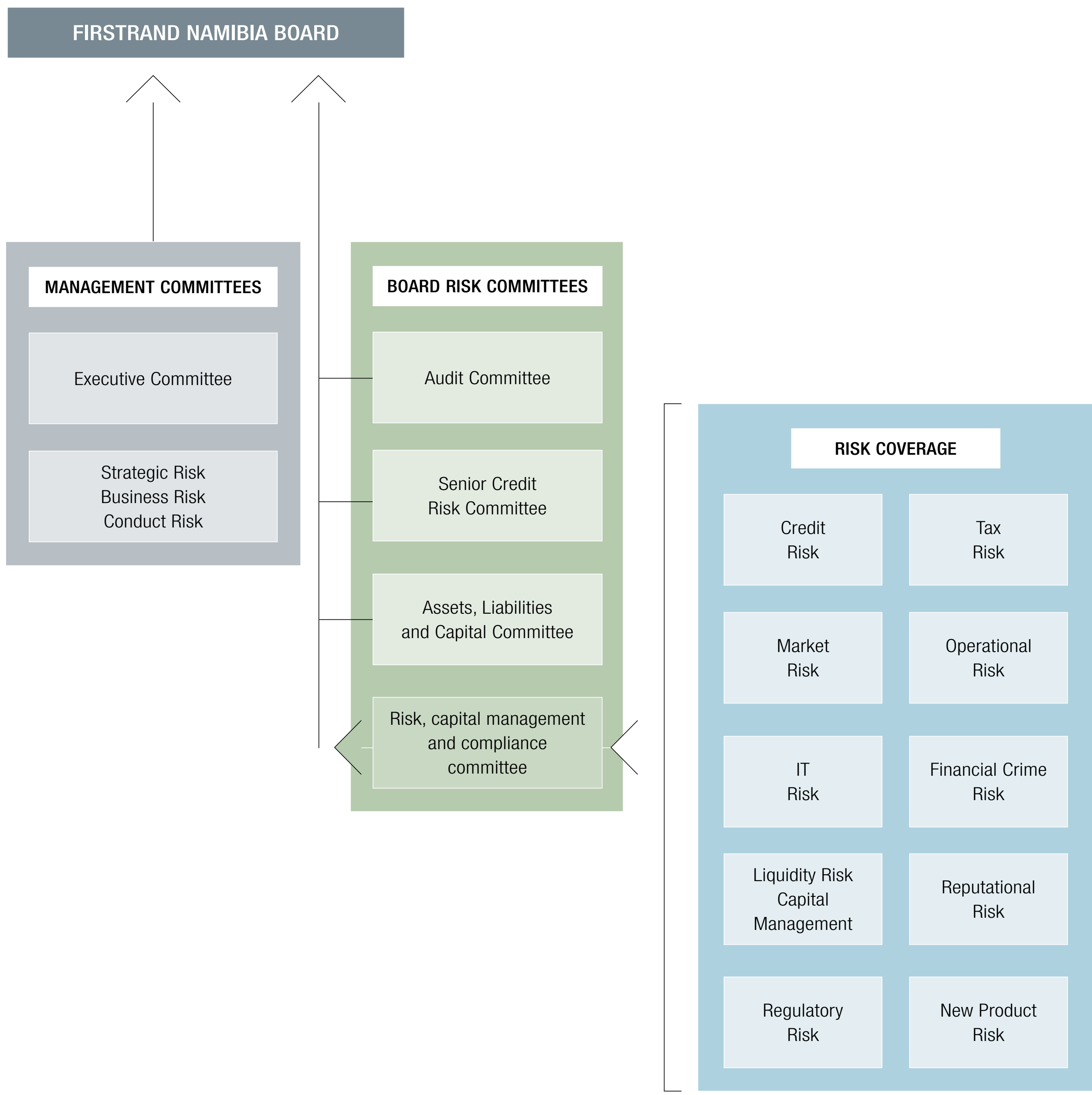
Strong governance structures and policy frameworks foster the embedding of risk considerations in business processes and ensure that consistent standards exist across the group.

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 group's board, audit and risk committees to ensure a common understanding of the challenges businesses face and how these are addressed across the group.

The 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 reporting and governance



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; and
- strong risk governance through the application of financial and risk management disciplines through frameworks
- Risk taking is an essential part of the group's business and the group explicitly recognises core competencies as necessary and important differentiators in the competitive environment in which it operates.

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

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

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

Risk 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, employees, society 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; and • 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 • Leadership development/ impact through others • Stronger distinctions between strategic and operational layers	• Legitimising candour especially across hierarchies • Safe and effective reporting mechanisms • Better platform and inbuilt controls	• Increased customer centricity embedded in strategy • Strong customer centric goal setting in management • Client service and conduct measurements and rewards

Combined assurance

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

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

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

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

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	
N$ million	2021	2020
Gross advances	31 572	31 235
Credit loss ratio (%)	0.8%	1.8%
NPLs as % of advances	5.2%	4.4%
Specific coverage ratio (%)	40.9%	44.4%
Total impairments coverage ratio (%)	4.3%	4.0%
Performing book coverage ratio (%)	2.3%	2.1%

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.

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.

CREDIT RISK continued

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 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.

Financial relief mechanisms employed by the group included customers being offered a three to 24 month payment holiday, during which interest accrued at the contractual rate for relief period less than 6 months and at a reduced rate for relief periods from 6 to 24 months (in line with BID 33) 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.

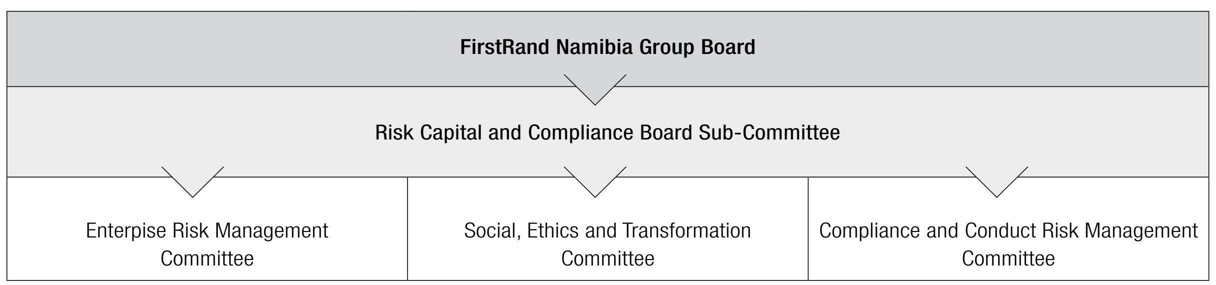
REGULATORY AND CONDUCT RISK

The Group Board is responsible for the management of regulatory and conduct risk management throughout the Group. The Board in executing this responsibility has:

- Delegated the responsibility to manage the group regulatory and conduct risk to the Risk Capital and Compliance Committee (RCCC). Reporting into the RCCC on compliance and conduct risk matters are both the Enterprise Risk Management Committee and the Social, Ethics & Transformation Committee, and the Compliance and Conduct Risk Committee.

- Approved a Regulatory and Conduct Risk Management framework and the group Code of Ethics as key governance documents setting out the board principles to creating an ethical and compliance culture; and

- Established an independent Regulatory and Conduct Risk Management department.



REGULATORY AND CONDUCT RISK continued

To aid the Group in achieving its strategic objectives the following key activities are performed by the Group Regulatory and Conduct Risk Department:

Regulatory Risk	• Develop and maintain up to date compliance risk management plans • Provide specialist advisory services and manage key internal and external stakeholder relationships
Financial Crime Risk	• Develop, implement and maintain effective Anti Money Laundering and Combating the Financing of Terrorism and Proliferation Financing measures to assist in protecitng the integrity of the platforms of the group and the country.
Business Conduct	• Oversee the Anti Bribery and Corruption Program • Managing the Declaration of Interest and Whistleblowing programs
Market Conduct	• Complaints Management oversight to ensure timely resolution • Ensuring that we continue to our commitment to Treating Customers Fairly
Monitoring and Assessment	• Perform indepdendent compliance monitoring to provide assurance on adequacy and effectiveness of controls impelmented to address key regulatory and conduct risks

Emerging Risks - Namibia's mutual evaluation to assess compliance with the FATF standards is in progress with any negative overall outcome likely to result in additional domestic and international regulatory pressure in future.

Regulatory and Conduct Risk

Regulatory compliance refers to all applicable compliance obligations, including the FirstRand Namibia Limited Group's adherence to applicable laws, regulations, regulatory directives, guidelines, and other applicable specifications such as codes of conduct relevant to specific businesses. As such **regulatory risk** refers to the risk of non-compliance together with related legal or regulatory sanctions, material financial loss, damage to reputation as a result thereof.

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

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

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.

REGULATORY AND CONDUCT RISK continued

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 2021	FY 2020
Total Operational Losses as a % of Gross Income	(0.2%)	0.9%	1.1%

Summarised commentary on operational risk events

- As per the BCBS 239 Risk Data Aggregation Reporting project fully adopted in FY 2021, operational losses are reported from a centralised internal operational loss data base in line with our approved methodology.
- The overall losses incurred were within the Group's risk appetite.
- External fraud continues to be an inherent risk to the Banking Industry, with account takeovers becoming a more predominant modus operandi. Card fraud losses also increased from approximately 3% of actual losses in FY 2020 to 5% of actual losses.
- Net internal fraud losses discovered in FY 2021 amount to approximately 0.05% of net pure losses for the financial year.
- A material insurance recovery relating to a foreign currency trade error in FY 2020 was recovered in FY 2021. Taking this recovery into account, the FY 2020 net pure losses have been restated and reduced to 1.1% of Gross Income.

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 are required. • Following the impact of a global pandemic, monitoring and protecting Employee Wellbeing is expected to remain a key priority (enforcing preventative measures to limit the spread of COVID-19; supporting employee mental health initiatives)	• Leverage an integrated group cybercrime strategy and cyber incident response plans. • Continue to improve the internal control environment, improve system security, IT risk processes and operational business resilience capability. • Continue to embed risk data management, aggregation and reporting. • Improve information management, roll out awareness programmes on records management and data quality. • Implementation of risk and compliance management strategy, risk appetite limits and effectiveness of risk and compliance management • Evolve risk management maturity while protecting an ethical risk culture.

FRAUD RISK

INTRODUCTION AND OBJECTIVES

The objective remains 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 times, act honestly, with integrity, and within the confines of the law. It furthermore remains the responsibility of the Group to ensure that adequate control and preventative measures are in place to combat all criminal activities, and to adhere to such controls.

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

Our main focus remains 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.

The governance of ethics plays a key role in fraud prevention by ensuring the continuance of the leading light programme which is a whistle-blower reward program against theft, fraud or corruption that recognises staff who display high ethical characteristics.

Fraud loss drivers under the external fraud category remains predominantly due to credit card fraud. The implementation of VbyV reduced the losses allowing the bank to enforce liability shift/chargeback. Identify theft and or account take over fraud also continues to a key factor on losses incurred and the bank is looking at biometrics. And different models such as the account take over and or mule account model to curb and or deter this type of fraud.

TRENDS

With COVID-19, we are seeing a tremendous increase in different scams e.g. BEC Fraud, tender scams, good scams etc with most of the connects and fraudulent payments being done cross border. E-wallet products are also being used as access mechanisms defraud customers.

Focus Areas

- The Group is piloting Data Analytics tools which aim to assist with proactive fraud detection and prevention.
- Client awareness: COVID-19 scams awareness, threats etc.
- SIM Swop project to manage client angst for losses suffered.
- FSR Fraud Risk Management Strategy socialising and execution.

IT RISK AND SECURITY GOVERNANCE

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

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

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

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

IT RISK AND SECURITY MANAGEMENT

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

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

IT RISK AND SECURITY FUTURE ENHANCEMENTS

Continued focus is on:

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

OUTSURANCE NAMIBIA RISK MANAGEMENT

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

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

Insurance risks

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

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

Underwriting strategy

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

Reinsurance strategy

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

Exposure to catastrophes and policies mitigating this risk

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

MARKET RISK

Treasury Risk Management

Market risk in the Banking Book and Liquidity risk are managed as part of the Treasury Risk function and are governed by the Framework for the Management of Banking Assets and Liabilities.

Market risk

Market Risk arises from adverse movements in market prices given long or short positions in impacted assets and or liabilities. The market risk framework outlines the principles of managing market risk in the Banking and Trading Book. The responsibility for determining market risk appetite vests with the board, which retains independent oversight of market risk related activities through the Risk Capital and Compliance committee (RCCC).

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 continued

Market Risk in the Banking Book

Market risk in the banking book mainly consist of interest rate risk (IRRBB), that is the effect that movements in interest rate have on the Banks financial position specifically its capital and earnings. Market Risk in the Banking book also includes currency risk in the banking book which is the net sum of all foreign currency assets and liabilities of the bank. This risk is expressed in the form of Net Open Foreign Exchange Position (NOFP). The latter is however insignificant for the FirstRand Namibia Group.

Interest Rate Risk

Causes of Interest rate risk in the Banking Book (IRRBB):

- **Repricing Risk** - Repricing Risk is represented by assets and liabilities that reprice or reset at different times resulting in a mismatch which can have a favourable or adverse impact on earnings.

- **Yield Curve Risk** - 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 different benchmark rates/yield curves are used for the pricing of different customer products.

- **Optionality** - the risk emanates from the difference in the actual client behaviour in terms of prepayments and withdrawal and the contractual profile of the product.

To reduce the volatility in interest rate margin and to produce a stable stream of interest income, IRRBB is managed dynamically within approved board limits.

Measurement of Interest rate Risk in the Banking Book (IRRBB)

IRRBB exposure is monitored regularly and reported quarterly to ALCCO using interest income sensitivity analysis. This measures the 12-month impact on future net interest income arising from various economic stress scenarios. It includes instantaneous 100, 200 and 300 basis points parallel shifts in the yield curve.

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

Impact of COVID-19 on IRRBB

The Bank of Namibia, in response to the COVID-19 pandemic reduced the repo rate by 25bps in the FY2021 bringing the cumulative interest rate cuts since the FY2020 to 300bps. The impact on earnings emanating from IRRBB was countered by the repricing of the fixed rated liabilities and the risk management strategies employed to manage IRRBB.

LIQUIDITY RISK

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

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

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

Liquidity risk is managed through a series of measures, which include stress tests. Reports are primarily based on contractual maturities with behavioural adjustments applied as appropriate. Daily monitoring and forecasting of liquidity positions is performed and includes the following key liquidity risk indicators:

- **Liquidity Coverage Ratio (LCR)** – which measures the high-quality liquid assets against the net cash outflows over the next 30 days. The actual position is monitored against management and board limits and escalated as per the governance framework and appetite statement.

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

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

Robust cashflow forecasting is an integral part of the bank's liquidity management process and aids in planning the banks immediate and future liquidity requirements. These risk management processes help to optimise the banks funding composition.

Impact of COVID-19

Expectation at the onset of the COVID-19 pandemic was that the affected industries and clients would have difficulty meeting their loan repayment obligations which would result in increased liquidity risk due to the widening of the gap between inflows and outflows. The Bank of Namibia temporarily relaxed some of the minimum regulatory requirements on Liquidity Risk which was intended to enable the banks to comply with the regulatory requirements during the pandemic.

Regulatory Requirement	BAU Regulatory Requirement	COVID-19 relieve Measure
Maximum Liquidity Mismatch Overnight to 7 days	0% Liquidity Mismatch	Mismatch Allowed, limited to Excess Liquid Asset
Maximum Liquidity Mismatch 8 days to one month	-5% Liquidity Mismatch	Banking institutions to set own Limits

The bank entered the COVID-19 pandemic era in a strong liquidity position owing to prudent and proactive liquidity risk management. In addition, the slowed economic activity as a result of the lock-down measures and the uncertainty regarding the economic outlook led to reduced private sector credit extension (PSCE) which reduced liquidity outflow for the bank.

As a result, the banks maximum liquidity mismatch for the year ended 30 June 2021 significantly exceeded the regulatory requirements even before the relieve measures. The bank experienced a growth in current account balances and a subsequent reduction in instutional funding and this resulted in lower liquidity risk given the differing behavioural adjustments applied to the various deposit lines.

Regulatory Requirement	BAU Regulatory Requirement	Actual Position
Maximum Liquidity Mismatch Overnight to 7 days	0% Liquidity Mismatch	+3% Liquidity Mismatch
Maximum Liquidity Mismatch 8 days to one month	-5% Liquidity Mismatch	+1% Liquidity Mismatch

REPUTATION RISK

The risk of reputational damage due to events such as compliance failures, pending litigations, underperformance or negative media coverage.

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 considered 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.

Environmental, Social and Climate Risk

Relates to environmental, social and climate risks which may impact or result from various other risk types

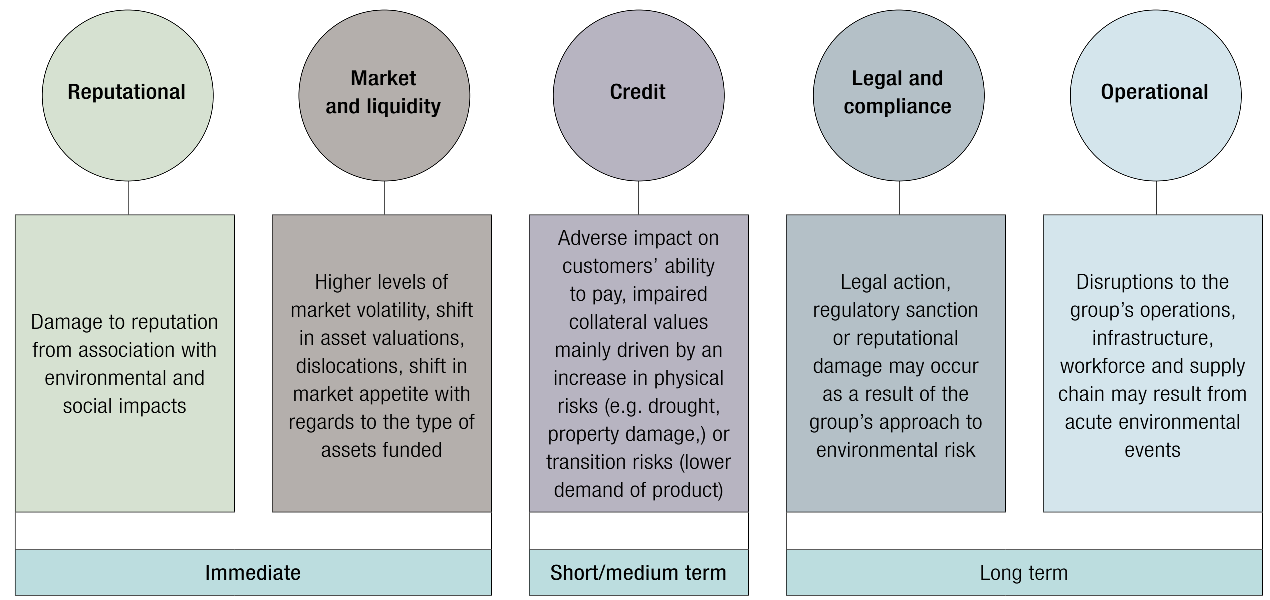
The group's environmental, social and climate risk management programme covers the following thematic focus areas

1. Water and marine resources management
2. Biodiversity and ecosystem management
3. Circular economy waste management
4. Polution prevention and control
5. Climate mitigation
6. Climate adaption

The Group adopted governance processes for managing environmental and social risk. These include lending due diligence environmental risk analysis approval process, reviewing the impact of natural capital risks on the group's lending portfolios, and the management of direct environmental impacts. Environmental and social risk management processes are integrated into the group's risk governance process, which is monitored by the Group social, conduct and ethics committee.

Environmental, social and climate risk is typically a cross-cutting risk issue and therefore cannot be managed in only one risk management function.

Risk impacts



Climate change is a defining issue of this century, with significant focus being placed on it at governmental, business and societal level. The group has a climate-related risk management programme which focus on governance, strategy, risk management, risk metrics, targets and risk disclosure.

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

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

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

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

Capital management

FirstRand Namibia has maintained a **sound capital position with the highest capital adequacy ratio (CAR) in the market,** despite the current COVID-19 pandemic and the impact that it had on the Namibian economy. The group continues to endeavour to maintain sufficient capital that exceeds regulatory and economic capital requirements. The Group's Capital is managed on a forward-looking basis, considering the three-year forecast including budget and stress scenarios. The core objective of Capital Management is to **maintain sound capital ratios and strong credit rating** which is in line with our risk profile and risk tolerance objectives.

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

- To comply with the capital adequacy requirements (CAR) set by the Bank of Namibia as per BID 5A and BID 5 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;
- To maintain a strong capital base to support the growth of its business, protect its depositors and creditors and to promote and uphold public confidence; and
- To maintain strong credit ratings.

GOVERNANCE AND OVERSIGHT

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

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

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

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

CAPITAL RISK MANAGEMENT

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

The stress testing process amongst other factors determines the buffer.

The 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.

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

DIVIDEND POLICY

The dividend policy plays a pivotal role in the management of the group's CET1 position. The group used a dividend cover of 1.8 (2020: 2) for the 2021 financial year. The long-term dividend cover range remains unchanged at 1.8x to 3x. The interim and final dividends were 94 cents and 118 cents respectively.

CAPITAL OVERVIEW AND COMPLIANCE

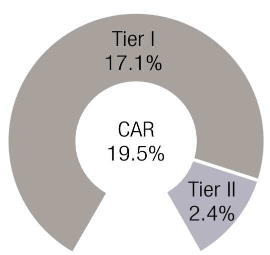
The supply of capital consists of the sum of Tier 1 and Tier 2. The criteria of the instruments that qualifies as regulatory capital is stipulated in the BID 5A. The following diagram illustrates the key components of the various capital elements:

Tier 1	Tier 2
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	• Qualifying capital instruments • Revaluation reserves • Loan loss reserves • Unaudited profits (approved by the board, with a phase-out over 5 years, after which only “reviewed” profits are included in Tier 1 capital)

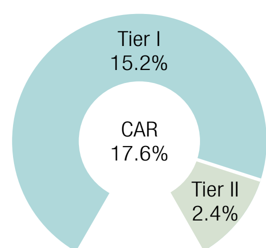
Banking group capital adequacy

The group continues to maintain a position of strength and remained well capitalized with a CET1 ratio of 17.1%, above the end state requirement of 12.50% (excluding the temporary reduction of the Capital Conservation Buffer to 0% from 1.5%) The actual capital adequacy ratio for Bank and Group exceeds the Board set targets.

June 2021



June 2020



REGULATORY DEVELOPMENTS AND PROPOSALS

With the adoption of Basel III in 2018, the applicable minimum ratios per year to the original end-state requirement 2022 would have been as per below. However, following the COVID-19 relief measures announced in the Directive BID33 issued on 26 March 2020, applicable for a two year period the minimum requirement target for 2021 reduced to 10%.

	Phased-in 2020	Phased-in 2021	End-state 2022	COVID-19 relief	Board Limits
Core equity	6.0%	6.0%	6.0%	6.0%	-
Capital conservation buffer	1.5%	2.0%	2.5%	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%	10.0%	7.5%	-
Tier 1 (maximum)	2.5%	2.5%	2.5%	2.5%	-
Total CAR minimum	11.5%	12.0%	12.5%	10.0%	>14.0%

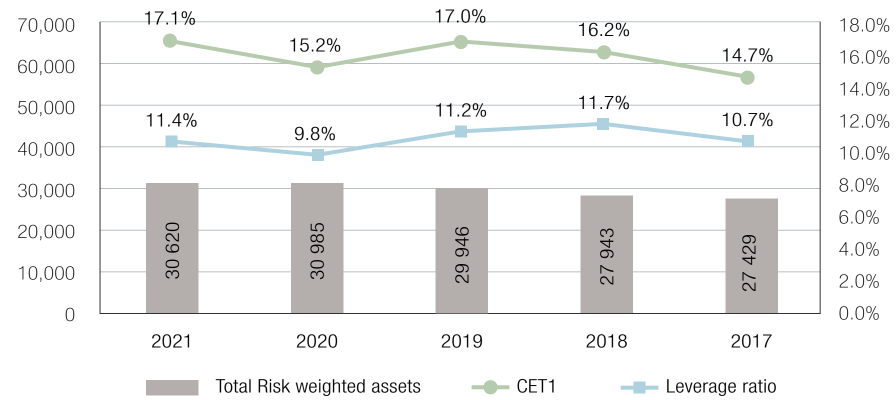
During 2018 BoN published BID-5A, an updated determination on the measurement and calculation of capital charges for credit risk, operational risk and market risk for domestic systemically important banks, that came into effect on 01 September 2018. The updated determination introduced major adjustments to capital components, measures, limits and new buffers. However, 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 2years. 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%; and
- To increase the Banks’ lending capacity the Single Obligor Limit which set at 25% in December 2019 was revoked and reverted to 30% of the group’s qualifying capital.

