FirstRand
NAMIBIA

2020

UNAUDITED CONDENSED INTERIM GROUP RESULTS AND CASH DIVIDEND DECLARATION

for the period ended 31 December 2020

FINANCIAL HIGHLIGHTS

Capital adequacy ratio (%)

18.9%

2020: 18.9% | 2019: 18.8%

Return on equity (%)

21.5%

2020: 21.5% | 2019: 24.6%

Headline earnings per share (cents)

↓9.9%

2020: 212.8c | 2019: 236.1c

Dividend per share (cents)

94c

2020: 94c | 2019: 104c

CONTENTS

02 Overview of financial results

04 Condensed consolidated statement of comprehensive income

05 Condensed consolidated statement of financial position

06 Condensed consolidated statement of changes in equity

07 Condensed consolidated statement of cash flows

08 Condensed notes to the consolidated financial results

46 Salient features of the group results

47 Capital adequacy - Banking operations

48 Capital adequacy - Regulated consolidated group

Dividend declaration

Notice is hereby given that an interim cash dividend (number 55) for the six months ended 31 December 2020 of 94 cents per ordinary share was declared on 10 February 2021.

The last day to trade shares on a cum dividend basis will be on 09 April 2021 and the first day to trade ex-dividend will be 12 April 2021. The record date will be 16 April 2021 and the payment date 30 April 2021.

By order of the board:

Nelago Makemba
Company Secretary

OVERVIEW OF FINANCIAL RESULTS

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

FirstRand Namibia delivered earnings of N$564.9 million for the period ended 31 December 2020. Its ROE at 21.5 % and CTI at 51.1 %.

STATEMENT OF COMPREHENSIVE INCOME

Interest income

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

In terms of revenue, period-on-period (December 2019 to December 2020) net interest income (NII) decreased by 14% whilst non-interest revenue (NIR) was up marginally. NII remained resilient despite muted growth in advances, pressure on margins, and the impact of endowment and excess liquidity levels, however, the deposit franchise continued to show good growth through the period at 17.5%. Retail and commercial deposits grew 13.8% and 20.4%, respectively, with large corporate deposits increasing by 20.2%.

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

Non-interest revenue

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

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

NIR improved by 3.4%, with fee and commission revenue reducing by 1%, reflecting decreased levels of activity across the retail and commercial segments in the first quarter of the six months, as well as the lower accommodative price increases effective 1 July 2020.

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

The group continues to execute on its short-term insurance strategy to provide household and motor insurance products to group customers, via OUTsurance Namibia, contributing N$21.5 million to earnings.

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

The insurance activities currently contribute only 6.7% of earnings. The group has a proven track record in providing credit life and vehicle insurance and believes that given its brands, distribution capability and client insights, it has all the building blocks to grow insurance profits more aggressively in Namibia by expanding its product range.

Impairment losses

The period-on-period credit loss ratio showed a marked increase, with the impairment charge increasing 27.6% to N$150.6 million.

The six months' build-up in non-performing loans (NPL's) is marginally better than expectations. Given the prevailing uncertainty, the group has not adjusted its provisioning assumptions and methodology.

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

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

Operating expenses

Group operating costs have decreased by 4.6% to N$1 014 million (2019: N$1 063 million). This is reflected in our cost to income ratio of 51.1% (2019: 50.9%). Operating expenses as % of Assets at 4.6% (2019: 5.0%) reflecting the efficiency of the business.

Staff costs increased by 2%. The cost growth is influenced by the inflationary wage increase settlement with the union for non-managerial staff. The June 2020 performance had an impact on remuneration; with no salary increases granted to senior management.

The performance conditions for the maturing 2017 long-term incentives were not met and failed to vest, resulting in credit to variable pay of N$20.6 million. The remuneration committee and the board believe that these outcomes are appropriate.

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

COVID-19 impact on earnings

Comparing the earnings run rate to pre March 2020 lockdown period to post lockdown, our estimate of earnings lost approximate N$185 million for the period, being decreased NII of N$156 million, NIR of N$ 8 million, higher impairments of N$17 million and HOPE fund CSR initiative of N$3.8 million.

STATEMENT OF FINANCIAL POSITION

Advances

The group's total assets increased by 2.2% to N$44.8 billion (2019: N$43.8 billion). Net advances making up 67.7% (2019: 71.8%) of the balance sheet, reflected a year on year decrease of (3.7%) to N$30.3 billion. Private sector credit extension (PSCE) growth was recorded at an all-time low at 2% in December 2020.

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

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

Card advances decline of 2.3% was slower than previous years, reflecting reduced risk appetite given risk cuts, together with significant lower spending during the lockdown period.

Personal loans growth of 3.3%, reflecting risk cuts on the weaker macro environment pre-pandemic and the impact of the pandemic on customers.

RMB corporate and investment banking (CIB) advances growth was 1%.

Debt relief

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

Deposits and funding

Deposit growth was ahead of advances, growing by 3.5% to N$37.2 billion. The FNB franchise was a significant contributor to the deposit's growth at 16.3%.

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

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

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

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

Capital and regulation

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

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

The Group has remained well capitalised throughout the period, with levels above the minimum regulatory requirements. Capital adequacy ratio was 18.9% and CET 1 capital 10.5% for December 2020.

