FirstRand

NAMIBIA

2022

FirstRand Namibia Group Consolidated Annual Financial Statements

Building a
Globally Competitive
Namibia

Reporting suite

We are committed to reporting transparently to our broad range of stakeholders. For our 2022 financial year (1 July 2021 to 30 June 2022), our reporting suite, which is available at www.firstrandnamibia.com.na and www.fnbnamibia.com.na consists of our:

- Integrated Report
  Our integrated report is the primary report to our stakeholders. It is designed to show the connection between the inter-reliant elements involved in our value creation story.
- Consolidated annual financial statements of FirstRand Namibia Limited group for 30 June 2022.
- FirstRand Namibia Limited Annual Financial statements for 30 June 2022.

NAVIGATION ICONS:

Other icons: Refer to | Download | Annual financial statements | Integrated annual report

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Directors' responsibility statement

To the shareholders of FirstRand Namibia Limited

The directors of FirstRand Namibia Limited are responsible for the preparation of the consolidated and separate annual financial statements comprising the consolidated and separate statements of financial position, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and cash flows, and the notes to the consolidated and separate 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, Global MBA, B Com Hons, CA (Nam) (SA), supervised the preparation of the annual financial statements for the year.

In preparing the consolidated and separate annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by management. The consolidated and separate 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 13 to 62.

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 consolidated and separate annual financial statements.

The group's external auditors, Deloitte & Touche, have audited the consolidated and separate financial statements and their report appears on pages 4 to 8.

Approval of financial statements

The consolidated annual financial statements of the group, which appear on pages 9 to 176, were approved by the board of directors on 18 August 2022 and signed on its behalf by:

II Zaamwani-Kamwi
Chairperson

C Dempsey
Chief Executive Officer

Windhoek
18 August 2022

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 (the Group), which comprise the consolidated and separate statements of financial position as at 30 June 2022 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 as at 30 June 2022 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 characterised by the continued impact of the Covid-19 pandemic, it's economic impact, the tightening of monetary policy, and the economic impact of the war in Ukraine. 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 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 expected credit loss (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; and • The uncertainty related to unprecedented global and local economic stress.	Our audit of the impairment of advances included, inter alia, the following audit procedures performed with the assistance of our credit and actuarial specialists: • Across all significant portfolios we assessed the advances impairment practices applied by management against the requirements of IFRS 9; • In addition, we tested the design and implementation of relevant controls over the processes used to calculate impairments; and • We assessed the Group'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), Consumer Price Index (CPI), 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 the existence of collateral.

Independent auditor's report continued

<table>
<tr><th>Key audit matter – Group</th><th>How the matter was addressed in the audit</th></tr>
<tr><th colspan="2">Impairment of advances</th></tr>
<tr><td>
Portfolio impairments

Where clients have not defaulted on their advances, management uses a portfolio provisioning approach in which they use statistical models incorporating various judgements and assumptions in developing their expected credit losses on the portfolio of clients. The inputs into the modelling process require significant management judgement, including:

• The input assumptions and methodologies applied to estimate the probability of default (PD), exposure at default (EAD) and loss given default (LGD) within the ECL calculations;
• The assessment of whether there has been a significant increase in credit risk (SICR) event since origination date of the exposure to the reporting date. IFRS 9 requires that accounts reflecting signs of SICR should be reported as Stage 2 and attract a lifetime ECL provision, relative to Stage 1 accounts which attract a 12-month ECL;
• The valuation of watchlist 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 rising interest rates are resulting 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 relates to industries significantly impacted by the current and expected economic conditions.

Related disclosures in the Consolidated Financial statements:

• Accounting Policies: 4.1 - Accounting policy for financial instruments;
• Accounting Policies: 9.1 - Critical accounting estimates, assumptions and judgements;
• Note 13 - Advances to customers;
• Note 14 - Impairment of advances; and
• Note 36 – Financial risk management.
</td><td>
Corporate advances

We performed the following procedures on the ECL for corporate advances with the assistance of credit and actuarial 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;
• We assessed the need for any other overlays not considered by management based on our expert judgement and widely available information; and
• We 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 by tighter external liquidity, currency depreciation and tighter domestic monetary policy .

In conclusion, we determined the impairment of advances to be within a reasonable range.
</td></tr>
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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 value creation and preserved through strong governance, Our strategy to create value, Delivering on our promises and creating value and 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'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 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent auditor's report continued

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

- 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 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 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 Julius Nghikevali
Partner
Windhoek
14 September 2022

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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

The directors have pleasure in submitting their report on the annual financial statements of FirstRand Namibia Limited for the year ended 30 June 2022.

1. 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.

Refer to page 180 for a simplified Group Structure.

2. Review of financial results and activities

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.

The financial statements on pages 64 to 176 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 message from our Chairperson (page 30), the Chief Executive Officer's report (page 60) and the Chief Financial Officer's report (page 107) on the financial results in the integrated report.

3. 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 (2021: 990 000 000) ordinary shares of 0.5 cents each and 10 000 000 (2021: 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:

%	2022	2021
FirstRand EMA Holdings Limited	58.4%	58.4%
Government Institutions Pension Fund	15.7%	15.1%
A detailed analysis of shareholders is set out on page 181		
Share analysis – preference shares		
RMB SI Investments (Pty) Limited	100%	100%

Directors' report continued

4. Dividends

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

	2022	2021
Cents per share		
Interim (declared February)	153.00	94.00
Final (declared August)	319.84	118.00
	472.84	212.00

5. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation
II Zaamwani Kamwi	Chairperson	Non-executive Independent
OLP Capelao	Chief Finance Officer	Executive
J Coetzee	Other	Non-executive Independent
C Dempsey *	Chief Executive Officer	Executive
P Grüttemeyer	Other	Non-executive Independent
CLR Haikali	Other	Non-executive Independent
JH Hausiku	Other	Non-executive Independent
R Makanjee **	Other	Non-executive
IN Nashandi	Other	Non-executive
E van Zyl	Other	Non-executive Independent

* South African with permanent residence
** South African

Board changes

During the period under review the following changes to the board of directors took place in respect of FirstRand Namibia Limited:

Resignations/Retirements

JG Daun (31 December 2021)
JR Khethe (31 December 2021)
JH Hausiku (30 June 2022)

Appointments

J Coetzee (1 October 2021)
E van Zyl (1 March 2022)
R Makanjee (1 August 2022)

Directors' emoluments

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

6. Directors' interests in shares

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

Interests in shares

	2022	2021	2022	2021
Directors	Direct	Direct	Indirect	Indirect
II Zaamwani-Kamwi	54 463	54 463	-	-
OLP Capelao	149 649	149 649	-	-
C Dempsey	37 433	37 433	-	-
P Grüttemeyer	100 000	-	-	50 860
CLR Haikali	68 550	68 550	3 018 199	3 018 199
	410 095	310 095	3 018 199	3 069 059

The register of interests of directors and others in shares of the company is available to the shareholders on request.

There have been no changes in beneficial interests that occurred between the end of the reporting period and the date of this report.

7. Directors' interests in contracts

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' report continued

8. Property and equipment

There was no change in the nature of the property plant and equipment or in the policy regarding their use.

9. Holding company

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

10. Subsidiaries

Interest in subsidiaries is set out in note 32 to the annual financial statements.

11. Events after the reporting period

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

12. Secretary

The company secretary is Mrs N Makemba.

Postal address:	P O Box 195 Windhoek Namibia
Business address:	130 Independence Avenue Windhoek Namibia

Accounting policies

The group's consolidated and separate annual financial statements have been prepared in accordance with IFRS, including interpretations issued by the IFRS Interpretations Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, NSX Listings Requirements, the Banks Institutions Act and requirements of the Companies Act of Namibia.

These financial statements comprise the consolidated and separate statements of financial position (also referred to as the balance sheet) as at 30 June 2022, the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year ended; as well as the notes, which comprise 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 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 and joint ventures. 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.

Accounting policies continued

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 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 Namibia dollars. The group has a policy of rounding up in increments of N$1 000. Amounts less than N$1 000 will therefore round down to N$nil and are presented as a dash.
Foreign currency transactions of the group	Translated into the functional currency using the exchange rates prevailing at the date of the transactions.
Translation and treatment of foreign denominated balances	Translated at the relevant exchange rates, depending on whether it is a monetary item (in which case the closing spot rate is applied) or non-monetary items. For non-monetary items measured at cost the rate applied is the rate on transaction date. For non-monetary items measured at fair value the rate at the date the fair value is determined (reporting date) is applied. Foreign exchange gains or losses are recognised in profit or loss in fair value gains or losses. To the extent that foreign exchange gains or losses relate to financial assets held at fair value through other comprehensive income (FVOCI) the following applies: Equity instruments are recognised in other comprehensive income as part of the fair value movement. Debt instruments are allocated between profit or loss (those that relate to changes in amortised cost) and other comprehensive income (those that relate to changes in the fair value).

1. INTRODUCTION AND BASIS OF PREPARATION continued

1.1 Persistent global and local economic uncertainty

The impact of the coronavirus (Covid-19) epidemic and Russia's invasion of Ukraine required management to apply significant judgements and estimates to quantify the impact on the annual financial statements.

The transition of Covid-19 from a global pandemic to an epidemic in the past financial year due to the successful rollout of vaccines globally has resulted in stabilisation of the global economy, with growth being noted early in the financial year due to the gradual resumption of economic activity within various affected sectors. Russia's invasion of Ukraine, however, dampened these positive gains, as evidenced by inflation increasing globally, mostly attributable to high food and energy prices. As such, interest rates are expected to increase to bring inflation back to target levels across the globe after a prolonged period of support from central banks during the Covid-19 pandemic. Commodity prices are expected to remain at elevated levels with some associated volatility.

Increasing inflation poses material risk to the global economy's recovery. As such, management judgement has been applied to quantify the impact of inflation and Russia's invasion of Ukraine on the existing and developing stressors on the global and local economy.

For more details refer to accounting policy note 9.4.

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) calculation, 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, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.	Refer to accounting policy note 9.4 Impairment of financial assets - Forward-looking information.
Significant increase in credit risk	
The group has not followed an overall blanket approach to the ECL impact of COVID-19 (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, 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.

Accounting policies continued

1. INTRODUCTION AND BASIS OF PREPARATION continued

1.2 Significant estimates, judgements and assumptions continued

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	
Overall application of the going concern principle	
The directors reviewed the group and company's budgets and flow of funds forecasts for the next three years 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 liquidity requirements, all of which have remained within internal targets and above regulatory requirements. As part of this assessment, the directors 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 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.	Directors' responsibility statement on page 2.

1. INTRODUCTION AND BASIS OF PREPARATION continued

The group adopts the following significant accounting policies in preparing its financial statements. These policies have been consistently applied to all years presented.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES				
2	Subsidiaries and associates	Consolidation and equity accounting (section 2.1)	Related party transactions (section 2.2)	
3	Income, expenses and taxation	Income and expenses (section 3.1)	Taxation (section 3.2)	
4	Financial instruments	Classification and measurement (section 4.1)	Impairment (section 4.2)	Derivatives and hedge accounting (section 4.5)
		Transfers, modifications and de-recognition (section 4.3)	Offset and collateral (section 4.4)	
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	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 (section 9.4)	Provisions (section 9.5)	Transactions with employees (section 9.6)
		Insurance activities (section 9.7)		

1.3 New standards adopted in the current year

New standards adopted in the current year

There were no new or amended IFRS standards which became effective for the year ended 30 June 2022 that impacted the group's reported earnings, financial position or reserves, or the accounting policies.

Accounting policies continued

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. These include investment funds not consolidated, but which the group has significant influence over.
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 dispose 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.		

2. SUBSIDIARIES AND ASSOCIATES

2.1 Basis of consolidation and equity accounting continued

	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 are 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 and joint ventures 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.

Accounting policies continued

2. SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS continued

2.1 Basis of consolidation and equity accounting continued

Consolidated financial statements continued		
	Consolidation	Equity accounting
Impairment	In the consolidated financial statements either the cash generating unit (CGU) is tested, i.e. a grouping of assets no higher than an operating segment of the group, or, if the entity is not part of a CGU, the individual assets of the subsidiary and goodwill are tested for impairment in terms of IAS 36.	The entire carrying amount of the investment, including other long-term interests, is tested for impairment. Certain loans and other long-term interests in associates and joint ventures are considered to be, in substance, part of the net investment in the entity when settlement is neither planned nor likely to occur in the foreseeable future. Such items may include preference shares and long-term receivables or loans, but do not include trade receivables or any long-term loans for which adequate collateral exists. These loans and other long-term interests in associates and joint ventures are included in advances on the face of the statement of financial position and are measured in terms of IFRS 9. The value of such loans after any expected credit losses raised for IFRS 9 where such loans are measured at amortised cost is, however, included in the carrying amount of the investee for purposes of determining the share of losses of the investee attributable to the group and for impairment testing purposes. Any resulting impairment losses are recognised as part of the share of profits or losses from associates.

2. SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS continued

2.1 Basis of consolidation and equity accounting continued

Consolidated financial statements continued		
	Consolidation	Equity accounting
Goodwill	Goodwill on the acquisition of businesses and subsidiaries represents excess consideration transferred and is recognised as an intangible asset at cost less accumulated impairment losses. If this amount is negative, as in the case of a bargain purchase, the difference is immediately recognised in gains less losses from investing activities within non-interest revenue. Goodwill is tested annually for impairment by the group in March, or earlier if there are objective indicators of impairment. For subsidiaries acquired between March and June, a goodwill impairment test is performed in June in the year of acquisition and thereafter annually in March. For testing purposes, goodwill is allocated to a suitable CGU. Impairment losses in respect of goodwill are not subsequently reversed.	Notional goodwill on the acquisition of associates and joint ventures is included in the equity accounted carrying amount of the investment. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.
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.

Accounting policies continued

2. SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS continued

2.2 Related party transactions

Related parties of the group, as defined, include:

Subsidiaries	Associates	Joint ventures	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 KMP 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 Limited board of directors and the FirstRand Limited executive committee, including any entities which provide key management personnel services to the group. Their close family members include spouse/domestic partner and dependent children, domestic partner's dependent children and any other dependents 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 and debt instruments measured at fair value through other comprehensive income, including the effect of qualifying hedges for interest rate risk.
- 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 funding or insurance operations.
- Interest income is calculated using the effective interest rate, which includes origination fees. 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.

Interest expense includes:

- interest on financial liabilities measured at amortised cost;
- interest on financial liabilities measured at fair value through profit or loss that are held by and managed as part of the group's funding or insurance operations;
- interest on capitalised leases where the group is the lessee; and
- the difference between the purchase and resale price in repurchase and reverse repurchase agreements where the related advances or deposit is measured at amortised cost, because the amount is in substance interest.

The total interest expense is reduced by the amount of interest incurred in respect of liabilities used to fund the group's fair value activities. This amount is reported in fair value income within non-interest revenue.

Accounting policies continued

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	
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 required to be 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. 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; and • other non-banking fee and commission income. The bulk 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, is 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. • Commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis. Commitment fees for unutilised funds made available to customers in the past are recognised as revenue at the end of the contract period. Commitment fees paid upfront for a future facility, where it is not probable that a specific lending arrangement will be entered into by the group, are recognised as revenue on a straight-line basis over the period for which the funds are promised to be kept available.

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Non-interest and financial instrument revenue recognised in profit or loss continued	
Non-interest revenue from contracts with customers continued	
Fee and commission income continued	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 and electricity paid through FNB channels, as well as insurance commission. 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. Expenses relating to the provision of the customer loyalty reward credits are recognised as fee and commission expenses as incurred. 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 are recognised at the point that the significant obligation has been fulfilled. Income arising from third-party insurance cell captives and profit share agreements, where there is not a significant transfer of insurance risk, are executory contracts. Revenue is recognised when both parties have fulfilled their obligations.
Insurance income: risk-related	Insurance-related income represents the premiums written on short-term, long-term and vehicle-related warranty 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.

Accounting policies continued

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Fair value gains or losses
Fair value gains or losses of the group recognised in non-interest revenue include 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 net 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 is presented in other comprehensive income, unless this would cause or enlarge an accounting mismatch in profit or loss. The total fair value adjustment on policyholder liabilities and non-recourse liabilities (including movements due to changes in credit risk) is included in profit or loss, since the fair value movements on these liabilities are directly linked to fair value movements on the underlying assets; • ordinary and preference dividends on equity instruments at fair value through profit or loss; • any difference between the carrying amount of the liability and the consideration paid, when the group repurchases debt instruments that it has issued; • fair value gains or losses on policyholder liabilities under investment contracts; and • fair value gains or losses on commodities acquired for short-term trading purposes including commodities acquired with the intention of resell in the short term or if they form part of the trading operations of the group and certain commodities subject to option agreements whereby the counterparty may acquire the commodity at a future date where the risk and rewards of ownership are deemed to have transferred to the group in terms of IFRS 15.
Gains less losses from investing activities
The following items are included in gains less losses from investing activities: • any gains or losses on disposals of investments in subsidiaries and associates; • any gains or losses on the sale of financial assets measured at amortised cost; 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.

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

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 also includes value-added tax. Indirect tax is disclosed separately from income tax and operating expenses in the statement of comprehensive income.

3.2 Taxation

Income tax includes Namibian corporate 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 (including ECL movements) of certain financial assets and liabilities, including derivative contracts; and • Remeasurements of defined benefit post employment plans.

Accounting policies continued

3. INCOME, EXPENSES AND TAXATION continued

3.2 Taxation continued

Income tax includes Namibian and foreign corporate tax payable and where applicable, includes capital gains tax.