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

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.

OUTSURANCE

OUTsurance's capital adequacy is measured by the solvency coverage ratio expressed as the shareholders' funds divided by the solvency capital requirement calculated as 25% of net written premium. The target solvency coverage ratio of 1.2 has been set considering the likelihood and impact of various stress scenarios coupled with the unique risk profile of the business. At 30 June 2021 the solvency ratio remained stable at 2.3 (2020: 2.3) despite the earnings being lower than expected due catastrophe claims during January and February. The capital adequacy remained stabled due to the capital base reducing proportionally and the dividend pay-out ratio remaining unchanged. A dividend of N$27 million (2020: N$27 million) was declared during the current financial year.

Capital adequacy of Banking Operations and Regulated consolidated group

	Banking operations		Regulated consolidated group	
	Year ended 30 June		Year ended 30 June	
N$'000	**2021**	2020	**2021**	2020
Risk weighted assets				
Credit risk	25 596 209	26 149 501	25 727 559	26 285 613
Market risk	51 134	38 256	51 134	38 256
Operational risk	4 972 202	4 796 815	5 093 106	4 915 351
Total risk weighted assets	30 619 545	30 984 572	30 871 798	31 239 220
Regulatory capital				
Share capital and share premium	1 142 792	1 142 792	282 148	282 148
Retained profits	4 175 579	3 650 827	5 298 061	4 792 448
Other disclosed reserves	6 334	6 086	-	-
Capital impairment: intangible assets	(81 599)	(81 349)	(112 116)	(100 991)
Total tier 1	5 243 106	4 718 356	5 468 093	4 973 605
Eligible subordinated debt	400 000	400 000	400 000	400 000
General risk reserve, including portfolio impairment	319 953	326 869	319 958	327 011
Capital impairments*	-	-	(19 945)	(19 944)
Total tier 2	719 953	726 869	700 013	707 067
Total tier 1 and tier 2 capital	5 963 059	5 445 225	6 168 106	5 680 672
Banking group				
Capital adequacy ratios				
Tier 1	17.1%	15.2%	17.7%	15.9%
Tier 2	2.4%	2.4%	2.3%	2.3%
Total	19.5%	17.6%	20.0%	18.2%
Tier 1 leverage ratio	11.4%	9.8%	12.5%	10.8%

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

5 Year review

STATEMENT OF COMPREHENSIVE INCOME

N$ million	2021	2020	2019	2018	2017
Net interest income before impairment of advances	1 877	2 013	2 012	1 820	1 765
Impairment and fair value of credit on advances	(238)	(560)	(215)	(128)	(59)
Net interest income after impairment of advances	1 639	1 453	1 797	1 692	1 706
Non-interest revenue	1 954	1 905	1 820	1 796	1 553
Net insurance income	63	84	81	89	79
Income from operations	3 656	3 442	3 698	3 577	3 338
Operating expenses	(2 126)	(2 174)	(2 069)	(1 981)	(1 663)
Net income from operations	1 530	1 268	1 629	1 596	1 675
Share of (loss)/profit from associates	-	(14)	3	1	3
Income before tax	1 530	1 254	1 632	1 597	1 678
Indirect tax	(38)	(45)	(47)	(46)	(41)
Profit before tax	1 492	1 209	1 585	1 551	1 637
Direct tax	(460)	(376)	(499)	(490)	(524)
Profit for the year	1 032	833	1 086	1 061	1 113
Other comprehensive income for the year	-	-	(1)	(3)	(1)
Total comprehensive income for the year	1 032	833	1 085	1 058	1 112
Profit attributable to:					
Equity holders of the parent	1 022	819	1 071	1 040	1 093
Non-controlling interests	10	14	14	21	20
Total comprehensive income for the year attributable to:					
Equity holders of the parent	1 022	819	1 071	1 037	1 092
Non-controlling interests	10	14	14	21	20
	1 032	833	1 085	1 058	1 112
Reconciliation of earnings attributable to ordinary shareholders and headline earnings					
Earnings attributable to ordinary shareholders	1 022	819	1 071	1 040	1 093
Headline earnings adjustments:	1	48	-	-	(7)
Headline earnings	1 023	867	1 071	1 039	1 086

STATEMENT OF FINANCIAL POSITION

N$ million	2021	2020	2019	2018	2017
Assets					
Cash and cash equivalents	1 299	1 115	1 390	1 346	1 466
Due from banks and other financial institutions	2 958	4 442	2 804	2 782	2 668
Derivatives financial instruments	315	519	459	94	95
Advances	30 207	29 994	30 298	28 532	28 259
Investment securities	7 186	8 534	7 807	5 266	3 866
Other assets	1 477	1 263	1 382	1 390	1 456
Total assets	43 442	45 867	44 140	39 410	37 810
Equity and liabilities					
Liabilities					
Deposits	35 664	38 427	35 886	31 546	30 488
Due to banks and other financial institutions	133	118	428	897	1 193
Derivative financial instruments	317	534	481	110	116
Other liabilities	1 682	1 788	1 931	1 841	1 472
Total liabilities	37 796	40 867	38 726	34 394	33 269
Equity					
Equity attributable to equity holders of the parent	5 586	4 938	5 352	4 943	4 479
Non-controlling interests	59	62	62	73	62
Total equity	5 646	5 000	5 414	5 016	4 541
Total equity and liabilities	43 442	45 867	44 140	39 410	37 810

RATIOS AND SELECTED FINANCIAL INFORMATION

	2021	2020	2019	2018	2017
Ratios:					
Return on assets (earnings on average assets) (%) - normalised	2.3	1.9	2.6	2.7	3.0
Return on equity (earnings on average equity)(%)	19.4	16.0	20.8	22.1	25.6
Cost to Income ratio (%)	54.6	52.6	52.9	53.3	48.9
Share statistics:					
Closing share price - ordinary (cents)	2 730	3 178	3 500	4 498	4 711
Price / Earnings ratio	7.1	10.1	8.5	11.3	11.2
Earnings yield (%)	14.0	9.9	11.7	8.8	8.9
Price to Book	1.3	1.7	1.7	2.4	2.7
Basic earnings per share (cents)	390.9	313.4	409.8	397.4	418.9
Headline earnings per share (cents)	391.2	331.8	409.8	398.6	416.2
Net asset value per share (cents)	2 136	1 888	2 050	1 892	1 716
Market capitalisation	7 305	8 504	9 366	12 036	12 606
Dividend information:					
Dividends per share - ordinary dividend declared (cents) *	212	154	208	204	204
* *based on current year profits*					
Dividends per share - ordinary dividend paid (cents) **	144	221	204	204	213
** *based on dividends paid within financial year*					
Dividend per share - special dividend declared (cents)	-	-	250	-	-
Dividend yield - ordinary dividend (%)	7.8	4.8	5.8	4.5	4.3
Dividend cover (times) based on total dividends	2.0	2.0	2.0	2.0	2.0
Capital adequacy					
Banking group (%)	19.5	17.6	19.4	18.7	17.2
Consolidated group (%)	20.0	18.2	19.9	19.1	17.4
Number of staff	2 085	2 287	2 316	2 399	2 350

06

FIRSTRAND GROUP ANNUAL FINANCIAL STATEMENTS

Directors' responsibility statement

To the shareholders of FirstRand Namibia Limited

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

In discharging this responsibility, the directors rely on management to prepare the consolidated and separate annual financial statements and for keeping adequate accounting records in accordance with the group's system of internal control. 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 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 139 to 188.

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

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

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

The group's external auditors, Deloitte & Touche, have audited the financial statements and their report appears on page 130 to 134.

The consolidated annual financial statements of the group, which appear on pages 189 to 307 and the separate annual financial statements of the company, which appear on pages 308 to 321 were approved by the board of directors on 18 August 2021 and signed on its behalf by:

I I Zaamwani – Kamwi	C Dempsey
Chairperson	Chief Executive Officer

Windhoek
18 August 2021

Independent auditor's report

to the Members of FirstRand Namibia Limited

Opinion

We have audited the consolidated and separate financial statements of FirstRand Namibia Limited set out on pages 118 to 123 and 135 to 321, which comprise the consolidated and separate statements of financial position as at 30 June 2021 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 2021 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of Namibia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the FirstRand Namibia 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	How the matter was addressed in the audit
Impairment of advances	
International Financial Reporting Standards (IFRS) 9 *Financial Instruments* remains an area of significant management judgement and estimation. The Group 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 was again complicated by the continued impact of the Covid-19 pandemic and the and the significant economic impact thereof. 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's advances broadly fall into three broad customer segments: • Retail; • Commercial (both as part of the First National Bank (FNB) segment); 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 advances was considered to be a matter of significant importance to our current year audit due to the following: • Advances are material to the financial statements; • The level of judgement applied in determining the ECL on advances; • 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's probability-weighted macroeconomic scenario reports and analysed the outlined methodology, scenario views and associated probabilities in terms of the principles of IFRS 9, including the review of the approval of the macroeconomic outlook. 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 all material retail and commercial advances portfolios with the assistance of our credit and actuarial experts: • 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 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's 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.

Key audit matter – Group	How the matter was addressed in the audit
Impairment of advances	
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 continued 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 1.4 - Accounting policy for financial instruments; • Note 1.9 – Critical accounting estimates, assumptions and judgements; • Note 13 - Advances to customers; • Note 14 - Impairment of advances; and • Note 36 – Financial risk management.	**Corporate advances** We performed the following procedures on the ECL for corporate advances with the assistance of credit and actuarial experts: • 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 information or other widely available market data; • Assessed 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. In conclusion, we determined the impairment of allowances to be within a reasonable range.

Other information

The directors are responsible for the other information. The other information comprises the about our integrated report and at a glance section. The other information also includes the leadership for value creation and preservation through good governance, sustainability creating value through strategy, driving performance and supplementary information sections as well as the Directors' Responsibility Statement, 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.

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.

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

We also:

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated 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
9 September 2021

Deloitte Building, Maerua Mall Complex, Jan Jonker Road, Windhoek
PO Box 47, Windhoek, Namibia

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

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

Directors' report

NATURE OF BUSINESS

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

Page 325 for a simplified group structure.

SHARE CAPITAL

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

The company's authorised share capital at year-end consists of 990 000 000 (2020: 990 000 000) ordinary shares of 0,5 cents each and 10 000 000 (2020: 10 000 000) cumulative convertible redeemable preference shares of 0,5 cents each.

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

SHARE ANALYSIS – ORDINARY SHARES

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

FirstRand EMA Holdings (Pty) Limited	58.4%	(2020: 58.4%)
Government Institutions Pension Fund	15.1%	(2020: 14.8%)

A detailed analysis of shareholders is set out on page 326.

SHARE ANALYSIS – PREFERENCE SHARES

RMB-SI Investments (Pty) Limited	100%	(2020: 100%)

DIVIDENDS

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

N$'000	2021	2020
Cents per share		
Interim (declared February)	94	104
Final (declared August)	118	50
	212	154

GROUP RESULTS AND COVID-19 IMPACT

The financial statements on pages 130 to 134 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 chairman's report (page 40), the chief executive officer's report (page 74) and the chief financial officer's report (page 86) on the financial results.

DIRECTORATE

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

The FirstRand Namibia Limited Board Chairperson is an independent non-executive director, whose role is separate from that of the chief executive officer. The Chairperson held office till the first board meeting in 2021, where she was duly re-elected after consideration of her independence. The Chairperson continues to provide the FirstRand Namibia Limited the direction necessary for an effective board.

THE COMPOSITION OF THE BOARD OF FIRSTRAND NAMIBIA LIMITED IS AS FOLLOWS:

II Zaamwani-Kamwi (Chairperson)
C Dempsey** (Chief Executive Office)
OLP Capelao (Chief Financial Officer)
JG Daun
P Grüttemeyer
CLR Haikali
JH Hausiku
JR Khethe*
IN Nashandi

* *South African*
*** South African with Namibian Permanent Residence*

BOARD CHANGES

During the period under review Mr G Kruger and Adv GS Hinda resigned effective 19 August 2020 and 03 November 2020 respectively.

Mr S van Zyl and Mr S Moir retired as directors effective 30 September 2020 and 31 December 2020 respectively. Mr C Dempsey was appointed as director and CEO effective 01 October 2020.

DIRECTORS' EMOLUMENTS

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

MANAGEMENT BY THIRD PARTIES

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

INSURANCE

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

PROPERTY AND EQUIPMENT

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

HOLDING COMPANY

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

SUBSIDIARIES

Interest in subsidiaries are set out in note 32 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.

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.

DIRECTORS INTEREST IN FIRSTRAND NAMIBIA LIMITED

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

Directly

N$'000	2021 Number of ordinary shares	% Holding	2020 Number of ordinary shares	% Holding
Zaamwani-Kamwi II	54 463	0.020%	54 463	0.020%
Moir SH**	-	-	6 000	0.002%
Haikali CLR	68 550	0.026%	15 506	0.006%
Capelao OLP	149 649	0.056%	149 649	0.054%
Dempsey C *	37 433	0.014%	-	-
van Zyl SJ **	-	-	130 399	0.049%
	316 095	0.116%	356 017	0.133%

Indirectly

N$'000	2021 Number of ordinary shares	% Holding	2020 Number of ordinary shares	% Holding
Moir SH**	-	-	1 900	0.001%
Haikali CLR	3 018 199	1.128%	3 018 199	1.128%
Gruttemeyer P	50 860	0.019%	50 000	0.019%
	3 070 099	1.148%	3 070 099	1.148%

* *Prior year not disclosed as he was not a director during 2020 financial year.*

** *Current year not disclosed as he is not a director at 30 June 2021.*

Accounting policies

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)	New standards adopted in the current year (section 1.3)
2	Subsidiaries and associates	Consolidation and equity accounting (section 2.1)	Related party transactions (section 2.2)	
3	Income, expenses and taxation	Income and expenses (section 3.1)	Taxation (section 3.2)	
4	Financial instruments IFRS 9	Classification 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	Non-banking activities	Insurance activities (section 8.1)	Investment management activities (section 8.2)	
9	Critical judgements	Introduction (section 9.1)	Subsidiaries and associates (section 9.2)	Taxation (section 9.3)
		Impairment of financial assets (IFRS 9) (section 9.4)	Provisions (section 9.5)	Transactions with employees (section 9.6)
		Insurance activities (section 9.7)		

1. INTRODUCTION AND BASIS OF PREPARATION

The FirstRand 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 2021, 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. INTRODUCTION AND BASIS OF PREPARATION

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

Presentation	The group presents its statement of financial position in order of liquidity. Where permitted or required under IFRS, the group offsets assets and liabilities or income and expenses and presents the net amount in the statement of financial position or 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.

1. INTRODUCTION AND BASIS OF PREPARATION continued

1.1 COVID-19 Impact

Since the outbreak of the coronavirus (COVID-19) pandemic, Namibia and the rest of the world have experienced both a first, second and third wave of infections. **The impact of the spread of COVID-19 continues to be felt across the global economy,** with many governments across the world reinstituting national lockdowns which has resulted in extensive travel restrictions and quarantine measures being maintained, all of which impacts on the current state of the global economy.

Although the successful rollout of vaccines is expected to boost global economic growth, it is still not possible to accurately predict the full extent and duration of COVID-19 and its economic impact.

Contained within the specific areas of judgement detailed in note 9 of the accounting policies, are additional judgements relating to the impact of COVID-19.

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 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 9.4 *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 9.4 *Impairment of financial assets*

1. INTRODUCTION AND BASIS OF PREPARATION continued

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 128.

1.3 New standards adopted in the current year continued

New standards adopted in the current year

None of the new or amended IFRS which became effective for the year ended 30 June 2021 impacted the group's reported earnings, financial position or reserves, nor the accounting policies. Additional disclosures have been provided relating to the Interest Rate Benchmark Reform – Phase 1 and Phase 2.

New / revised IFRS	Description of change	Impact on FirstRand group
Conceptual framework	The amendments revise the definitions of an asset and liability, updating the recognition criteria for including assets and liabilities in financial statements and the following provides additional clarification of the following principles - prudence, stewardship, measurement uncertainty and substance over form. Minor amendments have also been made to various other standards as a result of the amendments to the Conceptual Framework.	The amendments did not have a significant impact on the group's accounting policies.
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.	This amendment will be applied by the group for any future business combination transaction.
IAS 1 and IAS 8	**Amendments regarding the definition of material** The amendments align 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 amendments did not have a significant impact on the group's accounting policies.

1. INTRODUCTION AND BASIS OF PREPARATION continued

1.3 New standards adopted in the current year continued

New / revised IFRS	Description of change	Impact on FirstRand group
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	**Phase One** 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 is based is 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 alternative risk-free rates (ARRs).	These amendments did not have a significant impact on the group.

1.3 New standards adopted in the current year continued

New / revised IFRS	Description of change	Impact on FirstRand group
Interest Rate Benchmark Reform Phase 2, (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	**Phase Two** The amendments provide temporary reliefs which address the financial reporting effects when an IBOR is replaced with an alternative nearly risk-free interest rate (RFR). These included: • Practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred. Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognised. If they are not substantial, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognised in profit or loss. • The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Permitted changes include redefining the hedged risk to reference an RFR and redefining the description of the hedging instruments and/or the hedged items to reflect the RFR. Entities are allowed until the end of the reporting period, during which a modification required by IBOR reform is made, to complete the changes. • The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. The relief allows entities upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months.	Although the amendments are effective for periods beginning on or after 1 January 2021, the group elected to early adopt the Phase Two amendments. In doing so, the practical expedients were applied for advances and lease receivables where changes in the movement in a market rate of interest impacted by IBOR, was treated as a change in a floating interest rate and not as a modification in terms of IFRS 9. Any other changes to the interest rate made at the same time were assessed to determine if they were substantial enough to warrant a derecognition event or if not deemed significant, then to update the EIR and recognise the resultant modification gain or loss. The other temporary relieves provided under Phase Two, relate to hedge accounting under IFRS 9. The group has evaluated the relief provided against the current hedges in place and noted that no adjustment was necessary. Furthermore, it was noted that no comparative information required restatement and as such, there was no impact on the current period opening reserves balance upon early adoption. Early adoption required the group to provide the following disclosure: • How the group is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform; • Disaggregated by each significant IBOR benchmark, quantitative information about financial instruments that have yet to transition to RFRs; and • If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes. Note 36 for these disclosures.

2. SUBSIDIARIES AND ASSOCIATES

2.1 Basis of consolidation and equity accounting

	Subsidiaries and other structured entities	Associates
Typical shareholding in the assessment of entities that are not structured entities	Greater than 50%	Between 20% and 50%
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.
Associates		
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.	Associates are initially recognised at cost (including goodwill) and subsequently equity accounted. The carrying amount is increased or decreased to recognise the group's share of profit or loss from the investee after the date of acquisition. Items that impact the investee's net asset value that don't impact other comprehensive income are recognised directly in gains less losses from investing activities within non-interest revenue.
Intercompany transactions and balances	Intercompany transactions are all eliminated on consolidation, including unrealised gains. Unrealised losses on transactions between group entities are also eliminated unless the transaction provides evidence of impairment of the transferred asset, in which case the transferred asset will be tested for impairment in accordance with the group's impairment policies.	Unrealised gains on transactions are eliminated to the extent of the group's interest in the entity. Unrealised losses are also eliminated to the extent of the group's interest in the entity, unless the transaction provides evidence of an impairment of the transferred asset.

2.1 Basis of consolidation and equity accounting

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 ASSOCIATES

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.	Notional goodwill on the acquisition of associates and joint ventures is included in the equity accounted carrying amount of the investment.
Non-controlling interest	Non-controlling interests in the net assets of subsidiaries are separately identified and presented from the group's equity. All transactions with non-controlling interests, which do not result in a loss of control, are treated as transactions with equity holders. Partial disposals and increases in effective shareholding between 50% and 100% are treated as transactions with equity holders. Non-controlling interest is initially measured either at the proportional share of net assets or at fair value. The measurement distinction is made by the group on a case-by-case basis.	Transactions with other shareholders are not equity transactions and the effects thereof are recognised in profit or loss as part of gains less losses from investing activities in non-interest revenue.

2.2 Related party transactions

Related parties of the group, as defined, include:

Subsidiaries	Associates	Joint venture	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 the FirstRand Namibia Limited group is FirstRand EMA Holdings (Pty) Ltd, incorporated in South Africa, with the ultimate holding company being FirstRand Limited.

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

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;

3.1 Income and expenses 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. Unless specifically stated otherwise, the group is the principal in its revenue arrangements as the group controls the goods and services before transferring them to the customer.	
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. • Other non-banking fee and commission income. The vast majority of fee and commission income is earned on the execution of a single performance obligation and as such, it is not necessary to make significant judgements when allocating the transaction price to the performance obligation. As such, fee and commission income which typically includes transactional banking fees, such as bank charges, interchange fees, point-of-sale fees, exchange commissions, cash deposit fees and knowledge-based fee and commission income, are recognised at a point in time. Where the distinct performance obligation is satisfied over a period of time, the fees are recognised as follows: • Fees for services rendered are recognised on an accrual basis as the service is rendered and the group's performance obligation is satisfied, e.g. annual card fees and asset management and related fees; 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. Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking, insurance and asset management operations. This includes fee and commission income earned from providing services on behalf of third-party service providers, in effect acting as an agent. The revenue is recognised at a point in time and includes commission earned from the sale of prepaid airtime, data vouchers, electricity and traffic fines paid through FNB channels, as well as insurance commission.

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.
Insurance income – non-risk related	Where the group is acting as an agent, commissions and brokerage earned on the sale of insurance products to customers of the group on behalf of an insurer, is recognised at the point that the significant obligation has been fulfilled.
Insurance income – risk-related	Insurance-related income represents the premium written on short-term products which transfer significant insurance risk to the group, where the earned portion of the premium received is recognised as revenue. Reinsurance premiums are accounted for as expenses in the same accounting period as the premiums to which the reinsurance relates. Commissions payable, together with insurance benefits, claims and movements in insurance liabilities, provide the resultant insurance risk-related income.

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 Taxation

Income tax includes Namibian and foreign 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.

4.1 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		
Retail advances	Business model	Cash flow characteristics
	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.	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.	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.

4.1 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.
Cash and cash equivalents		
Cash and cash equivalents	Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. These assets are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.
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.		
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 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.

Accounting policy note 9.4 where all risk parameters, scenarios and sources of estimation are detailed more extensively.

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 36 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.

4.2 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.

4.4 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.

4.5 Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially and are subsequently measured at fair value. 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 fair value through profit and loss.

5. OTHER ASSETS AND LIABILITIES

5.1 Classification and measurement

Classification	Measurement
Property and equipment (owned and right of use)	
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 - Motor vehicle 5 years - Sundries 3 – 5 years - IT equipment 3 – 5 years - Other equipment: Various 3 – 10 years - Furniture and fixtures 5 - 10 years

5.1 Classification and measurement continued

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 Customer related intangibles 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

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.

5.2 Leases continued

	Group company is the lessee	Group company is the lessor
Over the life of the lease	Each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROUA is subsequently measured at cost less accumulated depreciation and impairment losses. The asset is depreciated over the lease term on a straight-line basis, where ownership is not transferred at the end of the lease term. If ownership is transferred at the end of the lease term, the asset is depreciated over the shorter of the lease term or useful life. The group applies IAS 36 to determine whether a ROUA is impaired and accounts for any identified impairment loss.	Unearned finance income is recognised as interest income over the term of the lease using the effective interest method. Finance lease receivables are assessed for impairment in terms of IFRS 9, as set out in the impairment of financial assets policy section 4.2. Interest on finance lease receivables that are credit-impaired (stage3), is recognised and calculated by applying the original effective interest rate to the net carrying amount
Presentation	The lease liability is presented in other liabilities in the consolidated statement of financial position. The 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.