Events subsequent to the reporting date

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

Prospects

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

Condensed consolidated statement of comprehensive income

N$'000	Notes	Unaudited Six months ended 31 December 2020	Unaudited Six months ended 31 December 2019	Audited Year ended 30 June 2020
Interest and similar income	2	1 548 832	2 039 935	3 858 058
Interest expense and similar charges	2	(641 273)	(985 185)	(1 844 619)
Net interest income before impairment of advances		907 559	1 054 750	2 013 439
Impairment and fair value of credit advances	7.1	(150 622)	(118 019)	(559 672)
Net interest income after impairment of advances		756 937	936 731	1 453 767
Non-interest income	3	1 038 974	1 004 727	1 905 019
Net insurance premium income		68 225	65 687	161 092
Net claims and benefits paid		(31 320)	(35 312)	(77 467)
Income from operations		1 832 816	1 971 833	3 442 411
Operating expenses	4	(1 014 356)	(1 063 415)	(2 173 695)
Operating profit		818 460	908 418	1 268 716
Share of profit / (losses) of associates after tax		-	1 854	(14 248)
Income before indirect tax		818 460	910 272	1 254 468
Indirect tax		(17 708)	(20 226)	(44 724)
Profit before tax		800 752	890 046	1 209 744
Income tax expense		(235 821)	(266 299)	(376 388)
Profit for the period		564 931	623 747	833 356
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurements on net defined benefit post-employment plan		-	-	3 755
Deferred income tax		-	-	(1 202)
Total Items that will not be reclassified to profit or loss		-	-	2 553
Total comprehensive income for the period		564 931	623 747	835 909
Profit attributable to:				
Owner of the parent		557 809	619 074	819 326
Non-controlling interest		7 122	4 673	14 030
		564 931	623 747	833 356
Total comprehensive income attributable to:				
Owner of the parent		557 809	619 074	821 879
Non-controlling interest		7 122	4 673	14 030
		564 931	623 747	835 909
Earnings per share:				
Basic and diluted earnings per share (cents)		213.4	236.9	313.4

Condensed consolidated statement of financial position

N$'000	Notes	Unaudited as at 31 December 2020	Unaudited as at 31 December 2019	Audited as at 30 June 2020
Assets				
Cash and cash equivalents		1 427 041	1 302 901	1 115 109
Due from banks and other financial institutions		2 943 515	1 854 758	4 442 442
Derivative financial instruments		480 171	350 934	519 294
Investment securities	6	8 298 204	7 423 546	8 534 477
Advances	7	30 312 873	31 474 116	29 993 738
Other assets		269 831	288 715	244 310
Current tax asset		351	4 153	490
Reinsurance assets		1 602	6 150	-
Investments in associates		-	29 933	-
Property and equipment		928 943	923 021	896 917
Intangible assets		100 681	153 369	94 684
Deferred income tax asset		25 021	28 592	26 210
Total assets		44 788 233	43 840 188	45 867 671
Equity and liabilities				
Liabilities				
Short trading position		-	61 772	-
Derivative financial instruments		493 698	369 123	534 035
Creditors and accruals		445 467	429 482	528 298
Current tax liability		25 303	67 231	58 886
Deposits	8.1	36 467 574	35 892 337	38 427 237
Due to banks and other financial institutions	8.2	804 964	611 501	117 948
Employee liabilities		167 394	165 508	207 103
Other liabilities		268 499	341 338	293 698
Policyholders liabilities		33 701	40 813	40 750
Tier 2 liabilities		402 820	402 856	402 774
Deferred income tax liability		257 601	398 241	256 706
Total liabilities		39 367 021	38 780 202	40 867 435
Equity				
Capital and reserves attributable to ordinary equity holders of parent		5 364 915	5 006 938	4 937 831
Non-controlling interests		56 297	53 048	62 405
Total equity		5 421 212	5 059 986	5 000 236
Total equity and liabilities		44 788 233	43 840 188	45 867 671

Condensed consolidated statement of changes in equity

N$'000	Total share capital	Total reserves	Retained earnings	Total attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 July 2019	9 184	6 000	5 337 443	5 352 627	61 605	5 414 232
Total comprehensive income for the period	-	-	619 074	619 074	4 673	623 747
Staff share option transactions	-	280	-	280	-	280
Dividends	-	-	(959 520)	(959 520)	(13 230)	(972 750)
Consolidation of shares held by share trusts	(5 523)	-	-	(5 523)	-	(5 523)
Unaudited balance at 31 December2019	3 661	6 280	4 996 997	5 006 938	53 048	5 059 986
Balance at 1 July 2019	9 184	6 000	5 337 443	5 352 627	61 605	5 414 232
Total comprehensive income for the period	-	2 553	819 326	821 879	14 030	835 909
Staff share option transactions	-	275	-	275	-	275
Tranfer between reserves	-	(2 742)	2 742	-	-	-
Dividends	-	-	(1 231 427)	(1 231 427)	(13 230)	(1 244 657)
Consolidation of shares held by share trusts	(5 523)	-	-	(5 523)	-	(5 523)
Audited balance at 30 June 2020	3 661	6 086	4 928 084	4 937 831	62 405	5 000 236
Balance at 1 July 2020	3 661	6 086	4 928 084	4 937 831	62 405	5 000 236
Total comprehensive income for the period	-	-	557 809	557 809	7 122	564 931
Dividends	-	-	(130 725)	(130 725)	(13 230)	(143 955)
Unaudited balance at 31 December 2020	3 661	6 086	5 355 168	5 364 915	56 297	5 421 212

