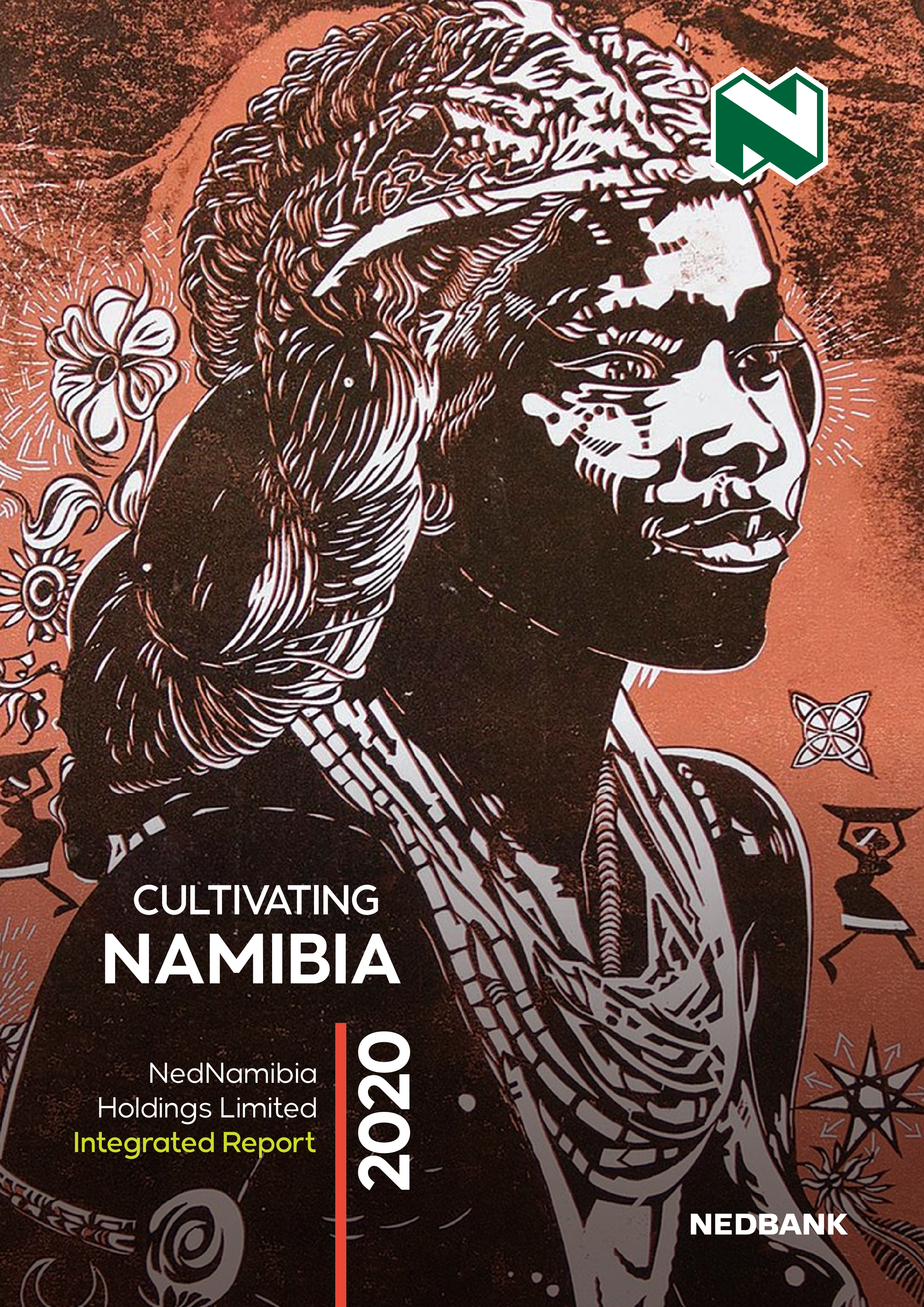
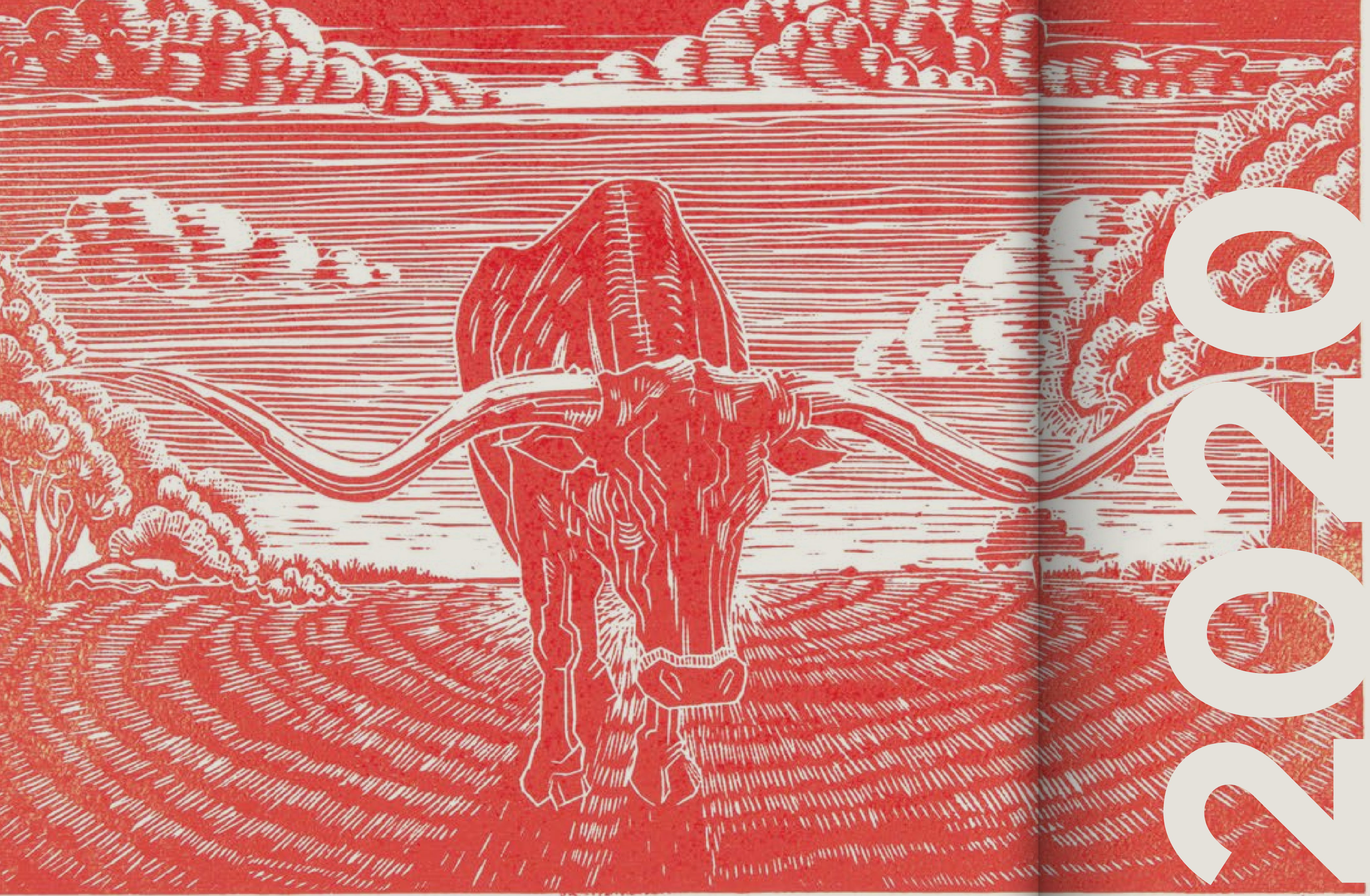