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.
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. TRANSACTIONS WITH EMPLOYEES continued

7.2 Share-based payment transactions

The group operates a cash-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. NON-BANKING ACTIVITIES

8.1 Insurance activities

Insurance activities include contracts issued by the group, which transfer significant insurance risk or financial risk. Furthermore, the group has entered into reinsurance contracts.

Insurance contracts are contracts under which the group, as the insurer, accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more (at least 10%) than the benefits payable if the insured event did not occur. The group issues insurance contracts in terms of the Short-Term Insurance Act 4 of 1998 (Short-term Act).

Investment contracts which are linked fund policies which fall within the scope of the Insurance Act are viewed as a form of long-term insurance from a legal perspective, however, as investment contracts do not convey insurance risk upon the company, they are scoped out of IFRS 4 and are accounted for in terms of IFRS 9. Investment contracts are classified as financial liabilities, measured at fair value through profit or loss.

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

8. NON-BANKING ACTIVITIES continued

8.1 Insurance activities continued

Insurance contracts	
Definition	Contracts that transfer significant insurance risk to the group and are within the scope of IFRS 4.
Recognition	Insurance policies are recognised when contracts are concluded between the policyholder and the group.
Premiums	Premium revenue comprises premiums on contracts that become due and payable during the current reporting period irrespective of whether the contract was entered into during the current or a previous reporting period. Premiums are recognised gross of commission payable to intermediaries and reinsurance premiums, but net of taxes and levies and are recognised in profit or loss as part of premium income in non-interest revenue.
Claims paid	Claims and benefits paid consist of claims and claims handling expenses paid during the financial year and are determined by the market value of the indemnification received by the policyholder.
Acquisition costs	Acquisition costs include all commission and expenses directly related to acquiring new business.
Claims and benefits paid	Claims and benefits paid consist of claims and claims handling expenses paid during the financial year and are determined by the market value of the indemnification received by the policyholder.
Policyholder liability	In terms of IFRS 4, measurement of policyholder liabilities arising from insurance contracts are measured using existing local practices.

8. NON-BANKING ACTIVITIES continued

8.1 Insurance activities continued

Short-term insurance contracts	
Policyholder liability / Reinsurance asset	Comprises: • Provision for claims reported but not paid; • Provision for claims incurred but not reported (IBNR); and • Provision for unearned premiums. Measured at the best estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date, whether reported or not, and related internal and external claims handling expenses.
Income statement impact of movements in the policyholder liabilities / reinsurance assets	Adjustments to the amounts of policyholder liabilities for policies established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately, if material.
Liability adequacy test	The net liability recognised is tested for adequacy by calculating current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability. Where a shortfall is identified, an additional liability and the related expense are recognised.
Acquisition costs	Expensed as incurred.
Insurance premium receivables and payables	Amounts due to and from agents, brokers and policyholders are recognised as part of other assets or payable on the statement of financial position when due/receivable. Receivables recognised are assessed for impairment and an impairment provision is raised when recovery of amounts owed by the group is doubtful. Collection rates, applicable to the product arrears rules, are applied to amounts that are not successfully collected from premium receivables to determine the amount that is recoverable. The recoverable amount is excluded from amounts that are not successfully collected. The unrecoverable amount is then included in the measurement of the impairment provision. The collection rates are determined using historical information and trends available to the company. The unrecoverable amount is determined on a product level.

8.1 Insurance activities continued

Reinsurance contracts held	
Definition	Contracts that give rise to a significant transfer of insurance risk from the group to another insurance entity.
Premiums/ recoveries	Premiums paid are recognised as a deduction of insurance premiums in non-interest revenue at the undiscounted amounts due in terms of the contract, when they become due for payment. Recoveries are recognised in profit or loss as part of insurance premiums in non-interest revenue in the same period as the related claim at the undiscounted amount receivable in terms of the contract.
Reinsurance assets	The benefits to which the group is entitled under its reinsurance contracts are recognised as assets including: • short-term balances due from reinsurers on settled claims (included in other assets); and • receivables that are dependent on the expected claims and benefits arising under the related insurance contracts (classified as reinsurance assets). Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance assets are assessed for impairment if there is objective evidence, by applying IFRS 4 impairment considerations for reinsurance assets, that the group may not recover all amounts due and the impact on the amounts that the group will receive from the reinsurer are reliably measurable.
Income statement impact of movements in reinsurance assets	Any difference between the carrying amount of the reinsurance asset and the recoverable amount is recognised in profit or loss as an adjustment to insurance premiums included in non-interest revenue.

8.2 Investment management activities

Certain divisions within the group engage in investment management activities that result in the managing of assets on behalf of clients. The group excludes assets related to these activities from the statement of financial position as these are not assets and liabilities of the group, but of the client and are held in a fiduciary capacity. However, the group discloses the value of the assets in its notes.

The fee income earned and fee expenses incurred by the group relating to these activities are recognised in fee and commission income and expenses within non-interest revenue in the period to which the service relates.

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

9.1 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 33.

9.2 Subsidiaries and associates

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.

9.2 Subsidiaries and associates 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.
Associates	
Determining whether the group has significant influence over an entity: • Significant influence may arise from rights other than voting rights, for example management agreements. • 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.	

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.2 Subsidiaries and associates 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.

9.2 Subsidiaries and associates

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

9.3 Taxation

The group is subject to direct tax in Namibia and South Africa 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.

9.4 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.

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 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 2021:

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 2020 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.

9.4 Impairment of financial assets continued

Namibia

Namibia continues to grapple with weak economic conditions as 1Q-2021 GDP figures show that the economy contracted by 6.5% y/y, compared to a 2.5% contraction observed in the 1Q-2020. The weakness in the economy was broad based across the sectors with only 5 sectors recording positive growth. The second quarter has been marred by a severe third wave of COVID-19 which prompted the government to introduce stricter regulations related to domestic travel and public gatherings. Namibia has also been blacklisted by Germany, the UAE and the US for travel, which will have a continued detrimental impact on tourism-related sectors. Furthermore, after only fully vaccinating 0.9% of the population, the Ministry of Health has limited stock of vaccines and has thus suspended the vaccination roll-out at some vaccination sites until further notice.

Considering the impact of the third wave, we now expect the economy to contract by -0.2% in 2021. While our baseline view incorporates some growth in the base moving forward, the size of the economy in real GDP terms will not reach pre-pandemic levels by the end of the forecast horizon. The Namibian economy has suffered severe base erosion even before the pandemic, with 9 out of the last 10 quarters pre-pandemic recording contractions. The long period of contraction has resulted in capital degradation and continues to weigh on investment prospects. This has severe adverse implications for the outlook of the labour market which, together with below-inflation wage increases, high levels of indebtedness and a deteriorating employment situation has put a lid on private consumption, which we expect to grow by only 1.5% in 2021. Additionally, the government's ability to stimulate the economy is restricted as government consumption is expected to decline by 0.9% in 2021. The effects thereof are already visible in the Government Wage Index which recorded slow growth of 0.1% in the first quarter of 2021.

Compounding the above is lower than expected diamond production owing to a mining vessel that is expected to be under maintenance over the next 12 months.

Inflation is expected to remain elevated relative to 2020 levels with the outlook at 4.1% in 2021 average and 4.4% in 2022.

This revision is supported firstly by higher food prices expected during this period, particularly for grain and meat products.

Secondly, global oil prices are expected to continue to increase over the course of the year, which will impact domestic fuel prices. Thirdly, the Electricity Control Board has announced an increase in electricity tariffs of 2.92%.

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 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.

30 June 2021

Namibia	Upside scenario	Baseline expectation	Downside scenario
Real GDP growth (%)	2.25%	1.4%	(1.6%)
Policy interest rate (%)	2.75%	3.88%	6.25

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 2021		
Scenarios		
Baseline	1 350 420	(0.9%)
Upside	1 307 705	(4.1%)
Downside	1 407 261	3.1%

	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%

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.

9.4 Impairment of financial assets continued

Financial relief offered in response to the impacts of COVID-19

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 28 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 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.

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.

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Judgement	Retail and retail SME	Wholesale and commercial SME
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. 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.	

9.5 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.

9.6 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. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS
continued

9.7 Insurance activities

Short-term insurance contracts	
Determination of policyholder liability for short-term insurance contracts	OCRs are derived from actual claims submitted and a repudiation factor is applied when calculating the reserve based on historical claim repudiation rates. For intimated claims represent claims where the incident giving rise to a claim has occurred and has been reported to the insurer for settlement but has not yet been finalised and paid by the insurer. The liability is measured at the value assessed for the claim. IBNR represent claims incurred but not yet reported or paid. The liability is estimated by assuming that the final settled claims for a cohort of policies will emerge as assumed in the pricing basis (the prior loss ratio). This loss ratio is applied to gross earned insurance premiums to obtain the ultimate view of claims to which the OCR at year end date and paid claims to date are subtracted to obtain the IBNR reserve.

Group Annual Financial Statements
for the year ended 30 June 2021

Consolidated statement of comprehensive income
for the year ended 30 June 2021

N$'000	Note(s)	2021	2020
Interest and similar income	1	3 031 045	3 858 058
Interest expense and similar charges	1	(1 153 788)	(1 844 619)
Net interest income before impairment of advances		1 877 257	2 013 439
Impairment and fair value of credit on advances	14	(238 250)	(559 672)
Net interest income after impairment of advances		1 639 007	1 453 767
Non-interest income*	2	1 954 096	1 905 019
- Net fee and commission income		1 736 813	1 698 024
- fee and commission income		1 926 596	1 875 278
- fee and commission expense		(189 783)	(177 254)
- Fair value gains and losses		149 049	165 796
- Gains less losses from investing activities		42 441	16 417
- Other non-interest income		25 793	24 782
Net insurance premium income	3	133 842	161 092
Net claims and benefits paid	4	(71 164)	(77 467)
Income from operations		3 655 781	3 442 411
Operating expenses	5	(2 125 956)	(2 173 695)
Net income from operations		1 529 825	1 268 716
Share of profit / (losses) of associates after tax	16	-	(14 248)
Income before tax	7	1 529 825	1 254 468
Indirect tax		(38 070)	(44 724)
Profit before income tax		1 491 755	1 209 744
Income tax expense	7	(459 527)	(376 388)
Profit for the year		1 032 228	833 356

N$'000	Note(s)	2021	2020
Other comprehensive income:			
Items that may not be subsequently be reclassified to profit or loss:			
Remeasurements on net defined benefit post-employment plan		365	3 755
Deferred income tax		(117)	(1 202)
Total items that may not be subsequently reclassified to profit or loss		248	2 553
Other comprehensive income for the year net of taxation		248	2 553
Total comprehensive income for the year		1 032 476	835 909
Profit attributable to:			
Owners of the parent		1 021 909	819 326
Non-controlling interest		10 319	14 030
		1 032 228	833 356
Total comprehensive income attributable to:			
Owners of the parent		1 022 157	821 879
Non-controlling interest		10 319	14 030
		1 032 476	835 909
Earnings per share (cents)			
Basic and diluted earnings per share (c)	8	390.9	313.4

* Non-interest revenue on the face of the consolidated income statement has been expanded to show more granular information to align to industry practice. The following line items, previously included in the notes to the consolidated annual financial statements, are now included on the face of the consolidated income statement: fee and commission income and fee and commission expense, fair value gains or losses, gains less losses from investing activities and other non-interest revenue. The additional information is also presented for the comparative year. Management believe the additional information provides more relevant information given the different nature of the line items.

Consolidated statement of financial position
as at 30 June 2021

N$'000	Note(s)	2021	2020
Assets			
Cash and cash equivalents	10	1 299 341	1 115 109
Due from banks and other financial institutions	10	2 958 108	4 442 442
Derivative financial instruments	11	314 626	519 294
Investment securities	12	7 185 761	8 534 477
Advances	13	30 206 674	29 993 738
Other assets	15	414 867	244 310
Current tax asset		547	490
Reinsurance assets		8 923	-
Property and equipment	17	926 581	896 917
Intangible assets	18	96 001	94 684
Deferred tax	19	30 122	26 210
		43 441 551	45 867 671

N$'000	Note(s)	2021	2020
Equity and Liabilities			
Liabilities			
Short trading position	21	21 849	-
Derivative financial instruments	11	317 192	534 035
Creditors and accruals	20	560 242	528 298
Current tax liability		109 418	58 886
Deposits and current accounts	22	35 663 763	38 427 237
Due to banks and other financial institutions	22	132 661	117 948
Employee liabilities	23	232 781	207 103
Other liabilities	24	240 971	293 698
Policyholder liabilities	25	37 454	40 750
Tier 2 liabilities	26	402 770	402 774
Deferred income tax liability	19	76 769	256 706
		37 795 870	40 867 435
Equity			
Equity Attributable to Equity Holders of Parent			
Share capital	27	1 308	1 307
Share premium		5 039	2 354
Reserves		5 579 840	4 934 170
		5 586 187	4 937 831
Non-controlling interest		59 494	62 405
		5 645 681	5 000 236
Total Equity and Liabilities		43 441 551	45 867 671

Consolidated statement of changes in equity
for the year end 30 June 2021

N$'000	Share capital	Share premium	Total share capital	Defined benefit post-employment reserve	General risk reserve	Share based payment reserve	Total reserves	Retained earnings	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
Balance at 1 July, 2019	1 314	7 870	9 184	3 533	-	2 467	6 000	5 337 443	5 352 627	61 605	5 414 232
Profit for the year	-	-	-	-	-	-	-	819 326	1 071 271	14 030	1 085 301
Other comprehensive income	-	-	-	2 553	-	-	2 553	-	-	-	-
Total comprehensive income for the year	-	-	-	2 553	-	-	2 553	819 326	821 879	14 030	835 909
Staff share option transactions	-	-	-	-	-	275	275	-	275	-	275
Transfer between reserves	-	-	-	-	-	(2 742)	(2 742)	2 742	-	-	-
Consolidation of shares held by share trust	(7)	(5 516)	(5 523)	-	-	-	-	-	(5 523)	-	(5 523)
Dividends	-	-	-	-	-	-	-	(1 231 427)	(1 231 427)	(13 230)	(1 244 657)
Balance at 1 July, 2020	1 307	2 354	3 661	6 086	-	-	6 086	4 928 084	4 937 831	62 405	5 000 236
Profit for the year	-	-	-	-	-	-	-	1 021 909	1 021 909	10 319	1 032 228
Other comprehensive income	-	-	-	248	-	-	248	-	248	-	248
Total comprehensive income for the year	-	-	-	248	-	-	248	1 021 909	1 022 157	10 319	1 032 476
Transfer between reserves	-	-	-	-	95 423	-	95 423	(95 423)	-	-	-
Consolidation of shares held by share trust	1	2 685	2 686	-	-	-	-	-	2 686	-	2,686
Dividends	-	-	-	-	-	-	-	(376 487)	(376 487)	(13 230)	(389 717)
Balance at 30 June, 2021	1 308	5 039	6 347	6 334	95 423	-	101 757	5 478 083	5 586 187	59 494	5 645 681
Note(s)	27	27	27		28						

Consolidated statement of cash flows
for the year end 30 June 2021

N$'000	Note(s)	2021	2020
Cash flows from operating activities			
Interest and fee commission receipts*	30	4 887 396	5 694 966
- Interest received*		3 015 868	3 838 809
- Fee and commission received*		1 926 596	1 875 278
- Insurance income received*		134 715	158 133
- Fee and commission paid*		(189 783)	(177 254)
Trading and other income	30	206 632	211 502
Interest payments and payments made to suppliers	30	(1 227 121)	(1 925 794)
Other operating expenses	30	(1 955 708)	(1 940 720)
Taxation paid	30	(639 389)	(691 678)
Cash generated from operating activities	30	1 271 810	1 348 276
Movement in operating assets and liabilities			
Liquid assets and trading securities	30	2 833 049	(2 365 770)
Advances	30	(436 004)	(242 119)
Deposits	30	(2 763 474)	2 541 092
Other assets	30	(163 436)	53 917
Creditors	30	54 942	139 576
Total other liabilities	30	14 713	(309 827)
Net cash from operating activities		811 600	1 165 145

N$'000	Note(s)	2021	2020
Cash flows from investing activities			
Acquisition of property and equipment	17	(168 807)	(164 192)
Proceeds from the disposal of property and equipment		13 020	4 118
Purchase of other intangible assets	18	(17 262)	-
Net cash from investing activities		(173 049)	(160 074)
Cash flows from financing activities			
Disposal / (acquisition) of shares for share trust	27	2 686	(5 523)
Dividends paid	8	(376 487)	(1 231 427)
Dividends paid to non-controlling interests		(13 230)	(13 230)
Principal payments on other liabilities	24	(31 286)	-
Principal payments on lease liabilities	24	(36 002)	(29 977)
Net cash from financing activities		(454 319)	(1 280 157)
Total cash movement for the year		184 232	(275 086)
Cash at the beginning of the year		1 115 109	1 390 195
Total cash at end of the year	10	1 299 341	1 115 109

* *Interest and fee commission receipts have been disaggregated into the material line items making up this balance. The presentation of the comparative information has also been updated. The total interest and fee commission receipts as previously reported (June 2020: N$3 838 809 thousand) has however not changed. The additional information provides users with a better understanding of the material components making up this balance.*

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

1. Interest and similar income

N$'000	Note(s)	2021	2020
Analysis of interest and similar income			
Instruments at amortised cost		3 031 045	3 858 058
Interest and similar income		3 031 045	3 858 058
Advances			
Overdrafts and cash managed accounts		268 956	396 325
Term loans		291 147	363 186
Card loans		47 427	60 245
Instalment sales		242 638	321 001
Lease payments receivable		8 142	15 042
Home loans		1 125 389	1 373 893
Commercial property finance		150 683	214 413
Personal loans		264 589	332 680
Preference share agreements		54 221	71 810
Investment bank term loans		-	48
Other advances		11 193	20 727
Invoice financing		10 369	14 114
		2 474 754	3 183 484
Cash and cash equivalents		55 567	120 866
Investment securities		497 952	550 344
Accrued on off-market advances		2 772	3 364
Interest and similar income		3 031 045	3 858 058

1. Interest and similar income continued

N$'000	Note(s)	2021	2020
Analysis of interest expense and similar charges			
Instruments at amortised cost		1 153 788	1 844 619
		1 153 788	1 844 619
Analysis of interest expense and similar charges			
Deposits from customers			
Current accounts		49 180	125 123
Savings deposits		8 518	10 219
Call deposits		242 299	329 925
Fixed and notice deposits		469 423	617 323
		769 420	1 082 590
Debt securities			
Negotiable certificates of deposit		288 163	611 153
Fixed and floating rate notes		12 943	8 461
Deposits from banks and other financial institutions		37 217	81 034
		338 323	700 648
Other funding liabilities			
Other liabilities		12 745	17 574
Lease liabilities		4 497	6 188
Tier 2 liabilities		28 803	37 619
		46 045	61 381
Interest expense and similar charges		1 153 788	1 844 619

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

2. Non-interest income

N$'000	Note(s)	2021	2020
Analysis of non-interest revenue			
Fee and commission income	2.1	1 926 596	1 875 278
- Instruments at amortised cost		1 778 121	1 727 605
- Non financial insturments		148 475	147 673
Fee and commission expense	2.2	(189 783)	(177 254)
Net fee and commission income		1 736 813	1 698 024
- Instruments at fair value through profit or loss	2.3	149 049	165 796
Gross gains less losses from investing activities	2.4	42 441	16 417
Other non-interest revenue	2.5	25 793	24 782
Total non-interest revenue		1 954 096	1 905 019
2.1 Fee and commission income:			
Card commissions		224 435	196 726
Cash deposit fees		94 921	103 173
Commissions: bills and drafts		98 856	137 135
Bank charges		1 359 909	1 290 571
Banking fee and commission income		1 778 121	1 727 605
Non-banking fee and commission income			
Brokerage income		55 140	57 764
Management, trust and fiduciary service fees		93 335	89 909
Non banking fee and commission income		148 475	147 673
Fee and commission income		1 926 596	1 875 278

2. Non-interest income continued

N$'000	Note(s)	2021	2020
2.2 Fee and commission expenses:			
ATM commissions paid		(12 156)	(7 856)
Cash sorting handling and transportation charges		(27 101)	(26 993)
Customer loyalty program		(22 202)	(18 979)
Transaction processing fees		(124 707)	(120 184)
Other		(3 617)	(3 242)
Fee and commission expenses		(189 783)	(177 254)
2.3 Fair value gains and losses			
Foreign exchange		102 320	96 536
Designated at fair value through profit or loss		46 729	69 260
Fair value income		149 049	165 796
2.4 Gains less losses from investing activities			
Gains on investment securities designated at fair value through profit or loss		12 695	1 307
Loss allowance on investment securities		(1 410)	44
Dividends received		31 156	15 066
Gross gains less losses from investing activities		42 441	16 417
2.5 Other non-interest income			
Gains and losses on sale of property and equipment		(1 448)	3 063
Rental income		4 407	3 899
Other income		22 834	17 820
Other non-interest income		25 793	24 782

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

3. Net insurance premium income

N$'000	2021	2020
Short term insurance contracts		
Gross income premium written	154 065	165 246
Outward reinsurance premiums	(20 919)	(7 113)
Change in provision for unearned premium	696	2 959
Net insurance premium income	133 842	161 092

4. Net claims and benefits paid

N$'000	2021	2020
Short term insurance contracts		
Gross insurance contract claims	81 385	79 522
Transfer to provision for unintimated claims	207	(697)
Reinsurer's share of insurance contract claims	(10 428)	(1 358)
	71 164	77 467

5. Operating expenses continued

N$'000	2021	2020
Auditor's remuneration		
Audit fees	11 478	10 463
Fees for other services	416	896
	11 894	11 359
Non-capitalised lease charges		
- Short term leases	5 976	10 617
- Leases of low value assets	6 391	15 462
	12 367	26 079
Staff costs		
Salaries, wages and allowances	1 002 158	954 711
Off-market staff loans amortisation	2 772	3 364
Defined contribution schemes: pension	92 692	91 026
Defined contribution schemes: medical	93 296	89 403
Post retirement medical expense	3 966	3 348
Severance pay: death in service	505	410
Social security levies	1 940	2 019
Share-based payments	22 433	33 777
Skills development levies	8 364	9 254
Other staff related costs	1 178	1 971
Total staff costs	1 229 304	1 189 283

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

5. Operating expenses continued

N$'000	2021	2020
Other operating costs		
Advertising and marketing	53 221	52 430
Amortisation of intangible assets	15 945	14 808
Impairment of goodwill *	-	51 456
Business travel	6 872	14 160
Computer	326 005	359 924
Depreciation of property and equipment	124 675	125 811
Donations	12 078	10 861
Insurance	11 421	9 967
Legal and other related expenses	11 827	12 086
Other operating expenditure	182 535	159 759
Postage	3 486	3 493
Professional fees	4 565	8 999
Property and maintenance related expenses	77 297	79 767
Stationery	4 958	7 163
Telecommunications	23 879	23 160
Total directors remuneration	13 627	13 130
Other Operating costs	872 391	946 974
Total operating expenses	2 125 956	2 173 695

* **Intangible assets - Goodwill impairment incurred during 2020**

On acquisition of Pointbreak group goodwill of N$51.4m was recognised. The group assessed the recoverable amount of goodwill during the prior year and determined that goodwill was impaired, mainly as a result of the impact of COVID-19 on the expected future cash flows.

6. Director's emoluments

EXECUTIVE

N$'000	2021	2020
C. Dempsey (Appointed CEO 01 October 2020)** ^^		
Cash packages paid during the year	1,422	-
Retirement contributions paid during the year	304	-
Other allowances	566	-
Guaranteed package	2 292	-
Performance related STI*:	-	-
Total guaranteed and variable pay	2 292	-
S.J. van Zyl (Former CEO retired 30 September 2020)**		
Cash packages paid during the year	660	2 633
Retirement contributions paid during the year	108	430
Other allowances	52	205
Guaranteed package	820	3 268
Performance related STI*:		
Cash:		
- within 6 months	2 541	1 907
- Within 1 year	-	659
	2 541	2 566
Variable pay		
Compensation received in respect of loss of office	1 282	-
Total guaranteed and variable pay	4 643	5 834

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

6. Director's emoluments continued

EXECUTIVE continued

N$'000	2021	2020
O.L.P. Capelao (CFO)		
Cash package paid during the year	1 663	1 656
Retirement contributions paid during the year	268	267
Other allowances	137	137
Guaranteed package	2 068	2 060
Performance related STI*:		
Cash:		
- within 6 months	794	1 108
- within 1 year	74	241
Variable pay	868	1 349
Total guaranteed and variable pay	2 936	3 409

Cash package, performance related, retirement contributions and other allowances reflect what was paid during the year ended 30 June 2021 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.