Deferred income tax	
Measurement	The liability method under IAS 12 is used, which means applying tax rates and laws applicable at the reporting date which 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 in profit or loss unless it relates to items recognised directly in equity or other comprehensive income. Items recognised directly in equity or other comprehensive income relate to: • 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, based on management's review of the budget and forecast information. 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.
Substantially enacted tax rates	Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 subsequent measurement of financial assets and liabilities

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 subportfolio level, depending on the manner in which groups of financial assets are managed in each franchise.

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets and liabilities continued

Classification and subsequent measurement of financial assets
Business model
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 repurchase 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 because substantially all the risks and rewards relating to the ownership of the asset have not been transferred and the asset is not derecognised from an accounting perspective. If sales of financial assets are infrequent, the significance of these sales is considered by comparing the carrying amount of assets sold during the period and cumulatively to the total carrying amount of assets held in the business model. If sales are either infrequent or insignificant, these sales will not impact the conclusion that the business model for holding financial assets is to collect contractual cash flows. 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 number of sales relatives to the total assets in the business model to determine whether it is significant. A change in business model only occurs on the rare occasion when the group changes the way in which it manages financial assets. Any change in business models would result in a reclassification of the relevant financial assets from the start of the next reporting period.

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets and liabilities continued

Classification and subsequent measurement of financial assets
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.
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 principal 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 coins and bank notes, money at call and short notice, and balances with the central bank. All balances included in cash and cash equivalents have a maturity 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.

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets and liabilities continued

Classification and subsequent measurement of financial assets		
Retail advances		
	Business model	Cash flow characteristics
Retail advances	The FNB and WesBank businesses 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 cards; and • other retail products such as overdrafts.	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.
Corporate and commercial advances		
	Business model	Cash flow characteristics
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 include: • trade and working capital finance; • specialised finance; • commercial property finance; and • asset-backed finance. These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return.	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.

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets and liabilities continued

Classification and subsequent measurement of financial assets		
Corporate and commercial advances		
	Business model	Cash flow characteristics
Corporate and commercial advances	Within RMB's Investment Banking Division (IBD), debt for large corporates and institutions is 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 equity 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.

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets and liabilities continued

Investment securities		
	Business model	Cash flow characteristics
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 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 equivelants		
Cash and cash equivelants	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 either held for trading or to hedge risk. These instruments are managed on a fair value basis.	
Equity investments at fair value through other comprehensive income		
Investment securities	The group has elected to designate certain equity investments not held for trading to be measured at fair value through other comprehensive income.	

4. FINANCIAL INSTRUMENTS continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets and liabilities continued

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.

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

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;
- Debt instruments measured at fair value through other comprehensive income;
- Loan commitments;
- Financial guarantees; and
- Finance lease debtors where the group is the lessor.

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

Expected credit losses			
Loss allowance on financial assets			
	Credit risk has not increased significantly since initial recognition (stage 1)	Credit risk has increased significantly since initial recognition, but asset is not credit-impaired (stage 2)	Asset has become credit-impaired since initial recognition (stage 3)
	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 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. Where a change in terms is significant and is deemed to be a substantial modification, it 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 small and medium-sized enterprise (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 standard minimum period for transition from stage 2 back to stage 1 is applied across all advances, 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.		

4. FINANCIAL INSTRUMENTS continued

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

Advances continued	
Low credit risk	The group does not use the low credit risk assumption.
Credit impaired financial assets	Advances are considered credit-impaired if they meet the definition of default. The group's definition of default applied to calculating provisions under IFRS 9 has been aligned to the definition applied to 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, are more than three instalments in arrears. 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 Regulation 67 of the Banks Act. Examples include application for bankruptcy or obligor insolvency. 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 judgementally through a committee process.

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

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

Advances continued	
Write-offs	Write-offs 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 secured loans are written off on perfection of collateral, and retail unsecured loans are written off when observation of post-default payment behaviour indicates that further material recoveries are unlikely. Write-off points within retail unsecured portfolios are defined on a per-portfolio basis with reference to cumulative delinquency and/or payment recency; • Within wholesale portfolios, a judgemental approach to write-off is followed, based on case-by-case assessment by a credit committee; and • Partial write-offs are not performed within credit portfolios except in limited circumstances within the wholesale portfolio where it is assessed on a case-by-case basis. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur.
Collection and enforcement activities post write-off	For unsecured advances, post write-off collection strategies include outsourcing of the account to external debt collections (EDCs). In addition, settlement campaigns are run to encourage clients to settle their outstanding debt. For secured advances, any residual balance post the realisation of collateral and post write-off is outsourced to EDCs.
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 is zero. ECL for cash equivalents is calculated using the loss rate approach.
Other assets	ECL for other assets, i.e. financial 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 Probability of Default ("PD"), Loss Given Default ("LGD"), 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 exemption for investment securities, including government bonds.

4. FINANCIAL INSTRUMENTS continued

4.3 Transfers, modifications and derecognition

Financial instruments are derecognised when:

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

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

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.

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.

Accounting policies continued

4. FINANCIAL INSTRUMENTS continued

4.3 Transfers, modifications and derecognition continued

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

Transaction type	Description	Accounting treatment
Transfers without derecognition		
Repurchase agreements	Investment securities and advances are sold to an external counterparty in exchange for cash and the group agrees to repurchase the assets at a specified price at a specified future date. The counterparty's only recourse is to the transferred investment securities and advances that are subject to the repurchase agreement. The group remains exposed to all the underlying risks on the assets including counterparty, interest rate, currency, prepayment and other price risks.	The transferred assets continue to be recognised by the group in full. Such advances and investment securities are disclosed separately in the relevant notes. The group recognises an associated liability for the obligation for the cash received as a separate category of deposits.
Securities lending	Investment securities are lent to external counterparties in exchange for cash collateral as security for the return of the securities. The group's only recourse in respect of the return of the securities it has lent is to the cash collateral held and as such, the group generally requires cash collateral in excess of the fair value of the securities lent.	
Modification without derecognition		
Modification of contractual cash flows	Debt restructuring is a process that is applied to accounts whereby the new terms of the contract (such as a lower interest rate) are mandated by law and do not have the same commercial terms as a new product that the group would be willing to offer a customer with a similar risk profile.	Existing asset is not derecognised. The gross carrying amount of the financial asset is recalculated as the present value of the estimated future cash receipts through the expected life of the renegotiated or modified financial asset, discounted at the financial asset's original effective interest rate. Distressed modifications are included in ECL.
Modifications with derecognition (i.e. substantial modifications)		
Retail advances	The process for modifying an advance (which is not part of a debt restructuring) is substantially the same as the process for raising a new advance, including reassessing the customer's credit risk, repricing the asset and entering into a new legal agreement.	Existing asset is derecognised and a new asset is recognised at fair value based on the modified contractual terms.

4. FINANCIAL INSTRUMENTS continued

4.4 Offsetting of financial instruments and collateral

Where the requirements of IFRS are met, the group offsets financial assets and financial liabilities and presents the net amount. Financial assets and financial liabilities subject to master netting arrangements (MNAs) 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 Swaps and Derivatives Association (ISDA) MNAs. 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.
Repurchase and reverse repurchase agreements, and securities lending and borrowing transactions	These transactions by the group are covered by master agreements with netting terms similar to those of the ISDA MNAs. Where the group has entered into a repurchase and reverse repurchase or securities borrowing and lending transaction, with the same counterparty, the advance and liability balances are offset in the statement of financial position only if they are due on a single day, denominated in the same currency and the group has the intention to settle these amounts on a net basis. The group receives and accepts collateral for these transactions in the form of cash and other investment securities.
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's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, either through physical inspection or indexation methods, as appropriate. For wholesale and commercial portfolios, the value of collateral is reviewed as part of the annual facility review. For mortgage portfolios, collateral valuations are updated on an ongoing basis through statistical indexation models. However, in the event of default, more detailed reviews and valuations of collateral are performed, which yield 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 through profit or loss with movements in fair value 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.

Accounting policies continued

5. OTHER ASSETS AND LIABILITIES

5.1 Classification and measurement

Classification	Measurement
Property and equipment (owned and right of use)	
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 recognised on the straight-line basis over the useful life of the asset, except for assets capitalised under leases where the group is the lessee, in which case it is depreciated per the leases accounting 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
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 to 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 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.

5. OTHER ASSETS AND LIABILITIES continued

5.1 Classification and measurement continued

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.

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.

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, as well as provisions for intellectual property fees that arise because of the use of dealer platforms, databases, systems, brands and trademarks when marketing and promoting motor warranty products as part of the motor value-added products and services business. The group recognises a provision when a reliable estimate of the outflow required can be made and the outflow is probable (i.e. more likely than not).

Accounting policies continued

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, ROUA's 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 of 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.	The group recognises assets sold under a finance lease as finance lease receivables included in 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 the general model under IFRS 9 is used for impairment calculations on lease receivables.

5. OTHER ASSETS AND LIABILITIES continued

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 (stage 3), is recognised and calculated by applying the original effective interest rate to the net carrying amount.

Accounting policies continued

5. OTHER ASSETS AND LIABILITIES continued

5.2 Leases continued

	Group company is the lessee	Group company is the lessor
Presentation	The lease liability is presented in other liabilities in the consolidated statement of financial position. The ROUAs are not presented as a separate line in the consolidated statement of financial position, but rather disclosed as ROUA in the property and equipment note.	Finance lease receivables are presented as part of advances 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 vehicle leases, the lease payments are recognised as an 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 shares 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 remuneration schemes are operated through various shares trusts. These 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 part of the consolidated group purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity as treasury shares until they are reissued or sold. Where the shares are subsequently sold or reissued, any consideration received net of any directly incremental costs is included in shareholders' equity.
Treasury shares, i.e. where the group purchases its own equity share capital	If the group reacquires its own equity instruments, those instruments are deducted from the group's equity.	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, capital redemption reserve funds and insurance contingency reserves. These reserves are required by legislation governing these subsidiaries and are calculated based on the requirements outlined in the relevant legislation applicable.

Accounting policies continued

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.

7.2 Share-based payment transactions

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

Options and awards granted under cash-setteled 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 he Short-term Insurance Act 4 of 1998 (Short-term Act).

Investment contracts which are linked-fund policies falling 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 obtains 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 policyholders.

Investment contracts	
Definitions	Contracts that transfer significant insurance risk to the group and are within the scope of IFRS 4.
Recognition	Insurance policies are recognized when contracts are concluded between the policyholder and the group.
Premiums	Premiums on insurance contracts are recognised when due. Premiums are recognised gross of commission payable to intermediaries and reinsurance premiums, before the deduction of acquisition costs but net of taxes and levies and are recognised in profit or loss as part of premium income in non-interest revenue.
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.
Acquisition costs	Acquisition costs include all commission and expenses directly related to acquiring new business.
Policyholder liabilities	In terms of IFRS 4, insurance contracts may be measured under existing local practice.
Investment contracts	
Income statement impact of movements in policyholder liabilities	The movement in the liability for policyholder liabilities under investment contracts is recognised as adjustments in long term policyholder liabilities under investment contracts.

Accounting policies continued

8. NON-BANKING ACTIVITIES continued

8.1 Insurance activities continued

Short-term insurance contracts	
Policyholder liability	In terms of IFRS 4, insurance contracts may be measured under existing local practice. The provision for the outstanding claims reserve (OCR) comprises the group's estimate of settling all claims reported (notified claims) but unpaid at year end, and claims incurred but not reported (IBNR).
Changes in the policyholder liabilities	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 insurance liability is tested for adequacy by calculating current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability. Where a shortfall is identified, an additional liability and the related expense are recognised.
Acquisition costs	Acquisition costs include all commission and expenses directly related to acquiring new business. Acquisition costs are expensed as they are incurred.
Insurance premium receivables and payables	Amounts due from policyholders relate to insurance premiums receivable from policyholders whose payments were not received on the due date, due to technical collection issues, and are included in other assets. Insurance creditors and accruals include sundry creditors as well as the reinsurer premium due and are included in creditors, accruals and provisions. These are measured using existing local practices. Collection rates, applicable to the product arrears rules, are applied to amounts that are not successfully collected from premium debtors to determine the amount that is recoverable. In the current year, an overall collection rate of 60% was assumed. 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. NON-BANKING ACTIVITIES continued

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 to reinsurers are recognised as a deduction against premium income 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. IFRS 4 requires reinsurance assets to be reduced to the extent of the impairment of such reinsurance assets and specifies the conditions for impairment – objective evidence, the result of an event, and reliably measurable impacts on the amounts that the cedant may not receive from the reinsurer. This is an in accordance with the incurred loss model specified in IAS 39, i.e. an event must have occurred in order for the impairment to be recognised. Whilst IFRS 4 does not include specific guidance as to what types of events would trigger an impairment test, the guidance in IAS 39 for objective evidence of impairment is used.
Changes 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 premium income included in non-interest revenue.
Related reinsurance payables	Liabilities relating to reinsurance comprising premiums payable for reinsurance contracts are included in accounts payable and are recognised as an expense when they fall due in terms of the contract.
Policyholder liabilities	These are recognised within policyholder liabilities in the statement of financial position when the group becomes party to the contractual provisions of the contract. These liabilities are designated at fair value through profit or loss on initial recognition. The fair value of the financial liability recognised is never less than the amount payable on surrender, discounted for the required notice period, where applicable.

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.

Accounting policies continued

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; and • To what extent the group is responsible to ensure that the entity operates as intended.

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.2 Subsidiaries and associates continued

Subsidiaries	
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, 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.	

Accounting policies continued

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), as well as the investors' 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 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 or equity accounted, 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, 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.
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.

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

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 for uncertain tax positions in accordance with the criteria defined within IAS 12 and IFRIC 23, based on objective estimates of the amount of tax that may be due, which is calculated, where relevant, with reference to expert advice received. Where payment is determined to be possible but not probable, the tax exposure is disclosed as a contingent liability. The group recognises probable 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 adopts the PD/LGD approach to calculate ECL for advances. The ECL is based on a weighted average of the macroeconomic scenarios selected, weighted by the probability of occurrence. Regression modelling techniques are used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the group of accounts to which the model will be applied. This results in the production of models that are used to predict impairment parameters (PD, LGD and EAD) based on the predictive characteristics identified through the regression process.
Forward-looking information (FLI)
Forward-looking information has been incorporated into expected loss estimates through the application of quantitative modelling and expert judgement-based post-model adjustments. Both quantitative models and expert judgment-based adjustments consider a range of forecast macroeconomic scenarios as inputs. The macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for various scenarios. Development of these scenarios is overseen by the FirstRand macro forum, which is responsible for oversight and is independent from credit and modelling functions. To arrive at the macroeconomic forecasts teams of economists, both locally and within the various subsidiaries, assess the micro- and macroeconomic developments to formulate the macroeconomic forecasts. A number of internal and external economists are then requested to assign a probability to each scenario.

Accounting policies continued

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Forward-looking information (FLI)

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 2022:

Scenario	Probability	Description
Baseline regime	55.5% (2021:58.0%)	Assumes that global growth slows below trend, developed market (DM) inflation remains benign and interest rates turn more accommodative while domestic policy uncertainty reduces relative to 2021 and meaningful economic reform remains absent.
Upside regime	13.3% (2021: 13.0%)	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	31.2% (2021:29.0%)	Assumes that the global economy slows down whilst DM inflation and interest rates lift. Increased policy uncertainty, a collapse in corporate governance at state-owned enterprises (SOEs), increased populism and fiscal recklessness drive Namibia's growth lower.

Namibia

The Namibian economy continues to recover from its pandemic lows, with Q1-2022 GDP recorded at 5.3%. This growth was driven by a low base in 2021, diamond mining production and to a lesser extent a recovery in agriculture, manufacturing, hotels and restaurants and transport sectors. Diamond mining will continue to be buoyed by strong production combined with elevated global diamond prices, while uranium and gold production are also expected to improve. We therefore maintain our view that mining activity will drive growth over the forecast horizon with GDP growth forecasted at 2.8% year on year ("y/y"). Over the short term, growth will average 3.2% y/y with further support from a tourism recovery, investments in renewable energy infrastructure projects, and higher SACU revenues.

While mining has historically made a large contribution to headline GDP, its spillovers to consumer demand have been limited given that mining accounts for less than 2% of overall employment. We therefore believe that consumer demand will remain weak despite the higher growth forecasts. Consumption is already constrained by job losses, below-inflation wage increases, low credit uptake and high levels of indebtedness. Further headwinds will come from rising food, fuel and utility prices. Inflation is expected to average 6.2% in 2022, significantly higher than the 2021 average of 3.6%.

Higher interest rates will add further pressure on consumers as monetary policy flexibility is constrained, given the currency peg to the Rand. Interest rate hikes will follow those in South Africa, in line with Namibia's official monetary policy framework which requires rates to be on par or above those of South Africa's. We note that Namibia's private sector credit extension (PSCE) slowed to 3.4% y/y during June 2022, with households' PSCE at 2.0% y/y and corporates at 5.3% y/y.

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 forward-looking information relating to ECL provisions.

2022

	Upside scenario			Baseline scenario			Downside scenario		
(%)	2023	2024	2025	2023	2024	2025	2023	2024	2025
Real GDP growth	4.80	5.50	5.50	3.00	3.50	3.50	(0.50)	(0.50)	(0.50)
CPI inflation	4.60	4.20	4.20	5.00	4.90	4.70	7.30	7.20	7.20
Repo rate	5.50	5.25	5.25	5.75	5.75	5.75	10.00	8.00	7.00

2021*

	Upside scenario			Baseline scenario			Downside scenario		
(%)	2023	2024	2025	2023	2024	2025	2023	2024	2025
Real GDP growth	3.25	3.75	4.50	1.40	2.30	2.00	(3.00)	(1.50)	(1.00)
CPI inflation	3.00	3.00	3.00	3.80	4.00	4.10	5.92	6.75	7.00
Repo rate	2.75	2.50	2.50	3.75	4.00	4.00	6.25	6.50	6.50

* In the prior year, the disclosures were provided on the overall level per macroeconomic factor. In the current year, the information per macroeconomic factor has been disaggregated to reflect information forecasted for each of the three years.