CULTIVATING NAMIBIA

NedNamibia Holdings Limited
Integrated Report

2020

NEDBANK



Petrus Amuthenu
Onani Bwaalala - red
2017
Linoleum block print on paper

FRONT COVER
Petrus Amuthenu
Balantu Woman
2017
Cardboard print on paper

Capturing the essence of Namibia

A culture of resilience

2020

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Lok Kandjengo
I Love Music
2015
Cardboard print on paper

GROUP PROFILE

Feeling the pulse

Touching the heart of the economy

We are geared to be future-fit and are building on our positive contribution to ensuring a sustainable Namibia.

NedNamibia Holdings Limited is the holding company for subsidiaries engaged in financial services including commercial and personal banking, corporate and specialised finance, personal lending, wealth management, life assurance, property and asset finance, foreign exchange and securities trading. The group has total assets of N$21,6 billion (2019: N$20,4 billion).

The principal subsidiary, Nedbank Namibia Limited, is a registered Namibian bank with assets of N$21 billion (2019: N$19,7 billion). Its quest to use its financial expertise to do good for individuals, families, businesses and communities is driven by an innovative approach to providing financial services, coupled with in-depth knowledge of the Namibian market, support for Namibian development, strong backing from its shareholder, and adherence to international best practice in risk management. It provides a full range of domestic and global services to individual, corporate and international clients through digital channels, a branch network and a business centre and head office in Windhoek and is positioned as an agile and resilient institution buoyed by a strong balance sheet.

NedNamibia Life Assurance Company Limited provides cover for clients, notably for their credit and overdraft commitments. NedPlan Insurance Brokers Namibia (Proprietary) Limited provides insurance brokerage services.

NedCapital Namibia, the specialist non-banking financial services unit within NedNamibia Holdings, offers specialised finance, syndication and advisory services to corporates, state-owned enterprises and empowerment entities. It is registered as an unlisted fund manager, allowing the establishment of a private equity fund to target opportunities in low-cost housing and tourism.

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We strive to boost the economy as a strong, secure and living bank.

DECREASE IN LOANS AND ADVANCES TO CLIENTS
1,14% ↓

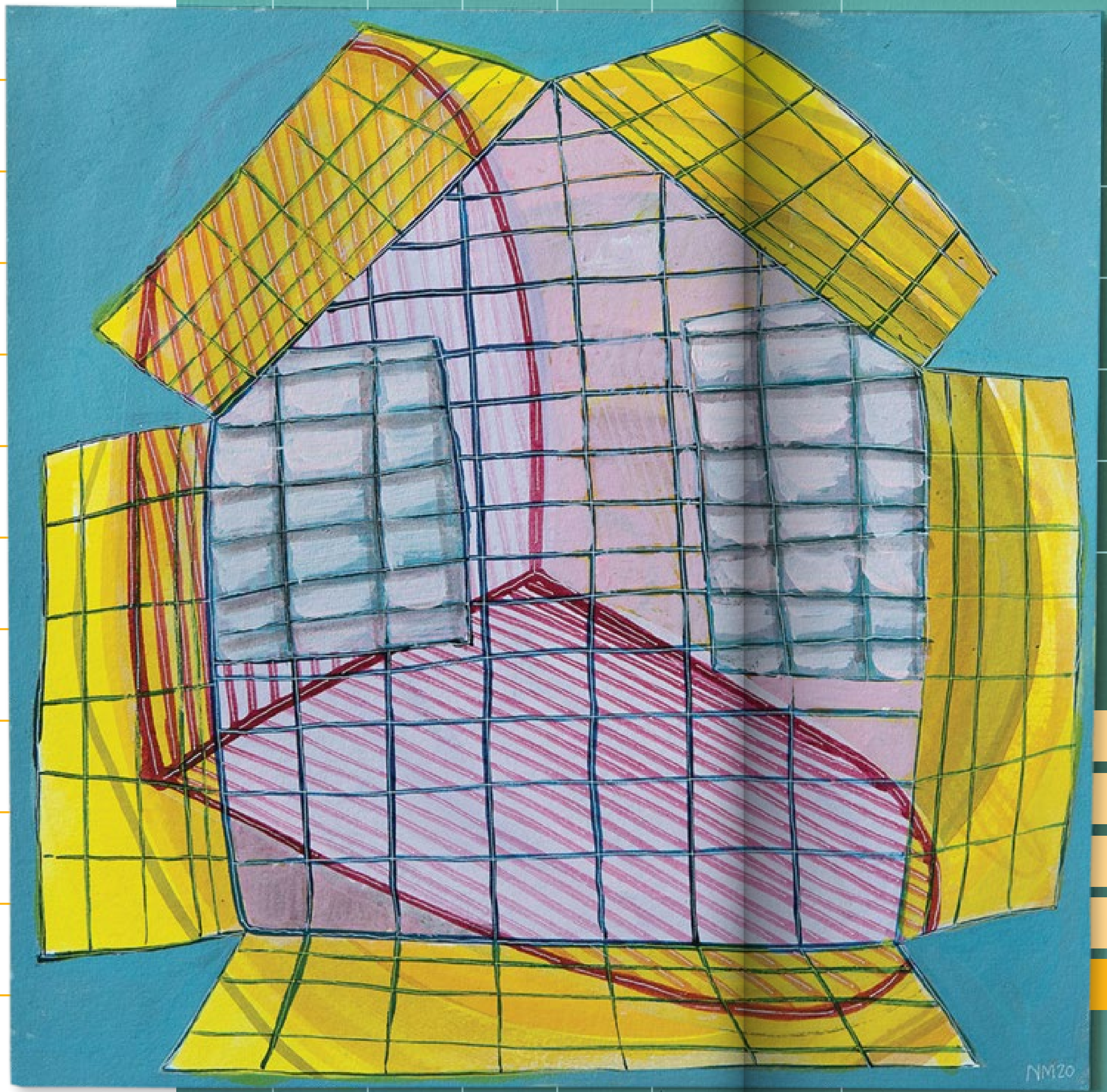
CAPITAL ADEQUACY RATIO
13,30% ↓

NET INTEREST INCOME DECREASED
13,61% ↓

NON-INTEREST REVENUE DECREASED
3,09% ↓

OPERATING EXPENSES INCREASED
5,00% ↑

PROFIT AFTER TAXATION DECREASED
64,37% ↓



Nicky Marais
Opening Up 9
2021
Acrylic and ink on paper

Safeguarding sound business

THE YEAR IN BRIEF

Group remains solidly capitalised after radical shift in strategy to ensure sound business operations through pandemic crisis