* *Cash package, performance related, retirement contributions and other allowances reflect what was paid during the year ended 30 June 2021 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.*

^^ *Prior year remuneration not disclosed as he was not a director during 2020 financial year.*

** *Pro rata 2021 remuneration disclosed to reflect the period of the year he was director.*

6. Director's emoluments continued

NON-EXECUTIVE

N$'000	2021	2020
Zaamwani-Kamwi II	450	362
Moir SH (retired December 2020)	576	1 091
Daun JG	695	488
Gruttemeyer P (appointed April 2020)	458	64
Haikali CRL	642	712
Hausiku JH	298	308
Hinda Adv GS (resigned November 2020)	125	324
Khethe JR	299	316
Nashandi IN	213	222
	3 756	3 887

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

6. Director's emoluments continued

CONDITIONAL INCENTIVE PLAN

C Dempsey

	Opening balance	Granted during the year	Expiry date	Forfeited this year	Taken this year (vested/sold)	Closing balance as at 30 June 2021	Value on settlement (N$ 000's)
FirstRand SA Ltd shares	16 750	-		(16 750)	-	-	-
FirstRand SA Ltd shares	17 262	-		(17 262)	-	-	-
FirstRand SA Ltd shares	2 927	-		-	(2 927)	-	-
FirstRand SA Ltd shares	18 405	-	Oct-22	-	-	18 405	532
FirstRand SA Ltd shares	3 681	-	Oct-21	-	-	3 681	196
FirstRand SA Ltd shares	-	60 950	Oct-23	-	-	60 950	691
FirstRand SA Ltd shares	-	9 981	Oct-21	-	-	9 981	527
	59 025	70 931	-	(34 012)	(2 927)	93 017	1 946

SJ van Zyl

	Opening balance	Granted during the year	Expiry date	Forfeited this year	Taken this year (vested/sold)	Closing balance as at 30 June 2021	Value on settlement (N$ 000's)
FirstRand SA Ltd shares	41 876	-	-	(41 876)	-	-	-
FirstRand SA Ltd shares	2 252	-		-	(2 252)	-	-
FirstRand SA Ltd shares	35 424	-		(35 424)	-	-	-
FirstRand SA Ltd shares	30 675	-	Oct-22	-	-	30 675	886
FirstRand SA Ltd shares	3 336	-	Oct-23	-	-	3 336	178
FirstRand SA Ltd shares	-	5 543	Oct-21	-	-	5 543	116
	113 563	5 543	-	(77 300)	(2 252)	39 554	1 180

6. Director's emoluments continued

CONDITIONAL INCENTIVE PLAN continued

OLP Capelao

	Opening balance	Granted during the year	Expiry date	Forfeited this year	Taken this year (vested/sold)	Closing balance as at 30 June 2021	Value on settlement (N$ 000's)
FirstRand SA Ltd shares	22 333	-		(22 333)	-	-	-
FirstRand SA Ltd shares	18 763	-		(18 763)	-	-	-
FirstRand SA Ltd shares	19 172	-	Oct-22	-	-	19 172	554
FirstRand SA Ltd shares	-	46 297	Oct-23	-	-	46 297	525
FirstRand SA Ltd shares	-	10 618	Oct-21	-	-	10 618	560
	60 268	56 915	-	(41 096)	-	76 087	1 639

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

7. Taxation

N$'000	2021	2020
Indirect tax		
Stamp duties	6 810	12 238
Value-added tax (net)	31 260	32 486
Total indirect tax	38 070	44 724
Direct tax		
Current		
Local income tax current period	643 592	517 569
Foreign income tax current period	-	1 229
	643 592	518 798
Deferred		
Originating and reversing temporary differences	(184 065)	(142 410)
Total income tax expense	459 527	376 388

7. Taxation continued

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

N$'000	2021	2020
Applicable tax rate	32.00%	32.00%
Dividend income	(1.94%)	(2.28%)
Other non-taxable income *	(0.54%)	(1.70%)
Disallowed expenditure **	1.02%	3.00%
Other	0.26%	0.09%
Effective rate of tax	30.80%	31.11%

* *Includes fair value income which is non-taxable.*

** *Includes donations and expenditure in entities which are not deductible for tax purposes.*

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

8. Headline earnings, dividends and earnings per share

8.1 Headline earnings per share

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

Headline earnings and diluted headline earnings are determined by adjusting basic earnings and dilutive earnings by excluding separately identifiable re-measurement items. Headline earnings and diluted earnings are presented after tax and non-controlling interest. Diluted headline earnings per share are equal to headline earnings per share because there are no dilutive potential ordinary shares in issue.

N$'000	2021	2020
Headline earnings per share (cents)	391.2	331.8
Reconciliation between earnings and headline earnings		
Basic earnings (N$'000)	1 021 909	819 326
Adjusted for:		
Loss / (gains) on sale of property and equipment (N$'000)	1 448	(3 063)
Impairment of assets in terms of IAS 36 (N$'000)	-	51 456
Tax effect (N$'000)	(463)	(210)
	1 022 894	867 509
Dividends per share		
Interim (10 February 2021: 94 cents); (12 February 2020: 104 cents)	245 763	271 907
Final (19 August 2020: 50 cents); (13 August 2019: 117 cents)	130 724	305 977
Special dividend (13 August 2020: 250 cents)	-	653 543
	376 487	1 231 427

The final dividend of 118 cents (2020: 50 cents) was declared and authorised after the reporting period. The dividend has therefore not been recognised as a liability in the reporting period. It has been disclosed for information purposes only (refer to directors' report).

8. Headline earnings, dividends and earnings per share continued

8.2 Earnings per share

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

N$'000	2021	2020
Basic earnings per share (cents)		
Earnings attributable to ordinary shareholders (N$'000)	1 021 909	819 326
Weighted average number of shares in issue	261 457 695	261 441 347
Weighted average number of shares before shares held by trust	267 593 250	267 593 250
Less: shares held by share trusts	(6 135 555)	(6 151 903)
	390.9	313.4

Diluted earnings per share are equal to earnings per share because there are no dilutive potential ordinary shares in issue.

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

9. Analysis of assets and liabilities

2021

N$'000	Amortised cost	At fair value through profit or loss Mandatory	At fair value profit or loss Designated	At fair value through other comprehensive income (Equity)	Non-financial assets and liabilities	Total carrying value	Current	Non-current and Non-contractual
Assets								
Cash and cash equivalents	1 299 221	-	-	-	-	1 299 221	1 299 221	-
Due from banks and other financial institutions	2 958 108	-	-	-	-	2 958 108	2 958 108	-
Derivative financial instruments	-	314 626	-	-	-	314 626	314 626	-
Advances	29 965 380	-	241 294	-	-	30 206 674	7 771 887	22 434 787
Investment securities	6 673 704	78 987	423 492	9 578	-	7 185 761	3 708 161	3 477 600
Other assets	198 040	-	-	-	216 827	414 867	414 867	-
Non-financial assets	-	-	-	-	1 062 294	1 062 294	-	1 062 294
Total assets	41 094 453	393 613	664 786	9 578	1 279 121	43 441 551	16 466 870	26 974 681
Equity and Liabilities								
Total equity	-	-	-	-	5 645 681	5 645 681	-	5 645 681
Liabilities	-	-	-	-	-	-	-	-
Short trading position	-	21 849	-	-	-	21 849	21 849	-
Derivative financial instruments	-	317 192	-	-	-	317 192	317 192	-
Creditors and accruals	135 942	-	-	-	424 300	560 242	560 242	-
Deposits	35 663 763	-	-	-	-	35 663 763	34 154 474	1 509 289
Due to banks and other financial institutions	132 661	-	-	-	-	132 661	132 661	-
Other liabilities	188 457	607	-	-	51 907	240 971	57 194	183 777
Tier 2 liabilities	402 770	-	-	-	-	402 770	2 770	400 000
Non-financial liabilities	-	-	-	-	456 422	456 422	-	456 422
Total liabilities	36 523 593	339 648	-	-	932 629	37 795 870	35 246 382	2 552 488
Total equity and liabilities	36 523 593	339 648	-	-	6 578 310	43 441 551	35 246 382	8 198 169

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

9. Analysis of assets and liabilities continued

2020

N$'000	Amortised cost	At fair value through profit or loss Mandatory	At fair value profit or loss Designated	At fair value through other comprehensive income (Equity)	Non-financial assets and liabilities	Total carrying value	Current	Non-current and Non-contractual
Assets								
Cash and cash equivalents	1 115 109	-	-	-	-	1 115 109	1 115 109	-
Due from banks and other financial institutions	4 442 442	-	-	-	-	4 442 442	4 442 442	-
Derivative financial instruments	-	519 294	-	-	-	519 294	519 294	-
Advances	29 683 696	-	310 042	-	-	29 993 738	6 303 502	23 690 236
Investment securities	8 037 567	67 538	419 794	9 578	-	8 534 477	5 759 714	2 774 763
Other assets	14 878	-	-	-	229 432	244 310	244 310	-
Non-financial assets	-	-	-	-	1 018 301	1 018 301	-	1 018 301
Total assets	43 293 692	586 832	729 836	9 578	1 247 733	45 867 671	18 384 371	27 483 300
Equity and Liabilities								
Total equity	-	-	-	-	5 000 236	5 000 236	-	5 000 236
Liabilities								
Derivative financial instruments	-	534 035	-	-	-	534 035	534 035	-
Creditors and accruals	160 912	-	-	-	367 386	528 298	469 609	58 689
Deposits	38 427 237	-	-	-	-	38 427 237	36 371 026	2 056 211
Due to banks and other financial institutions	117 948	-	-	-	-	117 948	117 948	-
Other liabilities	219 928	607	-	-	73 163	293 698	68 794	224 904
Tier 2 liabilities	402 774	-	-	-	-	402 774	2 774	400 000
Non-financial liabilities	-	-	-	-	563 445	563 445	-	563 445
Total liabilities	39 328 799	534 642	-	-	1 003 994	40 867 435	37 564 186	3 303 249
Total equity and liabilities	39 328 799	534 642	-	-	6 004 230	45 867 671	37 564 186	8 303 485

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

10. Cash and cash equivalents

N$'000	2021	2020
Coins and bank notes	486 122	555 058
Balances with other banks	35 815	9 736
Balances with central bank	777 404	550 315
	1 299 341	1 115 109
Mandatory reserve balances included above:	376 529	409 263

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

	2021	2020
Due from banks and other financial institutions		
Due from banks and other financial institutions	2 958 108	4 442 442

ECL for cash and cash equivalents are insignificant.

11. Derivative financial instruments

Use of derivatives
The group transacts in derivatives for two purposes: to create risk management solutions for clients and to manage and hedge the group'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 offsetting deals being utilised to achieve this where necessary.

For further details on the valuation of derivatives. note 33.

11. Derivative financial instruments continued

Hedging instruments.

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

For further details on the group's approach to managing interest rate risk and market risk. note 36 .

By using derivative financial instruments to hedge exposures to changes in interest rates and commodity prices, the group also exposes itself to credit risk of the derivative counterparty, which is not offset by the hedged item. For information on how the group minimises counterparty credit risk in derivative instruments, refer to note 36 .

Most of the group's derivative transactions relate to sales 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:

2021:

N$'000	Asset notional	Fair value	Liabilities notional	Fair value
Held for trading				
Currency derivatives	849 757	55 315	710 162	58 652
Interest rate derivatives	2 030 399	114 814	2 030 399	114 043
Commodity derivatives	1 322 440	139 167	1 322 440	139 167
Energy derivatives	6 250	5 330	6 250	5 330
	4 208 846	314 626	4 069 251	317 192

2020:

N$'000	Asset 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
	6 894 450	519 294	7 239 041	534 035

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

12. Investment securities

N$'000	2021	2020
Treasury bills	3 131 140	5 336 654
Other government and government guaranteed stock	3 624 226	2 769 716
Unlisted equity	18 016	17 327
Other undated securities	415 054	412 045
	7 188 436	8 535 742
Loss allowance on investment securities	(2 675)	(1 265)
Total investment securities	7 185 761	8 534 477
Analysis of investment securities		
Equities - Fair value through profit or loss	8 438	12 351
Equities - Fair value through other comprehensive income	9 578	9 578
Other securities - Fair value through profit or loss	415 054	407 443
Debt instruments		
Amortised cost	6 673 704	8 037 567
Fair value through profit or loss	78 987	67 538
Total investment securities	7 185 761	8 534 477

12. Investment securities continued

N$ 6 674 million (2020: N$ 8 038 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 amoritsed cost is N$ 2.7 million (2020: N$ 1.3 million).

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

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

N$'000	2021	2020
Balance at the begining of the year	1 265	1 309
Impairment for the periods: (Impairment charge in the income statement)		
- Stage 1	1 410	(44)
- Stage 2	-	-
- Stage 3	-	-
	2 675	1 265

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

13. Advances

N$'000	2021	2020
Notional value of advances	31 571 509	31 235 272
Gross value of advances	31 571 509	31 235 272
Geographical analysis (based on credit risk)	-	-
Namibia	30 206 674	29 993 738
Category analysis	-	-
Overdraft and cash management accounts	3 137 928	3 321 710
Card loans	472 452	464 271
Installment sales agreements*	2 941 655	3 010 522
Lease payment receivables*	94 173	120 657
Term loans	8 618 701	8 586 129
Home loans - property finance	14 860 866	14 106 367
Assets under agreement to resell	21 726	-
Investment bank term loans	219 568	310 042
Preference share agreements	917 384	971 159
Invoice finance	145 056	122 980
Other	142 001	221 435
Gross advances	31 571 509	31 235 272
Impairment of advances	(1 364 836)	(1 241 534)
Net advances	30 206 674	29 993 738
Portfolio analysis		
Designated at fair value through profit or loss	241 294	310 042
Amortised cost	29 965 380	29 683 696
	30 206 674	29 993 738

13. Advances continued

Analysis of hire purchase and lease payments receivable

N$'000	2021	2020*
Within 1 year	37 652	38 406
Between 1 and 2 years	27 212	29 302
Between 2 and 3 years	15 962	33 202
Between 3 and 4 years	12 031	23 952
Between 4 and 5 years	8 583	5 770
More than 5 years	2 687	2 103
Total gross amount	104 127	132 735
Unearned finance charges	(9 954)	(12 078)
Net amount	94 173	120 657

* *The prior year amounts have been adjusted. Previously the analysis included installment sales receivable of N$ 3.0 billion in error. The balances have been adjusted to only reflect the maturity analysis of hire purchase and lease payments receivable which meet the definition of a finance lease receivable. The maturity period between one and five years has been disaggregated in the current period to reflect the undiscounted lease payments receivable on an annual basis for each of the first five years.*

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

	2020 as previously reported					
	Gross cash flows			Unearned finance charges		
N$'000	Instalment sale, hire purchase and lease payments receivable	Instalment sale	Restated gross amount	Less: unearned finance charges	Instalment sale	Restated net amount
Within 1 year	1 339 367	(1 300 961)	38 406	(201 677)	198 182	(3 495)
Between 1 and 5 years	2 215 545	(2 121 216)	94 329	(210 818)	202 235	(8 583)
More than 5 years	2 065	(2 065)	-	(19)	19	-
Less: unearned finance charges	(13 284)	(13 284)	-	-	-	-
Total	3 543 693	(3 410 958)	132 735	(412 514)	403 436	(12 078)

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

13. Advances continued

Analysis of advances per class

N$'000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
2021				
Residential mortgages	14 850 389	-	(348 134)	14 502 255
Vehicle asset finance	1 816 406	-	(78 427)	1 737 979
Total Retail secured	16 666 795	-	(426 561)	16 240 234
Credit card	443 244	-	(23 350)	419 894
Personal loans	2 557 472	-	(218 678)	2 338 794
Other retail	457 805	-	(68 481)	389 324
Total Retail unsecured	3 458 521	-	(310 509)	3 148 012
FNB Commercial	6 079 606	-	(471 448)	5 608 158
Commercial vehicle asset finance	1 361 097	-	(103 782)	1 257 315
RMB Corporate and Investment banking	3 764 197	241 294	(52 536)	3 952 955
Total Corporate and Commercial	11 204 900	241 294	(627 766)	10 818 428
	31 330 216	241 294	(1 364 836)	30 206 674

13. Advances continued

Analysis of advances per class

N$'000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
2020				
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	-	(164 867)	2 303 430
Other retail	472 677	-	(76 594)	396 083
Total Retail unsecured	3 374 228	-	(270 524)	3 103 705
FNB Commercial	6 326 956	-	(431 046)	5 895 910
Commercial vehicle asset finance	1 481 700	-	(79 192)	1 402 508
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)	11 320 109
	30 925 230	310 042	(1 241 534)	29 993 738

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

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

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

13. Advances continued

Reconciliation of the gross carrying amount of advances:

2021

	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amortised cost	27 732 006	1 823 765	1 369 460	30 925 230	368 568	263 527	607 860	1 239 955
Fair value	310 042	-	-	310 042	1 579	-	-	1 579
Amount as at 01 July 2020	28 042 048	1 823 765	1 369 460	31 235 272	370 147	263 527	607 860	1 241 534
Current year movement in the back book				-	-	-	-	-
Transfer from stage 1 to stage 2	(1 435 643)	1 435 643	-	-	(8 910)	8 910	-	-
Transfer from stage 1 to stage 3	(70 446)	-	70 446	-	(1 312)	-	1 312	-
Transfer from stage 2 to stage 3	-	(65 302)	65 302	-	-	(12 276)	12 276	-
Transfer from stage 2 to stage 1	364 720	(364 720)	-	-	26 355	(26 355)	-	-
Transfer from stage 3 to stage 1	2	-	(2)	-	1	-	(1)	-
Opening balance after transfer*	26 900 681	2 829 386	1 505 206	31 235 272	386 281	233 806	621 447	1 241 534
Current period provision created / (released)	-	-	-	-	(38 546)	110 709	224 938	297 102
Change in exposure of back book in the current year								
- Attributable to change in measurement basis	-	-	-	-	-	36 146	-	36 146
- Attributable to change in risk paramters	-	-	-	-	(74 333)	40 774	220 161	186 601
Change in exposure in the current year	(900 347)	1 096 696	313 688	510 037	35 788	33 789	4 777	74 354
Bad debts written off**	-	-	(173 800)	(173 800)	-	-	(173 800)	(173 800)
Amount as at 30 June 2021	26 000 334	3 926 081	1 645 094	31 571 509	347 736	344 514	672 585	1 364 836
Amortised cost	25 759 040	3 926 081	1 645 094	31 330 215	346 611	344 514	672 585	1 363 711
Fair value	241 294	-	-	241 294	1 125	-	-	1 125

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

13. Advances continued

Reconciliation of the gross carrying amount of advances: (continued)

2020

	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amortised cost	28 464 856	1 324 617	844 604	30 634 077	187 057	166 650	349 252	702 959
Fair value	368 932	-	-	-	2 116	-	-	2 116
Amount as at 01 July 2019	28 833 788	1 324 617	844 604	31 003 009	189 173	166 650	349 252	705 075
				-	-	-	-	-
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*	27 456 539	2 644 682	901 789	31 003 009	208 994	144 540	351 541	705 075
Current period provision created / (released)	-	-	-	-	161 153	118 987	325 636	605 776
Change in exposure of back book in the current year				-	-	-	-	-
- Attributable to change in measurement basis	-	-	-	-	-	72 623	-	72 623
- Attributable to change in risk paramters	-	-	-	-	90 256	(37 154)	323 135	376 237
Change in exposure in the current year	585 509	(820 917)	536 988	301 580	70 897	83 518	2 501	156 916
Bad debts written off**	-	-	(69 317)	(69 317)	-	-	(69 317)	(69 317)
Amount as at 30 June 2020	28 042 048	1 823 765	1 369 460	31 235 272	370 147	263 527	607 860	1 241 534
Amortised cost	27 732 006	1 823 765	1 369 460	30 925 230	368 569	263 527	607 860	1 239 955
Fair value	310 042	-	-	310 042	1 579	-	-	1 579

* *The group transfers opening balances (back book), at the value as at 1 July, based on the impairment stage at the end of the reporting period. Any change in exposure and additional ECL raised or released is included in the impairment stage as at the end of the reporting period. Exposures that are in the back book can move directly from stage 3 to stage 1 if the curing requirements have been met in a reporting period. The opening balances as at 1 July is transferred to the impairment stage at 30 June in the transfers section and the current year movements in the back book (changes in exposure and net movement on GCA and ECL provided/(released) are reflected separately in the reconciliation. The current year movement for stage 2 advances is split between exposure where there has been a change in the measurement basis from 12 months to lifetime ECL and changes in other risk parameters.*

** *Decrease in the advance as a result of write-off is equal to the decrease in ECL, as exposures are 100% provided for before being written off. The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is N$ 173.6 m (2020: N$ 41.8 m).*

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

13. Advances continued

Analysis of the gross advances and loss allowance on total advances as at 30 June 2021 per class:

	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2021								
Total Retail	16 860 975	2 194 788	1 069 551	20 125 314	195 946	135 620	404 507	737 069
FNB Commercial	4 888 601	665 036	525 969	6 079 606	101 292	146 585	223 435	471 448
Commercial vehicle finance	1 205 131	106 394	49 573	1 361 097	35 628	23 511	44 643	103 782
RMB Corporate and Investment banking	3 045 628	959 864	-	4 005 492	14 870	37 667	-	52 537
	26 000 334	3 926 081	1 645 094	31 571 509	347 736	344 515	672 585	1 364 836
2020								
Total Retail	17 688 921	773 353	848 343	19 310 617	210 769	99 393	371 688	681 850
FNB Commercial	4 960 575	867 652	477 364	6 305 591	106 029	126 417	198 600	431 046
Commercial vehicle finance	1 415 948	85 125	40 725	1 541 798	37 828	3 792	37 572	79 192
RMB Corporate and Investment banking	3 985 715	91 551	-	4 077 266	15 522	33 923	-	49 446
	28 051 159	1 817 681	1 366 432	31 235 272	370 148	263 525	607 860	1 241 534

14. Impairment

Analysis of the loss allowance closing balance

	2021				2020			
N$ 000's	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amount as at 30 June	-	-	-	-	-	-	-	-
Included in the total loss allowance	347 736	344 515	672 585	1 364 836	370 148	263 526	607 860	1 241 534
On and off balance sheet exposure*	345 927	343 382	672 585	1 361 894	367 796	261 956	607 860	1 237 611
Letters of credit and guarantees	2 942	-	-	2 942	2 352	1 570	-	3 923
Components of total loss allowance								
- Forward looking information**	7 311	8 293	645	16 249	50 931	11 798	-	62 729
- Changes in models^	-	-	-	-	(275)	1 311	-	1 036
- Interest on stage 3 advances''	-	-	199 759	199 759	-	-	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.*

** *This represents the total ECL closing balance as at 30 June that is attributable to incorporating FLI macro information into the ECL calculations. For more detail on the process of incorporating FLI into the ECL calculation refer to the accounting policy note 9.4.*

^ *This represents the total ECL closing balance as at 30 June that is attributable to significant model changes, such as model recalibrations or changes in the impairment methodology used that has been approved by a governance body. The amount reflected is the additional ECL recognised at the point/date that the model change was implemented.*

'' *Cumulative balance as at 30 June.*

Breakdown of impairment charge recognised during the year:

	2021			2020		
N$ 000's	Amortised cost	Fair value	Total	Amortised cost	Fair value	Total
Increase in loss allowance	246 236	(454)	245 782	567 023	(537)	566 486
Recoveries of bad debts	(7 532)	-	(7 532)	(6 814)	-	(6 814)
Impairment of advances recognised during the period	238 704	(454)	238 250	560 209	(537)	559 672

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

14. Impairment continued

Reconciliation of the loss allowance on total advances per class:

2021

N$ 000's	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other Retail	FNB Commercial	Wesbank Commercial	RMB Corporate and investment banking	Total
Amount as at 30 June 2020	309 943	101 383	29 063	155 130	86 332	431 046	79 192	49 446	1 241 534
Stage 1	83 384	48 040	13 712	46 276	19 355	106 029	37 828	15 522	370 147
Stage 2	41 824	3 575	15 209	27 687	11 100	126 417	3 792	33 923	263 526
Stage 3	184 735	49 767	142	81 167	55 877	198 600	37 572	-	607 859
Bad debts written off	(54 558)	-	(3 431)	(23 637)	(15 476)	(75 233)	(1 464)	-	(173 800)
Provision created/ (released) for current reporting period	68 261	(22 956)	28 863	85 184	(7 028)	115 634	26 054	3 090	297 101
Stage 1	(8 040)	(6 286)	(547)	(1 983)	(19 871)	176	(3 151)	1 157	(38 546)
Stage 2	26 092	(12 306)	17 761	(4 000)	31 173	15 391	34 666	1 933	110 709
Stage 3	50 208	(4 364)	11 649	91 168	(18 330)	100 068	(5 461)	-	224 938
Amount as at 30 June 2021	323 646	78 427	54 494	216 678	63 825	471 448	103 782	52 536	1 364 835
Stage 1	78 609	38 856	13 189	44 666	21 622	101 292	35 628	14 870	347 736
Stage 2	83 386	6 047	4 628	28 094	13 465	146 721	23 511	37 667	344 515
Stage 3	161 650	33 524	36 677	143 918	28 738	223 435	44 643	-	672 585

14. Impairment continued

2020

N$ 000's	Total Retail	FNB Commercial	Wesbank commercial	RMB Corporate and Investment banking	Total
Amount as at 1 July 2019	379 322	250 504	34 919	40 330	705 075
Transfers to stage 1	23 604	106	1 407	(5 296)	19 821
Transfers to stage 2	(24 927)	(447)	(2 031)	5 296	(22 110)
Transfers to stage 3	1 323	341	624	-	2 289
Bad debts written off	(51 510)	(14 582)	(3 223)	-	(69 315)
Provision created / (released) for current reporting period	354 038	195 124	47 496	9 116	605 774
Stage 1	104 773	31 900	29 993	(5 512)	161 155
Stage 2	41 386	63 127	(154)	14 628	118 986
Stage 3	204 879	100 097	17 656	-	325 633
Amount as at 30 June 2020	681 852	431 046	79 192	49 446	1 241 534
Stage 1	210 771	106 029	37 828	15 522	370 150
Stage 2	99 393	126 417	3 792	33 923	263 526
Stage 3	371 688	198 600	37 572	-	607 859

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

15. Other assets

N$'000	2021	2020
Items in transit	129 997	33 226
Deferred staff cost	29 218	43 457
Premium debtors	433	370
Prepayments	64 262	56 505
Property in possession	73 844	51 425
Other receivable	125 189	62 321
Loss allowance	(8 076)	(2 994)
	414 867	244 310
Financial instrument and non-financial instrument components of trade and other receivables		
Financial	198 040	14 878
Non-financial	216 827	229 432
	414 867	244 310

Information about the credit quality of the above balances is set out in the risk management note 36.