Condensed consolidated statement of cash flows

	Unaudited		Audited
	Six months ended 31 December		Year ended 30 June
N$'000	2020	2019	2020
Net cash generated from operations	859 151	1 352 647	1 856 823
Tax paid	(287 462)	(408 977)	(691 678)
Net cash flow from operating activities	571 689	943 670	1 165 145
Acquisition of property and equipment	(88 839)	(37 960)	(164 192)
Acquisition of intangible asset	(13 494)	-	-
Proceeds from the disposal of property and equipment	4 730	2 059	4 118
Net cash flow from investing activities	(97 603)	(35 901)	(160 074)
Acquisition of shares for the share trust	-	(5 243)	(5 523)
Dividends paid	(130 725)	(959 520)	(1 231 427)
Principal payments of lease liabilities	(18 199)	(17 070)	(29 977)
Dividends paid to non controlling interests	(13 230)	(13 230)	(13 230)
Net cash flow from financing activities	(162 154)	(995 063)	(1 280 157)
Net increase / (decrease) in cash and cash equivalents	311 932	(87 294)	(275 086)
Cash and cash equivalents at beginning of the period [1]	1 115 109	1 390 195	1 390 195
Cash and cash equivalents at end of the period	1 427 041	1 302 901	1 115 109

[1] Includes mandatory reserve deposits with central bank

Condensed notes to the consolidated financial results

for the reporting period ended 31 December

1. Basis of preparation

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

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

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

1.1 Accounting policies

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

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

Improvements to the Conceptual Framework, which included revised definitions of assets and liabilities and clarified concepts relating to prudence, stewardship, measurement uncertainty and substance over form, became effective in the current year. Other amendments that became effective in the current year include amendments to IFRS 3 to clarify the definition of a business in a business combination and amendments to IAS 1 and IAS 8 to update and clarify the definition of materiality.

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

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 condensed interim results, where additional information has been included.

Description	Additional information
Impairment provisions on advances	
Incorporating forward-looking information	
Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the group's forward-looking assumptions for the purposes of its Expected Credit Loss (ECL), has been provided. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of the social and economic consequences of COVID-19 will manifest, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.	Refer to note 7.1
Significant increase in credit risk	
The group has not approached the ECL impact of COVID-19 on an overall blanket approach (where COVID-19 is seen as a Significant Increase in Credit Risk (SICR) trigger that will result in the entire portfolio of advances moving into their respective next staging bucket). A more systematic and targeted approach to the impact of COVID -19 on the customer base is being undertaken rather, which is in line with the group's existing policy documented in the Group Credit Impairment Framework.	Refer to note 7.1

2. Analysis of interest income and interest expense

	Six month ended 31 December		Year ended 30 June
N$'000	2020	2019	2020
Analysis of interest and similar income			
Instruments at amortised cost	1 548 832	2 039 935	3 858 058
Interest and similar income	1 548 832	2 039 935	3 858 058
Advances	1 242 131	1 687 365	3 183 484
Investment securities	272 083	280 123	550 344
Other	34 618	72 447	124 230
Interest and similar income	1 548 832	2 039 935	3 858 058
Analysis of interest expense and similar charges			
Instruments at amortised cost	641 273	985 185	1 844 619
Interest expense and similar charges	641 273	985 185	1 844 619
Deposits from customers	414 674	567 339	1 082 590
Debt securities	202 422	385 467	692 188
Deposits from banks and other financial institutions	1 931	1 021	8 461
Other liabilities	5 238	8 887	17 574
Lease liabilities	2 548	3 086	6 188
Tier 2 liabilities	14 460	19 385	37 619
Interest expense and similar charges	641 273	985 185	1 844 619
Net interest Income	907 559	1 054 750	2 013 439

Condensed notes to the consolidated financial results

for the reporting period ended 31 December continued

3. Non-interest income

N$'000	Six month ended 31 December 2020	Six month ended 31 December 2019	Year ended 30 June 2020
Fee and commission income:			
- Instruments at amortised cost	925 784	929 081	1 727 605
- Non financial instruments	73 863	78 133	147 673
Fee and commission income	999 647	1 007 214	1 875 278
Fee and commission expenses	(89 503)	(92 522)	(177 254)
Net fee and commission income	910 144	914 692	1 698 024
Fair value gains and losses	79 759	60 702	165 796
Gross gains less losses from investing activities	33 155	25 753	16 417
Other non-interest revenue	15 916	3 580	24 782
Total non-interest revenue	1 038 974	1 004 727	1 905 019

3.1 Fee and commission income:

N$'000	Six month ended 31 December 2020	Six month ended 31 December 2019	Year ended 30 June 2020
- Card commissions	112 043	103 082	196 726
- Cash deposit fees	51 345	58 395	103 173
- Commissions: bills, drafts	71 808	67 728	137 135
- Bank charges	690 588	699 877	1 290 571
Banking fee and commission income	925 784	929 081	1 727 605
- Brokerage income	28 776	30 442	57 764
- Management, trust and fiduciary service fees	45 087	47 691	89 909
Non banking fee and commission income	73 863	78 133	147 673
Fee and commission income	999 647	1 007 214	1 875 278

4. Operating expenses

N$'000	Six month ended 31 December 2020	Six month ended 31 December 2019	Year ended 30 June 2020
Auditors' remuneration			
- Audit fees	5 902	5 163	10 463
- Fees for other services	30	131	896
Auditors' remuneration	5 932	5 294	11 359
Non-capitalised lease charges			
- Short term	4 105	1 647	10 617
- Low value	6 302	8 760	15 462
Operating lease charges	10 407	10 407	26 079
Staff costs	591 511	582 537	1 189 283
Amortisation of intangible assets	7 497	7 582	14 808
Impairment of goodwill	-	-	51 456
Depreciation of property and equipment	61 889	66 797	125 811
Directors fees	4 269	4 250	13 130
Other operating costs	332 851	386 548	741 769
Total operating expenses	1 014 356	1 063 415	2 173 695

5. Earnings per share

5.1 Headline earnings per share

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

Headline earnings and diluted headline earnings are determined by adjusting basic earnings and dilutive earnings by excluding seperately identifiable re-measurement items. Headline earnings and diluted headline earnings are presented after tax and non-controlling interest.