N$7,6 billion support for economy and clients in fifth consecutive year of downturn

Focus on health and safety of staff and clients and on initiatives to relieve plight of Namibians

Digital strategy successfully fast-tracked to enable clients to transact safely online

Higher impairment charge and credit loss ratio, severe decline in after tax profit reflect devastating pandemic fallout on economy

2016	3 160,3
2017	3 327,7
2018	3 702,8
2019	3 592,0
2020	3 544,0

NET ASSET VALUE PER SHARE (CENTS)

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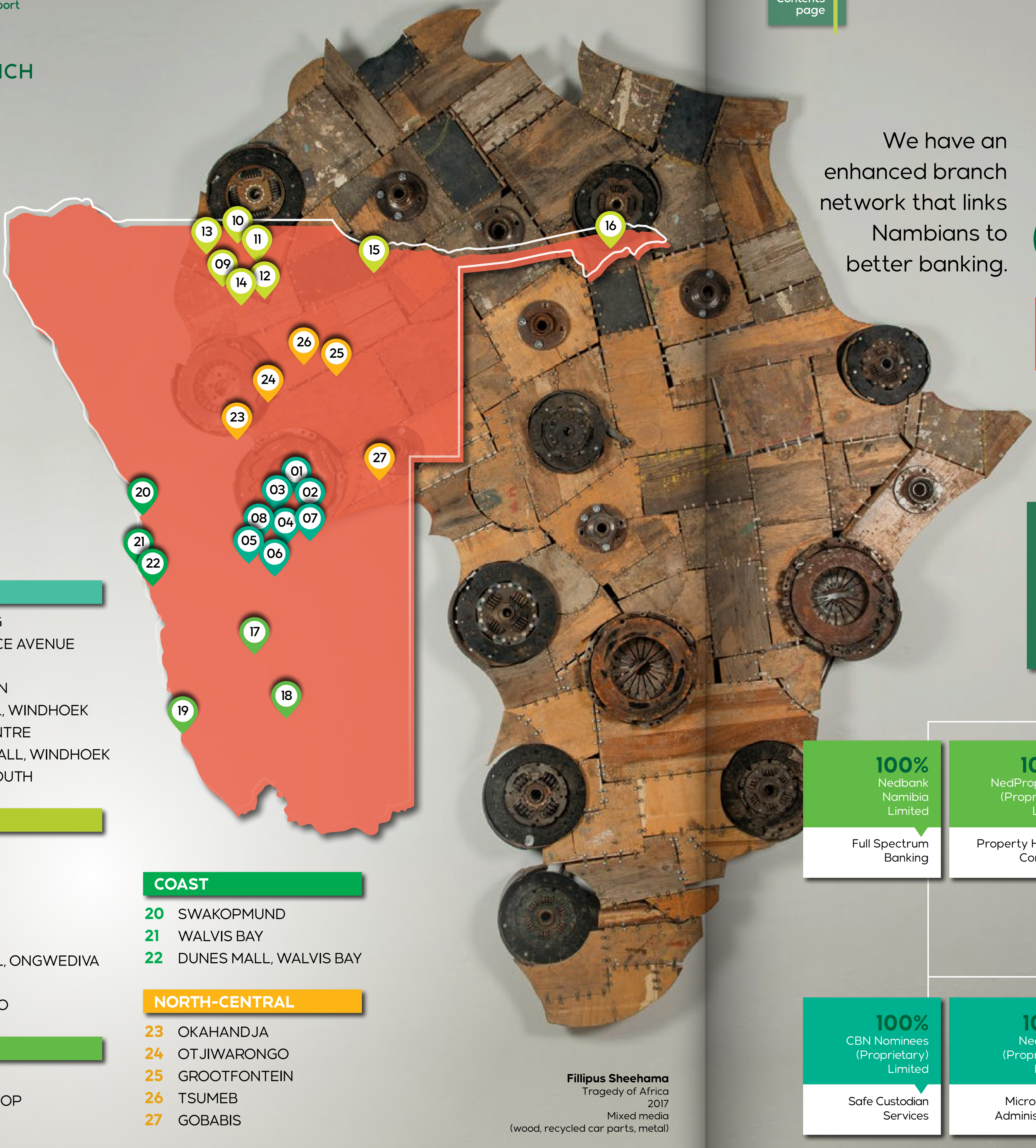
RETAIL BRANCH NETWORK



Fillipus Sheehama
Tragedy of Africa
2017
Mixed media
(wood, recycled car parts, metal)

WINDHOEK

01 AM WEINBERG
02 INDEPENDENCE AVENUE
03 KATUTURA
04 WERNHIL/MAIN
05 MAERUA MALL, WINDHOEK
06 BUSINESS CENTRE
07 THE GROVE MALL, WINDHOEK
08 WINDHOEK SOUTH

FAR NORTH

09 OSHAKATI
10 OSHIKANGO
11 EENHANA
12 ONDANGWA
13 OUTAPI
14 OSHANA MALL, ONGWEDIVA
15 RUNDU
16 KATIMA MULILO

SOUTH

17 REHOBOTH
18 KEETMANSHOOP
19 LUDERITZ

COAST

20 SWAKOPMUND
21 WALVIS BAY
22 DUNES MALL, WALVIS BAY

NORTH-CENTRAL

23 OKAHANDJA
24 OTJIWARONGO
25 GROOTFONTEIN
26 TSUMEB
27 GOBABIS

GROUP STRUCTURE

We have an enhanced branch network that links Nambians to better banking.