The carrying value of other assets measured at amortised cost approximates the fair value.

ECL for other assets is N$ 8.0 m (2020: N$ 3.0 m).

ECL for other assets are under stage 3.

16. Investment in associates

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

Name of company	Nature of associate and place of business	% ownership interest 2021	% ownership interest 2020	Carrying amount 2021	Carrying amount 2020
Stimulus Investment Limited	Investment company (Windhoek)	25%	25%	-	-
Stimulus Private Equity (Pty) Ltd	Asset management company	49%	49%	-	-
				-	-

	Country of incorporation	Method	% Ownership interest 2021	% Ownership interest 2020
Stimulus Investment Limited	Namibia	Equity	25%	25%
Stimulus Private Equity (Pty) Ltd	Namibia	Equity	49%	49%

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

Stimulus Investment Limited and Stimulus Private Equity (Pty) Ltd have February year ends.

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

16. Investment in associates continued

Summarised financial information of significant associates

2021

Summarised statement of profit or loss and other comprehensive income	Revenue	Profit/ (loss) for the period	Total comprehensive income
Stimulus Investment Limited	23 979	(27 186)	(27 186)
Stimulus Private Equity (Pty) Ltd	10 128	685	685
	34 107	(26 501)	(26 501)

Summarised consolidated statement of financial position	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
Stimulus Investment Limited	598 361	47 360	636 090	9 631	-
Stimulus Private Equity (Pty) Ltd	6 525	2 586	7 429	1 682	-
	604 886	49 946	643 519	11 313	-

Reconciliation of movement in investments in associates	Investment at beginning of 2021	Share of Profit	Investment at end of 2020
Stimulus Investment Limited	-	-	-
Stimulus Private Equity (Pty) Ltd	-	-	-
	-	-	-

16. Investment in associates continued

Summarised financial information of material associates

2020

Summarised statement of profit or loss and other comprehensive income	Revenue	Profit for the period	Total comprehensive income
Stimulus Investment Limited	49 909	(35 799)	(35 799)
Stimulus Private Equity (Pty) Ltd	10 067	685	685
	59 976	(35 114)	(35 114)

Summarised consolidated statement of financial position	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
Stimulus Investment Limited	588 213	68 648	614 524	15 150	27 187
Stimulus Private Equity (Pty) Ltd	19 685	3 362	18 084	4 962	-
	607 898	72 010	632 608	20 112	27 187

Reconciliation of movement in investments in associates	Investment at beginning of 2020	Acquisitions/ Disposals	Share of profit	Investment at end of 2020
Namclear (Pty) Ltd	12 339	(13 831)	1 492	-
Stimulus Investment Limited	15 740	-	(15 740)	-
Stimulus Private Equity (Pty) Ltd	-	-	-	-
	28 079	(13 831)	(14 248)	-

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

17. Property and equipment

	2021			2020		
N$'000	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Buildings	701 839	(53 156)	648 683	666 024	(43 148)	622 876
Leasehold property	74 487	(60 365)	14 122	75 745	(61 542)	14 203
Furniture and fixtures	248 233	(157 035)	91 198	257 785	(147 200)	110 585
Motor vehicles	7 890	(4 680)	3 210	8 338	(5 058)	3 280
Office equipment	120 859	(112 020)	8 839	125 517	(104 123)	21 394
IT equipment	353 868	(245 444)	108 424	282 486	(224 012)	58 474
Right-of-use asset	112 094	(59 989)	52 105	97 972	(31 867)	66 106
Total	1 619 270	(692 689)	926 581	1 513 867	(616 950)	896 917

17. Property, plant and equipment

Reconciliation of property, plant and equipment - 2021

N$'000	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	622 598	38 547	(3 559)	(8 903)	648 683
Leasehold property	14 203	5 207	(201)	(5 087)	14 122
Furniture and fixtures	110 643	5 966	(3 008)	(22 403)	91 198
Motor vehicles	3 280	519	(260)	(329)	3 210
Office equipment	21 259	417	(270)	(12 567)	8 839
IT equipment	58 384	93 362	(2 436)	(40 886)	108 424
Right-of-use asset	66 550	24 789	(4 734)	(34 500)	52 105
	896 917	168 807	(14 468)	(124 675)	926 581

Reconciliation of property, plant and equipment - 2020

N$'000	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	612 439	17 543	(190)	(6 916)	622 876
Leasehold property	11 494	9 680	(38)	(6 933)	14 203
Furniture and fixtures	128 678	5 686	(460)	(23 319)	110 585
Motor vehicles	3 761	-	-	(481)	3 280
Office equipment	28 537	11 407	(34)	(18 516)	21 394
IT equipment	74 682	21 038	(332)	(36 914)	58 474
Property, plant and equipment 1	-	98 838	(1)	(32 732)	66 105
	859 591	164 192	(1 055)	(125 811)	896 917

The useful life of each asset is assessed individually. For information on the benchmarks used when assessing the useful life of the individual assets refer to accounting policy 5.1.

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

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

18. Intangible assets

N$'000	2021 Cost / Valuation	2021 Accumulated amortisation	2021 Carrying value	2020 Cost / Valuation	2020 Accumulated amortisation	2020 Carrying value
Trademarks	181 375	(125 025)	56 350	181 375	(115 225)	66 150
Software	67 282	(51 719)	15 563	51 820	(51 388)	432
Customer related intangibles	40 145	(16 057)	24 088	40 145	(12 043)	28 102
Total	288 802	(192 801)	96 001	273 340	(178 656)	94 684

Reconciliation of intangible assets - 2021

N$'000	Opening balance	Additions	Amortisation	Total
Trademarks	66 150	-	(9 800)	56 350
Software	432	17 262	(2 131)	15 563
Customer related intangibles	28 102	-	(4 014)	24 088
	94 684	17 262	(15 945)	96 001

Reconciliation of intangible assets - 2020

N$'000	Opening balance	Amortisation	Impairment loss	Total
Trademarks	75 950	(9 800)	-	66 150
Customer related intangibles	32 117	(4 015)	-	28 102
Goodwill	51 456	-	(51 456)	-
Software	2 442	(2 010)	-	432
Value of insurance broker business acquired	587	(587)	-	-
	162 552	(16 412)	(51 456)	94 684

18. Intangible assets continued

Impairment of goodwill June 2020:

For impairment testing purposes, goodwill was allocated to cash-generating units (CGU) at the lowest level of operating activity (business) to which it relates, and is therefore not combined at group level. The CGU's to which the goodwill balance as at 30 June 2020 relates was that of Pointbreak Group of companies.

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

The discount rate used is the weighted average cost of capital for the specific segment, adjusted for specific risks relating to the segment. Some of the other assumptions include investment returns, expense inflation rates, tax rates and new business growth.

On acquisition of Pointbreak group goodwill of N$51.4m was recognised. The group assessed the recoverable amount of goodwill and determined that goodwill was impaired, mainly as a result of the impact of COVID-19 on the expected future cash flows as at 30 June 2020.

Pointbreak group of companies:

N$'000	2021	2020
Discount rate	-	16.3%
Growth rate	-	5.6%

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

19. Deferred tax

Deferred tax liability

N$'000	2021	2020
Deferred tax liability	(76 769)	(256 706)
Opening balance	(256 706)	(400 842)
- Release to profit or loss	184 065	145 143
- Deferred tax on amounts charged directly to other comprehensive income	(117)	(1 202)
- Other	(4 011)	195
Total deferred income tax liability	(76 769)	(256 706)
Deferred tax asset		
Deferred tax asset	30 122	26 210
Opening balance	26 210	28 943
- Charge to profit or loss	3 912	(2 733)
Total deferred income tax asset	30 122	26 210
Total net deferred tax liability	(46 647)	(230 496)

Deferred tax assets and liabilities are offset when the income taxes relate to the same fiscal authority, same legal entity and there is legally enforceable to set-off.

The group has not recognised a deferred tax asset amounting to N$29.2 million (2020: N$30.3 million) relating to tax losses.

The carrying amount of deferred tax assets is reviewed at each reporting date and is supported by future cash flow forecasts.

Tax losses have no expiry date.

19. Deferred tax continued

Reconciliation of deferred tax asset / (liability)

N$'000	2021	2020
Originating / (reversing) temporary differences arising from:		
Accruals	(112 901)	(212 086)
Deferred staff costs	(2 794)	(10 909)
Fair value adjustments of financial instruments	5 628	1 424
Instalment credit agreements	(61 609)	(110 577)
Post-employment benefit liabilities	12 954	12 323
Property and equipment	(85 746)	(80 321)
Provision for loan impairment	134 016	120 061
Other	33 683	23 379
	(76 769)	(256 706)
Deferred income tax assets		
Property and equipment	(20)	(20)
Other	30 142	26 230
Total net deferred income tax assets	30 122	26 210
Release through profit and loss	(184 065)	(142 410)
Deferred income tax on other comprehensive income	(117)	(1 202)
	(184 182)	(143 612)

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

20. Creditors and accruals

N$'000	2021	2020
Items in transit	103 401	159 395
Audit fees	7 394	8 803
Accrued expenses	44 750	61 390
Accounts payable and accured liabilities	404 697	298 710
	560 242	528 298

Fair value of creditors and accruals

The carrying value of creditors and accruals approximates fair value.

21. Short trading position

N$'000	2021	2020
Government and government guaranteed stock	21 849	-

22. Deposits and current accounts

N$'000	2021	2020
Category analysis		
Deposits from customers		
Current accounts	11 952 563	12 222 443
Call deposits	8 642 331	6 771 929
Savings accounts	450 484	400 252
Fixed and notice deposits	10 001 199	11 424 931
Debt securities		
Negotiable certificate deposit	4 073 575	7 064 014
Fixed and floating rate notes	543 611	543 668
Total deposits	35 663 763	38 427 237
Due to banks and other financial institutions		
To banks and other financial institutions		
- In the normal course of business	132 661	117 948

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

23. Employee liabilities

N$'000	2021	2020
Defined contribution post-employment benefit liabilities	40 681	38 665
Liability for short-term employee liabilities	192 100	168 438
	232 781	207 103

Note 28 (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$ 2.4 million (2020: N$ 2.3 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.

23. Employee liabilities continued

	2021			2020		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Present value of unfunded liabilities	33 207	7 474	40 681	32 449	6 216	38 665

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

	2021			2020		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Current service cost	201	924	1 125	187	648	835
Interest cost	3 324	816	4 140	3 534	626	4 160
Included in staff cost	3 525	1 740	5 265	3 721	1 274	4 995
Recognised in other comprehensive income						
Actuarial (gains) / loss recognised	(502)	254	(248)	(1 671)	(882)	(2 553)
Total included in staff costs	3 023	1 994	5 017	2 050	392	2 442

Movement in post-employment liabilities

	2021			2020		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Present value at beginning of the year	32 449	6 216	38 665	34 294	6 699	40 993
Current service cost	201	924	1 125	187	648	835
Interest cost	3 324	816	4 140	3 534	626	4 160
Benefits paid	(2 265)	(736)	(3 001)	(3 895)	(875)	(4 770)
Actuarial (gains) / loss from changes in financial assumptions	(502)	254	(248)	(1 671)	(882)	(2 553)
Present value at end of the year	33 207	7 474	40 681	32 449	6 216	38 665

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

23. Employee liabilities continued

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

N$'000	2021	2020
Effect of 1% change in the medical aid inflation assumptions is as follows:		
1 % increase - effect in current service cost and interest cost	3 932	4 153
1 % decrease - effect in current service cost and interest cost	3 179	3 357
Effect of 1% change in normal salary inflation assumptions is as follows:		
1 % increase - effect in current service cost and interest cost	1 557	1 459
1 % decrease - effect in current service cost and interest cost	1 304	1 234

The principal actuarial assumptions used for accounting purposes were:

	2021		2020	
	Medical	Severance	Medical	Severance
Discount rate (%)	10.38%	12.26%	11.33%	13.82%
Medical aid inflation (%)	7.73%	-	7.69%	-
Salary inflation (%)	-	9.05%	-	9.61%
Employees covered	95	2 054	101	2 208

24. Other liabilities

N$'000	2021	2020
Lease liabilities	51 907	73 163
Other funding liabilities	188 457	219 928
Preference shares	607	607
Total other liabilities	240 971	293 698
Opening balance	293 698	261 046
IFRS 16 adjustment	-	65 878
Cash flow movements	(81 892)	(53 613)
- Principal payments towards other liabilities	(31 286)	-
- Principal payments towards lease liabilities	(36 002)	(29 977)
- Interest paid on other liabilities	(4 497)	(6 188)
- Interest paid on lease liabilities	(10 107)	(17 448)
Non-cash flow movements	29 165	20 387
- New leases entered into during the year	19 775	37 279
- Early termination of lease	(5 029)	-
- Interest accrued	14 419	22 813
- Preference share FV	-	(39 705)
Total other liabilities	240 971	293 698

The group's significant operating leases relate to property rentals of office premises and the various branch network channels represented by branches and ATM's. The rentals have fixed monthly payments. Escalation clauses are based on market-related rates and vary between 5% and 10%.

The leases are usually for a period of one to five years. The leases are non-cancellable and some of the leases have an option to renew for a further leasing period at the end of the original lease term.

Restrictions are more of an exception than the norm and usually relate to the restricted use of the asset for the business purposes specified in the lease contract.

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

25. Policyholder liabilities

N$'000	2021	2020
Short-term insurance contracts		
Claims outstanding		
Claims reported and loss adjustment expenses	7 715	9 345
Claims incurred but not reported	6 152	6 593
Insurance contract cash bonuses	8 440	9 767
Unearned premiums	17 071	17 656
Gross	39 378	43 361
Claims reported and loss adjustment expense	(1 924)	(2 611)
Recoverable from reinsurance	(1 924)	(2 611)
Claims outstanding		
Claims reported and loss adjustment expenses	5 791	6 734
Claims incurred but not reported	6 152	6 593
Insurance contract cash bonuses	8 440	9 767
Unearned premiums	17 071	17 656
	37 454	40 750

25. Policyholder liabilities continued

	2021		
N$'000	Gross	Re-insurance	Net
Analysis of movement in claims provision			
Opening balance	14 787	(1 461)	13 326
Current year	11 723	(977)	10 746
Claims incurred	67 809	(9 841)	57 968
Claims paid	(64 172)	8 864	(55 308)
Claims handling expenses raised	6 402	-	6 402
Risk margins raised	1 684	-	1 684
Prior year	(13 546)	1 416	(12 130)
Claims incurred	1 237	(142)	1 095
Claims paid	(12 411)	1 558	(10 853)
Claims handling expenses raised	385	-	385
Risk margins released	(2 757)	-	(2 757)
Closing balance	12 964	(1 022)	11 942
Analysis of movement in unearned premium provision (UPP)			
Opening balance	19 372	(1 716)	17 656
UPP raised	19 957	(1 763)	18 194
UPP earned	(20 590)	1 810	(18 780)
Closing balance	19 372	(1 669)	17 070
Analysis of movement in insurance contract non-claims bonuses			
Opening balance	9 767	-	9 767
Charge to profit or loss	8 416	-	8 416
Non-claims bonuses paid during the year	(9 743)	-	(9 743)
Closing balance	8 440	-	8 440

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

25. Policyholder liabilities continued

	2020		
N$'000	Gross	Re-insurance	Net
Analysis of movement in claims provision			
Opening balance	17 574	(1 914)	15 660
Current year	14 725	(983)	13 742
Claims incurred	64 221	(4 434)	59 787
Claims paid	(59 038)	3 451	(55 587)
Claims handling expenses raised	6 629	-	6 629
Risk margins raised	2 913	-	2 913
Prior year	(17 512)	1 436	(16 076)
Claims incurred	(652)	3 076	2 424
Claims paid	(13 312)	(1 640)	(14 952)
Claims handling expenses raised	30	-	30
Risk margins released	(3 578)	-	(3 578)
Closing balance	14 787	(1 461)	13 326
Analysis of movement in unearned premium provision (UPP)			
Opening balance	20 615	(1 806)	18 809
UPP raised	23 574	7 034	30 608
UPP earned	(24 817)	(6 944)	(31 761)
Closing balance	19 372	(1 716)	17 656
Analysis of movement in insurance contract non-claims bonuses			
Opening balance	10 076	-	10 076
Charge to profit or loss	9 843	-	9 843
Non-claims bonuses paid during the year	(10 152)	-	(10 152)
Closing balance	9 767	-	9 767

26. Tier 2 liabilities

Subordinated debt instruments	Interestrate	Final maturity date	Note	2021	2020
FNB J27 floating rate notes	Three-month JIBAR + 2.50%	Monday, 29 March 2027	(i)	300 000	300 000
FNB X27 fixed rate notes	10.36%	Monday, 29 March 2027	(ii)	100 000	100 000
Accrued interest				2 770	2 774
Total				402 770	402 774

(i) The FNB J27 floating 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, 29 June, 29 September and 29 December of each year.

(ii) The FNB X27 fixed notes may be redeemed in full at the option of the group on 29 March 2022. Interest is paid semi-annually in arrears on 29 March and 29 September of each year.

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

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

Note 33, fair value of financial instruments for the methodologies used to determine the fair value of the tier 2 liabilities.

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

26. Tier 2 liabilities continued

Tier 2 liabilities reconciliation

N$'000	2021	2020
Opening balance	402 774	402 804
Cash flow movements	(28 807)	(37 649)
- Interest paid	(28 807)	(37 649)
Non-cash flow movements	28 803	37 619
- Interest accrued	28 803	37 619
Closing balance	402 770	402 774

27. Share capital

N$'000	2021	2020
Authorised		
990 000 000 (2020: 990 000 000) ordinary shares of par value of N$ 0.005 per share	4 950	4 950
10 000 000 (2020: 10 000 000) cumulative convertible preference shares with a par value of N$ 0.005 per share	50	50
	5 000	5 000
Issued		
267 593 250 (2020: 267 593 250) ordinary shares with a par value of N$ 0.005 per share	1 308	1 307
Share premium	5 039	2 354
	6 347	3 661

A detailed reconciliation of the movements in the share capital and premium balances is set out in the consolidated statement of changes in equity.

28. General risk reserve

N$'000	2021	2020
First National Bank of Namibia Limited - Credit risk reserve	95 423	-

Credit risk reserve is in compliance with Bank of Namibia requirements in terms of BID-33.

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

29. Remuneration schemes

N$'000	2021	2020
The statement of comprehensive income charge for share-based payments is as follows:		
FirstRand Namibia share options	-	292
FirstRand conditional share plan	22 433	33 485
Charge against staff costs	22 433	33 777

The purpose of these schemes is to appropriately attract, incentivise and retain managers and employees within the group.

FirstRand Namibia Ltd options are equity settled. FirstRand conditional share plan is cash settled.

The performance vesting conditions attached to the 2017 scheme were not met and any credit due is included in the current year.

The performance vesting conditions attached to the 2018 scheme were not met. Due to the nature of the transaction, any credit due will only be affected at the original vesting date, i.e. September 2021.

Description of the scheme and vesting conditions:

Conditional incentive plan	
IFRS 2 treatment	Cash settled
Description	The conditional award is a notional share based on the FirstRand Limited share price.
Vesting conditions	These awards vest after three years. The awards vest if the employment and, where applicable, performance conditions are met.
	Conditional awards are issued annually and vesting is subject to specified financial performance targets set annually by the groupís remuneration committee. These corporate performance targets (CPTs) are set out below.
Valuation methodology	The conditional incentive plan (CIP) is valued using the Black Scholes option pricing model. The scheme is cash settled and is therefore repriced at each reporting date.
Valuation assumtions	
Dividend data	Managements estimates of future discrete dividends.
Market related	Interest rate is the risk-free rate of return as recorded on the last day of the financial year, on a funding curve of a term equal to the remaining expected life of the plan.
Employee related	The weighted average forfeiture rate used is based on historical forfeiture data observed over all schemes.

29. Remuneration schemes continued

Corporate performance targets:

The FirstRand Limited group remuneration committee sets the CPTs for each award based on the expected macroeconomic conditions and group earnings and returns forecasts over the performance period. These criteria vary from year to year, depending on the expectations for each of the aforementioned variables. For vesting to occur, the criteria must be met or exceeded. For the 2018 award scheme, the scheme rules allowed the remuneration committee the discretion to determine whether the conditional awards would vest, in full or partially, in circumstances where the performance conditions were not fulfilled. The application of this discretion is limited. For the 2019 and 2020 awards, this discretion is removed and if the performance conditions are not met the award fails. The 2019 and 2020 schemes have a structure of graded vesting, the level of vesting is correlated to the earnings growth achieved relative to macroeconomic variables and minimum ROE requirements. The vesting outcome is based on the delivery of the performance conditions and this level is finally determined and calculated by the group remuneration committee. In terms of the scheme rules, participants are not entitled to dividends on their conditional share awards during the vesting period. For certain non-senior employees eligible for a CIP, a portion of the award is not subject to the performance conditions, and only requires continued employment.

The criteria for the expired andcurrently open schemes are set out below:

Expired schemes

2017 (Did not vest at the expected vesting date of September 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.

Currently open

The vesting conditions of 2018, 2019 and 2020 award schemes are set out in the REMCO report. page 62 t0 65.

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

29. Remuneration schemes continued

Impact of COVID-19 on existing schemes

As noted, due to the impact of COVID-19, the 2018 scheme has failed and will not vest.