	Six month ended 31 December		Year ended 30 June
	2020	2019	2020
Headline earnings (N$'000)	556 390	617 181	867 509
Weighted average number of ordinary shares in issue	261 449 476	261 351 828	261 441 347
Headline earnings per share (cents)	212.8	236.1	331.8
Earnings attributable to equity holders of the parent (N$'000)	557 809	619 074	819 326
Gains and losses on sale of property and equipment (N$'000) *	(1 075)	(1 893)	(3 063)
Impairment of assets in terms of IAS 36 (N$'000)	-	-	51 456
Tax effect (N$'000)	(344)	-	(210)
Headline earnings	556 390	617 181	867 509

* Net of non-controlling interests

5.2 Earnings per share

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

	Six month ended 31 December		Year ended 30 June
	2020	2019	2020
Earnings attributable to ordinary shareholders (N$'000)	557 809	619 074	819 326
Weighted average number of ordinary shares in issue	261 449 476	261 351 828	261 441 347
Basic earnings per share (cents)	213.4	236.9	313.4

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

6. Investment securities

N$'000	Six month ended 31 December 2020	Six month ended 31 December 2019	Year ended 30 June 2020
Treasury bills	4 296 980	4 602 713	5 336 654
Other government and government guaranteed stock	3 585 354	2 345 517	2 769 716
Unlisted equities	17 594	14 981	17 327
Other undated securities	400 494	461 556	412 045
Total gross carrying amount of investment securities	8 300 422	7 424 767	8 535 742
Loss allowance on investment securities	(2 218)	(1 221)	(1 265)
Total investment securities	8 298 204	7 423 546	8 534 477

N$7 587 million (2019: N$7 142 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.

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

The loss allowance on investment securities designated at fair value through other comprehensive income is nil (2019: nil).

7. Advances

N$'000	Six month ended 31 December 2020	Six month ended 31 December 2019	Year ended 30 June 2020
Notional value of advances	31 713 028	32 286 875	31 235 272
Gross advances	31 713 028	32 286 875	31 235 272
Category analysis			
Overdrafts and cash management accounts	3 660 598	4 189 893	3 321 710
Card loans	464 952	475 691	464 271
Instalment sales and hire purchase agreements	2 969 891	3 159 363	3 010 522
Lease payments receivable	95 464	154 417	120 657
Property finance	14 601 676	13 963 137	14 106 367
Term loans	8 428 910	8 523 933	8 586 129
Investment bank term loans	268 635	337 525	310 042
Preference share agreements	944 637	962 032	971 159
Assets under agreement to resell	-	61 075	-
Invoice financing	134 381	235 195	122 980
Other	143 884	224 614	221 435
Gross advances	31 713 028	32 286 875	31 235 272
Impairment and fair value of credit of advances	(1 400 155)	(812 759)	(1 241 534)
Net advances	30 312 873	31 474 116	29 993 738
Portfolio Analysis			
Designated at fair value through profit or loss	268 635	337 525	310 042
Amortised cost	30 044 238	31 136 591	29 683 696
	30 312 873	31 474 116	29 993 738

7. Advances continued

Analysis of total gross advances per impairment stage

Analysis of advances per class

31 December 2020

N$'000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	14 585 659	-	(345 219)	14 240 439
Vehicle asset finance	1 811 017	-	(97 468)	1 713 548
Total retail secured	16 396 675	-	(442 688)	15 953 987
Credit card	435 482	-	(19 192)	416 290
Personal loans	2 546 474	-	(200 874)	2 345 600
Other retail	484 151	-	(107 634)	376 517
Total retail unsecured	3 466 107	-	(327 700)	3 138 407
FNB Commercial	6 046 724	-	(484 272)	5 562 451
Commercial vehicle asset finance	1 383 486	-	(92 958)	1 290 528
RMB Corporate and Investment banking	4 151 401	268 635	(52 536)	4 367 499
Total corporate and commercial	11 581 611	268 635	(629 767)	11 220 479
Total advances	31 444 393	268 635	(1 400 155)	30 312 873

7. Advances continued

Analysis of total gross advances per impairment stage continued

Analysis of advances per class continued

31 December 2019

N$'000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	13 987 014	-	(202 117)	13 784 897
Vehicle asset finance	3 538 355	-	(83 713)	3 454 642
Total retail secured	17 525 369	-	(285 830)	17 239 539
Credit card	440 490	-	(48 407)	392 083
Personal loans	2 469 930	-	(122 466)	2 347 464
Other retail	572 400	-	(30 397)	542 003
Total retail unsecured	3 482 820	-	(201 270)	3 281 550
FNB Commercial	6 886 174	-	(286 213)	6 599 961
RMB Corporate banking	4 054 987	337 525	(39 446)	4 353 066
Total corporate and commercial	10 941 161	337 525	(325 659)	10 953 027
Total advances	31 949 350	337 525	(812 759)	31 474 116