Accounting policies continued

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Significant macroeconomic factors continued

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%.

IFRS 9 impairment provision at 30 June 2022	N$'000	% change on total IFRS 9 provision
Scenarios		
Baseline	1 316 833	(0.5%)
Upside	1 294 508	(2.1%)
Downside*	1 347 485	1.9%

IFRS 9 impairment provision at 30 June 2021	N$'000	% change on total IFRS 9 provision
Scenarios		
Baseline	1 350 420	(0.9%)
Upside	1 307 705	(4.1%)
Downside	1 407 261	3.1%

* Applicable to the secured portfolio.

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. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Judgement	Retail and retail SME	Wholesale and commercial SME
Measurement of the 12-month and lifetime ECL	Parameters are determined on a pooled basis, with exposures pooled on a portfolio level at a minimum. Where appropriate, more granular pooling is applied. The inputs used to determine parameter values include historically observed behaviour, as well as behavioural and demographic information related to individual exposures currently on book. PD parameters are determined through assessment of the influence that various risk drivers have had on historical default rates. EAD parameter estimates are based on product characteristics and historical drawdown and payment behaviour. LGDs are determined by estimating expected future cash flows and are adjusted for forward-looking information such as the house price index, prime lending rate and GDP. These cash flows include direct costs and proceeds from the sale of collateral. Collateral recovery rates are based on historically observed outcomes. The statistical models applied implicitly assume that risk drivers that influence default risk, payment behaviour and recovery expectations within the historical data will continue to be relevant in the future.	Parameters are determined based on the application of statistical models that produce estimates based on counterparty-specific financial information and transaction characteristics. These characteristics include the nature of available collateral. Due to the specialised nature of these exposures, parameters produced by models are taken through a robust review and challenge process before being applied to calculate expected credit losses, and are required to be signed off by a committee of wholesale and commercial credit experts who can motivate adjustments to modelled parameters.
	Parameters are calibrated for the calculation of 12-month and lifetime ECL using term structures that consider borrower risk, account age, historical behaviour, transaction characteristics and correlations between parameters. Term structures have been developed over the entire remaining contractual lifetime of an instrument. The remaining lifetime is limited to the contractual term of instruments in the portfolio, except for instruments with an undrawn commitment such as credit cards, where there is no contractual expiry date. In such instances the remaining term is determined with reference to the change in client requirements that would trigger a review of the contractual terms, for example an increase in limit. Expected credit losses on open accounts are discounted from the expected date of default to the reporting date using the asset's original effective interest rate or a reasonable approximation thereof.	

Accounting policies continued

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 the credit risk of financial instruments have increased significantly since initial recognition (SICR)	SICR triggers continue to be based on client behaviour, client-based behaviour scores and judgemental factors. Additional judgemental triggers that arose due to the impact of Covid-19, such as employment in industries in distress have been calibrated into the current year's SICR triggers. Additional enhancements incorporated in the current year, include SICR rules that cater for behaviour that had not been previously captured. For example, customers using savings and supporting or relying on family members to assist them in making payments to their debt providers. These updates specifically cater for performing customers, given the uncertainty of the length and severity of the third and future waves, and the fact that many customers, particularly in the most severely impacted sectors, have already utilised their emergency savings over the last year and therefore any safety buffers that the customer may have had would be exhausted or close to exhausted.	SICR triggers continue to be determined based on client behaviour, client internal FirstRand rating or risk score, as well as judgemental factors, which includes triggers for industries in distress, which may result in the client being added to the watch list through the group's ongoing risk management process. These triggers are determined at a deal and client level and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk.

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 the legal risk of potential litigation on the bank's litigation database.

9.6 Transactions with employees

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

Accounting policies 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 repudiation factor is applied when calculating the reserve based on historical claim repudiation rates. 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

Consolidated statement of comprehensive income

for the year ended 30 June 2022

N$'000	Note(s)	2022	2021
Interest and similar income	1	3 325 633	3 031 045
Interest expense and similar charges	1	(1 123 058)	(1 153 788)
Net interest income before impairment of advances		**2 202 575**	**1 877 257**
Impairment and fair value of credit on advances	14	(95 365)	(238 250)
Net interest income after impairment of advances		**2 107 210**	**1 639 007**
Non-interest revenue	2	1 980 980	1 954 096
- Net fee and commission income		1 786 758	1 736 813
- fee and commission income		2 003 074	1 926 596
- fee and commission expense		(216 316)	(189 783)
- Fair value gains		136 942	149 049
- Gains less losses from investing activities		44 956	42 441
- Other non-interest income		12 324	25 793
Net insurance premium income	3	129 568	133 842
Net claims and benefits paid	4	(70 609)	(71 164)
Income from operations		**4 147 149**	**3 655 781**
Operating expenses	5	(2 238 323)	(2 125 956)
Income before indirect tax		**1 908 826**	**1 529 825**
Indirect tax	7	(41 359)	(38 070)
Profit before income tax		**1 867 467**	**1 491 755**
Income tax expense	7	(594 621)	(459 527)
Profit for the year		**1 272 846**	**1 032 228**

N$'000	Note(s)	2022	2021
Other comprehensive income:			
Items that may not be subsequently be reclassified to profit or loss:			
Remeasurements on net defined benefit post-employment plan		(2 125)	365
Deferred income tax		680	(117)
Total items that may not be subsequently reclassified to profit or loss		**(1 445)**	**248**
Other comprehensive (loss)/income for the year net of taxation		**(1 445)**	**248**
Total comprehensive income for the year		**1 271 401**	**1 032 476**
Profit attributable to:			
Owners of the parent		1 265 292	1 021 909
Non-controlling interest		7 554	10 319
		1 272 846	**1 032 228**
Total comprehensive income attributable to:			
Owners of the parent		1 263 847	1 022 157
Non-controlling interest		7 554	10 319
		1 271 401	**1 032 476**
Earnings per share (cents)			
Basic and diluted earnings per share (cents)	8	483.0	390.9

Consolidated statement of financial position

as at 30 June 2022

N$'000	Note(s)	2022	2021
ASSETS			
Cash and cash equivalents	10	2 395 398	1 299 341
Due from banks and other financial institutions	10	9 231 486	2 958 108
Derivative financial instruments	11	93 610	314 626
Investment securities	12	7 416 757	7 185 761
Advances	13	31 962 564	30 206 674
Other assets	15	328 037	414 867
Current tax asset		1 526	547
Reinsurance assets		13 780	8 923
Property and equipment	17	897 828	926 581
Intangible assets	18	79 217	96 001
Deferred tax	19	21 993	30 122
		52 442 196	43 441 551

N$'000	Note(s)	2022	2021
EQUITY AND LIABILITIES			
Liabilities			
Short trading position	21	31 864	21 849
Derivative financial instruments	11	227 448	317 192
Creditors and accruals	20	899 457	560 242
Current tax liability		56 958	109 418
Deposits and current accounts	22	37 114 206	35 663 763
Due to banks and other financial institutions	22	7 229 779	132 661
Employee liabilities	23	244 930	232 781
Other liabilities	24	202 658	240 971
Policyholder liabilities	25	37 696	37 454
Tier 2 liabilities	26	-	402 770
Deferred income tax liability	19	124 973	76 769
		46 169 969	37 795 870
Equity			
Equity Attributable to Equity Holders of Parent			
Share capital	27	1 323	1 308
Share premium	27	95 385	5 039
Reserves		6 133 951	5 579 840
		6 230 659	5 586 187
Non-controlling interest		41 568	59 494
		6 272 227	5 645 681
Total Equity and Liabilities		52 442 196	43 441 551

Consolidated statement of changes in equity

for the year ended 30 June 2022

N$'000	Share capital	Share premium	Total share capital	Defined benefit post-employment reserve		General risk reserve	Total reserves	Retained earnings	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
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 1 July 2021	1 308	5 039	6 347	6 334		95 423	101 757	5 478 083	5 586 187	59 494	5 645 681
Profit for the year	-	-	-	-		-	-	1 265 292	1 265 292	7 554	1 272 846
Other comprehensive income	-	-	-	(1 445)		-	(1 445)	-	(1 445)	-	(1 445)
Total comprehensive income for the year	-	-	-	(1 445)		-	(1 445)	1 265 292	1 263 847	7 554	1 271 401
Transfer between reserves	-	-	-	-		(95 423)	(95 423)	95 423	-	-	-
Consolidation of shares held by share trust	15	90 346	90 361	-		-	-	-	90 361	-	90 361
Dividends	-	-	-	-		-	-	(709 736)	(709 736)	(25 480)	(735 216)
Balance at 30 June 2022	1 323	95 385	96 708	4 889		-	4 889	6 129 062	6 230 659	41 568	6 272 227
Note(s)	27	27	27			28					

Consolidated statement of cash flows

as at 30 June 2022

N$'000	Note(s)	2022	2021
Cash flows from operating activities			
Interest and fee commission receipts	30	5 217 724	4 887 396
- Interest received		3 301 398	3 015 868
- Fee and commission received		2 003 074	1 926 596
- Insurance income received		129 568	134 715
- Fee and commission paid		(216 316)	(189 783)
Trading and other income		331 110	206 632
Interest payments	30	(1 199 526)	(1 227 121)
Other operating expenses	30	(2 071 469)	(1 955 708)
Taxation paid	30	(630 991)	(639 389)
Cash generated from operating activities		1 646 848	1 271 810
Movement in operating assets and liabilities			
Liquid assets and trading securities	30	(6 504 375)	2 833 049
Advances	30	(1 827 019)	(436 004)
Deposits	30	1 450 443	(2 763 474)
Other assets	30	79 833	(163 436)
Due to banks and other financial institutions	30	7 097 118	14 713
Creditors	30	327 246	54 942
Net cash from operating activities		2 270 094	811 600

N$'000	Note(s)	2022	2021
Cash flows from investing activities			
Acquisition of property and equipment	17	(102 625)	(168 807)
Proceeds from the disposal of property and equipment		23 346	13 020
Purchase of intangible assets	18	(699)	(17 262)
Net cash from investing activities		(79 978)	(173 049)
Cash flows from financing activities			
Proceeds received from the disposal of shares from the share trust		90 361	2 686
Repayment of Tier 2 liabilities	26	(400 000)	-
Dividends paid		(709 736)	(376 487)
Dividends paid to non-controlling interests		(25 480)	(13 230)
Principal payments on other liabilities		(25 554)	(31 286)
Principal payments on lease liabilities		(23 650)	(36 002)
Net cash from financing activities		(1 094 059)	(454 319)
Total cash movement for the year		1 096 057	184 232
Cash at the beginning of the year		1 299 341	1 115 109
Total cash at end of the year	10	2 395 398	1 299 341

Notes to the consolidated annual financial statements

for the year ended 30 June 2022

1. INTEREST AND SIMILAR INCOME

N$'000	2022	2021
Analysis of interest and similar income		
Instruments at amortised cost	3 325 633	3 031 045
Interest and similar income	3 325 633	3 031 045
Advances		
Overdrafts and cash managed accounts	260 016	268 956
Term loans	341 885	291 147
Card loans	46 865	47 427
Instalment sales	252 841	242 638
Lease payments receivable	8 989	8 142
Home loans	1 211 934	1 125 389
Commercial property finance	142 902	150 683
Personal loans	277 800	264 589
Preference share agreements	55 337	54 221
Other advances	14 382	11 193
Invoice financing	17 097	10 369
	2 630 048	2 474 754
Cash and cash equivalents	214 538	55 567
Investment securities	478 908	497 952
Accrued on off-market advances	2 139	2 772
Interest and similar income	3 325 633	3 031 045

N$'000	2022	2021
Analysis of interest expense and similar charges		
Instruments at amortised cost	1 123 058	1 153 788
	1 123 058	1 153 788
Analysis of interest expense and similar charges		
Deposits from customers		
Current accounts	55 821	49 180
Savings deposits	11 606	8 518
Call deposits	256 098	242 299
Fixed and notice deposits	366 407	469 423
	689 932	769 420
Debt securities		
Negotiable certificates of deposit	234 348	288 163
Fixed and floating rate notes	27 522	12 943
Deposits from banks and other financial institutions	136 876	37 217
	398 746	338 323
Other funding liabilities		
Other liabilities	9 987	12 745
Lease liabilities	2 787	4 497
Tier 2 liabilities	21 606	28 803
	34 380	46 045
Interest expense and similar charges	1 123 058	1 153 788

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

2. NON-INTEREST REVENUE

N$'000	Note(s)	2022	2021
Analysis of non-interest revenue			
Fee and commission income	2.1	2 003 074	1 926 596
- Instruments at amortised cost		1 851 708	1 778 121
- Non financial insturments		151 366	148 475
Fee and commission expense	2.2	(216 316)	(189 783)
Net fee and commission income		1 786 758	1 736 813
Fair value income			
Instruments at fair value through profit or loss	2.3	136 942	149 049
Gains less losses from investing activities	2.4	44 956	42 441
Other non-interest revenue	2.5	12 324	25 793
Total non-interest revenue		1 980 980	1 954 096
2.1 Fee and commission income			
Card commissions		273 634	224 435
Cash deposit fees		101 436	94 921
Commissions: bills drafts and cheques		23 163	98 856
Bank charges		1 453 475	1 359 909
Banking fee and commission income		1 851 708	1 778 121
Non-banking Fee and commission income			
Brokerage Income		55 427	55 140
Management trust and fiduciary service fees		95 939	93 335
Non-banking fee and commission income		151 366	148 475
Fee and commission income*		2 003 074	1 926 596

* Revenue from contracts with customers

2. NON-INTEREST REVENUE continued

N$'000	Note(s)	2022	2021
2.2 Fee and commission expenses			
ATM commissions paid		(8 139)	(12 156)
Cash sorting handling and transportation charges		(24 504)	(27 101)
Customer loyalty program		(26 202)	(22 202)
Transaction processing fees		(152 763)	(124 707)
Other		(4 708)	(3 617)
Fee and commission expenses		(216 316)	(189 783)
2.3 Fair value gains			
Foreign exchange		111 125	102 320
Designated at fair value through profit or loss		25 817	46 729
Fair value income		136 942	149 049
2.4 Gains less losses from investing activities			
Gains on investment securities designated at fair value through profit or loss		3 546	12 695
Loss allowance on investment securities		(1 849)	(1 410)
Dividends received		43 259	31 156
Gains less losses from investing activities		44 956	42 441
2.5 Other non-interest revenue			
Gains and losses on sale of property and equipment		(5 613)	(1 448)
Rental income		2 932	4 407
Other income		15 005	22 834
Other non-interest revenue		12 324	25 793

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

3. NET INSURANCE PREMIUM INCOME

N$'000	2022	2021
Gross income premium written	149 067	154 065
Outward reinsurance premiums	(19 499)	(20 919)
Change in provision for unearned premium	-	696
Net insurance premium income	129 568	133 842

4. NET CLAIMS AND BENEFITS PAID

N$'000	2022	2021
Short term insurance contracts		
Gross insurance contract claims	85 478	81 385
Transfer to / (from) provision for unintimated claims	(3 085)	207
Reinsurer's share of insurance contract claims	(11 784)	(10 428)
	70 609	71 164

5. OPERATING EXPENSES

N$'000	2022	2021
Auditor's remuneration - external		
Audit fees	13 036	11 478
Fees for other services	452	416
	13 488	11 894
Non-capitalised lease charges		
- Short term leases	7 945	5 976
- Leases of low value assets	5 272	6 391
	13 217	12 367
Staff costs		
Salaries wages and allowances	1 021 551	1 002 158
Off-market staff loans amortisation	2 139	2 772
Defined contribution schemes: pension	94 083	92 692
Defined contribution schemes: medical	94 925	93 296
Post retirement medical expense	3 684	3 966
Severance pay: death in service	471	505
Social security levies	1 876	1 940
Share-based payments	20 719	22 433
Skills development levies	10 315	8 364
Other staff related costs	2 221	1 178
Total staff costs	1 251 984	1 229 304

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

5. OPERATING EXPENSES continued

N$'000	2022	2021
Other operating costs		
Advertising and marketing	63 752	53 221
Amortisation of intangible assets	17 483	15 945
Business travel	8 575	6 872
Computer	429 304	326 005
Depreciation of property and equipment	102 420	124 675
Donations	13 753	12 078
Insurance	11 502	11 421
Legal and other related expenses	14 655	11 827
Other operating expenditure	154 171	182 535
Postage	2 773	3 486
Professional fees	22 634	4 565
Property and maintenance related expenses	79 295	77 297
Stationery	4 776	4 958
Telecommunications	22 489	23 879
Total directors remuneration	12 052	13 627
Other operating costs	959 634	872 391
Total operating expenses	2 238 323	2 125 956

6. DIRECTORS' EMOLUMENTS

N$'000	2022	2021
EXECUTIVE		
C. Dempsey (Appointed CEO 01 October 2020) **#		
Cash packages paid during the year	2 057	1 422
Retirement contributions paid during the year	430	304
Other allowances	756	566
Guaranteed package	3 243	2 292
Performance related STI: *	2 382	-
Cash:		
- within 6 months	1 792	-
- Within 1 year	590	-
Variable pay	2 382	-
Total guaranteed and variable pay	5 625	2 292
S.J. van Zyl (Former CEO (retired 30 September 2020) **		
Cash packages paid during the year	-	660
Retirement contributions paid during the year	-	108
Other allowances	-	52
	-	820
Performance related STI:*	-	-
Cash:	-	-
- within 6 months	-	2 541
Variable pay	-	2 541
Compensation received in respect of loss of office	-	1 282
Total guaranteed and variable pay	-	4 643

* 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 i.e. August, December and June.