	FirstRand Namibia share incentive scheme		FirstRand Ltd conditional share plan	
	2021	2020	2021	2020
Weighted average share price (cents)	-	1 180 - 2 452	-	-
Expected volatility (%)	-	402 - 16	-	-
Expected option life (years)	-	5	2 - 4	2 - 3
Expected credit free rate (%)	-	-	367 - 574	391 - 532
Share option schemes				
Number of options in force at the beginning of the year (N$'000)	-	548	1 830	1 788
Granted prices ranging between (cents)	-	1 180 - 2 452	-	
Number of options granted during the year (N$'000)	-	-	1 229	620
Granted at prices ranging between (cents)	-	-	-	-
Number of options exercised during the year (N$'000)	-	(548)	(23)	(573)
Market value range at the date of exercise/release (cents)	-	3 178 - 3 500	3 924 - 3 924	5 105 - 6 520
Number of options cancelled / lapsed during the year (N$'000)	-	-	(1 208)	(5)
Granted at prices ranging between (cents)	-	-	-	-
Number of options in force at the end of the year (N$'000)	-	-	1 828	1 830

29. Remuneration schemes continued

Conditional share plan (FirstRand shares)

	Conditional share plan (FirstRand shares)			
	2021		2020	
Share awards outstanding**	Weighted average remaining life (years)	Outstanding awards (millions)	Weighted average remaining life (years)	Outstanding awards (millions)
Vesting during 2020 #	0.31	0.034	0.30	0.654
Vesting during 2021	1.30	0.628	1.30	0.564
Vesting during 2022	2.31	1.166	2.29	0.612
Total conditional awards	-	1.828	-	1.83
Number of participants	-	155	-	159

* *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 and 2021 failed to vest due to not achieving the performance conditions attached to the scheme.

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

30. Cash flow information

Reconciliation of cash flows from operating activities:

N$'000	2021	2020
Interest and fee commission receipts		
Interest received	3 015 868	3 838 809
Fee and commission received	1 926 596	1 875 278
Insurance income received	134 715	158 133
Fee and commission paid	(189 783)	(177 254)
	4 887 396	5 694 966
Trading and other income		
Trading and other income	206 632	211 502
Interest payments and payments made to suppliers		
Interest expenses and similar charges	(1 156 556)	(1 847 630)
Net claims and benefits paid	(70 565)	(78 164)
	(1 227 121)	(1 925 794)
Operating expenses		
Total other operating expenses	(1 955 708)	(1 940 720)

30. Cash flow information continued

N$'000	2021	2020
Taxation paid		
Amounts payable at beginning of the year	(88 081)	(216 238)
Indirect tax	(38 070)	(44 724)
Current tax charge	(643 592)	(518 798)
Amounts payable at end of the year	130 354	88 082
	(639 389)	(691 678)
(Increase) / decrease in income earning assets		
Liquid assets and trading securities	2 833 049	(2 365 770)
Advances	(436 004)	(242 119)
Other assets	(163 436)	53 917
	2 233 609	(2 553 972)
Increase / (decrease) in deposits and other liabilities		
Deposits	(2 763 474)	2 541 092
Creditors	54 942	139 575
Other liabilities	14 713	(309 827)
	(2 693 819)	2 370 840

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

31. Structured entities

Consolidated structured entities
The group assesses whether it has control over structured entities in terms of IFRS 10. Where the group has control over a structured entity it is consolidated in terms of IFRS 10.

Interest in unconsolidated structured entities
The group has financial interests in other structured entities that expose the group to the variable income of those entities without resulting in control. Below set out, is the nature of those relationships and the impact that those relationships have had on the financial position and performance of the group.

Fund management
The group manages a number of unit trusts, ranging from income funds to equity funds, which are managed by third party asset managers. Unit trusts are regulated by the Namibia Financial Institution Supervisory Board and the Unit Trust Control Act of 1981. The group's interest is generally restricted to fund service and administration fees. The group may hold direct interests in a number of the funds; however the magnitude of such interest varies with sufficient regularity. The group earns service and administration fees from its administration of the funds, as well as unrealised gains and losses as a result of revaluations of the units held directly in the funds.

N$'000	2021	2020
Investments and other securities		
Unit trust investments	419 438	407 443
Maximum exposure to loss	419 438	407 443
Assets under management		
- Traditional products	10 783 899	9 982 843
- Alternative products	4 241 745	4 136 022
	15 025 644	14 118 865

32. Related parties

Details of subsidiaries	Nature of business	Date of acquisition	Country of incorporation	Number of shares	Effective holding % 2020	Effective holding % 2019
Banking operations:						
First National Bank of Namibia Limited	Commercial bank	1-Jun-03	Namibia	1200 of N$1 each	100	100
Swabou Investments (Proprietary) Limited	Home loan investment company	1-Jul-03	Namibia	2 of N$0.05 each	100	100
Insurance operations:						
OUTsurance Insurance Company of Namibia Limited	Short-term finance	1-Jul-03	Namibia	4 000 000 of N$1 each	51	51
Other:						
FNB Fiduciary (Namibia) (Proprietary) Limited	Estate and trust services	1-Oct-96	Namibia	200 of N$1 each	100	100
FNB Insurance Brokers (Namibia) (Proprietary) Limited	Short-term insurance broker	1-Jul-11	Namibia	100 of N$1 each	100	100
Ashburton Unit Trust Management Company Limited	Unit trusts management company	1-Jan-06	Namibia	4 000 000 of N$1 each	100	100
Talas Properties (Windhoek) (Proprietary) Limited	Property company	31-Mar-98	Namibia	100 of N$1 each	100	100
RMB Investments (Proprietary) Limited	Financial advisory services	14-Nov-13	Namibia	100 of N$1 each	100	100
FNB Easy Loans Limited	Financial services	30-Mar-17	Namibia	1 624 183 of N$1 each	100	100
Ashburton Investments Namibia Holdings (Proprietary) Limited	Investment company	1-Feb-17	Namibia	100 of N$1 each	100	100
Ashburtonn Fund Managers Namibia (Proprietary) Limited	Investment company	1-Feb-17	Namibia	100 of N$1 each	100	100
Pointbreak Trusts and Estates	Financial and investment services	30-Mar-17	Namibia	8 500 of N$2 each	100	100
Pointbreak Wealth Management (Proprietary) Limited	Financial and investment services	30-Mar-17	Namibia	4 200 of N$0.25 each	100	100
Ashburton Investments Namibia Holdings (Formely: Pointbreak Equity (Proprietary) Limited	Financial and investment services	30-Mar-17	Namibia	100 of N$1 each	100	100
Pointbreak Investment Management (Proprietary) Limited	Financial and investment services	30-Mar-17	South Africa	100 of N$1 each	100	100
Pointbreak Unit Trust Management Company (Proprietary) Limited	Unit trust management company	30-Mar-17	Namibia	2 000 000 of N$1 each	100	100
Pointbreak Property Unit Trust Management Company Limited	Property unit trust management company	30-Mar-17	Namibia	2 000 000 of N$1 each	100	100

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

32. Related parties continued

FirstRand Namibia Limited is listed on the Namibian Stock Exchange and is 58.4% (2020: 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.

N$'000	2021	2020
Related party balances		
Deposits		
FirstRand SA group companies	2 102 036	2 332 216
Advances		
FirstRand SA group companies	-	14 193
Derivative assets		
FirstRand SA group companies	199 086	139 793
Derivative liabilities		
FirstRand SA group companies	(121 130)	(407 275)
Related party transactions		
Interest paid to (received from) related parties		
FirstRand SA group companies	(32 012)	(64 412)
Associates	-	720
Non-interest expenditure		
FirstRand SA group companies	331 991	347 552
Associates	-	17 780
Details of transactions with relevant related parties appear below:		
Directors' fees	13 627	13 130

32. Related parties continued

N$'000	2021	2020
Advances	9 991	17 860
Current and credit card accounts	170	15 463
Instalment finance	2 583	2 698
Investment products	9 788	20 530
No impairment has been recognised for loans granted to key management (2020: Nil).		
Mortgage loans are repayable monthly over 20 years.		
Key management compensation (Group exco)		
Cash package	26 412	27 766
Retirement contributions	3 786	4 231
Performance related benefits	10 638	14 531
Compensation received in respect of loss of office	3 487	-
	44 323	46 528

A lisiting of the board of directors of the group is detailed on page of the annual report.

Post-employment benefit plans
Note 23 on detailed disclosure of the movement on the post-employment benefit liability.

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

32. Related parties continued

Non-controlling interests
OUTsurance Insurance Company of Namibia Ltd is the subsidiary which has non-controlling interests in the group. The voting rights of the non-controlling interest is limited to their ownership percentage.

It is the group's investment strategy to limit the non-controlling interests in its subsidiary holdings. The group generally holds 100% interests in its key subsidiaries.

N$'000	2021	2020
Interest owned by non-controlling interest	49%	49%
Voting rights owned by non-controlling interest	49%	49%
Profit or loss attributable to non-controlling interests	10 319	14 030
Accumulated balance of non-controlling interests	59 494	62 405
Dividends paid to non-controlling interests	13 230	13 230
The following balances have been included in the consolidated statement of financial position and statement of comprehensive income in respect of OUTsurance Insurance Company of Namibia Ltd:		
Total Assets	152 979	147 966
Total Liabilities	58 074	47 118
Net interest income	6 127	10 663
Non-interest income	62 678	83 625
Profit before tax	31 040	42 250
Total comprehensive income	21 059	28 633

33. 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 won 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 consolidated annual financial statements
for the year ended 30 June 2021 continued

33. Fair value measurements 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.

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 minises 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.
- The group considers factors such as counterparty and own credit risk when making appropriate valuation adjustments.

33. 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.	Market interest rates and curves	Not applicable
Unlisted bonds	Level 2	Price earnings ("P/E" model	Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate.	Market transactions	Not applicable
Negotiable certificates of deposit	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 consolidated annual financial statements
for the year ended 30 June 2021 continued

33. 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	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs
Other liabilities 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 curves	Credit inputs

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

33. Fair value measurements continued

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.

Page 277 for the effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonably possible alternatives

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:

2021

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

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

33. Fair value measurements continued

2020

N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities	-	474 981	21 929	496 910
Advances	-	-	310 042	310 042
Derivative financial instruments	-	519 294	-	519 294
Total financial assets	-	994 275	331 971	1 326 246
Liabilities				
Recurring fair value measurements				
Derivative financial instruments	-	534 035	-	534 035
Other liabilities	-	-	607	607
	-	534 035	607	534 642

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 these components:

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

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.

33. Fair value measurements continued

Changes in the gorup's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on the statement of financial postion and the movement in fair values recognised in the statement of comprehensive income. However, changing these inputs to reasonably possible alternatives would change the fair vlaue using more positive reasonable assumptions to N$ 285 miilion (2020: N$ 365 million) and using more negative reasonable possible assumptions to N$ 233 million (2020: N$ 298 million). These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

Changes in level 3 instruments with recurring fair value measurements

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

N$'000	Fair value as at June 2019	Gains or losses recognised in profit or loss	Purchases / (sales) / issues / (settlements)	Fair value as at June 2020
Advances	368 932	43 408	(102 298)	310 042
Investment securities	67 738	(45 809)	-	21 929
Total financial assets at fair value	436 670	(2 401)	(102 298)	331 971

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

33. Fair value measurements continued

Unrealised gains or losses on level 3 instruments with recurring fair value measurements

The valuation model for level 3 assets or liabilities typically relies on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in fair value related to both observable and unobservable inputs. The table below presents the total gains / (losses) relating to financial instrument classified in Level 3 that are still held on 30 June. With the exception of interest on funding instruments all of these gains or losses are recognised in non-interest revenue.

2021

	2021		2020	
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	17 522	-	43 408	-
Investment securities	1 030	-	(45 808)	-
Total financial assets at fair value	18 552	-	(2 400)	-

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.

33. Fair value measurements continued

	2021			2020		
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	29 965 380	-	30 017 844	29 689 823	-	29 675 467
Total investment securities at amortised cost	6 673 704	6 654 060	-	8 037 567	8 097 623	-
	36 639 084	6 654 060	30 017 844	37 727 390	8 097 623	29 675 467
Liabilities						
Total deposits at amortised cost	35 663 763	35 675 035	-	38 427 237	38 429 200	-
Tier 2 liabilities	402 770	417 779	-	402 774	405 282	-
Other liabilities	189 064	188 123	-	219 928	219 530	-
	36 255 597	36 280 937	-	39 049 939	39 054 012	-

Financial assets 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.

	2021			2020		
		Change in fair value due to credit risk	Change in fair value due to credit risk		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	241 294	(454)	1 125	310 042	(537)	1 579
Investment securities	512 057	-	-	419 794	-	-
Total	753 351	(454)	1 125	729 836	(537)	1 579

The change in the fair value of these liabilities due to own credit risk is not material.

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

33. Fair value measurements continued

Effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonably possible alternatives

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

Asset/liability	Significant unobservable inputs	Unobsevable input to which reasonably possible changes are applied	Reasonably possible changes required
Advances	Credit	Scenario analysis	A range of scenarios are run as part of the group's credit risk management process for advances measured at fair value through profit or loss to determine credit losses and change in credit spreads in various economic conditions. The probability of deflaut is adjusted either upwards or downwards versus the base case.
Investment securities	Credit, growth rates and P/E ratios of unlisted investments	Credit, growth rates and P/E ratios of unlisted investments	Increased and decreased by 10%
Other liabilities	Performance of underlying contracts	Profits on the underlying contracts	Increased and decreased by 10%

	2021			2020		
	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	241 294	265 423	217 165	310 042	341 046	279 038
Investment securities	18 016	19 818	16 214	21 899	24 089	19 709
Total financial assets measured at fair value in level 3	259 310	285 241	233 379	331 941	365 135	298 747
Liabilities						
Other liabilities	607	546	667	607	546	667
Total financial liabilities measured at fair value in level 3	607	546	667	607	546	667

34. 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 at amortised cost 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	2021	2020
Included in advances	241 294	310 042

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.

Notes to the consolidated annual financial statements
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35. Contingent liabilities and capital commitments

N$'000	2021	2020
Contingencies		
Guarantees *	1 094 086	1 222 282
Letters of credit	18 675	16 775
Total contingencies	1 112 761	1 239 057
Irrevocable unutilised facilities	2 493 125	2 122 750
Committed capital expenditure	152 336	190 723
Total contingencies and commitments	3 758 222	3 552 530

** 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.

36. Risk management

Overview of financial and insurance risks
The financial instruments recognised on the group's statement of financial position expose the group to various financial risks. The COVID-19 pandemic had 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 described in the sub-section below.

The risk report of the group appears on page 93 of this annual report. The report describes the various risks the group is exposed to, as well as the methodology and instruments to mitigate these risks. The report includes the disclosures required by IFRS 7 related to the management of credit markets, liquidity and interest rate risks. Capital management is dealt with in the Capital Management report. Risk control policies and exposures limits for key risk areas of the group are approved by the board, while operational policies and control procedures are approved by the relevant risk committees. The following assets and off-balance sheet amounts expose the group to credit risk. For all on-balance sheet exposures, the carrying amount recognised in the statement of financial position represents the maximum exposure to credit risk, before taking into account collateral and other credit.

Categories of financial instruments
Credit risk

Objective
Credit risk management 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.

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

36. 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 is 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, A-
FR 15 – 25	0.29%	BBB+, BBB(upper), BBB, BBB-(upper), BBB-, BB+(upper)
FR 26 – 32	0.77%	BB+, BB(upper), BB, BB-(upper)
FR 33 - 39	1.44%	BB-, B+(upper)
FR 40 – 53	2.52%	B+
FR 54 – 83	6.18%	B(upper), B, B-(upper)
FR 84 – 90	13.68%	B-
FR 91 – 99	59.11%	CCC
FR 100	100%	D (Defaulted)

36. Risk management continued

Credit assets

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

N$'000	2021	2020
Total exposure (items where credit risk exposure exist)		
Cash and cash equivalents		
Balances with other banks	35 815	9 736
Balances with cental bank	777 404	550 315
Total cash and cash equivalents	813 219	560 051
Due from banks and other financial institutions	2 958 108	4 442 442
Advances		
Residential mortages	14 502 255	13 814 764
Vehicle asset finance	1 737 979	1 755 160
Credit card	419 894	404 191
Personal loans	2 338 794	2 303 430
Other retail	389 324	396 083
FNB Commercial	5 608 158	5 895 910
Commercial vehicle finance	1 257 315	1 402 508
RMB Corporate and Investment banking	3 952 955	4 021 692
Total advances	30 206 674	29 993 738
Derivative financial instruments	314 626	519 294

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

36. Risk management continued

N$'000	2021	2020
Debt investment securities		
Listed investment securities	3 624 226	2 769 716
Unlisted investment securities	3 561 535	5 764 761
Total debt investment securities	7 185 761	8 534 477
Accounts receivable	414 867	244 310
Guarantees	1 094 086	1 222 282
Letters of credit	18 675	16 775
Irrecoverable commitments	2 493 125	2 122 750
Total	45 499 141	47 656 119

36. Risk management continued

2021

N$'000	Carrying amount	Loss allowance	Maxium exposure to credit risk	Netting and financial collateral	Net exposure to credit risk	Unsecured	Secured
Total exposure (items where credit exposure exists)							
Cash and cash equivalents							
Balances with other banks	35 815	-	35 815	-	35 815	35 815	-
Balances with central bank	777 404	-	777 404	-	777 404	777 404	-
Total cash and cash equivalents	813 219	-	813 219	-	813 219	813 219	-
Due from banks and other financial institutions	2 958 108	-	2 958 108	-	2 958 108	2 958 108	-
Advances							
Residential mortgages	14 850 389	(348 134)	14 502 255	821 830	13 680 425	-	13 680 425
Vehicle and asset finance	1 816 406	(78 427)	1 737 979	26 626	1 711 353	-	1 711 353
Credit card	443 244	(23 350)	419 894	-	419 894	419 894	-
Personal loans	2 557 472	(218 678)	2 338 794	-	2 338 794	2 338 794	-
Other retail	457 805	(68 481)	389 324	-	389 324	389 324	-
FNB Commercial	6,079,606	(471 448)	5 608 158	30 196	5 577 962	3 650 853	1 927 109
Commercial vehicle finance	1 361 097	(103 782)	1 257 315	11 996	1 245 319	-	1 245 319
RMB Corporate and Investment banking	4 005 491	(52 536)	3 952 955	439 300	3 513 655	869 893	2 643 762
Total advances	31 571 509	(1 364 836)	30 206 674	1 329 948	28 876 726	7 668 758	21 207 968
Investment securities	7 188 436	(2 675)	7 185 761	-	7 185 761	7 185 761	-
Derivatives	314 626	-	314 626	-	314 626	300 055	14 571
Guarantees	1 094 086	-	1 094 086	-	1 094 086	870 861	223 226
Letters of credit	18 675	-	18 675	-	18 675	18 675	-
Irrevocable commitments	2 493 125	-	2 493 125	-	2 493 125	2 493 125	-

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

36. Risk management continued

2020

N$'000	Carrying amount	Loss allowance	Maximum exposure to credit risk	Netting and financial collateral	Net exposure to credit risk	Unsecured	Secured
Total exposure (items where credit exposure exists)							
Cash and cash equivalents							
Balances with other banks	9 736	-	9 736	-	9 736	9 736	-
Balances with central bank	550 315	-	550 315	-	550 315	550 315	-
Total cash and cash equivalents	560 051	-	560 051	-	560 051	560 051	-
Due from banks and other financial institutions	4 442 442	-	4 442 442	-	4 442 442	-	-
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	(164 867)	2 303 430	-	2 303 430	2 303 430	-
Other retail	472 677	(76 594)	396 083	-	396 083	396 083	-
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	31 235 272	(1 241 534)	29 993 738	675 222	29 318 516	20 913 395	20 913 395
Investment securities	8 535 742	(1 265)	8 534 477	-	8 534 477	8 534 477	-
Derivatives	519 294	-	519 294	-	519 294	402 957	116 337
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	-

36. 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.

	2021			
	FR 26 - 90		FR 91 - 100	
N$'000	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
FNB Retail				
Stage 1	18 235 474	2 051 727	43 150	-
Stage 2	611 061	-	1 474 092	-
Stage 3	103 069	-	-	-
Total retail	18 949 604	2 051 727	1 517 242	-
FNB commercial	-	-	-	-
Stage 1	4 780 917	820 678	129 522	-
Stage 2	376 938	-	266 259	-
Stage 3	40 958	-	485 011	-
Total commercial	5 198 813	820 678	880 792	-
RMB Corporate banking				
Stage 1	837 667	540 802	531	299
Stage 2	8 757	20 493	617	13 899
Total RMB Corporate banking	846 424	561 295	1 148	14 198
RMB Investment banking	-	-	-	-
Stage 1	2 189 207	80 804	-	-
Stage 2	950 490	77 182	-	-
Fair value through profit or loss	-	-	-	-
Total RMB Investment banking	3 139 697	157 986	-	-

Notes to the consolidated annual financial statements
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36. Risk management continued

N$'000	2020 FR 26 - 90 On balance sheet	2020 FR 26 - 90 Off balance sheet	2020 FR 91 -100 On balance sheet	2020 FR 91 -100 Off balance sheet
FNB Retail				
Stage 1	18 991 992	1 678 202	110 003	85 569
Stage 2	493 344	-	388 746	-
Stage 3	79 183	-	812 794	-
Total retail	19 564 519	1 678 202	1 311 543	85 569
FNB commercial				
Stage 1	4 814 033	1 042 549	146 543	14 131
Stage 2	464 048	-	403 605	-
Stage 3	3 791	-	473 573	-
Total commercial	5 281 872	1 042 549	1 023 721	14 131
RMB corporate banking				
Stage 1	977 258	-	972	340 071
Stage 2	-	-	-	277
Total RMB corporate banking	977 258	-	972	340 348
RMB investment banking				
Stage 1	2 765 335	201 007	-	-
Stage 2	17 531	-	-	-
Fair value through profit or loss	310 042	-	-	-
Total RMB investment banking	3 092 908	201 007	-	-

36. Risk management continued

Analysis of impaired advances (stage 3)

The table represents an analysis of impaired advances for financial assets measured at amortised cost, and debt instruments measured both at fair value through other comprehensive income and fair value through profit or loss, in line with the manner the group manages credit risk.

N$'000	2021 Gross carrying amount	2021 Expected recoveries from collateral	2021 Loss allowance	2020 Gross carrying amount	2020 Expected recoveries from collateral	2020 Loss allowance
- Residential mortgages	756 129	594 479	161 650	641 827	470 783	171 044
- Vehicle asset finance	68 458	23 121	45 337	53 330	4 129	49 201
Total retail secured	824 458	617 600	206 987	695 157	474 912	220 245
- Credit card	36 677	-	36 677	25 718	(87)	25 805
- Personal loans	176 571	32 653	143 918	106 847	2 531	104 316
- Other retail	31 717	2 979	28 738	20 740	2 101	18 639
Total retail unsecured	244 965	35 632	209 333	153 305	4 545	148 760
- FNB commercial	525 969	302 534	223 435	477 364	278 764	198 600
- Commercial vehicle finance	49 573	16 743	32 830	43 634	3 379	40 255
- RMB Corporate and investment banking	-	-	-	-	-	-
Total corporate and commercial	575 542	319 277	256 265	520 998	282 143	238 855
Total stage 3	1 645 094	972 509	672 585	1 369 460	761 600	607 860

Notes to the consolidated annual financial statements
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36. Risk management continued

Analysis of impaired advances (stage 3)

The table represents an analysis of impaired advances for financial assets measured at amortised cost, and debt instruments measured both at fair value through other comprehensive income and fair value through profit or loss, in line with the manner the group manages credit risk.

	2021			2020		
N$'000	Gross carrying amount	Expected recoveries from collateral	Loss allowance	Gross carrying amount	Expected recoveries from collateral	Loss allowance
Stage 3 by category						
Overdrafts and cash management accounts	227 410	104 620	122 790	190 689	71 689	119 000
Term loans	206 895	108 771	98 124	205 045	138 712	66 333
Card loans	37 955	589	37 366	25 718	(787)	26 505
Instalment sales and hire purchase agreements	110 069	38 966	71 103	90 446	2 737	87 709
Lease payments receivable	7 962	897	7 065	6 518	4 771	1 747
Property finance	878 316	686 587	191 728	744 076	541 947	202 129
Personal loans	176 488	32 079	144 409	106 968	2 531	104 437
Total stage 3	1 645 094	972 508	672 585	1 369 460	761 600	607 860

36. Risk management continued

Quality of credit assets - non-advances

The following table shows the gross carrying amount of non-advances carried at amortised cost and the fair value of non-advances measured at fair value through profit or loss or through other comprehensive income per external credit rating.