7. Advances continued

Analysis of total gross advances per impairment stage continued

Analysis of advances per class continued

30 June 2020

N$'000	Amortised cost	Fair value through profit or loss	Loss allowance	Total
Residential mortgages	14 124 707	-	(309 943)	13 814 764
Vehicle asset finance	1 856 543	-	(101 383)	1 755 160
Total retail secured	15 981 250	-	(411 326)	15 569 924
Credit card	433 254	-	(29 063)	404 191
Personal loans	2 468 297	-	(164 867)	2 303 430
Other retail	472 677	-	(76 594)	396 083
Total retail unsecured	3 374 228	-	(270 524)	3 103 704
FNB Commercial	6 326 956	-	(431 046)	5 895 910
Commercial vehicle asset finance	1 481 700	-	(79 192)	1 402 508
RMB Corporate and Investment banking	3 761 096	310 042	(49 446)	4 021 691
Total corporate and commercial	11 569 752	310 042	(559 684)	11 320 109
Total	30 925 230	310 042	(1 241 534)	29 993 738

7. Advances continued

7.1 Impairment of advances

	Six month ended 31 December		Year ended 30 June
N$'000	2020	2019	2020
Increase in loss allowance	154 451	121 186	566 486
Recoveries of bad debts	(3 829)	(3 167)	(6 814)
Impairment of advances recognised during the period	150 622	118 019	559 672
Specfic / stage 3 impairments	132 281	99 675	283 710
Portfolio / stage 1 and stage 2 impairments	18 341	18 344	275 962
	150 622	118 019	559 672

7. Advances continued

7.1 Impairment of advances continued

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

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

7. Advances continued

7.1 Impairment of advances continued

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

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

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

7. Advances continued

7.1 Impairment of advances continued

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

	Gross advances			
N$000's	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 July 2019	28 833 788	1 324 617	844 604	31 003 009
Transfer between stages	(594 083)	318 665	275 418	-
Transfer to stage 1	689 531	(688 543)	(987)	-
Transfer to stage 2	(1 115 831)	1 146 111	(30 280)	-
Transfer to stage 3	(167 783)	(138 903)	306 685	-
Bad debts written off	-	-	(32 587)	(32 587)
New business and changes in exposure	1 187 714	148 773	(20 034)	1 316 453
Provision created / (released) for the current reporting period	-	-	-	-
Interest on stage 3 advances	-	-	-	-
Amount as at 31 December 2019	29 427 419	1 792 055	1 067 401	32 286 875

7. Advances continued

7.1 Impairment of advances continued

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

	Loss allowance			
N$000's	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 July 2019	189 173	166 650	349 252	705 075
Transfer between stages	18 398	(31 016)	12 618	-
Transfer to stage 1	38 221	(37 349)	(871)	-
Transfer to stage 2	(17 881)	22 515	(4 634)	-
Transfer to stage 3	(1 942)	(16 182)	18 123	-
Bad debts written off			(32 587)	(32 587)
New business and changes in exposure	-	-	-	-
Provision created / (released) for the current reporting period	(17 391)	48 354	90 223	121 186
Interest on stage 3 advances	-	-	19 083	19 083
Amount as at 31 December 2019	190 180	183 988	438 588	812 759

7. Advances continued

7.1 Impairment of advances continued

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

	Gross advances			
N$000's	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 July 2019	28 833 788	1 324 617	844 604	31 003 009
Transfer from Stage 1 to Stage 2	(1 807 817)	1 807 817	-	-
Transfer from Stage 1 to Stage 3	(40 333)	-	40 333	-
Transfer from Stage 2 to Stage 3	-	(16 851)	16 851	-
Transfer from Stage 2 to Stage 1	470 901	(470 901)	-	-
Opening balance after transfers	27 456 539	2 644 682	901 789	31 003 009
Current period provision created / (released)	-	-	-	-
Changes in exposure of back book in the current period				
- Attributed to change in measurement basis	-	-	-	-
- Attributed to change in risk parameters	-	-	-	-
Total new book exposure				
- Change in exposure due to new business in the current year	585 509	(820 917)	536 988	301 580
				-
Bad debts written off	-	-	(69 317)	(69 317)
Amount as at 30 June 2020	28 042 048	1 823 765	1 369 460	31 235 272
Amortised cost	27 732 006	1 823 765	1 369 460	30 925 230
Fair value	310 042	-	-	310 042

7. Advances continued

7.1 Impairment of advances continued

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

	Loss allowance			
N$000's	Stage 1	Stage 2	Stage 3	Total
Amount as at 1 July 2019	189 173	166 650	349 252	705 075
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	(20 386)	20 386	-	-
Transfer from Stage 2 to Stage 3	(436)	(1 853)	436	-
Transfer from Stage 2 to Stage 1	40 643	(40 643)	1 853	-
Opening balance after transfers	208 994	144 540	351 541	705 075
Current period provision created / (released)	161 153	118 987	325 636	605 776
Changes in exposure of back book in the current period				
- Attributed to change in measurement basis	-	72 623	-	72 623
- Attributed to change in risk parameters	90 256	(37 154)	323 135	376 237
Total new book exposure				
- Change in exposure due to new business in the current year	70 897	83 518	2 501	156 916
				-
Bad debts written off	-	-	(69 317)	(69 317)
Amount as at 30 June 2020	370 147	263 527	607 860	1 241 534
Amortised cost	368 568	263 527	607 860	1 239 955
Fair value	1 579	-	-	1 579

7. Advances continued

7.1 Impairment of advances continued

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

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

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

Macroeconomic factors for ECL disclosures

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

Scenario	Probability	Description
Baseline regime	31% (30 June 2020: 32%)	Assumes that global growth slows below trend, developed market (DM) inflation remains benign and interest rates turn more accommodative while domestic policy uncertainty reduces relative to 2019 and meaningful economic reform remains absent.
Upside regime	54% (30 June 2020: 53%)	Assumes that the global economy expands at a solid pace whilst DM inflation and interest rates lift gradually, and domestic policy certainty improves substantially, opening the door for positive economic reforms to drive growth higher.
Downside regime	15% (30 June 2020: 15%)	Assumes that the global economy slows down whilst DM inflation and interest rates lift. Increased policy uncertainty, a collapse in corporate governance at state-owned enterprises (SOEs), increased populism and fiscal recklessness drive Namibia's growth lower.