Connecting Namibia

Nedbank Group Limited

100% NedNamibia Holdings Limited

- 100% Nedbank Namibia Limited — Full Spectrum Banking
  - 100% CBN Nominees (Proprietary) Limited — Safe Custodian Services
  - 100% NedLoans (Proprietary) Limited — Microlending Administration
  - 50% Ten Kaiser Wilhelm Strasse (Proprietary) Limited — Property Holding
  - 50% Walvis Bay Land Syndicate (Proprietary) Limited — Property Holding
- 100% NedProperties (Proprietary) Limited — Property Holding Company
- 100% NedPlan Insurance Brokers Namibia (Proprietary) Limited — Insurance Broker
- 100% NedNamibia Life Assurance Company Limited — Long-term Insurance
- 100% NedCapital Namibia (Proprietary) Limited — Specialised Financial Service

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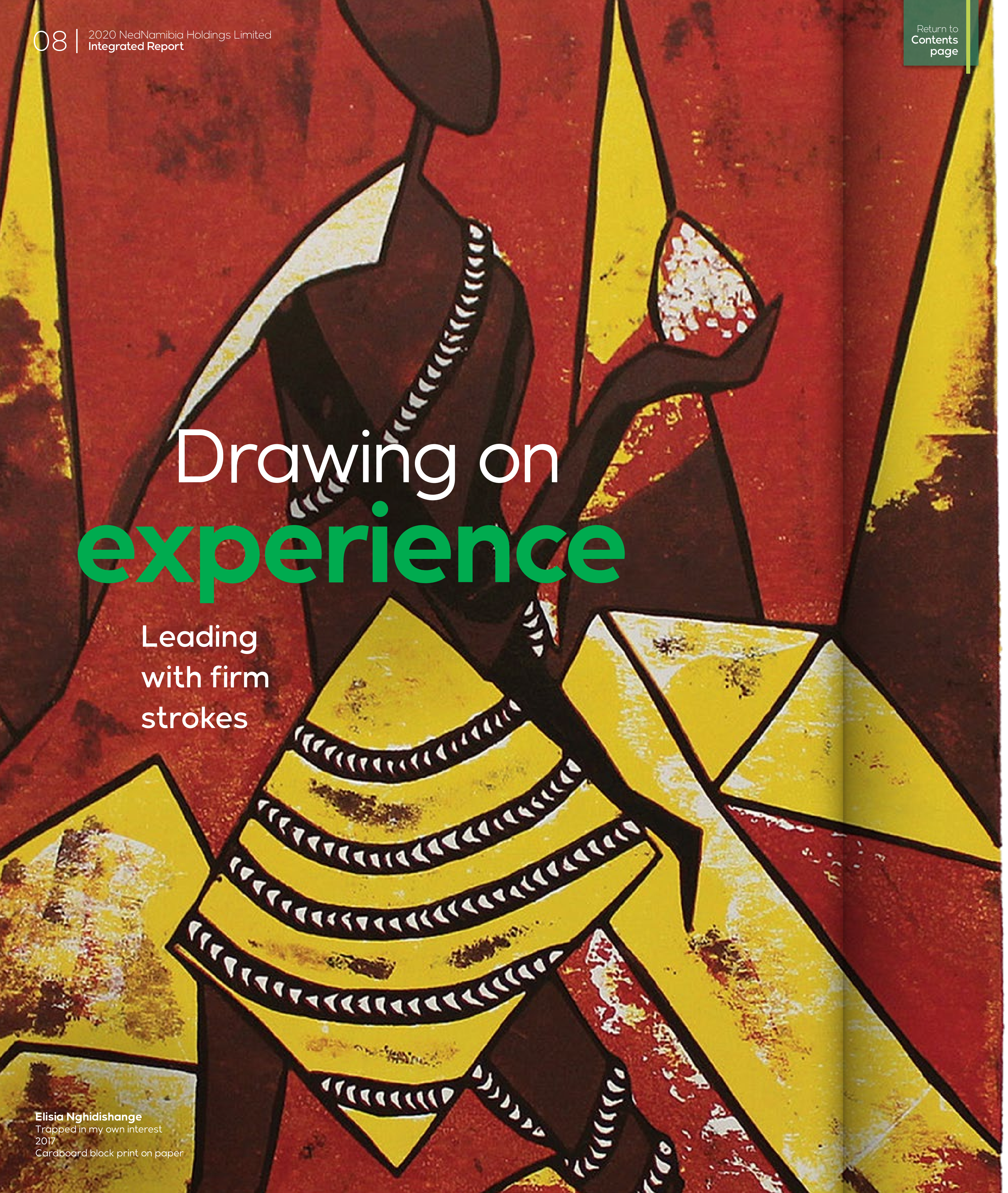

Drawing on experience

Leading with firm strokes

Elisia Nghidishange
Trapped in my own interest
2017
Cardboard block print on paper

BOARD OF DIRECTORS

Sebulon I **Kankondi**

CHAIRPERSON

Post-graduate degree: Business Administration (Unisa)

Kankondi served on the nomination, acquisition and risk board committees and was Executive (chairperson) Director of several Bidvest Namibia subsidiaries. He rejoined Bidvest Namibia after he spent six years as the Managing Director of the Namibia Ports Authority. He was trained as a Mechanical engineer and holds a degree in Business Administration. He has also successfully completed UCT and Stellenbosch Business School Programmes in marketing and business management and leadership. He took part in more than three assignments in the Middle East, Norway and the USA, exposing him to modern management practices in freight and logistics.

Martha **Murorua**

MANAGING DIRECTOR

MBA(Stellenbosch University), BAcc (Unam, Nat Dip Commerce (NUST)

Martha Murorua succeeds the previous Nedbank Namibia MD Lionel Matthews, who announced his early retirement at the end of March 2020. Murorua is a dynamic leader, who is passionate about Namibia and growing its economy. Murorua is an MBA graduate with over 26 years of experience predominantly in financial services. In her previous role, she held the position of Executive Officer: Consumer Banking at one of Namibia's largest commercial banks. Prior to that, Murorua spent 10 years with Old Mutual Namibia in various roles that included Finance and Operations Manager: Retail Mass Market, Retail Mass Executive Manager and Head of Lending: Business and strategic initiative executive. Her formative years were spent in the audit profession with PwC and TransNamib Limited.

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BOARD OF DIRECTORS

Peter C W **Hibbit**

INDEPENDENT NON-EXECUTIVE DIRECTOR

BCom, HDip in Tax (University of the Witwatersrand, SA), CA (SA), Advanced Management Programme (Harvard University, USA)

He has held numerous senior positions during his 32 years' career as a chartered accountant, among others as audit partner at Pim Goldby (now Deloitte & Touche), General Manager: Finance and Accounting at The SA Permanent Building Society, Divisional Director: Management Services at Nedbank, Financial Director at Imperial Bank, Group Financial Director of Regent Insurance and Group Financial Director of Associated Motor Holdings. He retired from the accounting profession at the end of 2014.