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

Actual increase granted for 2022 was at 6.12%.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

6. DIRECTORS' EMOLUMENTS continued

N$'000	2022	2021
EXECUTIVE		
OLP Capelao (CFO)		
Cash package paid during the year	1 709	1 663
Retirement contributions paid during the year	275	268
Other allowances	139	137
Guaranteed package	2 123	2 068
Performance related STI:*	945	868
Cash:		
- within 6 months	845	794
- within 1 year	100	74
Variable pay	945	868
Total Guaranteed and Variable pay	3 068	2 936

* Cash package performance related retirement contributions and other allowances reflect what was paid during the year ended 30 June 2022 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.

6. DIRECTORS' EMOLUMENTS continued

N$'000	2022	2021
NON-EXECUTIVE		
Zaamwani-Kamwi II	531	450
Coetzee J (appointed 1 October 2021)	274	-
Gruttemeyer P	643	458
Haikali CRL	693	642
Nashandi IN	269	213
van Zyl E (appointed 1 March 2022)	130	-
Daun JG (resigned 31 December 2021)	427	695
Hausiku JH (resigned 30 June 2022)	237	298
Hinda Adv GS (resigned November 2020)	-	125
Khethe JR (resigned 31 December 2021)	155	299
Moir SH (retired December 2020)	-	576
	3 359	3 756

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

C. Dempsey (CEO)

	Opening balance	Granted during the year	Expiry date	Forefeited this year	Taken this year (vested/ sold)	Closing balance as at 30 June 2022	Value on settlement (N$000)
FirstRand SA Ltd Shares *	9 981	-	Oct-21	-	(9 981)	-	631
FirstRand SA Ltd Shares *	3 681	-	Oct-21	-	(3 681)	-	233
FirstRand SA Ltd Shares	18 405	-	Oct-22	(18 405)	-	-	-
FirstRand SA Ltd Shares	-	9 981	Oct-22	-	-	9 981	573
FirstRand SA Ltd shares	60 950	10 195	Oct-23	-	-	71 145	2 411
FirstRand SA Ltd shares	-	46 256	Oct-24	-	-	46 256	624

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

6. DIRECTORS' EMOLUMENTS continued

OLP Capelao (CFO)

	Opening balance	Granted during the year	Expiry date	Forefeited this year	Taken this year (vested/ sold)	Closing balance as at 30 June 2022	Value on settlement (N$000)
FirstRand SA Ltd shares *	10 618	-	Oct-21	-	(10 618)	-	654
FirstRand SA Ltd shares	19 172	-	Oct-22	(19 172)	-	-	-
FirstRand SA Ltd shares	-	10 618	Oct-22	-	-	10 618	610
FirstRand SA Ltd shares	46 297	7 137	Oct-23	-	-	53 434	1 811
FirstRand SA Ltd shares	-	19 476	Oct-24	-	-	19 476	252

* Covid-19 Instrument for executive directors

The Covid-19 health crisis and the resulting economic impact has been evident in FirstRand's results. This impact has resulted in the 2017 and 2018 LTI not vesting and increases the risk of the 2019 LTIs not vesting. In response, in 2020, Remco introduced a once-off Covid-19 instrument that caters for the retention of employees considered critical to the ongoing sustainability of the business. The value of the Covid instrument was struck at half of the original value of the 2018 and 2019 LTIs.

For senior employees, including the FirstRand Namibia executive directors , the retention condition is for three years (rolling every 12 months) in the form of an LTI. In response to shareholder feedback Remco introduced performance conditions for executive directors and prescribed officers for all three tranches of the instrument, including both financial and risk elements. The financial conditions are linked to the group's ROE being within the target range. These changes are detailed further in the remuneration report.

The Covid-19 retention instrument was awarded in September 2020. The award is linked to the FirstRand share price and vests in three equal proportions (tranches) over the next three years (September 2021, 2022 and 2023), if performance conditions are met. In September 2021 the first Covid-19 tranche vested as the 2018 LTI award has failed. In 2022 in the event that the 2019 LTI awards vests, the higher of the Covid-19 instrument vesting tranche or the outstanding LTI awards will vest (not both).

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 up to a four year retention period.

7. TAXATION

N$'000	2022	2021
Indirect tax		
Stamp duties	9 480	6 810
Value-added tax (net)	31 879	31 260
Total indirect tax	41 359	38 070
Direct tax		
Current		
Local income tax current period	537 531	643 592
Deferred		
Originating and reversing temporary differences	57 090	(184 065)
Total income tax expense	594 621	459 527
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	32.00%	32.00%
Dividend income	(1.65%)	(1.94%)
Other non-taxable income *	(0.16%)	(0.54%)
Disallowed expenditure **	1.39%	1.02%
Other	0.26%	0.26%
Effective rate of tax	31.84%	30.80%

* Includes fair value income which are non-taxable.

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

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.

N$'000	2022	2021
Headline earnings per share (cents)	484.5	391.2
Reconciliation between earnings and headline earnings		
Basic earnings (N$'000)	1 265 292	1 021 909
Adjusted for:		
Loss on sale of property and equipment (N$'000)	5 613	1 448
Tax effect (N$'000)	(1 796)	(463)
	1 269 109	1 022 894
Dividends per share		
Interim (10 February 2022: 153 cents); (10 February 2021: 94 cents)	400 584	245 763
Final (19 August 2021: 118 cents); (19 August 2020: 50 cents)	309 152	130 724
	709 736	376 487

The final dividend of 319.84 cents (2021: 118 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$'000	2022	2021
Earnings attributable to ordinary shareholders (N$'000)	1 265 292	1 021 909
Weighted average number of shares in issue	261 962 480	261 457 695
Weighted average number of number of shares before shares held by Trust	267 593 250	267 593 250
Less: Shares held by Share Trust	(5 630 770)	(6 135 555)
Basic earnings per share (cents)	483.0	390.9

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 continued

for the year ended 30 June 2022

9. ANALYSIS OF ASSETS AND LIABILITIES

2022

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	2 395 398	-	-		-	-	2 395 398	2 395 398	-
Due from banks and other financial institutions	9 231 486	-	-		-	-	9 231 486	3 545 153	5 686 333
Derivative financial instruments	-	93 610	-		-	-	93 610	93 610	-
Investment securities	7 111 806	191 149	104 224		9 578	-	7 416 757	2 936 411	4 480 346
Advances	31 891 720	-	70 844		-	-	31 962 564	7 971 817	23 990 747
Other assets	39 681	-	-		-	288 356	328 037	65 193	262 844
Non-financial assets	-	-	-		-	1 014 344	1 014 344	6 029	1 008 315
Total assets	50 670 091	284 759	175 068		9 578	1 302 700	52 442 196	17 013 611	35 428 585
Equity and Liabilities									
Total equity	-	-	-		-	6 272 227	6 272 227	-	6 272 227
Liabilities									
Short trading position	-	31 864	-		-	-	31 864	31 864	-
Derivative financial instruments	-	227 448	-		-	-	227 448	227 448	-
Creditors and accruals	426 886	-	-		-	472 571	899 457	823 269	76 188
Deposits and current accounts	37 114 206	-	-		-	-	37 114 206	35 320 319	1 793 887
Due to banks and other financial institutions	7 229 779	-	-		-	-	7 229 779	7 213 762	16 017
Other liabilities	157 812	774	-		-	44 072	202 658	53 415	149 243
Non-financial liabilities	-	-	-		-	464 557	464 557	212 094	252 463
Total liabilities	44 928 683	260 086	-		-	981 200	46 169 969	43 882 171	2 287 798
Total equity and liabilities	44 928 683	260 086	-		-	7 253 427	52 442 196	43 882 171	8 560 025

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

9. ANALYSIS OF ASSETS AND LIABILITIES continued

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	-
Investment securities	6 673 704	78 987	423 492		9 578	-	7 185 761	3 708 161	3 477 600
Advances	29 965 380	-	241 294		-	-	30 206 674	7 771 887	22 434 787
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 and current accounts	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**	**2 549 488**
Total equity and liabilities	**36 523 593**	**339 648**	**-**		**-**	**6 578 310**	**43 441 551**	**35 246 382**	**8 195 169**

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

10. CASH AND CASH EQUIVALENTS

N$'000	2022	2021
Coins and bank notes	561 435	486 122
Balances with other banks	77 771	35 815
Balances with central bank	1 756 192	777 404
	2 395 398	1 299 341
Mandatory reserve balances included above:	461 652	376 529
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.		
Due from banks and other financial institutions		
Namibia Dollar	9 231 486	2 958 108
FNB Namibia (FNBN) entered into a series of fully collateralised repo/reverse trades with FirstRand Bank (FRB). The total value of the transaction amounted to N$7 billion. The repo transaction is disclosed under due to banks and other financial institutions.		
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 refer to note 33.

Hedging instruments

Fair value hedges

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

For further details on the group's approach to managing interest rate risk and market risk refer to note 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 rhe 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 groups derivatives 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.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

11. DERIVATIVE FINANCIAL INSTRUMENTS

Hedging instruments continued

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

2022

N$'000	Asset notional	Fair value	Liabilities notional	Fair value
Held for trading				
Currency derivatives	525 344	67 222	948 518	184 577
Interest rate derivatives	510 000	24 750	1 435 096	41 233
Energy derivatives	5 647	1 638	2 030 399	1 638
	1 040 991	93 610	4 414 013	227 448

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

12. INVESTMENT SECURITIES

N$'000	2022	2021
Treasury bills	2 687 550	3 131 140
Other government and government guaranteed stock	4 619 929	3 624 226
Unlisted equity	9 578	18 016
Other undated securities	104 224	415 054
	7 421 281	7 188 436
Loss allowance on investment securities	(4 524)	(2 675)
Total investment securities	**7 416 757**	**7 185 761**
Analysis of investment securities		
Equities - Fair value through profit or loss	-	8 438
Equities - Fair value through other comprehensive income	9 578	9 578
Other securities - Fair value through profit or loss	104 224	415 054
Debt Instruments	-	-
Amortised cost	7 111 806	6 673 704
Fair value through profit or loss	191 149	78 987
Total investment securities	**7 416 757**	**7 185 761**

N$7 112 million (2021: N$6 674 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$4.5 million (2021: N$2.7 million).

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

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

N$'000	2022	2021
Balance at the beginning of the year	2 675	1 265
Impairments for the periods: (Impairment charge in the income statement)		
- Stage 1	1 849	1 410
- Stage 2	-	-
- Stage 3	-	-
	4 524	2 675

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

13. ADVANCES

N$'000	2022	2021
Notional value of advances	33 337 960	31 571 510
Gross value of advances	**33 337 960**	**31 571 510**
Geographical analysis (based on credit risk)		
Namibia	31 962 564	30 206 674
Category analysis		
Overdraft and cash management accounts	3 249 744	3 137 928
Card loans	503 033	472 452
Instalment sales	3 030 232	2 941 655
Lease payment receivables	104 716	94 173
Term loans	9 434 649	8 618 701
Property finance	15 605 581	14 860 866
Assets under agreement to resell	41 764	21 726
Investment bank term loans	29 080	219 568
Preference share agreements	937 611	917 384
Invoice finance	248 652	145 056
Other	152 898	142 001
Gross advances	33 337 960	31 571 510
Impairment of advances	(1 375 396)	(1 364 836)
Net advances	**31 962 564**	**30 206 674**
Portfolio analysis		
Designated at fair value through profit or loss	70 844	241 294
Amortised cost	31 891 720	29 965 380
	31 962 564	30 206 674

13. ADVANCES

Analysis of Instalment sales

N$'000	2022	2021
Within 1 year	58 721	37 652
Between 1 and 2 years	29 097	27 212
Between 2 and 3 years	16 526	15 962
Between 3 and 4 years	6 193	12 031
Between 4 and 5 years	5 731	8 583
More than 5 years	3 044	2 687
Total Gross Amount	119 312	104 127
Unearned finance charges	(14 596)	(9 954)
Net amount	**104 716**	**94 173**

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

13. ADVANCES continued

Analysis of advances per class

N$'000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
2022				
Residential mortgages	15 591 269	-	(371 981)	15 219 288
Vehicle asset finance	1 741 921	-	(56 182)	1 685 739
Total Retail secured	17 333 190	-	(428 163)	16 905 027
Credit card	483 267	-	(64 685)	418 582
Personal loans	2 812 672	-	(263 520)	2 549 152
Other retail	486 655	-	(67 766)	418 889
Total Retail unsecured	3 782 594	-	(395 971)	3 386 623
FNB Commercial	6 005 726	-	(393 087)	5 612 639
Commercial vehicle asset finance	1 545 688	-	(105 833)	1 439 855
RMB Corporate and Investment banking	4 599 918	70 844	(52 342)	4 618 420
Total Corporate and Commercial	12 151 332	70 844	(551 262)	11 670 914
	33 267 116	70 844	(1 375 396)	31 962 564

Analysis of advances per class continued

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 and 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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

13. ADVANCES continued

Reconciliation of the gross carrying amount of advances:

	Gross advances				Impairment			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2022								
Amortised cost	25 759 040	3 926 081	1 645 094	31 330 215	346 611	344 515	672 585	1 363 711
Fair value	241 294	-	-	241 294	1 125	-	-	1 125
Amount as at 01 July 2021	**26 000 334**	**3 926 081**	**1 645 094**	**31 571 509**	**347 736**	**344 515**	**672 585**	**1 364 836**
Current year movement in the back book				-	-	-	-	
Transfer from stage 1 to stage 2	(499 637)	499 637	-	-	(5 300)	5 300	-	-
Transfer from stage 1 to stage 3	(141 669)	-	141 669	-	(2 494)	-	2 494	-
Transfer from stage 2 to stage 3	-	(75 901)	75 901	-	-	(14 706)	14 706	-
Transfer from stage 2 to stage 1	1 008 138	(1 008 138)	-	-	33 883	(33 883)	-	-
Transfer from stage 3 to stage 2	-	27 491	(27 491)	-	-	5 691	(5 691)	-
Transfer from stage 3 to stage 1	26 470	-	(26 470)	-	3 375	-	(3 375)	-
Opening balance after transfer *	**26 393 636**	**3 369 170**	**1 808 703**	**31 571 509**	**377 200**	**306 917**	**680 719**	**1 364 836**
Current period provision created / (released)	-	-	-	-	(107 276)	25 446	266 099	184 269
Change in exposure of back book in the current year				-	**(107 276)**	**25 446**	**266 099**	**184 269**
- Attributable to change in measurement basis	-	-	-	-	-	14 756	-	14 756
- Attributable to change in risk paramters	-	-	-	-	(145 345)	(16 261)	248 356	86 750
Change in exposure in the current year	2 395 709	(608 484)	152 935	1 940 160	38 069	26 951	17 743	82 763
Bad debts written off **	-	-	(173 709)	(173 709)	-	-	(173 709)	(173 709)
Amount as at 30 June 2022	**28 789 345**	**2 760 686**	**1 787 929**	**33 337 960**	**269 924**	**332 363**	**773 109**	**1 375 396**
Amortised cost	28 718 501	2 760 686	1 787 929	33 267 116	269 880	332 363	773 109	1 375 352
Fair value	70 844	-	-	70 844	44	-	-	44

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

13. ADVANCES continued

Reconciliation of the gross carrying amount of advances: continued

	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2021								
Armotised cost	27 732 006	1 823 765	1 369 460	30 925 231	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	31 235 273	370 147	263 527	607 860	1 241 534
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	31 235 273	386 281	233 806	621 447	1 241 534
Current period provision created / (released)	-	-	-	-	(38 545)	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	186 602
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	3 926 082	1 645 094	31 571 510	347 736	344 515	672 585	1 364 836
Amortised cost	25 759 040	3 926 082	1 645 094	31 330 216	346 611	344 515	672 585	1 363 711
Fair value	241 294	-	-	241 294	1 125	-	-	1 125

* The reconciliations have been prepared using a year-to-date view. This means that the group reports exposures based on the impairment stage at the end of the reporting period. The current year movement is split between new business and back book.

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$173.7m (2021: N$ 173.8m).