7. Advances continued

7.1 Impairment of advances continued

31 December 2020

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

30 June 2020

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

The Namibian economy has been in a recessionary environment since 2016, with GDP growth lagging far behind population growth. The COVID-19 pandemic and associated lockdown measures are expected to exacerbate this existing contraction in GDP growth with the economy contracting. While domestic economic activities have been allowed to resume since May 2020, the economy still faces a number of COVID-19 related pressures. Firstly, a global slowdown and falling external demand weighed on exports and export-dependent industries. Secondly, domestic demand is unlikely to rebound to significantly higher levels as consumer and investor confidence remains low due to the uncertainties surrounding COVID-19 in an already weak economic environment. Finally, the government faces significant funding constraints and is unable to provide enough fiscal support to lift activity meaningfully.

8. Deposits

8.1 Deposits and current accounts

N$'000	Six month ended 31 December 2020	Six month ended 31 December 2019	Year ended 30 June 2020
Category analysis			
Deposits from customers			
- Current accounts	12 827 092	10 876 629	12 222 443
- Call deposits	7 285 119	6 346 855	6 771 929
- Savings accounts	445 053	344 412	400 252
- Fixed and notice deposits	10 704 254	9 467 079	11 424 931
Debt securities			
- Negotiable certificates of deposit	4 662 402	7 969 147	7 064 014
- Fixed and floating rate notes	543 654	888 215	543 668
Total deposits	36 467 574	35 892 337	38 427 237

8.2 Due to banks and other financial institutions

To banks and financial institutions			
- In the normal course of business	804 964	611 501	117 948

9. Related parties

Related parties of the group defined, include:

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

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

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

9. Related parties continued

Detailed balances with relevant related parties appears below:

	Six month ended 31 December		Year ended 30 June
N$'000	2020	2019	2020
Deposits			
FirstRand SA group companies	113 599	617 186	2 332 216
Associates	-	37 957	-
Key management personnel	12 155	12 408	15 463
Advances			
FirstRand SA group companies	2 736 009	1 504 821	14 193
Associates	-	8 318	-
Key management personnel	14 660	17 499	17 860
Derivative assets			
FirstRand SA group companies	279 359	243 435	139 793
Derivative liabilities			
FirstRand SA group companies	224 271	119 824	407 275
Related party transactions:			
Interest paid to (received from) related parties:			
FirstRand SA group companies	(19 115)	37 994	(64 412)
Associates	-	720	720
Non-interest expenditure			
FirstRand SA group companies	164 891	175 980	347 552
Associates	-	8 469	17 780

10. Fair value measurements

10.1 Valuation methodology

In terms of IFRS, the group is required to or elects to measure certain assets and liabilities at fair value. The group has established control frameworks and processes to independently validate its valuation techniques and inputs used to determine its fair value measurements. Technical teams are responsible for the selection, implementation and any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established at an overall group level and are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval by the required technical teams, valuation committees, relevant risk committees and external auditors annually or more frequently if considered appropriate.

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

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

Recurring fair value measurements

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

Financial instruments

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

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

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

Non-recurring fair value measurements

Non-recurring fair value measurements are those triggered by particular circumstances and include the classification of assets and liabilities as non-current assets or disposal groups held for sale under IFRS 5 where fair value less costs to sell is the recoverable amount, IFRS 3 business combinations where assets and liabilities are measured at fair value at acquisition date, and IAS 36 impairments of assets where fair value less costs to sell is the recoverable amount. These fair value measurements are determined on a case by case basis as they occur within each reporting period.

10. Fair value measurements continued

10.1 Valuation methodology continued

Financial instruments not measured at fair value

Other fair value measurements include assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS e.g. financial instruments at amortised cost. The fair value for these items is determined by using observable quoted market prices where these are available, mostly intruments listed on JSE Debt market, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included on page 42, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

10.2 Fair value hierarchy and measurements

The 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 in the fair value hierarchy:

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs
Loans and advances to customers					
Investment banking book	Level 3	Discounted cash flows	Certain of the group's investment banking advances do not meet the requirements to be carried at amortised cost and are measured at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances. As such, these advances are classified as level 3 on the fair value hierarchy. Future cash flows are discounted using a market -related interest rate, adjusted for credit inputs.	Market interest rates and curves	Credit inputs

10. Fair value measurements continued

10.2 Fair value hierarchy and measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs
Investment securities and other investments					
Equities/ bonds listed in an inactive market	Level 2	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
Unlisted bonds	Level 2 and Level 3	Price earnings ("P/E") model	Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate.	Market transactions	Growth rates and P/E ratios
Negotiable certificates of deposit	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate. Inputs to these models include information that is consistent with similar market quoted instruments, where available	Market interest rates and curves	Not applicable
Treasury Bills	Level 2	JSE Debt market	The BESA bond pricing model uses the BESA mark to market bond yield.	Market interest rates and curves	Not applicable

10. Fair value measurements continued

10.2 Fair value hierarchy and measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs
Derivative financial instruments					
Deposits					
Call and non-term deposits	Level 2	None - the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand i.e. the undiscounted amount of the deposit.	None - the undiscounted amount approximates fair value and no valuation is performed	Not applicable
Deposits that represent collateral on credit linked notes	Level 3	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins is used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs on related advance
Other deposits	Level 2 and Level 3	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins is used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs, market risk and correlation factors

10. Fair value measurements continued

10.2 Fair value hierarchy and measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs
Other liabilities and Tier 2 liabilities	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Level 2 and Level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate and curves adjusted for credit inputs.	Market interest rates and curves	Credit inputs

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

For non-recurring fair value measurements, the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table. Where the underlying assets or liabilities are not items for which recurring fair value measurements are required, for example property and equipment or intangible assets, the carrying value is considered to be equal to 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 nonrecurring basis in the current and prior period.