Trophimus T **Hiwilepo**

RISK AND CAPITAL MANAGEMENT COMMITTEE CHAIRPERSON
INDEPENDENT NON-EXECUTIVE DIRECTOR

BSc (University of the Western Cape, SA)

Trophimus is an information technology professional with extensive experience in leading, managing and planning as well as operational and technical expertise in information technology and services, infrastructure and business systems.

Talita B **Horn**

AUDIT COMMITTEE CHAIRPERSON
INDEPENDENT NON-EXECUTIVE DIRECTOR

CA (Nam), CIA, BCompt, ND in Hotel Management

Leading up to her partnership in a big 4 firm, Talita gained extensive experience in her audit career in South Africa, the UK and locally across a wide range of industries in the technology, information and entertainment sectors, and most notably, in the financial services sector, where she was responsible for managing the audits of banks and insurance companies. By the time she withdrew from partnership to support the Namibian economy in the public sector, she had gained years of experience in internal audit, governance and risk. She joined the hospitality sector as Chief Financial Officer of a state-owned enterprise.

Haroldt H **Urib**

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dip (Development Studies and Management), Master of Arts (Law and Political Science), DEA Post grad (Political Science)

Haroldt is an entrepreneur and former senior executive who has developed and built businesses from start-up and established strong capacity in transformation consulting, strategic advice, and IT project management and training. He has a record of success in planning, developing and implementing programmes for the Namibian Government that delivered drastic increases in trade and investments. He is recognised for achievements in policy formulation and implementation, as well as in multilateral diplomacy and investment promotion in areas such as IT, financial services, agriculture and mining. He has extensive knowledge of the business, culture, recent history and political environment of Southern Africa.

JG **van Graan**

CHIEF FINANCIAL OFFICER

BAcc (Hons), CA (Nam)

Johannes joined the group as Chief Financial Officer in July 2018 from Ernst & Young ('EY'), where he was a partner of the Namibian and African firms. His role included leading the advisory practice and financial services sector in Namibia. A BAcc (Hons) graduate of the University of Stellenbosch (SA), in Namibia, he is a registered chartered accountant with the Institute of Chartered Accountants of Namibia and Auditors Board, a member of the Professional Accountants and an associate member of the Institute of Internal Auditors. He joined EY Namibia in 2007, before moving to Rossing Uranium as Finance Manager in 2012. He returned to EY in 2015 and has had extensive experience in financial services and in the commercial sector with major Namibian corporates.

Terence G **Sibiya**

NON-EXECUTIVE DIRECTOR

BSc Information and Decision Systems (Carnegie Mellon University, USA), MSc Instructional Systems Design and Technology, PhD Systems Design and Technology (University of Pittsburgh, USA)

Effective April 2018, Dr Sibiya was appointed the Nedbank Managing Executive: Nedbank Africa Regions. He is responsible for leading and managing the Nedbank Africa Regions' businesses to ensure that they grow and achieve the key strategic objectives of building scale, increasing market share as well as the share of contribution to the group's earnings, and generating returns in excess of the cost of equity. Until his appointment to his current role, Terence was the Managing Executive: Client Coverage of Nedbank Corporate and Investment Bank. Terence was appointed as a member of Nedbank Group Exco on 1 April 2020.

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EXECUTIVE COMMITTEE

We add value through a blend of experience and new insight.

Transforming **banking**

Martha **Murorua**

MANAGING DIRECTOR

Martha Murorua, an MBA graduate with over 26 years of experience mainly in financial services, was appointed Managing Director of NedNamibia Holdings and Nedbank Namibia in July 2020 in succession to Lionel Matthews who retired in March 2020. She previously was Executive Officer: Consumer Banking at First National Bank of Namibia. Before that, she spent 10 years with Old Mutual Namibia in various roles that included Strategic Initiative Executive, Retail Mass Executive Manager and Head of Lending Business and Finance and Operations Manager. She previously worked in the audit profession with PwC, TransNamib Limited and Ministry of Trade and Industry. In addition to her MBA in 2009 from the University of Stellenbosch, she obtained a Bachelor of Accounting degree in 2000, from the University of Namibia, and a National Diploma in Commerce, from the Polytechnic of Namibia, in 1995.

Karl-Stefan **Altmann**

EXECUTIVE: CORPORATE AND INVESTMENT BANKING AND TREASURY

(resigned – 31 March 2020)

A graduate of Stellenbosch University and honours graduate in accounting from the University of South Africa, Karl-Stefan is a member of both the SA Institute of Chartered Accountants and the Institute of Chartered Accountants of Namibia. His career in banking began after a five-year spell as an audit manager with Deloitte and Touche, whose clients included Nedbank Namibia. It has covered appointments as Financial Manager, Senior Financial Manager and Chief Financial Officer at Nedbank Namibia and Head of Finance at ABSA Namibia as well as short-term assignments in Tanzania and Zambia. He was appointed to lead the Corporate and Investment Banking and Treasury franchise in 2018.

Victor **Ashikoto**

CHIEF OPERATING OFFICER

Victor Ashikoto, who was appointed Chief Operating Officer of Nedbank Namibia in June 2020, has almost two decades' working experience in senior roles across the banking, telecommunications, transport and energy sectors. He helps guide the alignment of Nedbank's strategy to key national initiatives, including the setting up of innovation, technology and payment capabilities and functionality within the organisation. He holds an MBA degree from the University of Stellenbosch, a BTech Information Technology degree from the Namibia University of Science and Technology, as well as other qualifications in project management, leadership and general management.

Richard **Meeks**

EXECUTIVE: RETAIL AND BUSINESS BANKING

Richard, who joined Nedbank Namibia as Chief Operating Officer in May 2015, began his banking career at the Bank of Credit and Commerce International in London in 1988. He migrated to South Africa in 1990 and joined Standard Bank where he served in various management roles in retail and commercial banking operations before being assigned to Standard Bank Namibia in 2004 as Head of Operations. In 2009 he was appointed as project director for the localisation of Standard Bank Namibia's core banking system and delivery of a full-service banking solution. He was reappointed as Head of Operations in 2013, serving as a member of Standard Bank Namibia's exco. He was appointed as Head of the Nedbank Namibia Retail and Business Banking franchise in 2018.

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EXECUTIVE COMMITTEE

JG **van Graan**

EXECUTIVE: CHIEF FINANCIAL OFFICER

JG joined the group as Chief Financial Officer in July 2018 from Ernst & Young (EY), where he was a partner of the Namibian and African firms and leader of advisory services and of the financial services sector for EY Namibia. A BAcc Hons graduate of the University of Stellenbosch in South Africa, he is registered as a chartered accountant with the Institute of Chartered Accountants in Namibia. He first joined EY Namibia in 2007 and occupied various senior management roles before moving to Rossing Uranium as manager, Business Controls/Financial Manager in 2012. He returned to EY in 2015 and has had extensive experience in financial services and in the commercial sector with listed and other major Namibian corporates.