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

13. ADVANCES continued

Analysis of the gross advances and loss allowance on total advances as at **30 June 2022** per class:

	Gross advances				Loss allowance			
N$'000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2022								
Total Retail	17 841 916	2 036 853	1 237 015	21 115 784	167 599	151 650	504 885	824 134
FNB Commercial	4 918 475	589 346	497 904	6 005 725	45 307	126 211	221 569	393 087
Commercial vehicle finance	1 375 965	116 713	53 010	1 545 688	31 203	27 973	46 657	105 833
RMB Corporate and Investment banking	4 652 988	17 775	-	4 670 763	34 887	17 455	-	52 342
Total	28 789 344	2 760 687	1 787 929	33 337 960	278 996	323 289	773 111	1 375 396
2021								
Total Retail	16 860 975	2 194 788	1 069 551	20 125 314	195 946	136 616	404 507	737 069
FNB Commercial	4 888 601	665 036	525 969	6 079 606	101 292	146 721	223 435	471 448
Commercial vehicle finance	1 205 131	106 394	49 573	1 361 098	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	-	52 538
Total	26 000 335	3 926 082	1 645 093	31 571 510	347 736	344 515	672 585	1 364 836

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

14. IMPAIRMENT

Analysis of the loss allowance closing balance

	2022					2021			
N$'000	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	269 924	332 363	773 109	1 375 396		347 736	344 515	672 585	1 364 836
On and off balance sheet exposure*	268 506	332 308	773 109	1 373 923		345 927	343 382	672 585	1 361 894
Letters of credit and guarantees	1 418	55	-	1 473		2 942	-	-	2 942
Componetns of total loss allowance									
- Forward looking information**	33 965	16 773	-	50 738		7 311	8 293	645	16 249
- Changes in models^	1 495	(452)	-	1 043		-	-	-	-
- Interest on stage 3 advances"	-	-	284 544	284 544		-	-	199 759	199 759

* 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:

	2022				2021		
N$'000	Amortised cost	Fair value	Total		Amortised cost	Fair value	Total
Increase in loss allowance	129 904	(1 081)	128 823		246 236	(454)	245 782
Recoveries/releases of bad debts	(33 458)	-	(33 458)		(7 532)	-	(7 532)
Impairment of advances recognised during the period	96 446	(1 081)	95 365		238 704	(454)	238 250

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

14. IMPAIRMENT continued

Reconciliation of the loss allowance on total advances per class:

N$'000	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other retail	FNB Commercial	Commercial vehicle asset finance	RMB Coporate and Investment banking	Total
Amount as at 1 July 2021	323 645	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	348 732
- Stage 2	83 386	6 047	4 628	28 094	13 465	146 721	23 511	37 666	343 518
- Stage 3	161 650	33 524	36 677	143 918	28 738	223 435	44 643	-	672 585
Bad debts written off	(14 108)	-	(467)	(52 062)	(25 924)	(76 220)	(4 928)	-	(173 709)
Current period provision created / (released)	62 444	(22 245)	10 658	98 904	29 865	(2 141)	6 979	(194)	184 270
- Stage 1	(1 172)	(14 529)	(329)	1 214	(8 298)	(71 450)	(19 265)	6 553	(107 276)
- Stage 2	(1 910)	1 804	1 887	1 501	29 494	(5 044)	4 463	(6 747)	25 448
- Stage 3	65 526	(9 520)	9 100	96 189	8 669	74 353	21 781	-	266 098
Amounts as at 30 June 2022	371 981	56 182	64 685	263 520	67 766	393 087	105 833	52 342	1 375 396
- Stage 1	77 437	9 489	12 859	45 880	21 934	45 307	31 203	34 887	278 996
- Stage 2	92 514	6 546	5 045	25 009	22 536	126 211	27 973	17 455	323 289
- Stage 3	202 030	40 147	46 781	192 631	23 296	221 569	46 657	-	773 111

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

14. IMPAIRMENT continued

Reconciliation of the loss allowance on total advances per class: continued

N$'000	Residential mortgages	Vehicle asset finance	Credit card	Personal loans		Other retail	FNB Commercial	Commercial vehicle asset finance	RMB Coporate and Investment banking	Total
Amount as at 1 July 2020	309 943	101 382	29 063	155 130		86 332	431 046	79 192	49 445	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	323 645	78 427	54 494	216 678		63 825	471 448	103 782	52 537	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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

15. OTHER ASSETS

N$'000	2022	2021
Items in transit	127 713	129 997
Deferred staff cost	19 905	29 218
Premium debtors	442	433
Prepayments	74 143	64 262
Property in possession	66 595	73 844
Other receivable	42 630	125 189
Loss allowance	(3 391)	(8 076)
	328 037	414 867
Financial instrument and non-financial instrument components of trade and other receivables		
At amortised cost	39 681	198 040
Non-financial instruments	288 356	216 827
	328 037	414 867

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

The carrying value of other assets approximates the fair value.

ECL for other assets is N$3.4 million (2021: N$8.0 million).

16. INVESTMENTS IN ASSOCIATES

The following table lists all of the associates that are in the company.

Name of company	Nature of associate and place of business	% ownership interest 2022	% ownership interest 2021	Carrying amount 2022	Carrying amount 2021
Stimulus Investment Limited	Investment company (Windhoek)	25%	25%	-	-
Stimulus Private Equity (Pty) Ltd	Asset management company	49%	49%	-	-
				-	-

The following were associates to the company:

	Country of incorporation	Method	% Ownership interest	
Name of company			2022	2021
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 principle 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.

Summarised financial information of significant associates

2022

Summarised statement of profit or loss and other comprehensive income

N$'000	Revenue	Profit from continuing operations	Total comprehensive income
Stimulus Investment Limited	21 136	-	-
Stimulus Private Equity (Pty) Ltd	10 123	685	685
	31 259	685	685

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

16. INVESTMENTS IN ASSOCIATES continued

Summarised consolidated statement of financial position:

2022

N$'000	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
Stimulus Investment Limited	601 358	47 423	639 051	9 730	-
Stimulus Private Equity (Pty) Ltd	6 551	4 289	8 971	1 868	1
	607 909	51 712	648 022	11 598	1

Reconciliation of movement in investments in associates:

N$'000	Investment at beginning of 2022	Share of profit	Investment at end of 2022
Stimulus Investment Limited	-	-	-
Stimulus Private Equity (Pty) Ltd	-	-	-
	-	-	-

2021

Summarised statement of profit or loss and other comprehensive income	Revenue	Profit (loss) from continuing operations	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
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

17. PROPERTY AND EQUIPMENT

	2022			2021		
N$'000	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Buildings	711 028	(63 980)	647 048	701 839	(53 156)	648 683
Leasehold property	66 239	(46 363)	19 876	74 487	(60 365)	14 122
Furniture and fixtures	212 607	(140 148)	72 459	248 233	(157 035)	91 198
Motor vehicles	7 885	(4 998)	2 887	7 890	(4 680)	3 210
Office equipment	113 532	(107 784)	5 748	120 859	(112 020)	8 839
IT equipment	386 711	(276 932)	109 779	353 868	(245 444)	108 424
Right-of-use asset property and equipment	126 145	(86 114)	40 031	112 094	(59 989)	52 105
Total	1 624 147	(726 319)	897 828	1 619 270	(692 689)	926 581

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

17. PROPERTY AND EQUIPMENT continued

Reconciliation of property and equipment - 2022

N$'000	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	648 683	15 766	(5 219)	(12 182)	647 048
Leasehold property	14 122	10 031	(542)	(3 735)	19 876
Furniture and fixtures	91 198	7 930	(6 869)	(19 800)	72 459
Motor vehicles	3 210	327	(339)	(311)	2 887
Office equipment	8 839	8 470	(5 407)	(6 154)	5 748
IT equipment	108 424	40 750	(3 521)	(35 874)	109 779
Right-of-use asset property and equipment	52 105	19 351	(7 061)	(24 364)	40 031
	926 581	102 625	(28 958)	(102 420)	897 828

Reconciliation of property 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 property and equipment	66 550	24 789	(4 734)	(34 500)	52 105
	896 917	168 807	(14 468)	(124 675)	926 581

The useful life of each asset is assessed individually. The information on the benchmarks used when assessing the useful life of the individual assets is contained in the accounting policy note 5.1.

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

18. INTANGIBLE ASSETS

	2022			2021		
N$'000	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Trademarks	181 375	(134 825)	46 550	181 375	(125 025)	56 350
Software	65 282	(52 688)	12 594	67 282	(51 719)	15 563
Customer related intangibles	40 145	(20 072)	20 073	40 145	(16 057)	24 088
Total	286 802	(207 585)	79 217	288 802	(192 801)	96 001

Reconciliation of intangible assets - 2022

N$'000	Opening balance	Additions	Amortisation	Total
Trademarks	56 350	-	(9 800)	46 550
Software	15 563	699	(3 668)	12 594
Customer related intangibles	24 088	-	(4 015)	20 073
	96 001	699	(17 483)	79 217

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	-	(4 013)	24 088
	94 684	17 262	(15 944)	96 001

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

19. DEFERRED TAX

Deferred tax liability

N$'000	2022	2021
Deferred tax liability	(124 973)	(76 769)
Opening balance	(76 769)	(256 706)
-(Credit)/Charge to profit or loss	(48 884)	184 065
- Deferred tax on amounts charged directly to other comprehensive income	680	(117)
- Other	-	(4 011)
Total deferred income tax liability	(124 973)	(76 769)
Deferred tax asset		
Deferred tax asset	21 993	30 122
Opening balance	30 122	26 210
-(Credit)/ Charge to profit or loss	(8 129)	3 912
Total deferred income tax asset	21 993	30 122
Total net deferred tax liability	(102 980)	(46 647)

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

The group has not recognised a deferred tax asset amounting to N$37.0 million (2021: N$29.2 million) relating to tax losses.

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

Tax losses have no expiry date.

19. DEFERRED TAX continued

N$'000	2022	2021
Reconciliation of deferred tax asset / (liability)		
Accruals	(146 907)	(112 901)
Deferred staff costs	1 342	(2 794)
Fair value adjustments of financial instruments	7 418	5 628
Instalment credit agreements	(53 063)	(61 609)
Post-employment benefit liabilities	13 407	12 954
Property and equipment	(91 171)	(85 746)
Provision for loan impairment	112 733	134 016
Other	31 268	33 683
	(124 973)	(76 769)
Deferred income tax assets		
Property and equipment	(20)	(20)
Other *	22 013	30 142
Total net deferred income tax assets	21 993	30 122
Charge through profit and loss	57 090	(184 065)
Deferred income tax on other comprehensive income	(680)	(117)
	56 410	(184 182)

* Other includes armotisation of the trademark.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

20. CREDITORS AND ACCRUALS

N$'000	2022	2021
Items in transit	472 571	103 401
Audit fees	6 890	7 394
Accrued expenses	51 372	44 750
Accounts payable and accured liabilities	368 624	404 697
	899 457	560 242

Fair value of creditors and accruals

The carrying value of creditors and accruals approximates fair value.

21. SHORT TRADING POSITION

N$'000	2022	2021
Government and government guaranteed stock	31 864	21 849

22. DEPOSITS AND CURRENT ACCOUNTS

N$'000	2022	2021
Deposits from customers		
Current accounts	13 009 145	11 952 563
Call deposits	8 331 980	8 642 331
Savings accounts	586 327	450 484
Fixed and notice deposits	9 710 397	10 001 199
Debt securities		
Negotiable certificate deposit	5 080 389	4 073 575
Fixed and floating rate notes	395 968	543 611
Total deposits	37 114 206	35 663 763
Due to banks and other financial institutions		
To banks and other financial institutions	7 229 779	132 661

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

23. EMPLOYEE LIABILITIES

N$'000	2022	2021
Defined contribution post-employment benefit liabilities	43 679	40 681
Liability for short-term employee liabilities	201 251	192 100
	244 930	232 781

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$2.9 million (2021: N$2.4 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

	2022			2021		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Present value of unfunded liabilities	36 505	7 174	43 679	33 207	7 474	40 681

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

	2022			2021		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Current service cost	238	573	811	201	924	1 125
Interest cost	3 446	849	4 295	3 324	816	4 140
Included in staff cost	3 684	1 422	5 106	3 525	1 740	5 265
Recognised in other comprehensive income						
Actuarial (gains) / loss recognised	1 952	(507)	1 445	(502)	254	(248)
Total included in staff costs	5 636	915	6 551	3 023	1 994	5 017

Movement in post-employment liabilities:

	2022			2021		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Present value at beginning of the year	33 207	7 474	40 681	32 449	6 216	38 665
Current service cost	238	573	811	201	924	1 125
Interest cost	3 446	849	4 295	3 324	816	4 140
Benefits paid	(2 338)	(1 215)	(3 553)	(2 265)	(736)	(3 001)
Actuarial (gains) / loss from changes in financial assumptions	1 952	(507)	1 445	(502)	254	(248)
Present value at end of the year	36 505	7 174	43 679	33 207	7 474	40 681

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

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	2022	2021
Effect of 1% change in the medical aid inflation assumptions is as follows:		
1% increase - effect in current service and interest cost	4 905	3 932
1% decrease - effect in current service and interest cost	3 999	3 179
Effect of 1% change in the normal salary inflation assumptions is as follows:		
1% increase - effect in current service and interest cost	1 631	1 557
1% decrease - effect in current service and interest cost	1 364	1 304

The principal actuarial assumptions used for accounting purposes were:

	2022		2021	
	Medical	Severance	Medical	Severance
Discount rate (%)	11.77%	12.78%	10.38%	12.26%
Medical aid inflation (%)	8.69%	-	7.73%	-
Salary inflation (%)	-	9.61%	-	9.05%
Employees covered	100	1 991	95	2 054

24. OTHER LIABILITIES

N$'000	2022	2021
Lease liabilities	44 072	51 907
Other funding liabilities	157 812	188 457
Preference shares	774	607
Total other liabilities	**202 658**	**240 971**
Opening balance	240 971	293 698
Cash flow movements	**(60 954)**	**(81 892)**
- Principal payments towards other liabilities	(23 650)	(31 286)
- Principal payments towards lease liabilities	(25 554)	(36 002)
- Interest paid on other liabilities	(8 963)	(4 497)
- Interest paid on lease liabilities	(2 787)	(10 107)
Non-cash flow movements	**22 640**	**29 165**
- New leases issued during the year	20 352	19 775
- Early termination of lease	(2 634)	(5 029)
- Interest accrued	4 755	14 419
- Fair value movement	167	-
Total other liabilities	**202 658**	**240 971**

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 continued

for the year ended 30 June 2022

25. POLICYHOLDER LIABILITIES

N$'000	2022	2021
Short-term insurance contracts		
Claims outstanding		
Claims reported and loss adjustment expenses	6 858	7 715
Claims incurred but not reported	7 720	6 152
Insurance contract cash bonuses	8 042	8 440
Unearned premiums	17 505	17 071
Gross	40 125	39 378
Claims reported and loss adjustment expense	(2 429)	(1 924)
Recoverable from reinsurance	(2 429)	(1 924)
Claims outstanding		
Claims reported and loss adjustment expenses	4 429	5 791
Claims incurred but not reported	7 720	6 152
Insurance contract cash bonuses	8 042	8 440
Unearned premiums	17 505	17 071
	37 696	37 454

25. POLICYHOLDER LIABILITIES continued

	2022			2021		
N$'000	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	12 964	(1 022)	11 942	14 787	(1 461)	13 326
Opening balance current year	**14 662**	**(2 611)**	**12 051**	**11 723**	**(977)**	**10 746**
Claims incurred	69 992	(10 367)	59 625	67 809	(9 841)	57 968
Claims paid	(63 278)	7 756	(55 522)	(64 172)	8 864	(55 308)
Claims handling expenses raised	5 967	-	5 967	6 402	-	6 402
Risk margins raised	1 981	-	1 981	1 684	-	1 684
Prior year	**(13 048)**	**1 203**	**(11 845)**	**(13 546)**	**1 416**	**(12 130)**
Claims incurred	1 902	(1 686)	216	1 237	(142)	1 095
Claims paid	(13 156)	2 889	(10 267)	(12 411)	1 558	(10 853)
Claims handling expenses raised	43	-	43	385	-	385
Risk margins released	(1 837)	-	(1 837)	(2 757)	-	(2 757)
Closing balance	**14 578**	**(2 429)**	**12 149**	**12 964**	**(1 022)**	**11 942**
Analysis of movement in unearned premium provision (UPP)						
Opening balance	18 739	(1 669)	17 070	19 372	(1 716)	17 656
UPP raised	18 306	(1 617)	16 689	19 957	(1 763)	18 194
UPP earned	(17 821)	1 567	(16 254)	(20 590)	1 810	(18 780)
Closing balance	**19 224**	**(1 719)**	**17 505**	**18 739**	**(1 669)**	**17 070**
Analysis of movement in insurance contract non-claims bonuses						
Opening balance	8 440	-	8 440	9 767	-	9 767
Charge to profit or loss	8 631	-	8 631	8 416	-	8 416
Non-claims bonuses paid during the year	(9 029)	-	(9 029)	(9 743)	-	(9 743)
Closing balance	**8 042**	**-**	**8 042**	**8 440**	**-**	**8 440**

Notes to the consolidated annual financial statements continued

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26. TIER 2 LIABILITIES

Subordinated debt instruments

N$'000	Interest rate	Final maturity date	Note	2022	2021
FNB J27 floating rate notes	Three-month JIBAR + 2.50%	Monday 29 March 2027	(i)	-	300 000
FNB X27 fixed rate notes	10.36%	Monday 29 March 2027	(ii)	-	100 000
Accrued interest				-	2 770
Total				-	402 770

(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 were listed on the Namibian Stock Exchange (NSX).

The notes listed above qualified as Tier 2 capital for First National Bank of Namibia Limited. The Notes were fully redeemed as at 30 June 2022.

Refer to note 33 fair value of financial instruments for the methodologies used to determine the fair value of the tier 2 liabilities.

Tier 2 liabilities reconciliation

N$'000	2022	2021
Opening balance	402 770	402 774
Non-cash flow movements	24 375	28 803
- Interest accrued	24 375	28 803
Cash flow movements	(427 145)	(28 807)
- Interest paid	(27 145)	(28 807)
- Capital repaid	(400 000)	-
Closing balance	-	407 770

27. SHARE CAPITAL

N$'000	2022	2021
Authorised		
990 000 000 (2021: 990 000 000) Ordinary shares of par value of N$0.005 per share	4 950	4 950
10 000 000 (2021:10 000 000) cumulative convertible preference shares with a par value of N$0.005 per share	50	50
	5 000	5 000
Issued		
267 593 250 (2021: 267 593 250) ordinary shares with a par value of N$0.005 per share	1 323	1 308
Share premium	95 385	5 039
	96 708	6 347

A detailed reconciliation of the movements in the share capital and premium balances is set out in the consolidated statement of changes in equity. The Share Incentive Trust sold 2.9 million shares (2021: 0.1 million) during the year.