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

10. Fair value measurements continued

10.2 Fair value hierarchy and measurements continued

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

31 December 2020

N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities	-	562 470	17 611	580 081
Advances	-	-	268 635	268 635
Derivative financial instruments	-	480 171	-	480 171
Total financial assets	-	1 042 641	286 246	1 328 887
Liabilities				
Recurring fair value measurements				
Short trading position	-	-	-	-
Derivative financial instruments	-	493 698	-	493 698
Other liabilities	-	-	40 312	40 312
Total financial liabilities	-	493 698	40 312	534 009

10. Fair value measurements continued

10.2 Fair value hierarchy and measurements continued

31 December 2019

N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities	-	592 743	69 710	662 453
Advances	-	-	337 525	337 525
Derivative financial instruments	-	350 934	-	350 934
Total financial assets	-	943 677	407 235	1 350 912
Liabilities				
Recurring fair value measurements				
Short trading position	61 772	-	-	61 772
Derivative financial instruments	-	369 123	-	369 123
Other Liabilities		-	40 312	40 312
Total financial liabilities	61 772	369 123	40 312	471 207

10. Fair value measurements continued

10.2 Fair value hierarchy and measurements continued

30 June 2020

N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities	-	474 981	21 929	496 910
Advances	-	-	310 042	310 042
Derivative financial instruments	-	519 294	-	519 294
Total financial assets	-	994 275	331 971	1 326 246
Liabilities				
Recurring fair value measurements				
Derivative financial instruments	-	534 035	-	534 035
Other Liabilities	-	-	607	607
Total financial liabilities	-	534 035	607	534 642

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

Changes in the group's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on statement of financial position and the movement in fair values recognised in the statement of comprehensive income. However, changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N$314 870 (2019: N$ 447 958) and using more negative reasonable possible assumptions to N$257 621 (2019: N$ 366 511). These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

10. Fair value measurements continued

10.2 Fair value hierarchy and measurements continued

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

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

(i) the value given by application of a valuation model, based upon the group's best estimate of the most appropriate model inputs;
(ii) any fair value adjustments to account for market features not included within valuation model (for example, bid mid spreads, counterparty credit spreads and / or market data uncertainty); and
(iii) day one profit or loss, or an unamortised element thereof, not recognised immediately in the income statement in accordance with the group's accounting policy, and separately detailed within the derivative note above.

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

Changes in level 3 fair value instruments

31 December 2020

N$000	Fair value on 30 June 2020	Gains or losses recognised in profit or loss	Purchases/ (sales)/ issues/ (settlements)	Fair value on 31 December 2020
Assets				
Advances	310 042	951	(42 358)	268 635
Investment securities	21 929	266	(4 584)	17 611
Total financial assets at fair value	331 971	1 217	(46 942)	286 246

10. Fair value measurements continued

10.2 Fair value hierarchy and measurements continued

Changes in level 3 fair value instruments continued

31 December 2019

N$000	Fair value on 30 June 2019	Gains or losses recognised in profit or loss	Purchases/ (sales)/ issues/ (settlements)	Fair value on 31 December 2019
Assets				
Advances	368 932	18 378	(49 785)	337 525
Investment securities	67 738	1 972	-	69 710
Total financial assets at fair value	436 670	20 350	(49 785)	407 235

30 June 2020

N$000	Fair value on 30 June 2019	Gains or losses recognised in profit or loss	Purchases/ (sales)/ issues/ (settlements)	Fair value on 30 June 2020
Assets				
Advances	368 932	43 408	(102 298)	310 042
Investment securities	67 738	(45 809)	-	21 929
Total financial assets at fair value	436 670	(2 401)	(102 298)	331 971

10. Fair value measurements continued

10.2 Fair value hierarchy and measurements continued

Unrealised gains or losses on level 3 instruments with recurring fair value measurements

The valuation model for level 3 assets or liabilities typically relies on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs. The table below presents the total gains (losses) relating to financial instrument classified in Level 3 that are still held on 31 December 2020. With the exception of interest on funding instruments all of these gains or losses are recognised in non interest revenue.

	Six months ended 31 December		Year ended 30 June
	2020	2019	2020
N$'000	Gains or losses recognised in profit or loss	Gains or losses recognised in profit or loss	Gains or losses recognised in profit or loss
Advances	951	18 378	43 408
Investment securities	266	1 972	(45 808)
	1 217	20 350	(2 400)

10. Fair value measurements continued

10.2 Fair value hierarchy and 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.

	31 December 2020		31 December 2019		30 June 2020	
N$'000	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Assets						
Cash and cash equivalents	1 427 041	1 427 041	1 302 901	1 302 901	1 115 109	1 115 109
Due from banks and other financial institutions	2 943 515	2 943 515	1 854 758	1 854 758	4 442 442	4 442 442
Investment securities at amortised cost	7 718 123	7 997 300	6 761 093	6 793 355	8 037 567	8 097 623
Total	42 395 178	42 670 126	38 235 209	38 193 226	37 727 390	37 773 090
Liabilities						
Deposits	36 467 574	36 454 934	35 892 337	35 679 423	38 427 237	38 429 200
Due to banks and other financial institutions	804 964	804 964	611 501	611 501	117 948	117 948
Tier 2 liabilities	402 820	408 724	402 856	402 895	402 774	405 282
Total	37 675 359	37 668 623	36 906 694	36 693 819	38 947 959	38 952 430