Francois **Booysen**

EXECUTIVE: CREDIT AND MARKET RISK

Francois Booysen joined Nedbank Namibia as Executive: Credit and Market Risk in October 2020 after serving as Group Executive responsible for the Groupwide audit function and as a member of the audit and risk board committees within FirstRand Namibia Holdings. He was previously Head of Credit at FirstRand Namibia Holdings, one of various specialist credit, risk and audit functions he held in a distinguished career spanning three decades with the FirstRand Group and its subsidiary First National Bank, both in Namibia and South Africa. A BComm graduate of the University of Pretoria, Francois is a certified associate of the Institute of Bankers and a certified internal and financial services auditor of the Institute of Internal Auditors SA.

Biniam **Ghirmatsion**

EXECUTIVE: WEALTH MANAGEMENT AND BANCASSURANCE

A graduate of the University of Asmara in Eritrea, Biniam joined Nedbank Namibia in 2015 as the Head of Finance and was appointed to his current position in 2019. After graduation in Eritrea, he moved to South Africa to further his studies and completed an honours degree in accounting at the University of Free State and a master's degree in financial management at the University of Cape Town. He qualified as a Chartered Accountant in 2010. After working at an asset management company in South Africa, he moved to Namibia where he initially worked as Head of Financial reporting at another financial institution, before joining Nedbank Namibia.

Faith **Cloete**

HEAD: HUMAN CAPITAL AND STRATEGY

Faith Cloete joined Nedbank Namibia in 2006 as Human Resources Consultant after a 13-year career at the Namibian Broadcasting Corporation (NBC) where she served in various HR roles before being appointed as Human Resources consultant. She was promoted to Senior Manager: HR during 2014 and then appointed as Head: Human Capital in 2018. Faith completed her BTech Degree in Human Resources Management at Polytechnic of Namibia, the Senior Management Programme (SMP) at GIBS and was honoured as Nedbank's Top Achiever during 2012.

Christoffer **Chipeio**

HEAD: COMPLIANCE, GOVERNANCE AND COMPANY SECRETARY

Christoffer, an admitted legal practitioner in the High Court of Namibia, is a LLB graduate of Stellenbosch University, South Africa and also holds a Diploma in Compliance Management from the University of Johannesburg. He has completed certificates in compliance management, anti-money laundering and corporate governance. He joined Nedbank Namibia in 2013 and has served as Insurance Risk Analyst; Legal advisor; Head: Legal; Head: Legal, Governance and Compliance; and Retail Area Manager before assuming his current post. In these roles, he has contributed to the enhancement of the risk management team of the NNH Group and to the effectiveness of the Executive team as well as the Board of Directors.

Annette **Stafford-Evans**

CHIEF RISK OFFICER

Annette, who has served as Head: Credit of Nedbank Namibia and as Executive: Credit and Market Risk before becoming Chief Risk Officer, is a Chartered Accountant CA(SA). She also holds post-graduate qualifications as a Certified Risk Analyst (CRA), registered with the International Academy of Business and Financial Management (IABFM) and the Global Association of Risk Professionals (GARP).

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The focus at our main subsidiary, Nedbank Namibia, to engage clients on support and relief and to remain liquid and well capitalised through the crisis has, I believe, given clients peace of mind and trust that **together we can rise** from this pandemic and rebuild a more robust Namibia.

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CHAIRPERSON'S REPORT

The period under review is a clear testimony that change is constant. It is a clear and present demonstration that only those that accept change will survive the challenges and the consequences of change. The challenges brought upon us by the Covid-19 pandemic can only be dealt with with the full acceptance of the new reality. We at Nedbank Namibia should exercise our willingness and fitness to deal with the reality of the present moment. This will ensure continuity of relevance to our markets.

Emotional pain. Ill-health. Loss of lives. Personal loss. Recession. Falling revenues. Wage cuts. Business closures, many of them family-owned. Job losses. Rising unemployment. The toll exacted by the Covid-19 pandemic and lockdown restrictions is world-wide as is uncertainty about the future path of the virus and the resurgence of its spread and variants.

In Namibia, measures to contain the virus took hold when the economy was at its weakest since independence. A government stimulus package and a reduction by the Bank of Namibia of the repo rate to a historic low did little to spur economic activity. The group, buoyed by a strong balance sheet and governed by its business continuity plan, switched focus to ensure health and safety of staff and clients and that it was able to continue supporting clients across the personal and business spectrum.

Priorities which group leadership tackled with resolute intent demanded compliance with regulatory directives, helping maintain a stable banking environment, managing and re-imagining the business activities to keep the organisation resilient, through individualised client support and relief, and mitigating operational and system security risk. The drive for digital enablement so clients could access banking solutions with minimal disruption and for mobility to work and transact remotely posed security, governance and policy issues and added to the challenges to which group leadership and staff responded well.

Despite determined efforts to lift the economy, Namibia ended the year with severe contractions across the key sectors – in manufacturing, diamond mining, agriculture, forestry and fishing, and beverage production. Lockdown restrictions hit the tourism sector hard, crushing the hotel and restaurant industry and severely shrinking land and air transport services, car rental companies, tour operators and related financial and telecommunication services.

The disruption of economic activities and the burden on consumers were further reflected in contractions in vehicle sales, house prices and the wholesale retail trade. Job losses drove the ranks of the unemployed even higher. To alleviate the plight of Namibians and mitigate the effect of the pandemic and lockdowns, the group contributed generously to projects for public health, poverty relief, youth development and financial literacy – contributions which are detailed in the report called, Making a difference in a pandemic.

In line with the impact on Namibians, the economy and indeed on other institutions, the group did not escape unscathed. While fortunately ensuring health of staff, operational stability and tailored support and relief for clients, the group's financial performance dipped severely and is detailed in the following Chief Financial Officer's report. Profit after tax declined significantly and the credit loss ratio and impairments at Nedbank Namibia reached unprecedented levels.

While navigating through the crisis, the group also had to contend with a further welter of new compliance and regulatory requirements, adding again to the cost and effort demanded by increased regulatory scrutiny. This was nevertheless met with collaborative efforts from management to provide examiners with the necessary information in a systematic and timely fashion, and engagement with the regulator has been supportive and accommodative. We do however expect the regulatory and legislative environment to be even more restrictive, thus increasing the cost of compliance and placing greater reliance on automation and technological tools to monitor compliance.