Notes to the consolidated annual financial statements continued

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28. GENERAL RISK RESERVE

N$'000	2022	2021
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.

29. REMUNERATION SCHEMES

N$'000	Notes	2022	2021
The charge to profit or loss for share-based payments are as follows:			
Conditional incentive plan			
Other subsidiary schemes		20 719	22 433
Amount included in profit or loss		20 719	22 433

The purpose of these schemes is to appropriately attract, incentivise and retain managers and employees within the group. The performance vesting conditions attached to the 2019 scheme were not met and the full obligation relating to awards with market vesting conditions raised in prior periods was reversed in the current year.

No liability is recognised for the CIP scheme, as the liability is prepaid. Included in prepayments in note 15 is an amount of N$41.5 million (2021: N$44.7 million) relating to the group's share-based payment scheme. The prepayment fund is managed by RMB Morgan Stanley. Share based payments allocated to employees are accumulated in advance through the fund. The vesting of these scheme are subject to the vesting condition set out below.

Description of the scheme and vesting conditions:

Conditional and Deferred incentive plans (awards)		
IFRS 2 treatment	Cash settled*	Equity settled**
Description	The award is a notional share based on the FirstRand Limited share price.	The award is a notional share based on the FirstRand Limited share price, which must be settled in FirstRand Limited shares.
Vesting conditions	These awards vest up to three years after the initial award. The awards vest if the employment and, where applicable, performance conditions are met. Awards which include performance conditions have vesting conditions subject to specified financial performance targets set annually by the group's remuneration committee. These corporate performance targets (CPTs) are set out below.	
Valuation methodology	The awards are valued using the Black Scholes option pricing model. The awards are cash settled and are repriced at each reporting date.	The awards are valued using the Black Scholes option pricing model. The awards are equity settled and measured using the price at grant date.
Valuation assumptions		
Dividend data	Management's 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.	

Notes to the consolidated annual financial statements continued

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29. REMUNERATION SCHEMES continued

Corporate performance targets

The FirstRand remuneration committee sets the CPTs for each award based on the expected macroeconomic conditions, 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. If the performance conditions are not met, the award fails. From 2019 onwards, the awards have a graded vesting structure. The level of vesting is correlated to the earnings growth achieved relative to macroeconomic variables or set normalised earnings per share growth targets and minimum return on equity 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. The remuneration committee is permitted to adjust the final outcome of the graded vesting level downwards for pre-determined issues. In terms of the scheme rules, participants are not entitled to dividends on their conditional share awards during the vesting period. For the 2019 and 2020 awards, 50% of the awards granted to non-senior employees are subject only to continued employment for the award to vest, with the remaining 50% subject to performance conditions. From 2021, awards with only time-based vesting conditions were introduced. These are referred to as the deferred incentive plan (DIP). Awards that include both a performance and time-based vesting conditions are referred to as conditional incentive plans (CIP).

Expired schemes

2019 (Will not vest at the expected vesting date of September 2022) – The vesting conditions of the 2019 award are set out below, with the apportionment to vesting without conditions described below.

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

Currently Open

The vesting conditions of 2020, 2021 and 2022 award schemes are set out in the Talent and Remuneration committee report.

pages 44 - 56 of the integrated report

29. REMUNERATION SCHEMES continued

	2022	2021
	Conditional incentive plan	
Award life (years)	2-3	2 – 3
Risk-free rate (%)	5.03 - 8.44	3.67 - 5.74
Expected dividend yield (%)	-	-
Expected dividend growth (%)	-	-

	Share incentive plans (FirstRand shares)	
Share awards outstanding	2022	2021
Number of awards in force at the beginning of the year (millions)	1.83	1.83
Number of awards granted during the year (millions)	0.843	1.229
Number of awards transferred (within the group) during the year (millions)	(0.012)	-
Number of awards exercised/released during the year (millions)	(0.034)	(0.023)
- Market value range at date of exercise/release (cents)*	6 139 - 6 139	3 924 – 3 924
- Weighted average (cents)	6 139	3 924
Number of awards forfeited during the year (millions)	(0.383)	(1.208)
Number of awards in force at the end of the year (millions)	2.242	1.828

Notes to the consolidated annual financial statements continued

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29. REMUNERATION SCHEMES continued

	Conditional share plan (FirstRand shares)			
	2022		2021	
Conditional outstanding**	Weighted average remaining life (years)	Outstanding awards (millions)	Weighted average remaining life (years)	Outstanding awards (millions)
Vesting during 2021	-	-	0.31	0.034
Vesting during 2022	0.32	0.288	1.30	0.628
Vesting during 2024	1.32	1.274	2.31	1.166
Vesting during 2025	2.32	0.680	-	-
Total conditional awards	-	2.242	-	1.828
Number of participants	-	176	-	155

* 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 2021(i.e. the 2019 award) failed to vest due to the performance conditions attached to the scheme not being achieved.

30. CASH FLOW INFORMATION

Reconciliation of cash flows from operating activities:

N$'000	2022	2021
Interest and fee commission receipts		
Interest received	3 301 398	3 015 868
Fee and commission received	2 003 074	1 926 596
Insurance income received	129 568	134 715
Fee and commission paid	(216 316)	(189 783)
	5 217 724	4 887 396
Trading and other income		
Trading and other income	331 110	206 632
Interest payments		
Interest expenses and similar charges	(1 123 058)	(1 156 556)
Net claims and benefits paid	(73 694)	(70 565)
	(1 196 752)	(1 227 121)
Operating expenses		
Total other operating expenses	(2 071 469)	(1 955 708)
Taxation paid		
Amounts payable at beginning of the year	(130 354)	(88 081)
Indirect tax	(41 359)	(38 070)
Current tax charge	(537 531)	(643 592)
Amounts payable at end of the year	78 253	130 354
	(630 991)	(639 389)
Increase in income earning assets		
Liquid assets and trading securities	(6 504 375)	2 833 049
Advances	(1 827 019)	(436 004)
Other assets	79 833	(163 436)
	(8 251 561)	2 233 609
Increase in deposits and other liabilities		
Deposits	1 450 443	(2 763 474)
Due to banks and other financial imstruments	7 097 118	14 713
Creditors	327 246	54 942
	8 874 807	(2 693 819)

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

31. STRUCTURED ENTITIES

Consolidated structured entities

The group assess whether it has control over structured entities in terms of IFRS 10. Where the group has control over a structured entity it is consolidated in terms of IFRS 10.

Interest in unconsolidated structured entities

The group has financial interests in other structured entities that expose the group to the variable income of those entities without resulting in control. Below 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	2022	2021
Investments and other securities		
Unit trust investments	408 254	419 438
Maximum exposure to loss	408 254	419 438
	-	-
Assets under management		
- Traditional products	9 666 378	10 783 899
- Alternative products	3 947 201	4 241 745
	13 613 579	15 025 644

32. RELATED PARTIES

Details of subsidiaries	Nature of business	Date of acquisition	Country of incorporation	Number of shares	Effective holding % 2022	Effective holding % 2021
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 (Pty) Ltd	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
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 Investment Managers (Proprietary) Limited (Formerly: 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 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 continued

for the year ended 30 June 2022

32. RELATED PARTIES continued

FirstRand Namibia Limited is listed on the Namibian Stock Exchange and is 58.4% (2021: 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.

Related party balances

N$'000	2022	2021
Deposits		
FirstRand SA group companies	138 254	2 102 036
Balance due to banks and other financial institutions		
FirstRand SA group companies	7 080 435	-
Derivative Liabilities		
FirstRand SA group companies	52 994	(121 130)
Advances		
FirstRand SA group companies	1 504 547	-
Balance due from banks and other financial institutions		
FirstRand SA group companies	7 131 534	-
Derivative Assets		
FirstRand SA group companies	60 118	199 086
Interest paid to (received from) related parties		
FirstRand SA group companies	(187 698)	(32 012)
Interest paid to (received from) related parties		
FirstRand SA group companies	118 378	-
Non-interest expenditure (Information Technology, platform and other support services)		
FirstRand SA group companies	390 487	331 991
Compensation to directors and other key management		
Directors fees	12 052	13 627

32. RELATED PARTIES continued

Related party balances

N$'000	2022	2021
Advances	17 699	9 991
Current and credit card accounts	171	170
Instalment finance	2 316	2 583
Deposits	8 695	9 788
No impairment has been recognised for loans granted to key management (2021: nil)		
Key management compensation (Group Exco)		
Cash package	23 301	26 412
Retirement contributions	3 390	3 786
Performance related benefits	11 085	10 638
Compensation in respect of loss of office	-	3 487
	37 776	44 323

Notes to the consolidated annual financial statements continued

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33. FAIR VALUE MEASUREMENTS

33.1 Valuation methodology

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

33.2 Fair value hierarchy and measurements

Measurement of assets and liabilities at level 2 and level 3

The table below sets out the valuation techniques applied by the group for recurring fair value measurements of assets and liabilities categorised as level 2 and level 3.

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs Level 2	Unobservable inputs level 3
Investment banking book	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	Not applicable

33. FAIR VALUE MEASUREMENTS continued

33.2 Fair value hierarchy and measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs Level 2	Unobservable inputs level 3
		Investment securities and other investments		
Equities / bonds listed in an inactive market	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e. Level 1). However if the market is not active and the listed price is not representative of fair value, 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	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	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	Discounted cash flows	The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

33. FAIR VALUE MEASUREMENTS continued

33.2 Fair value hierarchy and measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs Level 2	Unobservable inputs level 3
		Derivative financial instruments		
Forward rate agreements, forwards and swaps	Discounted cash flow	Future cash flows are projected using a related forecasting curve and then discounted using a market-related discounting curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates, credit and currency basis curves and spot prices	Market interest rates, credit and currency basis curves
Options and equity derivatives	Option pricing and industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and by applying extrapolation techniques to match the appropriate risk profile.	Strike price of the option, market-related discount rate, spot or forward rate, the volatility of the underlying, dividends and listed share prices	Volatilities, dividends and unlisted share prices

33. FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs Level 2	Unobservable inputs level 3
		Deposits		
Call and non-term deposits	None - the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand i.e. the undiscounted amount of the deposit.	None - the undiscounted amount approximates fair value and no valuation is performed	Not applicable
Deposits that represent collateral on credit linked notes	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins. 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	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	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	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.

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.

Refer to page 147 for the effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonably possible alternatives.

Notes to the consolidated annual financial statements continued

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33. FAIR VALUE MEASUREMENTS continued

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

2022

N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities	-	295 373	9 578	304 951
Advances	-	-	70 844	70 844
Derivative financial instruments	-	93 610	-	93 610
Total financial assets	-	388 983	80 422	469 405
Liabilities				
Short Trading position	31 864	-	-	31 864
Derivative financial instruments	-	227 448	-	227 448
Other liabilities	-	-	774	774
	31 864	227 448	774	260 086

2021

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

33. FAIR VALUE MEASUREMENTS continued

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

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

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

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

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

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

Changes in the gorup's best estimate of the non observable inputs (Level 3) could affect the reported fair values recognised on the statement of financial postion and the movement in fair values recognised in the statement of comprehensive income. However changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N$88 miilion (2021: N$285 million) and using more negative reasonable possible assumptions to N$72 million (2021: N$233 million). These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

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33. FAIR VALUE MEASUREMENTS continued

Changes in level 3 instruments with recurring fair value measurements

N$'000	Fair value as at June 2021	Gains or losses recognised in profit or loss	Purchases / (sales) / issues / (instruments)	Fair value as at June 2022
Advances	241 294	7 319	(177 769)	70 844
Investment securities	18 016	322	(8 760)	9 578
Total financial assets at fair value	259 310	7 641	(186 529)	80 422

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
	331 971	18 552	(91 213)	259 310

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.

N$'000	2022		2021	
	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	7 319	-	17 522	-
Investment securities	322	-	1 030	-
Total financial asset at fair value	7 641	-	18 552	-

33. FAIR VALUE MEASUREMENTS continued

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position but for which fair value is required to be disclosed. For all other financial instruments the carrying value is equal to or a reasonable approximation of the fair value.

N$'000	2022			2021		
	Carrying value	Fair value hierarchy level 2	Fair value hierarchy level 3	Carrying value	Fair value hierarchy level 2	Fair value hierarchy level 3
Advances	31 891 720	-	31 962 648	29 965 380	-	30 017 844
Total investment securities at amortised cost	7 111 806	6 848 486	-	6 673 704	6 654 060	-
	39 003 526	6 848 486	31 962 648	36 639 084	6 654 060	30 017 844
Total deposits at amortised cost	37 114 206	37 178 883	-	35 663 763	35 675 035	-
Tier 2 liabilities	-	-	-	402 770	417 779	-
Other liabilities	157 812	157 798	-	189 064	188 123	-
	37 272 018	37 336 681	-	36 255 597	36 280 937	-

Loans and receivables designated at fair value through profit or loss.

The group has designated certain financial assets at fair value through profit or loss that would be otherwise have been measured at amortised cost or fair value through other comprehensive income.

The table below contains details on the change in credit risk attributable to these financial assets.

	2022			2021		
		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	70 844	(1 081)	44	241 294	(454)	1 125
Investment securites	304 951	-	-	512 057	-	-
Total	375 795	(1 081)	44	753 351	(454)	1 125

The change in the fair value of these liabilities due to own credit risk is not material.

Effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonably possible alternatives.

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33. FAIR VALUE MEASUREMENTS continued

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%

33. FAIR VALUE MEASUREMENTS continued

	2022		
		Reasonably possible alternative fair value	
N$'000	Fair value	Using more positive assumptions	Using more negative assumptions
Advances	70 844	77 928	63 760
Investment securities	9 578	10 534	8 618
Total financial assets measured at fair value in level 3	80 422	88 462	72 378
Other liabilities	774	697	851
Total financial liabilities measured at fair value in level 3	774	697	851

	2021		
		Reasonably possible alternative fair value	
N$'000	Fair value	Using more positive assumptions	Using more negative assumptions
Advances	241 294	265 423	217 165
Investment securities	18 016	19 818	16 214
Total financial assets measured at fair value in level 3	259 310	285 241	233 379
Other liabilities	607	546	667
Total financial liabilities measured at fair value in level 3	607	546	667

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for the year ended 30 June 2022

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 as financial assets preference 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	2022	2021
Included in advances	70 844	241 294

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.

35. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

N$'000	2022	2021
Contingencies		
Guarantees *	1 886 063	1 094 086
Letters of credit	60 325	18 675
Total contingencies	1 946 388	1 112 761
Irrevocable unutilised facilities	2 373 024	2 493 125
Committed capital expenditure	133 959	152 336
Total contingencies and commitments	4 453 371	3 758 222

* 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.

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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 impacted the group's operations and the financial risks managed by the group. The impact on the financial risks is described in the subsection below.

The risk report of the group appears on pages 80 to 105 of this annual integrated 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. 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.

36. RISK MANAGEMENT continued

Categories of financial instruments continued

Assessment and management

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

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

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

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

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

Mapping of FR grades to rating agency scales

FirstRand rating	Midpoint PD	RMB rating (based on S&P)
FR 1 - 14	0.06%	AAA, AA+, AA, AA-, A+, A, 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)

Notes to the consolidated annual financial statements continued

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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	2022	2021
Total exposure (items where credit risk exposure exist)		
Cash and cash equivalents		
Balances with other banks	77 771	35 815
Balance with central bank	1 756 192	777 404
Total cash and cash equivalents	1 833 963	813 219
Due from banks and other financial institutions	9 231 486	2 958 108
Advances		
Residential mortgages	15 219 288	14 502 255
Vehicle asset finance	1 685 739	1 737 979
Credit card	418 582	419 894
Personal loans	2 549 152	2 338 794
Other retail	418 889	389 324
FNB Commercial	5 612 639	5 608 158
FNB Commercial vehicle finance	1 439 855	1 257 315
RMB Corporate and Investment banking	4 618 420	3 952 955
Total advances	31 962 564	30 206 674
Derivative financial instruments	93 610	314 626
Debt investment securities		
Listed investment securities	4 619 929	3 624 226
Unlisted investment securities	2 796 828	3 561 535
Total debt investment securities	7 416 757	7 185 761
Accounts receivable	39 681	198 040
Guarantees	1 886 083	1 094 086
Letters of credit	60 325	18 675
Irrevocable commitments	2 373 024	2 493 125
Total	54 897 493	45 282 314

36. RISK MANAGEMENT continued

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

2022

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	77 771	-	77 771	-	77 771	77 771	-
Balances with central bank	1 756 192	-	1 756 192	-	1 756 192	1 756 192	-
Total cash and cash equivalents	1 833 963	-	1 833 963	-	1 833 963	1 833 963	-
Due from banks and other financial institutions	9 231 486	-	9 231 486	-	9 231 486	9 231 486	-
Advances							
Residential mortgages	15 591 269	(371 981)	15 219 288	966 375	14 252 913	-	14 252 913
Vehicle and asset finance	1 741 921	(56 182)	1 685 739	22 031	1 663 708	-	1 663 708
Credit card	483 267	(64 685)	418 582	-	418 582	418 582	-
Personal loans	2 812 672	(263 520)	2 549 152	-	2 549 152	2 549 152	-
Other retail	486 655	(67 766)	418 889	-	418 889	418 889	-
FNB Commercial	6 005 726	(393 087)	5 612 639	19 406	5 593 233	3 666 124	1 927 109
FNB Commercial vehicle finance	1 545 688	(105 833)	1 439 855	15 954	1 423 901	-	1 423 901
RMB Corporate and Investment banking	4 670 762	(52 342)	4 618 420	385 428	4 232 992	1 589 230	2 643 762
Total advances	33 337 960	(1 375 396)	31 962 564	1 409 194	30 553 370	8 641 977	21 911 393
Investment securities	7 421 281	(4 524)	7 416 757	-	7 416 757	7 416 757	-
Derivatives	93 610	-	93 610	-	93 610	-	-
Guarantees	1 886 063	-	1 886 063	-	1 886 063	-	-
Letters of credit	60 325	-	60 325	-	60 325	60 325	-
Irrevocable commitments	2 373 024	-	2 373 024	-	2 373 024	2 373 024	-

Notes to the consolidated annual financial statements continued

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36. RISK MANAGEMENT continued

2021

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	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
FNB 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	31 571 510	(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	-

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 group holds a guarantee against a stage 3 advance the FR rating would reflect same.