	2021			2020		
N$'000	AAA to BBB	BB+ to B-	CCC	AAA to BBB	BB+ to B-	CCC
Investment securities at amortised cost						
Stage 1	-	6 673 704	-	-	8 037 567	-
Investment securities at fair value through other comprehensive income						
Stage 1	-	9 578	-	-	9 578	-
Investment securities at fair value through profit or loss						
Stage 1	-	502 479	-	-	487 332	-
Total investment securities	-	7 185 761	-	-	8 534 477	-
Other assets						
Stage 1	-	198 040	-	-	14 878	-
Other financial assets	-	-	-	-	-	-
Cash and cash equivalents						
Stage 1	-	1 299 341	-	-	1 115 109	-
Due from banks and other financial institution						
Stage 1	-	2 958 108	-	-	4 442 442	-
Derivative financial instrument						
Stage 1	-	314 625	-	-	519 294	-

Notes to the consolidated annual financial statements
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36. Risk management continued

Sector analysis concentration of advances.

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

	2021				
N$000's	Total advances	Off-balance sheet	Credit impaired advances	Security held and expected recoveries	Specific impairment
Agriculture	1 520 288	41 570	196 242	116 038	80 204
Banks and financial institutions	1 377 133	243 982	11 635	3 331	8 304
Building and property development	3 697 687	361 400	178 161	95 520	82 641
Government and public authorities	776 436	230 295	-	-	-
Individuals	20 222 857	1 750 103	1 056 934	654 876	402 058
Manufacturing and commerce	2 133 010	238 021	139 055	76 554	62 501
Mining	85 743	214 035	5 257	1 823	3 434
Transport and communication	388 276	103 314	20 183	3 252	16 931
Other services	1 370 080	423 165	37 627	21 115	16 512
	31 571 510	3 605 885	1 645 094	972 509	672 585

	2020				
N$000	Total advances	Off-balance sheet	Credit impaired advances	Security held and expected recoveries	Specific impairment
Agriculture	1 516 157	55 342	155 112	114 960	40 152
Banks and financial institutions	1 433 334	175 906	10 675	-	10 675
Building and property development	3 821 930	386 232	186 257	102 174	84 083
Government and public authorities	967 760	116 652	-	-	-
Individuals	19 368 242	1 379 455	843 657	476 450	367 207
Manufacturing and commerce	2 072 113	242 416	120 361	51 109	69 252
Mining	88 371	228 947	4 352	780	3 572
Transport and communication	462 116	112 233	19 343	2 706	16 637
Other services	1 505 249	664 624	29 703	13 421	16 282
	31 235 272	3 361 807	1 369 460	761 600	607 860

36. Risk management continued

Concentration analysis of deposits

N$'000	2021	2020
Deposit current accounts and other loans		
Sovereigns, including central banks	2 115 784	518 872
Public sector entities	3 496 812	3 744 179
Local authorities	474 893	707 781
Banks	152 134	345 747
Corporate customers	17 772 435	22 049 899
Retail customers	11 651 705	11 060 759
Total deposits	35 663 763	38 427 237
Geographical analysis		
Namibia	35 663 763	38 427 237

Concentration risk

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

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

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

Geographical risk is all Namibian counter parties.

Notes to the consolidated annual financial statements
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36. Risk management continued

Credit risk mitigation and collateral held

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

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

Credit risk mitigation instruments:

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

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

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

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

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

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

36. 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 consolidated annual financial statements
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36. Risk management continued

Liquidity risk continued

Assessment and management

The group focuses on continuously monitoring and analysing the potential impact of other risks and events on the funding and liquidity position 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 groupís 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; and
- 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.

36. Risk management continued

	2021			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	> 12 months and non-contractual	Total
On-balance sheet exposures				
Deposits and current accounts	29 841 535	4 340 992	1 823 665	36 006 192
Due to bank and other financial institutions	132 661	-	-	132 661
Derivative financial instruments	317 192	-	-	317 192
Creditors, accruals and provisions	135 942	-	-	135 942
Other liabilities	2 278	37 669	177 764	217 712
Lease liabilities	5 930	20 261	27 694	53 886
Tier 2 liabilities	9 898	19 011	540 444	569 353
	30 445 436	4 417 933	2 569 567	37 432 938
Off-balance sheet exposures				-
Financial and other guarantees	1 106 149	6 611	-	1 112 760
Other contingencies and commitments	-	-	-	-
Facilities not drawn	2 493 125	-	-	2 493 125
	3 599 274	6 611	-	3 605 885

Notes to the consolidated annual financial statements
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36. Risk management continued

N$'000	2020 Term to maturity Call - 3 months	4 - 12 months	> 12 months and non-contractual	Total
On-balance sheet exposures				
Deposits and current accounts	26 774 057	9 873 940	3 649 423	40 297 420
Due to bank and other financial institutions	117 948	-	-	117 948
Derivative financial instruments	519 294	-	-	519 294
Creditors, accruals and provisions	160 912	-	-	160 912
Tier 2 liabilities	10 046	19 565	566 358	595 969
Financial libilities	27 582 257	9 893 505	4 215 781	41 691 543
Off-balance sheet exposures				
Financial and other guarantees	1 222 282	16 775	-	1 239 057
Other contingencies and commitments	-	-	-	-
Facilities not drawn	2 122 750	-	-	2 122 750
	3 345 032	16 775	-	3 361 807

36. Risk management continued

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 banks 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 banksí 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.

N$'000	2021 Term to maturity Call - 3 months	4 - 12 months	> 12 months and non-contractual	Total
Total financial assets	10 048 809	6 418 061	25 912 387	42 379 257
Total financial liabilities	30 728 320	4 515 062	2 096 066	37 339 448
Net liquidity gap	(20 679 511)	1 902 999	23 816 321	-
Cumulative liquidity gap	(20 679 511)	(18 776 512)	5 039 809	-

N$'000	2020 Term to maturity Call - 3 months	4 - 12 months	> 12 months and non-contractual	Total
Total financial assets	12 746 113	5 506 636	26 367 189	44 619 938
Total financial liabilities	26 721 295	10 018 974	3 123 172	39 863 441
Net liquidity gap	(13 975 182)	(4 512 338)	23 244 017	-
Cumulative liquidity gap	(13 975 182)	(18 487 520)	4 756 497	-

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 consolidated annual financial statements
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36. Risk management continued

Non-traded market risk

Interest rate risk in the banking book

Interest rate risk in the banking book originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in banking book products.

Sensitivity analysis

A change in interest rates impacts both the earnings potential of the banking book (as underlying assets and liabilities reprice to new rates), as well as in the economic value/NAV 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 at management of the group's discretion. 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$ 7.8 billion. (2020: N$ 10.8 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$ 261 million (2020: N$ 287 million). A similar increase in interest rates would result in an increase in projected 12-month NII of N$ 257 million (2020: N$ 283 million).

Banking book NAV sensitivity to interest rate movement as a percentage of total group capital.

%	2021 Change in period 12-month NII	2020 Change in period 12-month NII
Downward 200 bps	(14.55%)	(17.30%)
Upward 200 bps	14.34%	17.00%

36. Risk management continued

Effect of LIBOR reform

Effect of IBOR reform

The reform and replacement of benchmark interest rates such as interbank offered rates (IBORs) with alternative risk-free rates (ARRs) has become a priority for global regulators. These reforms are at various stages globally. On 5 March 2021, the ICE Benchmark Administration Limited (IBA) confirmed the intention to cease the publication of EUR, CHF, JPY and GBP LIBOR for all tenors after 31 December 2021 and USD LIBOR after 30 June 2023. The Group is exposed to all LIBOR reforms with majority of its exposure relating to USD and GBP. At present, the SONIA (Sterling Overnight Index Average) and the SOFR (Secured Overnight Financing Rate) are set to replace the GBP/USD LIBOR. Due to the differences in the manner in which the GBP/USD LIBOR rate and the SONIA/SOFR are determined, adjustments may have to be applied to contracts that reference to the GBP/USD IBOR when the SONIA/SOFR becomes the official reference rate, so as to ensure economic equivalence on transition. Currently the Financial Conduct Authority in the UK and industry working groups are reviewing various methodologies for calculating these adjustments, to ensure an orderly transition to SONIA/SOFR and to minimise the risks arising from transition. The following ARRS are currently set to replace the following LIBORs:

USD – SOFR
GBP – SONIA
EUR – Euro Short-Term Rate (ESTR)
JPY – Tokyo Overnight Average Rate (TONA)
CHF – Swiss Average Rate Overnight (SARON)

The group currently has a number of contracts, including derivatives which reference GBP/USD LIBOR which extend beyond 2021. The group has established a steering committee, consisting of key finance, risk, IT, treasury, legal and compliance personnel and external advisors, to oversee the group's IBOR reform transition plan. This steering committee has put in place a transition project for affected contracts with the aim of minimising the potential disruption to business and mitigating operational and conduct risks and possible financial losses. With respect to derivative contracts, the ISDA is currently reviewing its definitions in light of the global IBOR reforms and the group expects it to issue standardised amendments to all impacted derivative contracts at a future date.

The table below shows the financial instruments that are subject to IBOR Reforms which have not yet transitioned to the replacement rates as at 30 June 2021 and which will not have matured by the LIBOR cession date. The LIBOR cessation date is 31 December 2021 for GBP, EUR, JPY and CHF, and 30 June 2023 for USD LIBOR.

Financial assets subject to LIBOR reform that have not transitioned to replacement rates at 30 June 2021:

Financial Asset line item	2021 USD LIBOR	2020 Total
Advances	181 546	181 546
Total assets recognised on the balance sheet subject to LIBOR reform	181 546	181 546

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

36. Risk management continued

Short-term insurance products

The risk arises from the group's short-term insurance operations.

The terms and conditions of short-term insurance contracts have a material effect on the amount, timing and uncertainty of future cash flows. The key risks associated with general insurance contracts are claims experience. The provisions for these contracts are refinded at least annually. As claims experience develops, certain claims are settled, further claims are revised and new claims are reported. The reasonableness of the estimation process is tested by management and reviewed on a regular basis. The group believes that the liability for claims carried at end of the year is adequate.

The short-term insurance products offered by the group include:

- **Liability** - provides cover for risks relating to the incurring of a liability other than from risk covered more specifically under another insurance contract.
- **Motor** - provides indemnity cover relating to the possession, use or ownership of a motor vehicle. The cover includes comprehensive cover, third party, fire and theft, and third-party liabilities.
- **Personal accident** - provides compensation arising out of the death or disability directly caused by an accident occurring anywhere in the world, provided that death or disability occurs within 12 months of this injury.
- **Property** - provides indemnity relating to movable and immovable property caused by perils such as fire, explosion, earthquakes, acts of nature, burst geyser and pipes, malicious damage, impact, alterations and additions.

37. Segment information

37.1 Reportable segments

Group's chief operating decision maker	Chief executive officer
Identification and measurement of operating segments	Aligned with the internal reporting provided to the CEO and reflects the risks and rewards related to the segments' specific products and services offered in their specific markets. Operating segments whose total revenue, absolute profit or loss for the period or total assets are 10% or more of all the segments' revenue, profit or loss or total assets, are reported separately.
Major customers	The FirstRand group has no major customer as defined (i.e. revenue from the customer exceeds 10% of total revenue) and is, therefore, not reliant on revenue from one or more major customers.
Reportable segments	**Products and services**
FNB	FNB represents FirstRand's activities in the retail and commercial segments. FNB offers a diverse set of financial products and services to market segments including consumer, small business, agricultural, medium corporate, parastatals and government entities. FNB's products cover the entire spectrum of financial services – transactional, lending, short-term insurance, investment and savings – and include mortgage loans, credit and debit cards, personal loans, funeral, credit life, and savings and investment products. Services include transactional and deposit taking, card acquiring, credit facilities, insurance and FNB distribution channels (branch network, ATMs, call centres, cellphone and online) OUTsurance ,short-term insurance.
RMB	RMB represents the group's activities in the corporate and investment banking. RMB offers advisory, financing, trading, corporate transactional banking and principal investing solutions.
FCC and other	FCC represents group-wide functions, including group treasury (capital, funding and liquidity and financial resource management), group finance, group tax, enterprise risk management, regulatory and conduct risk management and group internal audit. FCC has a custodianship mandate which includes managing relationships on behalf of the group with key external stakeholders (e.g. shareholders, debt holders, regulators) and the ownership of key group strategic frameworks (e.g. performance measurement, risk/reward). Its objective is to ensure the group delivers on its commitments to stakeholders. The reportable segment includes all management accounting and consolidated entries. Ashburton Investments offers focused traditional and alternative investment solutions to individual and institutional investors and combines established active fund management expertise with alternative investment solutions from product providers across the FirstRand group. Ashburton Investments' results are included in this reportable segment as these are not material on a segmental basis.

The group operates within the borders of Namibia, and no material segment operations are outside Namibia.

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

37. Segment information continued

	Group		FNB	
N$'000	2021	2020	2021	2020
Net interest income	1 877 257	2 013 439	1 539 152	1 733 195
Impairment and fair value of credit on advances	(238 250)	(559 672)	(235 155)	(550 557)
Net impairment income after impairment on advances	1 639 007	1 453 767	1 303 997	1 182 638
Non-interest income	1 954 096	1 905 019	1 635 113	1 609 104
Net insurance premium income	133 842	161 092	133 842	161 092
Net claims and benefits paid	(71 164)	(77 467)	(71 164)	(77 467)
Income from operations	3 655 781	3 442 411	3 001 788	2 875 367
Operating expenses	(2 125 956)	(2 173 695)	(1 767 415)	(1 814 808)
Net income from operations	1 529 825	1 268 716	1 234 373	1 060 559
Share of (loss)/profit from associates	-	(14 248)	-	1 492
Income before tax	1 529 825	1 254 468	1 234 373	1 062 050
Indirect tax	(38 070)	(44 724)	(29 215)	(31 647)
Profit before tax	1 491 755	1 209 744	1 205 158	1 030 403
Direct tax	(459 527)	(376 388)	(371 242)	(329 729)
Profit for the year	1 032 228	833 356	833 916	700 674
The income statement includes:				
Depreciation	124 675	125 808	123 317	124 735
Amortisation	15 945	14 811	1 799	591
Impairment charges	-	51 456	-	-
The statement of financial position includes:				
Investment securities	7 185 761	8 534 477	118 903	130 680
Advances	30 206 674	29 999 865	26 250 207	25 972 046
Total assets	43 441 551	45 873 798	24 238 918	24 413 574
Deposits	35 663 763	38 427 237	19 716 883	19 526 200
Total liabilities	37 795 870	40 867 435	23 869 908	23 450 547

37. Segment information continued

	RMB		FCC and other	
N$'000	2021	2020	2021	2020
Net interest income	285 850	264 180	52 255	16 064
Impairment and fair value of credit advances	(3 095)	(9 118)	-	2
Net impairment income after impairment on advances	282 755	255 062	52 255	16 066
Non-interest income	216 071	218 553	102 912	77 362
Net insurance premium income	-	-	-	-
Net claims and benefits paid	-	-	-	-
Income from operations	498 826	473 615	155 167	93 429
Operating expenses	(223 031)	(206 140)	(135 509)	(152 747)
Net income from operations	275 795	267 475	19 658	(59 318)
Share of (loss)/profit from associates	-	-	-	(15 740)
Income before tax	275 795	267 475	19 658	(75 058)
Indirect tax	(3 834)	(4 430)	(5 021)	(8 647)
Profit before tax	271 961	263 045	14 637	(83 705)
Direct tax	(83 568)	(84 174)	(4 497)	37 515
Profit for the year	188 393	178 871	10 140	(46 190)
The income statement includes:				
Depreciation	220	129	1 138	944
Amortisation	-	-	14 146	14 220
Impairment charges	-	-	-	51 456
The statement of financial position includes:				
Investment securities	80 341	146 863	6 986 517	8 255 934
Advances	3 956 469	4 027 819	-	-
Total assets	7 751 317	8 453 097	11 451 316	13 001 000
Deposits	9 000 839	9 112 263	6 943 995	9 788 774
Total liabilities	7 751 740	8 223 845	6 155 406	9 193 043

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

38. Standards and Interpretations issued but not yet effective

The following new and revised standards and interpretations are applicable to the business of the group. The group will comply with these from the stated effective date.

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
Annual improvements 2018 - 2020	**Improvements to IFRS** Fees in the per test for derecognition of financial liabilities. • The amendment clarifies the 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 behalf. • There is no similar amendment proposed for IAS 39. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. Lease incentives • The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16. This amendment is not expected to have a significant impact on the group.	Annual periods commencing on or after 1 January 2022

38. Standards and Interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
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
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

Notes to the consolidated annual financial statements
for the year ended 30 June 2021 continued

38. Standards and Interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IAS 1	**Amendments to classification of liabilities as current or non-current** The IAS 1 amendments clarify the requirements for classifying liabilities as current or non-current. More specifically: • The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. • Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. • The amendments clarify the situations that are considered settlement of a liability. The group presents its assets and liabilities in order of liquidity in the statement of financial position. The impact of this amendment would impact the disclosure of current versus non-current liabilities in the notes to the financial statements. The group does not expect this amendment to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2023
IAS 1	**Disclosure of accounting policies amendments to IAS 1 and IFRS Practice Statement 2** The IASB issued amendments to IAS 1 and an update to IFRS Practice Statement 2 *Making Materiality Judgements* to help prepares provide useful accounting policy disclosures. The key amendments to IAS 1 include: • Requiring companies to disclose their material accounting policies rather than their significant accounting policies; • Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and • Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a financial statements.	Annual periods commencing on or after 1 January 2023
IAS 8	**Definition of accounting estimates** The amendments to IAS 8 introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	Annual periods commencing on or after 1 January 2023
IAS 12	**Deferred tax related to assets and liabilities arising from a single transaction** The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result a deferred tax asset and a deferred tax liability will need to be recognised for temporary differences arising on initial recognition of a lease and decommissioning provision.	Annual periods commencing on or after 1 January 2023

38. Standards and Interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IFRS 17	**Insurance contracts** IFRS 17 is the new standard that prescribes the accounting for insurance contracts and will replace the current insurance contracts standard, IFRS 4. IFRS 17 aims to provide more transparency and comparability between insurance companies and other industries by providing a prescriptive approach to determining policyholder liabilities, as well as the release of profits on these contracts to the income statement. The recognition of insurance revenue will be consistent with that of IFRS 15. Insurance revenue is derived from the movement in liability for the remaining insurance coverage period. The insurance contract liability is initially made up of: • fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policyholders; and • the contractual service margin (CSM), which represents the unearned profit the entity will recognise as it provides services over the coverage period. Subsequently, the liability will comprise two components, namely the liability for remaining coverage (fulfilment cash flows and the CSM) and the liability for incurred claims (fulfilment cash flows for claims and expenses incurred but not yet paid). Currently, an IFRS 17 Steering committee has been created, which is responsible for managing the implementation of the standard as it will have an impact on the group's insurance business. All insurance contracts have been reviewed to determine scope and classification under IFRS 17. Initial findings indicate that the group will have a mix of both the premium allocation approach (PAA) and the General Model (GM). The impact of IFRS 17 will only be reliably determinable once the implementation project has progressed further.	Annual periods commencing on or after 1 January 2022
IFRS 1	**Amendments to classification of liabilities as current or non-current** The IAS 1 amendments clarify the requirements for classifying liabilities as current or non-current. More specifically: • The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. • Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. • The amendments clarify the situations that are considered settlement of a liability. The group presents its assets and liabilities in order of liquidity in its statement of financial position. This amendment will only affect the disclosures and the group does not expect this amendment to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2023

Company Annual Financial Statements

for the year ended 30 June 2021

FirstRand Namibia Limited

Company statement of comprehensive income

for the year ended 30 June

N$' 000	Note(s)	2021	2020
Interest and similar income	2	1 952	2 441
Net interest income		1 952	2 441
Non-interest revenue			
- gains from investing activities	3	407 152	1 281 475
Income from operations		409 104	1 283 916
Operating expenses	4	(1 876)	(132 722)
Income before tax		407 228	1 151 194
Indirect tax	5	(194)	(222)
Profit before tax		407 034	1 150 972
Income tax expense	5	(625)	(781)
Profit for the year		406 409	1 150 191
Other comprehensive income		-	-
Total comprehensive income for the year		**406 409**	**1 150 191**

FirstRand Namibia Limited

Company statement of financial position

for the year ended 30 June

N$' 000	Note(s)	2021	2020
Assets			
Loans to group companies	8	159 814	139 441
Investments securities	9	18 014	17 325
Investments in subsidiaries	10	1 263 171	1 263 171
Cash and cash equivalents		16 435	15 119
Total Assets		1 457 434	1 435 056
Equity and Liabilities			
Liabilities			
Creditors and accruals		17 773	16 451
Tax liability		110	129
		17 883	16 580
Equity			
Share capital	11	1 338	1 338
Share premium		280 810	280 810
Retained income		1 157 403	1 136 328
Capital and reserves attributable to ordinary equity holders		1 439 551	1 418 476
Total Equity and Liabilities		1 457 434	1 435 056

FirstRand Namibia Limited

Company statement of changes in equity

for the year ended 30 June

N$' 000	Share capital	Share premium	Share capital and share premium	Retained earnings	Total ordinary shareholders' funds
Balance at 01 July 2019	1 338	280 810	282 148	1 246 501	1 528 649
Total comprehensive income for the year	-	-	-	1 150 191	1 150 191
Ordinary dividends	-	-	-	(1 260 364)	(1 260 364)
Balance as at 1 July 2020	1 338	280 810	282 148	1 136 328	1 418 476
Total comprehensive income for the year	-	-	-	406 409	406 409
Ordinary dividends	-	-	-	(385 334)	(385 334)
Balance at 30 June 2021	1 338	280 810	282 148	1 157 403	1 439 551
Note(s)	11				

FirstRand Namibia Limited

Company statement of cash flows

for the year ended 30 June

N$' 000	Note(s)	2021	2020
Cash flows from operating activities			
Net cash generated from operations	14	407 861	1 292 886
Indirect tax paid	5	(194)	(222)
Income tax paid	6	(644)	(859)
Net cash flow from operating activities		407 023	1 291 805
Cash flows from investing activities			
Loan repayment from group companies		3 153	15 173
Loan advances to group companies		(23 525)	(31 495)
Net cash flow from investing activities		(20 372)	(16 322)
Cash flows from financing activities			
Dividends paid		(385 335)	(1 260 364)
Net cash flow from financing activities		(385 335)	(1 260 364)
Net increase in cash and cash equivalents		1 316	15 119
Cash and cash equivalents at the beginning of the year		15 119	-
Cash and cash equivalents at the end of the year		16 435	15 119

FirstRand Namibia Limited

Notes to the company annual financial statements

for the year ended 30 June

N$' 000	2021	2020
1. Accounting policies		
The financial statements of FirstRand Namibia Limited are prepared according to the same accounting principles used in preparing the consolidated financial statements of FirstRand Namibia Limited group.		
Pages 139 to 188 for detailed accounting policies.		
2. Analysis of interest income and expenses		
Revenue other than from contracts with customers		
Interest received	1 952	2 441
3. Non-interest revenue		
Dividend income		
Group entities:		
- Subsidiaries	377 758	1 265 815
- Equities	28 705	11 342
Equity instruments at fair value through profit or loss:		
Revaluation of investment securities through profit or loss	689	4 318
Gross gains less losses from investing activities	407 152	1 281 475

FirstRand Namibia Limited

Notes to the company annual financial statements

for the year ended 30 June continued

N$' 000	2021	2020
4. Operating expenses		
Auditor's remuneration - external		
Audit fees	1 397	1 392
Professional fees	236	289
Other operating costs		
Other operating expenses	243	263
Impairment of investment in subsidiary	-	130 778
Total other operating costs	243	131 041
Total operating expenses	1 876	132 722
5. Tax		
Current		
Local income tax - current period	625	781
Value added tax	194	222
Total taxes	819	1 003

N$' 000	2021	2020
6. Income tax paid		
Amounts payable or receivable at the beginning of the year	(129)	(207)
Current tax per comprehensive income	(625)	(781)
Balance payable at end of the year	110	129
Total income tax paid	(644)	(859)

The company provided for tax at 32% (2020: 32%) of the taxable income (interest income).
The effective tax rate is 0.15% (2020: 0.06%) mainly as a result of non taxable dividend income.