The tone of regulators and their regulatory and legislative approach is such that social, conduct, sustainability, human rights and environmental issues are to be respected and prioritised. The board's commitment to the highest standards of business conduct led to a material amendment of the Nedloans offering and product – a move which was a first by a financial institution to embed fair treatment of clients and came ahead of pending legislation. Further support for consumer protection came with the launch of a new edition of the Nedbank Financial Literacy booklet, aimed at empowering Namibians to make better informed financial decisions.

In line with the targets set by the Financial Sector Charter for local ownership of banks, commitments have been made to meet the standards for localisation. These follow the ground-breaking 2006 transaction transferring 11,13% of NedNamibia Holdings to black Namibians. The group's social and environmental policy has set standards to support and promote sustainable development and to protect assets and the interests of shareholders, stakeholders and clients.

Just as Namibian society – from government, under pressure from lost support over poverty alleviation, unemployment, land reform and housing shortages, down to the beleaguered man in the street – has relooked at finances and priorities, so too has the group looked at its role and operations through a new lens and with fresh energy. It has thoroughly reframed problems and opportunities from the client's perspective, successfully fast tracked its digital strategy with innovations in product, process automation and optimisation and robustly tested the business continuity plan. A stronger resilient team under new leadership has improved effective communication enterprisewide and culture and change management and ensured network stability.

Outlook

Management and staff have shown they are steadfastly geared for the challenges in the year ahead, with risk management in this time of crisis soundly positioned to retain client trust and ensure the stability of the financial system. Given that the Namibian economy entered the Covid-19 period in an anemic state, which is likely to be prolonged, at best only a slow recovery of consumption and investment and by implication economic growth can be expected in 2022. Generating gross domestic product growth will rely heavily on government policies to attract foreign direct investment and how quickly key sectors such as tourism can recover. The focus at our main subsidiary, Nedbank Namibia, to engage clients on support and relief and to remain liquid and well capitalised through the crisis has, I believe, given clients peace of mind and trust that together we can rise from this pandemic and rebuild a more robust Namibia.

Appreciation

The board joins me in expressing our sincere appreciation of the outstanding efforts of management and staff in the most trying of circumstances. Working on rotation and remotely has posed peculiar and difficult challenges and their response in delivering a performance that has bettered and matched key metrics of our peers deserves the highest commendation. As a newcomer to the group, I am immensely proud to be associated with people who have shown the best of qualities in providing financial services to Namibians. We greatly appreciate the continued support of our clients as well as the contribution of our suppliers and business partners. We continue to be grateful for the constructive engagement we enjoy with the regulatory authorities, and for the guidance we have from committed Namibians for initiatives for social investment and sustainable development. Having joined the board during the year, I am indebted to my predecessor as chairperson, Peter Hibbitt, and my fellow directors for helping me discharge my responsibilities with their well-considered and wise counsel.

Sebby **Kankondi**

CHAIRPERSON

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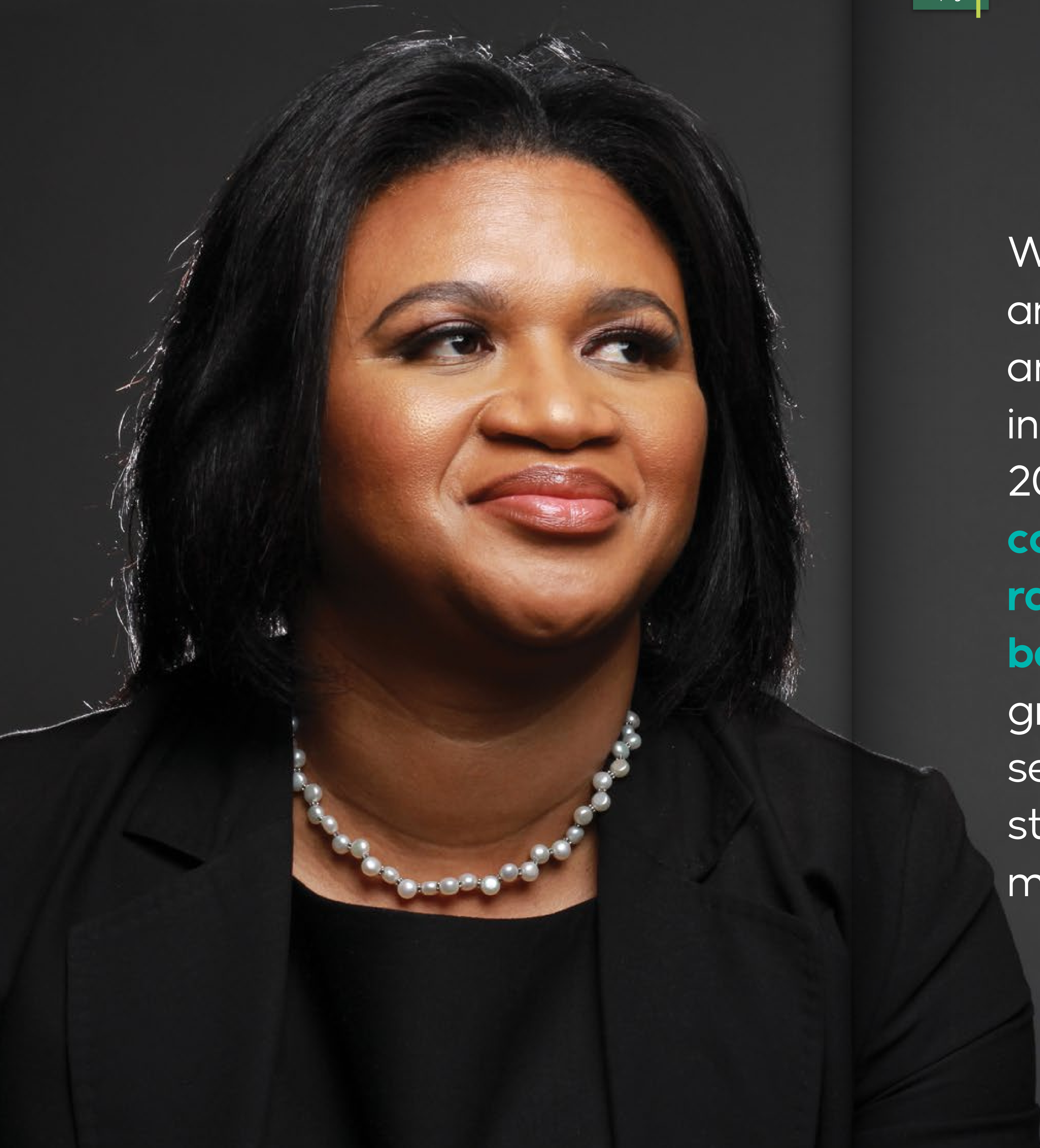

MANAGING DIRECTOR'S REVIEW

We expect 2021 to be yet another difficult year and anticipate a turnaround in the economy only in 2022. Nonetheless we are **committed to helping rapidly build a clear road back** to the kind of economic growth and prosperity last seen in 2015 and believe our strategies can contribute meaningfully to this.