2022

	FR 33 - 90		FR 91 - 100	
N$'000	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
FNB Retail				
Stage 1	17 995 185	2 004 990	-	-
Stage 2	1 277 339	-	710 475	-
Stage 3	-	-	1 222 694	-
Total retail	19 272 524	2 004 990	1 933 169	-
FNB commercial				
Stage 1	6 119 987	952 673	19 107	-
Stage 2	597 831	-	157 266	-
Stage 3	-	-	565 230	-
Total commercial	6 717 818	952 673	741 603	-
RMB Corporate banking				
Stage 1	1 009 846	1 334 314	17	14 471
Stage 2	17 774	7 969	1	4 995
Stage 3	-	-	-	-
Total RMB Corporate banking	1 027 620	1 342 283	18	19 466
RMB Investment banking				
Stage 1	3 603 409	-	-	-
Stage 2	-	-	-	-
Fair value through profit or loss	-	-	-	-
Total RMB Investment banking	3 603 409	-	-	-

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36. RISK MANAGEMENT continued

2021

N$'000	FR 26 - 90 On balance sheet	FR 26 - 90 Off balance sheet	FR 91 - 100 On balance sheet	FR 91 - 100 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 FNB 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
Stage 3	-	-	-	-
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	-	-

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	2022 Gross carrying amount	2022 Expected recoveries from collateral	2022 Loss allowance	2021 Gross carrying amount	2021 Expected recoveries from collateral	2021 Loss allowance
- Residential mortgages	866 135	664 105	202 030	756 129	594 479	161 650
- Vehicle asset finance	73 204	33 056	40 148	68 458	23 121	45 337
Total retail secured	939 339	697 161	242 178	824 587	617 600	206 987
- Credit card	47 748	967	46 781	36 677	-	36 677
- Personal loans	224 400	31 769	192 631	176 571	32 653	143 918
- Other retail	25 525	2 230	23 295	31 717	2 979	28 738
Total retail unsecured	297 673	34 966	262 707	244 965	35 632	209 333
- FNB commercial	497 904	276 335	221 569	525 969	302 534	223 435
- Commercial vehicle finance	53 009	6 352	46 657	49 573	16 743	32 830
- RMB Corporate and investment banking	-	-	-	-	-	-
Total corporate and commercial	550 913	282 687	268 226	575 542	319 277	256 265
Total stage 3	1 787 925	1 014 814	773 111	1 645 094	972 509	672 585
Stage 3 by category						
Overdrafts and cash management accounts	209 147	62 269	146 878	227 410	104 620	122 790
Term loans	189 853	124 190	65 663	206 895	108 771	98 124
Card loans	52 618	4 729	47 889	37 955	589	37 366
Instalment sales and hire purchase agreements	119 562	36 568	82 994	110 069	38 966	71 103
Lease payments receivable	6 651	2 842	3 809	7 962	897	7 065
Property finance	985 694	752 447	233 247	878 315	686 587	191 728
Personal loans	224 400	31 769	192 631	176 488	32 079	144 409
Total stage 3	1 787 925	1 014 814	773 111	1 645 094	972 509	672 585

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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.

	2022			2021		
N$'000	AAA to BBB	BB+ to B-	CCC	AAA to BBB	BB+ to B-	CCC
Investment securities at amortised cost						
Stage 1	-	7 111 806	-	-	6 673 704	-
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	-	295 373	-	-	502 479	-
Total investment securities	-	7 416 757	-	-	7 185 761	-
Other assets						
Stage 1	-	39 681	-	-	198 040	-
Other financial assets	-	-	-	-	-	-
Cash and cash equivalents						
Stage 1	-	2 395 398	-	-	1 299 341	-
Due from banks and other financial institution						
Stage 1	-	9 231 486	-	-	2 958 108	-
Derivative assets						
Stage 1	-	93 610	-	-	314 625	-

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.

2022

N$000's	Total advances	Off-balance sheet	Credit impaired advances	Security held and expected recoveries	Specific impairment
Agriculture	1 566 088	62 977	136 856	83 264	53 592
Banks and financial institutions	1 343 232	569 510	17 902	7 022	10 880
Building and property development	3 873 899	214 882	185 781	102 223	83 558
Government and public authorities	863 621	27 386	-	-	-
Individuals	21 161 046	1 660 796	1 222 580	716 426	506 154
Manufacturing and commerce	2 342 877	594 668	158 669	76 167	82 502
Mining	100 787	522 671	5 955	2 093	3 862
Transport and communication	458 131	97 288	23 152	7 770	15 382
Other services	1 586 483	569 234	37 030	19 851	17 179
	33 296 164	4 319 412	1 787 925	1 014 816	773 109

2021

N$000	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

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36. RISK MANAGEMENT continued

Concentration analysis of deposits

N$000's	2022	2021
Deposit current accounts and other loans		
Sovereigns including central banks	965 249	2 115 784
Public sector entities	3 404 630	3 496 812
Local authorities	586 947	474 893
Banks	497	152 134
Corporate customers	19 971 399	17 772 435
Retail customers	12 185 484	11 651 705
Total deposits	37 114 206	35 663 763
Geographical analysis		
Namibia	37 114 206	35 663 763

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.

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.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

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.

36. RISK MANAGEMENT continued

Offsetting of financial assets and financial liabilities continued

Assessment and management

The group focuses on continuously monitoring and analysing the potential impact of other risks and events on the funding and liquidity position of the group to ensure business activities preserve and improve funding stability. This ensures the group is able to operate through periods of stress when access to funding is constrained.

Mitigation of market and funding liquidity risks is achieved via contingent liquidity risk management. Buffer stocks of high quality highly liquid assets are held either to be sold into the market or to provide collateral for loans to cover any unforeseen cash shortfall that may arise.

The group's approach to liquidity risk management distinguishes between structural daily and contingency liquidity risk management across all currencies and various approaches are employed in the assessment and management of these on a daily weekly and monthly basis.

Regular and rigorous stress tests are conducted on the funding profile and liquidity position as part of the overall stress testing framework with a focus on:

- quantifying the potential exposure to future liquidity stresses;
- analysing the possible impact of economic and event risks on cash flows liquidity profitability and solvency position; and
- proactively evaluating the potential secondary and tertiary effects of other risks on the group.

Impact of Covid 19

The Group entered the crisis in a strong liquidity position. The group has remained well funded and within prudential liquidity requirements and internal risk appetite levels through the stress period. The interventions introduced by global regulators have ensured that markets continue to operate smoothly through the crisis. The Group remains in a strong funding and liquidity position; however the crisis has not yet come to an end and key risk metrics and early warning indicators continue to be closely monitored. The Group regularly forecasts its liquidity position and uses scenario analysis to inform decision making. The Group has appropriate liquidity buffers and access to funding to withstand the anticipated liquidity risks in the near term.

Undiscounted cash flows

The following table presents the group's undiscounted cash flows of financial liabilities and off balance sheet amounts and includes all cash outflows related to principal amounts as well as future payments. These balances will not reconcile to the statement of financial position for the following reasons:

- balances are undiscounted amounts whereas the statement of financial position is prepared using discounted amounts;
- the table includes cash flows not recognised on the statement of financial position;
- all instruments held for trading purposes are included in the call to three month bucket and not by maturity as trading instruments are typically held for short periods of time; and
- cash flows relating to principal and associated future coupon payments have been included on an undiscounted basis.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

36. RISK MANAGEMENT continued

Undiscounted cash flows continued

	2022			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	> 12 months and non-contractual	Total
Deposits and current accounts	31 390 560	4 574 355	2 090 734	38 055 649
Due to bank and other financial institutions	7 253 201	23 644	16 017	7 292 862
Short trading position	31 864	-	-	31 864
Derivative financial instruments	227 448	-	-	227 448
Creditors accruals and provisions	384 619	42 267	-	426 886
Other liabilities	3 758	37 863	142 125	183 746
Lease liability	4 871	15 715	26 949	47 535
Tier 2 liabilities	-	-	-	-
Financial liabilities	**39 296 321**	**4 693 844**	**2 275 825**	**46 265 990**
Off-balance sheet exposures				
Financial and other guarantees	927 509	886 896	71 658	1 886 063
Other contingencies and commitments	2 373 024	-	-	2 373 024

36. RISK MANAGEMENT continued

Undiscounted cash flows continued

	2021			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	> 12 months and non-contractual	Total
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
Short trading position	21 849	-	-	21 849
Derivative financial instruments	317 192	-	-	317 192
Creditors accruals and provisions	135 942	-	-	135 942
Other liabilities	2 278	37 669	177 764	217 711
Lease liability	5 930	20 261	27 694	53 885
Tier 2 liabilities	9 898	19 011	540 444	569 353
Financial liabilities	**30 467 285**	**4 417 933**	**2 569 567**	**37 454 785**
Off-balance sheet exposures				
Financial and other guarantees	1 106 149	6 611	-	1 112 760
Other contingencies and commitments	2 493 125	-	-	2 493 125

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

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 bank's maturity analysis would overstate risk since this represents an absolute worst case assessment of cash flows at maturity.

Due to Namibia's structural liquidity position banks tend to have a particularly pronounced negative gap in the shorter term due to short-term institutional funds which represent a significant proportion of banks' liabilities. These are used to fund long-term assets e.g. mortgages.

Discounted cash flow analysis - maturity analysis of total assets liabilities and equity based on the present value of the expected payment.

	2022			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	> 12 months and non-contractual	Total
Total financial assets	12 169 518	4 812 552	34 157 426	51 139 496
Total financial liabilities	38 670 288	4 979 817	1 538 664	45 188 769
Net liquidity gap	(26 500 770)	167 265	32 618 762	-
Cumulative liquidity gap	(26 500 770)	(26 668 035)	5 950 727	-

	2021			
	Term to maturity			
N$'000	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	-

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.

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$11.1 billion (2021: N$7.8 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$285 million (2021: N$287 million). A similar increase in interest rates would result in an increase in projected 12 month NII of N$233 million (2021: N$283 million).

Banking book NAV sensitivity to interest rate movement as a percentage of total group capital

	2022	2021
%	Change in period 12-month NII	Change in period 12-month NII
Downward 200 bps	(13.46%)	(14.55%)
Upward 200 bps	13.31%	14.34%

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

36. RISK MANAGEMENT continued

Effect of LIBOR reform

The London Interbank Offered Rate (LIBOR) has been the reference interest rate that underpinned trillions of loans and derivative contracts worldwide. The reform of these reference interest rates and their replacement with ARRs is a priority for global regulators. The group established a steering committee in the 2020 financial year consisting of key finance, risk, IT, treasury, legal and compliance personnel, as well as external advisors to oversee the group's IBOR reform transition plan. This steering committee developed a transition project for affected contracts and potential future contracts with the aim of minimising the potential disruption to business, mitigating operational and conduct risks and possible financial losses.

On 5 March 2021, LIBOR's administrator, the ICE Benchmark Administration Limited (ICE), announced the cessation of several IBOR settings after 31 December 2021. The publication of EUR, CHF, JPY and GBP LIBOR for all tenors ceased on 31 December 2021. The one-week and two-month USD LIBOR tenors were also discontinued on 31 December 2021. The announcement by ICE noted that the remaining USD LIBOR tenors would be discontinued after 30 June 2023.

The group will continue to transition all other instruments exposed to other IBOR rates, as and when the related ARRs become available and on the instruments reset dates. Aldermore has fully transitioned to the Sterling Overnight Index Average (SONIA).

Although, there is currently no indication as to when JIBAR will be replaced, several proposed ARRs and calculation methodologies have been released by the South African Reserve Bank (SARB).

The group currently has a number of contracts, including derivatives which reference JIBAR and extend beyond 2022. The group has an established steering committee, consisting of key finance, risk, IT, treasury, legal and compliance personnel, and external advisors, that has previously overseen the group's IBOR related reforms and transition planning in respect of USD/GBP LIBOR. The group will apply the same transitioning policies to affected JIBAR contracts with the aim of minimising the potential disruption to business, mitigating operational and conduct risks as well as possible financial losses.

The table below shows the financial instruments, including derivatives, held for trading or used by the group in fair value hedges that are subject to IBOR reforms which have not yet transitioned to the replacement rates as at 30 June 2022 and which will not have matured by the related IBOR cessation date. LIBOR cessation occurred on 31 December 2021 for GBP, EUR, JPY, CHF and USD for one-week and two-months tenors, and is expected to occur on 30 June 2023 for all other USD LIBOR tenors.

36. RISK MANAGEMENT continued

Financial assets subject to LIBOR reform that have not transitioned to replacement rates at 30 June 2022:

N$000's	2022	2021
Financial Asset line item	USD LIBOR	USD LIBOR
Advances	264 693	181 546
Total assets recognised on the balance sheet subject to LIBOR reform	264 693	181 546

No financial liabilities in the group are subject to LIBOR reform as at 30 June 2022.

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 re-assessed 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.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

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 corporate finance, leveraged finance, resources sector solutions, infrastructure sector solutions, real estate finance, debt capital markets, debt trade solutions, sponsor services, corporate broking, loan syndications, coverage, advisory, , corporate transactional banking and principal investments. From a markets perspective it offers market making, financial risk management and investment across interest rate, currency, commodity, equity and credit asset classes as well as execution, asset financing, custody and clearing services.
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.

37. SEGMENT INFORMATION continued

37.1 Reportable segments continued

Segment changes
The group has made structural changes to better serve clients and as of this year, Ashburton has been segmented into FNB and RMB. In the previous year, Ashburton was disclosed under FCC and other segment. Comparative information have not been restated with the change. 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 continued

for the year ended 30 June 2022

37. SEGMENT INFORMATION continued

	Group		FNB	
N$'000	2022	2021	2022	2021
Net interest income before impairment of advances	2 202 575	1 877 257	1 679 608	1 539 152
Impairment and fair value of credit advances	(95 365)	(238 250)	(95 545)	(235 155)
Net impairment income after impairment of advances	2 107 210	1 639 007	1 584 063	1 303 997
Non-interest income	1 980 980	1 954 096	1 754 186	1 635 113
Net insurance premium income	129 568	133 842	129 568	133 842
Net claims and benefits paid	(70 609)	(71 164)	(70 609)	(71 164)
Income from operations	4 147 149	3 655 781	3 397 208	3 001 788
Operating expenses	(2 238 323)	(2 125 956)	(1 933 685)	(1 767 415)
Income before indirect tax	1 908 826	1 529 825	1 463 523	1 234 373
Indirect tax	(41 359)	(38 070)	(29 607)	(29 215)
Profit before tax	1 867 467	1 491 755	1 433 916	1 205 158
Income tax expense	(594 621)	(459 527)	(456 574)	(371 242)
Profit for the year	1 272 846	1 032 228	977 342	833 916
The income statement includes:				
Depreciation	102 420	124 675	101 114	123 317
Amortisation	17 483	15 945	2 739	1 799
The statement of financial position includes:				
Investment securities	7 416 757	7 185 761	71 113	118 903
Advances	31 962 564	30 206 674	27 342 094	26 250 207
Total assets	52 442 196	43 441 551	26 893 297	24 238 918
Deposits	37 114 206	35 663 763	21 403 726	19 716 883
Total liabilities *	46 169 969	37 795 870	26 692 428	23 869 908

* Total liabilities are net of interdivisional balances.