11. Contingent liabilities and capital commitments

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

12. Segment information

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

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

12. Segment information

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

N$'000	Six months ended 31 December 2019 FNB	RMB	FCC and other	Total
Income from operations	1 701 544	228 340	41 948	1 971 833
Profit for the period	516 463	87 611	19 673	623 747
Depreciation	66 541	40	216	66 797
Amortisation	591	-	6 990	7 582
Impairment charges	-	-	-	-
Advances	27 163 052	4 414 140	-	31 577 192
Investment securities	126 808	185 916	7 110 821	7 423 546
Total assets	22 454 253	7 156 505	14 229 430	43 840 188
Deposits	17 168 173	7 928 243	10 795 921	35 892 337
Total liabilities	21 652 011	7 048 814	10 079 377	38 780 202

12. Segment information continued

N$'000	Year ended 30 June 2020 FNB	RMB	FCC and other	Total
Income from operations	2 875 367	473 614	93 429	3 442 411
Profit for the period	700 674	178 871	(46 190)	833 356
Depreciation	124 735	129	944	125 811
Amortisation	591	-	14 220	14 808
Impairment charges	-	-	51 456	51 456
Advances	25 972 046	4 021 692	-	29 993 738
Investment securities	130 680	147 863	8 255 934	8 534 477
Total assets	24 413 574	8 453 097	13 001 000	45 867 671
Deposits	19 526 200	9 112 263	9 788 774	38 427 237
Total liabilities	23 450 547	8 223 845	9 193 043	40 867 435

Salient features of the group results

	Six months ended 31 December		Year ended 30 June
	2020	2019	2020
Financial statistics			
Headline earnings per share (cents)	212.8	236.1	331.8
Diluted headline earnings per share (cents)	212.8	236.1	331.8
- Ordinary dividends per share (cents) - paid	50.0	117.0	221.0
- Special dividends per share (cents) - paid	-	250.0	250.0
Number of shares in issue ('000) - ordinary*	261 449	261 449	261 449
Weighted number of shares in issue ('000) - ordinary*	261 449	261 352	261 441
* after consolidation of share trusts			
Net asset value per share (cents)	2 053	1 916	1 888
Closing share price (cents)	2 304	3 341	3 178
Market capitalisation (millions)	6 165	8 940	8 504
Price earnings ratio	5.4	7.1	10.1
Price to book ratio	1.1	1.7	1.7
Selected ratios			
Return on equity (%)	21.5	24.6	16.0
Return on average assets (%)	2.5	2.9	1.9
Cost to income ratio (%)	51.1	50.9	52.6

Capital adequacy
Banking Operations

	Six months ended 31 December		Year ended 30 June
N$'000	2020	2019	2020
Risk weighted assets			
Credit risk	26 223 972	25 244 050	26 149 501
Market risk	67 575	53 636	38 256
Operational risk	4 890 152	4 682 617	4 796 815
Total risk weighted assets	31 191 699	29 980 303	30 984 572
Regulatory capital			
Share capital and share premium	1 142 792	1 142 792	1 142 792
Retained profits	3 461 930	3 061 515	3 650 827
Other disclosed reserve	6 086	6 280	6 086
Capital impairment*	(88 371)	(87 072)	(81 349)
Total tier 1	4 522 437	4 123 515	4 718 356
Eligible subordinated debt	400 000	400 000	400 000
General risk reserve, including portfolio impairment	522 976	315 551	326 869
Current board approved profits	327 800	600 402	-
Total tier 2	1 251 149	1 315 953	726 869
Total tier 1 and tier 2 capital	5 773 213	5 439 468	5 445 225
Banking group			
Capital adequacy ratios			
Tier 1	14.5%	13.8%	15.2%
Tier 2	4.0%	4.3%	2.4%
Total	18.5%	18.1%	17.6%
Tier 1 leverage ratio	9.5%	9.1%	9.8%

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

Capital adequacy

Regulated consolidated group

N$'000	Six months ended 31 December 2020	Six months ended 31 December 2019	Year ended 30 June 2020
Risk weighted assets			
Credit risk	26 396 703	25 455 851	26 285 613
Market risk	67 575	53 636	38 256
Operational risk	5 002 104	4 790 637	4 915 351
Total risk weighted assets	31 466 382	30 300 124	31 239 220
Regulatory capital			
Share capital and share premium	282 148	282 148	282 148
Retained profits	4 536 447	4 285 310	4 792 448
Capital impairments*	(112 011)	(158 893)	(100 991)
Total tier 1	4 706 584	4 408 565	4 973 605
Eligible subordinated debt	400 000	400 000	400 000
Current board approved profits	522 976	600 402	-
General risk reserve, including portfolio impairment	327 942	315 551	327 011
Capital impairments*	(19 944)	(19 944)	(19 944)
Total tier 2	1 230 974	1 296 009	707 067
Total tier 1 and tier 2 capital	5 937 558	5 704 574	5 680 672
Consolidated group			
Capital adequacy ratios			
Tier 1	15.0%	14.5%	15.9%
Tier 2	3.9%	4.3%	2.3%
Total	18.9%	18.8%	18.2%
Tier 1 leverage ratio	10.5%	10.3%	10.8%

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

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