7. Dividends

	2021	2020
Final dividend (13 August 2020: 50 cents), (13 August 2019: 117 cents)	133 797	313 084
Special dividend (13 August 2019: 250 cents)	-	668 983
Interim dividend (12 February 2021: 94 cents), (12 February 2020: 104 cents)	251 538	278 297
	385 335	1 260 364

Final dividend of 118 cents (2020: 50 cents) per share was declared subsequent to year-end

FirstRand Namibia Limited

Notes to the company annual financial statements

for the year ended 30 June continued

N$' 000	2021	2020
8. Loans to group companies		
Subsidiaries		
Balances with Talas Properties (Windhoek) (Pty) Ltd	54 178	57 331
Balances with FNB Namibia Incentive Share Trust	105 636	82 110
	159 814	139 441
Loans to group companies do not have fixed repayment terms. Interest for Talas Properties (Pty) Ltd are linked to the prime interest rate and FNB Namibia Incentive Share Trust are linked to the Repo interest rate.		
9. Investments securities		
Fair value through profit or loss:		
- Equity investment (Preference shares)	8 438	7 749
	8 438	7 749
Equity investments at fair value through other comprehensive income:		
Equity investment (Ordinary shares)	9 576	9 576
Total	18 014	17 325

10. Investments in subsidiaries

Name of company	Held by	% voting power 2021	% voting power 2020	% holding 2021	% holding 2020	Carrying amount 2021	Carrying amount 2020
First National Bank of Namibia Limited		100	100	100	100	1 142 792	1 142 792
FNB Easy Loans Ltd		100	100	100	100	45 975	45 975
RMB Investments (Pty) Ltd		100	100	100	100	-	-
FNB Fiduciary (Namibia) (Pty) Ltd		100	100	100	100	-	-
Talas Properties Windhoek (Pty) Ltd		100	100	100	100	2 967	2 967
OUTsurance Insurance Company of Namibia Ltd		51	51	51	51	6 511	6 511
FNB Insurance Brokers Namibia (Pty) Ltd		100	100	100	100	27 904	27 904
Ashburton Unit Trust Management Company Ltd		100	100	100	100	5 475	5 475
Ashburton Fund Managers Namibia (Pty) Ltd		100	100	100	100	250	250
Pointbreak Trusts and Estates (Pty) Ltd		100	100	100	100	(728)	(728)
Pointbreak Wealth Management (Pty) Ltd		100	100	100	100	1 549	1 549
Ashburton Investment Managers (Pty) Ltd *		100	100	100	100	30 475	30 475
Pointbreak Investment Management (Pty) Ltd		100	100	100	100	-	-
						1 263 171	1 263 171

The following trusts are controlled by FirstRand Namibia Limited:

- FNB Namibia Incentive Share Trust
- FNB Namibia Staff Assistance Trust

The carrying amount of these investments is N$ nil.

Note 32 in the group financial statements for full related party transactions and balances.

* *Former Name: Pointbreak Equity (Pty) Ltd*

FirstRand Namibia Limited

Notes to the company annual financial statements

for the year ended 30 June continued

N$' 000	2021	2020
11. Share capital		
Authorised		
990 000 000 ordinary shares with a par value of N$0.005 per share	4 950	4 950
10 000 000 cumulative convertible redeemable preference shares with a par value of N$0.005 per share	50	50
	5 000	5 000
Issued		
267 593 250 (2020: 267 593 250) ordinary shares with a par value of N$0.005 per share	1 338	1 338
2 (2020: 2) cumulative convertible redeemable preference shares with a par value of N$0.005 per share	-	-
	1 338	1 338

Term of preference shares: redeemable at 31 days notice by either party. The dividend rights in terms of the agreement with the shareholder are based on the actual profits made, per agreed adjustments, of a portion of the short-term insurance business.

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

All issued shares are fully paid up.

12. Liquidity, credit and market risk information

The assets and liabilities of the company consist mainly of non-financial assets and liabilities which are not subject to liquidity, credit and market risk for IFRS 7 purpose.

Accounts receivable and creditors and accruals are repayable on demand or short notice and within Namibia.

13. Fair value information

Fair value hierarchy

The company shows investment in equities and other investments and these are measured at fair value and analysed below by valuation technique. The classification of instruments is based on the lowest level input that is significant to fair value measurement in its entirety. A description of the nature of the techniques used to calculate valuations and definitions of Levels is set out in note 33 of the group financial statements .

Levels of fair value measurements

N$' 000	2021	2020
Level 3		
Recurring fair value measurements		
Assets		
Equity investments at fair value through other comprehensive income		
Investment securities	9 576	9 576
Financial assets at fair value through profit or loss		
Investment securities	8 438	7 749
Total	18 014	17 325

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.

FirstRand Namibia Limited

Notes to the company annual financial statements

for the year ended 30 June continued

13. Fair value information continued

Reconciliation of assets and liabilities measured at level 3

	Opening balance	Gains (losses) recognised in profit (loss)	Gains (losses) recognised in other comprehensive income	Closing balance
2021				
Assets				
Equity investments at fair value through other comprehensive income				
Investment securities	9 576	-	-	9 576
Financial assets at fair value through profit or loss				
Investment securities	7 749	689	-	8 438
Total	17 325	689	-	18 014
2020				
Assets				
Equity investments at fair value through other comprehensive income				
Investment securities	9 576	-	-	9 576
Financial assets mandatorily at fair value through profit or loss				
Investment securities	3 431	4 318	-	7 749
Total	13 007	4 318	-	17 325

14. Cash generated from operations

N$' 000	2021	2020
Profit before tax	407 228	1 151 194
Adjusted for:		
- Impairment	-	130 778
- Revaluation of investment securities	(689)	(4 318)
Working capital changes		
- Increase/decrease in creditors and accruals	1 322	15 232
	407 861	1 292 887

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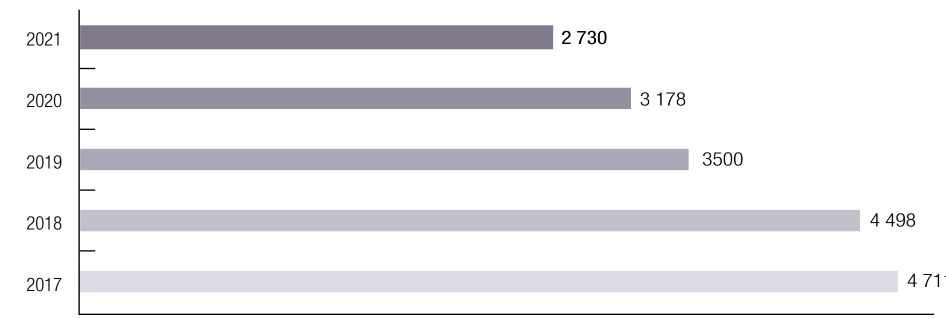
SHAREHOLDERS' INFORMATION

Shareholders Diary

Financial Year End	30 June 2021
Declaration Date	18 August 2021
SENS Announcement	09 September 2021
LDR/ Record Date (15 business days from 09 September 2020 & a Friday)	01 October 2021
Trade Cum Div (last day to trade) Friday before LDR	23 September 2021
Trade ex div (first day to trade) Monday before LDR	27 September 2021
Payment date D + 5 to 30 (NSX)	15 October 2021
Annual General Meeting	21 October 2021

Closing share price - Ordinary



Stock exchange performance

	2021	2020
Share price (cents)		
- high for the year	3 173	3 500
- low for the year	2 015	3 178
- closing price per share	2 730	3 178
Number of shares traded (000's)	3 747	4 306
Value of shares traded (N$ '000's)	85 178	143 648
Number of shares traded as percentage of issued shares	1.40	1.61
Average price (cents)	2 273	3 336

Register for electronic communications

FirstRand Namibia Limited recognises that electronic communications promote faster shareholder communications, achieve print and postage cost savings and reduce the impact it has on the environment. All shareholders are requested to register to receive documents electronically by completing the form on the website, which is accessible at:
https://www.fnbnamibia.com.na/downloads/namibia/finresults2018/shareholders-info/Electronic_Communication_Form_(PDF).pdf

Please return the form to **Transfer Secretaries (Proprietary) Limited** at ts@nsx.com.na.

UPDATING BANKING DETAILS TO RECEIVE DIVIDENDS AND OUTSTANDING DIVIDENDS DIRECTLY INTO YOUR BANK ACCOUNT:

i. Receive dividends directly into your bank account; and

ii. if you have any outstanding dividends owed to you, we encourage you to, completing the form available at:
https://www.fnbnamibia.com.na/downloads/namibia/finresults2018/shareholders-info/Change_of_Address_or_Bank_Information.pdf;
and enclose the following documentation:

1. an originally certified ID copy (front and back side);

2. if a legal entity i.e. a company, closed corporation, trust etc:

   2.1. originally certified copies of the registration documents of that entity; together with
   2.2. a resolution stating the details of all the authorised signatories;

3. original bank account confirmation letter; and

4. proof of residency (i.e. a copy of a municipal bill, lease agreement or your tax certificate).

These documents may be physically delivered to **Transfer Secretaries (Proprietary) Limited** at:
No. 4 Robert Mugabe Avenue (Entrance in Burg Street), Windhoek, Namibia.

Electronic payment can be done to a cheque or savings account at a bank in Namibia or South Africa.

Dividend payments cannot be done to a third party, a credit card, a fixed investment, post office or building society account.

PLEASE NOTE: NO EMAILS AND SCANS WILL BE ACCEPTED BY THE TRANSFER SECRETARIES FOR:

- updating banking details to received dividends directly into your bank account; and
- updating banking details receive outstanding dividends owed to you.

Scan codes to download documents in pdf:

Electronic Communications Form (pdf)

Change of Address or Bank Information (pdf)

Simplified group structure

General public	FirstRand EMA Holdings (Pty) Ltd	GIPF
26.2%	58.4%	15.1%

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Banking		Investments Management		Other Activities		Insurance	
100%	First National Bank of Namibia Ltd	100%	Ashburton Fund Managers Namibia (Pty) Ltd	100%	FNB Fiduciary Namibia (Pty) Ltd	51%	OUTsurance Insurance Company of Namibia Limited
100%	Swabou Investments (Pty) Ltd	100%	Ashburton Unit Trust Management Company Ltd	100%	FNB Nominees (Namibia) (Pty) Ltd		
		100%	Pointbreak Investment Manager (Pty) Ltd [Former name: Pointbreak Equity (Pty) Ltd]	100%	FNB Insurance Brokers (Namibia) (Pty) Ltd		
		100%	Pointbreak Investment Management (Pty) Ltd	100%	Talas Properties (Windhoek) (Pty) Ltd		
		100%	Pointbreak Property Unit Trust Management Company Ltd	100%	Pointbreak Trust and Estates (Pty) Ltd		
		100%	Pointbreak Unit Trust Management Company Ltd	100%	FNB Easy Loans Ltd		
		100%	Pointbreak Wealth Management (Pty) Ltd				

Analysis of ordinary shareholders

Share analysis - ordinary shares	Number of shareholders	%	Number of shares	%
Range of shareholders				
1 - 999	1 167	43.8%	411 795	0.2%
1 000 - 1 999	411	15.4%	526 640	0.2%
2 000 - 2 999	198	7.4%	481 071	0.2%
3 000 - 3 999	102	3.8%	343 883	0.1%
4 000 - 4 999	65	2.4%	284 658	0.1%
5 000 - 9 999	218	8.2%	1 470 300	0.5%
over 10 000	503	18.9%	264 074 903	98.7%
	2 664	100%	267 593 250	100.00%
Shareholder type				
Corporate bodies	22	0.8%	159 633 128	59.7%
Nominee companies	110	4.1%	79 700 131	29.8%
Private individuals	2 496	93.7%	20 015 958	7.5%
Trusts	36	1.4%	8 244 033	3.1%
	2 664	100%	267 593 250	100.00%
Geographic ownership				
Namibian including unknown	2 474	92.9%	109 491 328	40.9%
Other Africa	173	6.5%	158 051 560	59.1%
International	17	0.6%	50 362	0.0%
Total	2 664	100%	267 593 250	100.00%
Major shareholders				
Firstrand EMA Holdings (Pty) Ltd			156 271 536	58.4%
Government Institutions Pension Fund			40 505 094	15.1%
Old Mutual Life Assurance Company (Namibia) Ltd			6 139 086	2.3%
FNB Employee Share Incentive Trust			5 543 774	2.1%
Sovereign Capital (Proprietary) Limited			4 299 917	1.6%
Allan Gray Namibia Balanced Fund			3 909 344	1.5%
Investec Namibia Trustee Account (NAMAN)			3 041 762	1.1%
Chappa'Al Investments Forty Two (Pty) Ltd,			3 018 199	1.1%
Retirement Fund for Local Authorities and Utility Services in Namibia			2 516 053	0.9%
Members of Parliament and other Office-Bearers Pension Fund			2 083 556	0.8%

FirstRand Bank Holdings Limited and Government Institutions Pension Fund are the only shareholders who beneficially hold more than 5% of the issued ordinary shares in the Company.

Corporate information

REGISTERED OFFICE

FirstRand Namibia Ltd
Registration number: 88/024
@Parkside, 130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia
Tel: +264 (61) 299 2111 I www.fnbnamibia.com.na

CHIEF EXECUTIVE OFFICER

Conrad Dempsey
5th Floor, @Parkside, 130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia
Tel: +264 (61) 299 2111

TRANSFER SECRETARIES

Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue, Windhoek
P O Box 2401, Windhoek, Namibia
E-mail: ts@nsx.com.na I Tel: +264 (61) 227 647

EXTERNAL AUDITORS

Deloitte & Touche Namibia
Jan Jonker Road, Maerua Mall Complex, Windhoek, Namibia
PO Box 47, Windhoek, Namibia
Tel: +264 (61) 285 5000 I www.deloitte.com/na

CHIEF FINANCIAL OFFICER

Oscar Capelao
5th Floor, @Parkside, 130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia I Tel: +264 (61) 299 2111

SPONSOR

Cirrus Securities (Pty) Ltd (Member of the NSX)
35 Schanzen Road, Windhoek, Namibia,
P O Box 27, Windhoek, Namibia,
Registration No.98/463.
E-mail: sponsor@cirrus.com.na I Tel: +264 (61) 256 666

GROUP COMPANY SECRETARY

Nelago Makemba
5th Floor, @Parkside, 130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia
Tel: +264 (61) 299 2111

FirstRand Namibia Ltd
(Incorporated in the Republic of Namibia)
(Registration number: 88/024)
ISIN: NA0003475176
Share Code (NSX): FNB
("FirstRand Namibia Ltd" or "the Company")

FirstRand
NAMIBIA

Dear Shareholder

Notice of annual general meeting

Notice is hereby given to all holders of ordinary shares in the Company that the thirty fourth (34th) Annual General Meeting of the Shareholders of the Company will be held via electronic media on 21 October 2021 at 14h30, to deal with deal with such business as may lawfully be dealt with at the meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary resolutions set out hereunder in the manner required by the Companies Act No. 28 of 2004 read with the NSX Listings Requirements, and the Banking Institutions Act No. 2 of 1998 as amended.

1. **Ordinary resolution:**
   THAT the Annual Financial Statements for the year ended 30 June 2021 as approved by the Board of Directors on 18 August 2021, including the report of the external auditors, Audit Committee, and Directors' report be approved. The Annual Financial Statements were made available via the Securities Exchange News Service (SENS), have been distributed electronically, and are available on the Company's website: https://www.fnbnamibia.com.na/about-fnb/index.html

2. Ordinary resolution:
   TO re-elect the below listed Directors of the Company who retire in terms of the Company's Articles of Association and who, being eligible, offers themselves for re-election. Biographical information of the Directors to be re-elected is set out on pages 42 to 45 of the Annual Report.

   2.1 Jante Gesche Daun (Independent Non-Executive Director)
   2.2 Peter Grüttemeyer (Independent Non-Executive Director)
   2.3. Justus Hamusira Hausiku (Independent Non-Executive Director)

3. Ordinary resolution:
   THAT all the ordinary shares required for the purpose of carrying out the terms of the FNB Employee Share Incentive Scheme ("the Scheme") be and are hereby specifically placed under the control of the Trustees of the Scheme, who are hereby authorised and shall have the power to allot and issue those shares as they become required for the purpose of carrying out and giving effect to the terms of the Scheme.

4. Ordinary resolution:
   THAT all the authorised unissued shares in the capital of the Company be and are hereby placed under the control of the Directors who are hereby authorised to allot or issue shares on such terms and conditions as they deem fit, subject to the provisions of the Banking Institutions Act No. 2 of 1998 as amended, Companies Act No. 28 of 2004, the Articles of Association of the Company and the NSX Listings Requirements, which provide, amongst others, that:

   (i) Such shares shall not in the aggregate exceed 10% of the Company's shares in issue; and
   (ii) The resolution for the issue of shares must be approved by a 75% majority of votes cast in favour of such resolution.

5. Ordinary resolution:
   THAT Deloitte & Touche be re-appointed as auditors of the Company and authorise the Directors to determine the remuneration of the auditors so appointed.

6. Ordinary resolution:
   TO the annual fees of the Non-Executive Directors, as reflected below be approved for the 2021/2022 financial year:

	No. of Meetings per Annum	Proposed 2021/2022 Annual Fee	Calculated Fee per Meeting
		Increase of 3.5% from prior year	
FirstRand Namibia Ltd Board			
Member	4	64 387.76	16 096.94
Deputy-Chairperson	4	96 581.65	24 145.41
Chairperson	4	112 678.78	28 169.70
Audit committee			
Member	4	82 784.27	20 696.07
Chairperson	4	225 357.17	56 339.29
Risk Capital and Compliance Committee			
Member	4	68 986.89	17 246.72
Chairperson	4	103 480.34	25 870.08
Remuneration Committee			
Member	2	28 974.49	14 487.25
Chairperson	2	43 461.74	21 730.87
Directors' Affairs and Governance Committee			
Member	3	41 392.13	13 797.38
Chairperson	3	72 436.23	24 145.41
Senior Credit Risk Committee			
Member	30	275 947.56	9 198.25
First National Bank of Namibia Board			
Member	4	128 775.53	32 193.88
Deputy-Chairperson	4	193 163.29	48 290.82
Chairperson	4	257 551.06	64 387.76
Ad-hoc work	Ad Hoc		2 299.56
Standard hourly rate for ad hoc work, including attending board training and board strategy sessions			

7. Ordinary resolution:
   THAT the Remuneration Policy as set out in the Remuneration Committee Report be approved.

8. Ordinary resolution:
   THAT the recommendation of the of the Directors' Affairs & Governance Committee, P Grüttemeyer, was appointed by the Audit Committee to fill a vacancy in accordance with the Audit Committee Charter, Articles of Association, the Companies Act, and the Banking Institutions Act; and is now recommended by the Board for election by the Shareholders.

Notice of annual general meeting

9. Ordinary resolution:
THAT the following Directors be re-appointed as Members of the Audit Committee:

9.1 Peter Grüttemeyer;
9.2 Jantje Gesche Daun; and
9.3 Christiaan Lilongeni Ranga Haikali.

10. Ordinary resolution:
THAT any one of the Directors and / or the Group Company Secretary selected by the Board of Directors be and are authorised to do all such things, sign all such documents, procure the doing of all such things, and the signature of all such documents as may be necessary or incidental to give effect to all these Resolutions proposed and passed at which meetings(s).

Voting:
All holders of FirstRand Namibia Limited shares will be entitled to attend and vote at the Annual General Meeting. Voting will be by way of a poll and every shareholder of the Company present or represented by proxy, pursuant to section 196 of the Companies Act, shall have one vote for every share hold by such Shareholder.

Proof of identification required:
Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a Shareholders' Meeting. Forms of identification include valid identity documents and passports.

Proxies:
Each Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (none of whom need be a Shareholder of the Company) to attend, speak and, on a poll, to vote in his/her stead. The form of proxy for the Annual General Meeting, which sets out the relevant instructions for its completion, accompanies this Notice. To be effective, duly completed forms of proxy must be received at the office of the Transfer Secretaries of the Company by no later than 15:00 on Monday, 18 October 2021.

By order of the Board FirstRand Namibia Limited

Nelago Makemba
Group Company Secretary
09 September 2021

Registered office
Firstrand Namibia Ltd
@Parkside
130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia

Transfer Secretaries
4 Robert Mugabe Avenue, Windhoek
P O Box 2401, Windhoek, Namibia

Form of Proxy

FirstRand
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FirstRand Namibia Limited
(Incorporated in the Republic of Namibia)
(Registration number 88/024)
NSX Share Code: FNB
ISIN: NA 0003475176
(*"the Company"*)

For completion by the registered ordinary shareholders who hold ordinary shares of the Company and who are unable to attend the 2021 Annual General Meeting of the Company via electronic media, 21 October 2021 at 14:30 (the annual general meeting).

I/We . . . .
(*Name in full as it appears on the share certificate/ share register*)

Holder number . . . . Contact number . . . .

being the holder(s) of . . . . ordinary shares in the Company do hereby appoint:

1. . . . . or failing him/her

2. . . . . or failing him/her

3. the chairperson of the annual general meeting,

as my/our proxy to act for me/us at the Annual General Meeting (as the case may be) which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote on such resolution in respect of the shares in the issued capital of the Company registered in my/our name/s in accordance with the following instructions (see note):

	Insert an X		
Ordinary Resolutions	**For***	**Against***	**Abstain***
1. Ordinary resolution: Adoption of Annual Financial Statements for 30 June 2021.			
2. Ordinary resolution: Re-election of directors by way of separate resolutions:			
2.1 Jantje Gesche Daun (Independent Non-Executive Director)			
2.2 Peter Grüttemeyer (Independent Non-Executive Director)			
2.2 Justus Hamusira Hausiku (Independent Non-Executive Director)			
3. Ordinary resolution: Control of FNB Employee Share Incentive Scheme ordinary shares			
4. Ordinary resolution: Control of unissued shares			
5. Ordinary resolution: Re-appointment of external auditors and authority to determine their remuneration			
6. Ordinary resolution: Approval of Non-Executive Director remuneration			
7. Ordinary resolution: Approval of the remuneration policy			
8. Ordinary resolution: Election of Audit Committee Member by way of separate resolution:			
8.1 Peter Grüttemeyer			
9. Ordinary resolution: Re-appointment of Audit Committee members			
9.1 Peter Grüttemeyer			
9.2 Jantje Gesche Daun			
9.3 Christiaan Lilongeni Ranga Haikali			
10. Ordinary resolution: Authority to sign documents			

* *Insert an X in the appropriate spaces above to indicate how you wish your votes to be cast. However, if you wish to cast your votes in respect of less than all of the shares that you own in the Company, insert the number of ordinary shares held in respect of which you desire to vote.*

Signed at . . . . this . . . . day of 2021

Signature . . . .

Assisted by me (where applicable) . . . .

Each Shareholder is entitled to appoint one or more proxies (none of whom need be a Shareholder of the Company) to attend, speak and, on a poll, vote in place of that Shareholder at the Annual General Meeting.

NOTES:

1. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space/s provided, with or without deleting "the Chairperson of the Annual General Meeting", but any such deletion must be initialled by the Shareholder. The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of the Shareholder's votes exercisable thereat. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Shareholder or by the proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the Shareholder or by the proxy.

3. Forms of proxy must be received at the Company's transfer secretaries, Transfer Secretaries (Proprietary) Limited, 4 Robert Mugabe Avenue (entrance on Berg Street), Windhoek, (PO Box 2401) Windhoek, Namibia by no later than 15:00 on Monday, 18 October 2021. Alternatively, forms of proxy may be sent to the Company's transfer secretaries by way of e-mail to ts@nsx.com.na, provided that such e-mails are received by the transfer secretaries by no later than 15:00 on Monday, 18 October 2021.

4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the chairperson of the annual general meeting.

6. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.

7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company.

8. The chairperson of the annual general meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these notes, if the chairperson is satisfied as to the manner in which the shareholder wishes to vote.

9. A proxy may not delegate his/her authority to any other person.

10. Where there are joint holders of ordinary shares:

    i. any one holder may sign the form of proxy;
    ii. the vote of the senior (for that purpose seniority will be determined by the order in which the names of the shareholder appear in FirstRand Namibia Ltd's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote/s of the other joint shareholder/s.

FirstRand Namibia Limited "the Company"
Incorporated in the Republic of Namibia
Registration number: 88/024
Share code (NSX): FNB
ISIN: NA 0003475176

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