37. SEGMENT INFORMATION continued

	RMB		FCC and other	
N$'000	2022	2021	2022	2021
Net interest income before impairment of advances	321 397	285 850	201 570	52 255
Impairment and fair value of credit advances	180	(3 095)	-	-
Net impairment income after impairment of advances	321 577	282 755	201 570	52 255
Non-interest income	268 934	216 071	(42 140)	102 912
Net insurance premium income	-	-	-	-
Net claims and benefits paid	-	-	-	-
Income from operations	590 511	498 826	159 430	155 167
Operating expenses	(298 795)	(223 031)	(5 843)	(135 509)
Income before indirect tax	291 716	275 795	153 587	19 658
Indirect tax	(4 728)	(3 834)	(7 024)	(5 021)
Profit before tax	286 988	271 961	146 563	14 637
Income tax expense	(91 380)	(83 568)	(46 667)	(4 497)
Profit for the year	195 608	188 393	99 896	10 140
The income statement includes:				
Depreciation	1 168	220	139	1 138
Amortisation	739	-	14 005	14 146
The statement of financial position includes:				
Investment securities	225 004	80 341	7 120 640	6 986 517
Advances	4 620 470	3 956 469	-	-
Total assets	8 353 902	7 751 317	17 194 997	11 451 316
Deposits	9 702 386	9 000 839	6 008 094	6 943 995
Total liabilities	8 237 290	7 751 740	11 240 255	6 155 406

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2022

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 group annual financial statements.	Annual periods commencing on or after 1 January 2022
Annual improvements 2018 - 2020	Improvements to IFRS The IASB issued the Annual improvements to IFRS standards 2018-2020 cycle. These annual improvements include amendments to the following standards. IFRS 9 - 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 other's behalf. 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. The amendment will be applied when a modification of a financial liability occurs. This amendment is not expected to have a significant impact on the group.IFRS 16 - 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 continued

for the year ended 30 June 2022

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 2023
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; and • 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

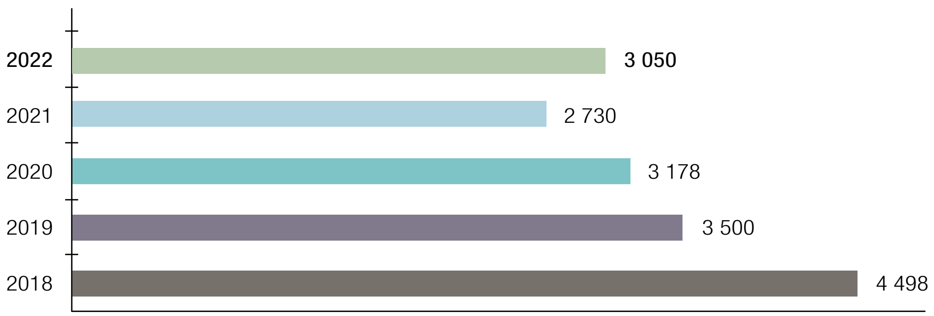
8.

Supplementary information

Shareholder's diary

Financial Year End	30 June 2022
Declaration Date	18 August 2022
SENS Announcement	15 September 2022
LDR/ Record Date	07 October 2022
Trade Cum Div	30 September 2022
Trade ex div	03 October 2022
Annual General Meeting	20 October 2022
Payment date	21 October 2022

Closing share price - Ordinary



Stock exchange performance

	2022	2021
Share price (cents)		
- high for the year	3 051	3 173
- low for the year	2 731	2 015
- closing price per share	3 050	2 730
Number of shares traded ('000)	6 979	3 747
Value of shares traded (N$'000)	208 256	85 178
Number of shares traded as % of issued shares	2.61	1.40
Average price (cents)	2 984	2 273

Shareholders are requested to register to receive 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. 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
alternatively scan the QR code to download the electronic communications form in pdf:

Please return the form to Transfer Secretaries (Proprietary) Limited at ts@nsx.com.na.

Simplified group structure

General public	FirstRand EMA Holdings (Pty) Ltd	GIPF
25.9%	58.4%	15.7%

FirstRand
NAMIBIA

Banking		Capital markets and investments		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 Management (Pty) Ltd	100%	FNB Insurance Brokers (Namibia) (Pty) Ltd		
		100%	Ashburton Investment Managers (Pty) Ltd	100%	Talas Properties (Windhoek) (Pty) Ltd		
		100%	RMB Investment (Pty) Ltd	100%	Pointbreak Trust and Estates (Pty) Ltd		
		100%	Pointbreak Wealth Management (Pty) Ltd	100%	FNB Easy Loans Ltd		

Analysis of ordinary shareholders

Share analysis - ordinary shares

Range of shareholders	Number of shareholders	%	Number of shares	%
1 - 999	1 219	45.0%	427 186	0.2%
1 000 - 1 999	406	15.0%	522 596	0.2%
2 000 - 2 999	197	7.3%	477 379	0.2%
3 000 - 3 999	106	3.9%	355 777	0.1%
4 000 - 4 999	65	2.4%	285 347	0.1%
5 000 - 9 999	217	8.0%	1 463 203	0.5%
over 10 000	501	18.5%	264 061 762	98.7%
	2 711	**100%**	**267 593 250**	**100.00%**
Shareholder type				
Corporate bodies	41	1.5%	163 817 462	61.2%
Nominee companies	104	3.8%	82 983 210	31.0%
Private individuals	2 529	93.3%	15 606 640	5.8%
Trusts	37	1.4%	5 185 938	1.9%
	2 711	**100%**	**267 593 250**	**100.00%**
Geographic ownership				
Namibian including unknown	2 528	93.2%	106 951 820	40.0%
Other Africa	165	6.1%	157 908 068	59.0%
International	18	0.7%	2 733 362	1.0%
Total	**2 711**	**100%**	**267 593 250**	**100.00%**
Major shareholders				
FIRSTRAND EMA HOLDINGS (PTY) LTD,			156 271 536	58.4%
GOVERNMENT INSTITUTIONS PENSION FUND			41 976 178	15.7%
OLD MUTUAL LIFE ASSURANCE COMPANY (NAMIBIA) LTD			6 139 086	2.3%
SOVEREIGN CAPITAL (PROPRIETARY) LIMITED,			3 788 490	1.4%
ALLAN GRAY NAMIBIA BALANCED FUND			3 584 444	1.3%
INVESTEC NAMIBIA TRUSTEE ACCOUNT (NAMAN)			3 545 171	1.3%
CHAPPA'AI INVESTMENTS FORTY TWO (PTY) LTD,			3 018 199	1.1%
THE BANK OF NEW YORK MELLON			2 683 000	1.0%
RETIREMENT FUND FOR LOCAL AUTHORITIES AND UTILITY SERVICES IN NAMIBIA			2 664 464	1.0%
FNB EMPLOYEE SHARE INCENTIVE TRUST			2 610 129	1.0%

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 www.firstrandnamibia.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
CHIEF FINANCIAL OFFICER	Oscar Capelao 5th Floor, @Parkside 130 Independence Avenue, c/o Fidel Castro P O Box 195, Windhoek, Namibia Tel: +264 (61) 299 2111
COMPANY SECRETARY	Nelago Makemba 2nd Floor, @Parkside 130 Independence Avenue, c/o Fidel Castro P O Box 195, Windhoek, Namibia Tel: +264 (61) 299 2111
EXTERNAL AUDITORS	Deloitte & Touche Namibia Jan Jonker Road, Maerua Mall Complex Windhoek, Namibia PO Box 47, Windhoek, Namibia Tel: +264 (61) 285 5000 www.deloitte.com/na
SPONSOR	Cirrus Securities (Pty) Ltd Member of the NSX 35 Schanzen Road, Windhoek, Namibia P O Box 27, Windhoek, Namibia Registration No: 98/463 E-mail: sponsor@cirrus.com.na Tel: +264 (61) 256 666
TRANSFER SECRETARIES	Transfer Secretaries (Pty) Ltd 4 Robert Mugabe Avenue P O Box 2401, Windhoek, Namibia Registration No: 93/0713 E-mail: ts@nsx.com.na Tel: +264 (61) 227 647

Notice of annual general meeting

FirstRand Namibia Ltd
(Incorporated in the Republic of Namibia)
(Registration number: 88/024)
ISIN: NA0003475176
Share Code (NSX): FNB
("FirstRand Namibia Ltd" or "the Company")

Notice is hereby given to all holders of ordinary shares in the company that the thirty fifth (35th) annual general meeting of the shareholders of FirstRand Namibia Ltd will be held via electronic media or in the Etosha Boardroom, FirstRand Namibia Ltd, 5th Floor, @Parkside, 130 Independence Avenue, c/o Fidel Castro, Windhoek, on 20 October 2022 at 14:30 to deal with the following business:

1. **Ordinary resolution number 1:**
   Resolved that the Annual Financial Statements for the year ended 30 June 2022 as approved by the Board of Directors on 18 August 2022, 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.htm

2. **Ordinary resolution number 2: Confirmation of dividends**
   To confirm the ordinary dividends of the financial year 472.84 cents per share (2021: 212 cents per share).

3. **Ordinary resolution number 3: Re-election of Directors by way of separate resolutions**
   I-Ben Natangwe Nashandi and Christiaan Lilongeni Ranga Haikali retire as directors of the company in terms of the company's Articles of Association. Christiaan Lilongeni Ranga Haikali has tendered his resignation notice, which resignation is effective 20 October 2022. I-Ben Natangwe Nashandi who, being eligible, offers himself for re-election. Biographical information of the director to be re-elected is set out on pages 32 to 35 of the annual report.

   Ordinary resolution number 3.1
   Resolved that I-Ben Natangwe Nashandi be and is hereby re-elected as a non-executive director of the company.

4. **Ordinary resolution number 4: Vacancies filled by Directors**
   Vacancies on the board are filled by the appointment of directors during the year, upon the recommendation of the Directors Governance Committee and the board. The following directors were appointed by the board effective 01 October 2021 and 01 March 2022 respectively to fill vacancies in accordance with the Act and the company's Articles of Association and are now recommended by the board for election by shareholders by way of separate resolutions.

   Ordinary resolution number 4.1
   Resolved that Jan Coetzee, be and is hereby elected as an independent non-executive director of the company.

   The abridged curricula vitae of the director standing for election for ordinary resolution number 4.1 is set out on page 32 of the annual integrated report.

   Ordinary resolution number 4.2
   Resolved that Emile van Zyl, be and is hereby elected as an independent non-executive director of the company.

   The abridged curricula vitae of the director standing for election for ordinary resolution number 4.2 is set out on page 32 of the annual integrated report.

Notice of annual general meeting continued

5. **Ordinary resolution number 5: Audit Committee Member vacancy filled**
On the recommendation of the Directors Governance Committee, E van Zyl, was appointed to 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.

Resolved that Emile van Zyl be elected as a member of the audit committee.

6. **Ordinary resolution number 6: Re-appointment of Audit Committee Members**
That the following directors be re-appointed as members of the Audit Committee.

Ordinary resolution number 6.1
Resolved that Peter Grüttemeyer be and is hereby re-appointed as member of the Audit Committee.

Ordinary resolution number 6.2
Resolved that Christiaan Lilongeni Ranga Haikali be and is hereby re-appointed as member of the Audit Committee.

7. **Ordinary resolution number 7: Reappointment of Auditors**
The audit committee has evaluated the independence and performance of Deloitte & Touche and recommend their reappointment as auditors of the company.

Resolved that, as recommended by the audit committee of the company, Deloitte & Touche be and is hereby reappointed as auditors of the company and authorise the directors to determine the remuneration of the auditors.

8. **Ordinary resolution number 8:**
Resolved that the directors be and are hereby authorised, to allot or issue all or any of the authorised but unissued shares in the capital of the company on such terms and conditions as they deem fit, subject to the provisions of the Banking Institutions Act 2 of 1998, Companies Act 28 of 2004 (the Act), the Articles of Association of the company and the Listings Requirements of the Namibia Stock Exchange (NSX).

9. **Ordinary resolution number 9:**
Resolved that all the ordinary shares required for the purpose of carrying out the terms of the FNB Employee Share Incentive Scheme (the scheme) be and are hereby specifically placed under the control of the trustees of the scheme, who are hereby authorised and shall have the power to allot and issue those shares as they become required for the purposes of carrying out and giving effect to the terms of the scheme.

10. **Ordinary resolution number 10:**
Resolved that the annual fees of the non-executive directors or members, as reflected below be approved for the 2022/2023 financial year:

The proposed increase represents a 5.6% increase and have been rounded off (3.5%: 2021, 0%:2020, 0%:2019).

	No of meetings per annum	Proposed 2022/2023 annual fee	Calculated fee per meeting
FirstRand Namibia Ltd Board			
Member	4	16 998	67 993
Deputy Chair		25 497	101 990
Chair	4	29 747	118 988
Audit committee			
Member	4	21 855	87 420
Chair	4	59 494	237 976
Risk Capital and Compliance Committee			
Member	4	18 212	72 850
Chair	4	27 319	109 275
Talent and Remuneration Committee			
Member	2	15 298	30 597
Chair	2	22 948	45 895
Directors Governance Committee			
Member	3	14 570	43 710
Chair	3	25 497	76 492
Senior Credit Risk Committee			
Member	30	9 713	291 399
Chair	30	10 101	303 030
Information Technology Risk and Governance Committee			
Member	4	9 713	38 853
Chair	4	10 667	42 669
Asset Liability and Capital Committee			
Member	4	9 713	38 853
Chair	4	10 667	42 669
Social, Ethics & Sustainability Committee			
Member	4	10 101	40 404
Chair	4	9 713	38 853
First National Bank of Namibia Board			
Member	4	33 997	135 986
Deputy Chair	4	50 995	203 979
Chairperson	4	67 993	271 972
Ad-hoc work	Ad hoc		
Standard hourly rate for ad hoc work including attending director interviews, board training and board strategy sessions			2 428 hourly rate

Notice of annual general meeting continued

11. Ordinary resolution number 11:
Resolved that the existing remuneration policy remain in force, no changes are proposed to the current policy and shareholders ratify the current Remuneration Policy which was approved by the Shareholders at the 21 October 2021 Annual General Meeting.

14. Ordinary resolution number 12:
Resolved that each director and/ or the Group Company Secretary, be and is hereby authorised to do all such things and sign all such documents as may be necessary for, or incidental to, the implementation of the resolutions passed at the annual general meeting of the company and set out in this notice.

VOTING:

All holders of FirstRand Namibia Ltd shares will be entitled to attend and vote at the annual general meeting. On a show of hands, every holder of FirstRand Namibia Ltd shares who is present in person, or in the case of a company, the representative appointed in terms of section 196 of the Companies Act, shall have one vote.

On a poll, the holders of ordinary shares present in person or by proxy will each be entitled to one vote for every ordinary share held.

PROOF OF IDENTIFICATION REQUIRED:

Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents and passports.

PROXIES:

Each member entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies (none of whom need be a member of the company) to attend, speak and, on a poll, to vote in his/her stead. The form of proxy for the annual general meeting, which sets out the relevant instructions for its completion, accompanies this notice. In order to be effective, duly completed forms of proxy must be received at the office of the transfer secretaries of the company by no later than 15:00 on Monday, 17 October 2022.

By order of the board FirstRand Namibia Limited

Nelago Makemba
Group Company Secretary
15 September 2022

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

For completion by the registered ordinary shareholders who hold ordinary shares of FirstRand Namibia Ltd and who are unable to attend the 2022 annual general meeting of the Company via electronic media or in person, on Thursday, 20 October 2022 at 14:30 (the annual general meeting).

FirstRand
NAMIBIA

FirstRand Namibia Limited
(Incorporated in the Republic of Namibia)
Registration number: 88/024
NSX Share Code: FNB
ISIN: NA 0003475176
(the Company)

I/We .... (name in full)

Holder number .... Contact number ....

being the holder(s) of .... ordinary shares in the Company do hereby appoint:

1. .... or failing him/her

2. .... or failing him/her

3. the chairperson of the annual general meeting, as my/our proxy to act for me/us at the annual general meeting (as the case may be) which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote on such resolution in respect of the shares in the issued capital of FirstRand Namibia Ltd registered in my/our name/s in accordance with the following instructions (see note):

		Insert an X		
Ordinary Resolutions		For*	Against*	Abstain*
Ordinary Resolution 1	Approval of Annual Financial Statements for 30 June 2022			
Ordinary Resolution 2	Confirmation of dividends			
Ordinary Resolution 3	Re-election of directors by way of separate resolutions:			
	3.1 I-Ben Natangwe Nashandi (Non-Executive Director)			
Ordinary Resolution 4	Vacancies filled by Directors during the year by way of separate resolutions:			
	4.1 Jan Coetzee (Independent Non-Executive Director)			
	4.1 Emile van Zyl (Independent Non-Executive Director)			
Ordinary Resolution 5	Election of Audit Committee Members by way of separate resolution:			
	5.1 Emile van Zyl			
Ordinary Resolution 6	Re-appointment of Audit Committee members			
	6.1 Peter Grüttemeyer			
	6.1 Christiaan Lilongeni Ranga Haikali			
Ordinary Resolution 7	Re-appointment of external auditors and authority to determine their remuneration			
Ordinary Resolution 8	Control of unissued shares			
Ordinary Resolution 9	Control of FNB Employee Share Incentive Scheme ordinary shares			
Ordinary Resolution 10	Approval of Non-Executive Director remuneration			
Ordinary Resolution 11	Approval of the remuneration policy			
Ordinary Resolution 12	Authority to sign documents			

* Please indicate your voting instruction by way of inserting the number of Shares or by a cross in the voting box provided. A cross is deemed to represent all shares held by the holder.

Signed at .... this .... day of 2022

Signature ....

Assisted by me (where applicable) .... Signature

Each Shareholder is entitled to appoint one or more proxy(ies) (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:

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 chair of the annual general meeting", but any such deletion must be initialed by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

A shareholder is entitled to one vote on a show of hands and on a poll one vote in respect of each Share held. A resolution put to the vote shall be decided by a show of hands unless before, or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the annual general meeting.

1. 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 member's votes exercisable thereat. A shareholder or the 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 member or by the proxy.

2. Forms of proxy must be received at the Company's transfer secretaries, Transfer Secretaries (Proprietary) Limited, 4 Robert Mugabe Avenue (entrance on Dr. Theo-Ben Gurirab Street), Windhoek (PO Box 2401) Windhoek, Namibia by no later than 15:00 on Monday, 17 October 2022. Alternatively, forms of proxy may be sent to the Company's transfer secretaries by way of telefax (+264 61 248531), provided that such telefaxes are received by the transfer secretaries by no later than 15:00pm on Monday, 17 October 2022.

3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

4. 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 chair of the annual general meeting.

5. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.

6. 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.

7. The chair 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 chair is satisfied as to the manner in which the member wishes to vote.

8. 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 member appear in FirstRand Namibia Limited's register of members) 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.

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