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MANAGING DIRECTOR'S REVIEW

After yet another year of contraction in the domestic economy in 2019, the group had a solid start to 2020 and was on course to improve returns and headline earnings.

That was abruptly undone by the impact of the Covid-19 pandemic which prompted implementation of our business continuity plan. Resilience was our watchword as we radically shifted strategy to ensure sound business operations of Nedbank Namibia and NedLife Assurance; team splits, staff rotation and working from home became a norm. Beyond a priority focus on health and safety of our staff and clients, we acted swiftly to:

- preserve capital, ensure liquidity and systems stability;
- support the package announced by the Bank of Namibia and the government to provide economic stimulus and relief to Namibians beset by job losses and a further severe slowdown in the economy;
- advise clients directly on credit relief measures and offers of payment holidays;
- get clients firmly enabled on digital channels so they could bank safely from their own locations;
- provide support to government and individuals, families and communities who were at risk or vulnerable; and
- implement an aggressive cost discipline.

The scope of these efforts, driven by a dedicated leadership and committed employees, is detailed in the following reports of the chief financial and chief risk officers and of our social investment activity, making a difference in a pandemic. That we succeeded is reflected in the containing of virus infection rates among employees and the recoveries of all those infected; in ending the year with a capital adequacy ratio of 13,3%, well above the statutory requirement; a step-up in our digital offering; and a positive reception of our relief measures and our engagement with clients.

To help individuals and companies through the lockdown, and build on Bank of Namibia initiatives such as a reduction in the repo rate to 3,75%, Nedbank Namibia supported the economy through credit extensions to accountholders in the amount of N$7,6 billion, 58% of which was for the benefit of individuals who submitted more than 1 500 credit relief applications. While we engaged with clients on debt restructuring, and helped where we could, we nevertheless reinforced sound credit principles, soberly assessed new applications and strengthened collections resources.

In reimagining our operations, we exploited digital enablement and took the opportunity to test the efficacy of our business continuity plan (BCP). The business continuity plan steering committee, meeting weekly, produced innovative improvements to processes and sought assurance from suppliers of the robustness of their own BCPs. The committee also identified the need for a strengthening of end-to-end communication across the business.

It was nonetheless a year that saw the fallout of the pandemic wreak havoc in the Namibian economy, with a contraction of 7,3% anticipated. Non-performing loans at Nedbank Namibia, notably in the home loan book, were up by 52%; impairments doubled; and the credit loss ratio skyrocketed. Growth in private sector credit extension continued to fall. Vehicle sales were at their lowest level since 2004. Our asset-based finance activity contracted by 24%.

Against this sobering backdrop, Nedbank Namibia delivered innovative market-leading client experiences. It revolutionised the process of opening a bank account with the introduction of IdentityToday (IDToday), a digital identity management platform. This allows for the remote submission of the regulatory proof of identity documents that a prospective client needs to submit before a bank account may be opened for them. IDToday essentially allows clients to open a bank account on their phone by taking a selfie.

We also increased our retail CashOut points with the acquisition of transactional banking relationships with two big retailers in the Namibian market, the Woermann Brock and Pupkewitz groups. CashOut, which allows Nedbank clients to withdraw cash from a supermarket cashier, continued to show strong growth with Ohangwena, Khomas, Oshana, Oshikoto and Omusati regions accounting for most transactions and value.

A newly launched Send Money service which allows clients to send funds from Nedbank transactional accounts to anyone with a valid Namibian cell number by using cellphone banking, online banking or the Nedbank Money app, got off to a robust start.

The move to digital channels to service clients and the drive to reduce branch infrastructure saw three branches closed. The bank footprint was enhanced with the upgrading of four ATMs and addition of an ATM.

The acquisition of two major retailers as clients was one of the milestones for Corporate and Investment Banking (CIB). It reported 26% growth in assets, the N$450 million target being exceeded by N$160 million, and qualifying liquid assets were above regulatory limit. An average margin of 3% was achieved for the bank. A Treasury trading desk responsible for generating non-interest revenue for the money market desk exceeded budget. Retail funding was also ahead of the N$375 million budget. CIB's electronic banking platform was enhanced and among improvements a collection module was initiated.

In fulfilling Nedbank Namibia's role as lead arranger for the Ongos Valley development in Windhoek, CIB raised more than N$700 million for the first phase of the project which, when fully completed, will provide 28 100 residential units to lower- and middle-income markets. Another major transaction helping to grow the economy was the provision of N$260 million financing for a modern fish factory for Hangana Seafood at Walvis Bay, allowing the company to boost total processing capacity and its basket of offerings.

NedCapital Namibia won approval as an unlisted fund manager, allowing the establishment of a private equity fund to target opportunities in low-cost housing and tourism.

Despite the lockdown restrictions on mobility, an expanded sales force at Nedlife was still able to reach more clients and achieve a 28% increase in new business. The funeral plan business also performed well with a premium income increase of 38% on the 2019 figure. Private Wealth gained a significant number of clients and achieved budget through a growing reputation for comprehensive and rapid client service with enhanced offerings.

Within existing business in Bancassurance, there were significant lapses and cancellations of insurance policies. Clients with unpaid and lapsed policies were contacted to arrange payment holidays and continued cover through a smaller premium for a smaller insured amount.

Nedbank is one of the first financial institutions to fully introduce market conduct principles in Nedloans business, which resulted in personal loans business contracting by 10,5% as a result of lower volume of loans granted due to affordability of customers in term of the principles.

This also saw Nedloans dispense with credit insurance and ensure clients were treated fairly by charging them rates in line with their risk rating. This came as Namibia awaited the gazetting of the Financial Institutions and Markets (FIM) Bill which seeks to foster the highest standards of conduct of business by financial institutions and financial intermediaries.

This approach to market conduct helped Nedbank Namibia to set the benchmarks in the metrics guiding brand sentiment in banking. This leading position was also influenced by the positive reception of social investment initiatives to support staff, clients and communities. Another contributory factor was our direct and individual communication to clients on credit relief measures in contrast to other institutions which sought to make capital out of public announcement of their measures. The FIM Bill, when gazetted, will add to the burden of cost, pressure and effort demanded of banks to meet regulatory and compliance requirements.

Major changes in this area ranged from a revised determination on Basel 111 minimum capital requirements and a proposed revision of a determination on issuing of electronic money in Namibia to determinations on standards for basic bank accounts and cash deposit fees and on standards for fees and charges.

Looking ahead

The key elements of our short-term strategy pivot – preserving capital, ensuring we remain in a strong liquid position, and supporting staff and clients through the pandemic crisis – were well executed over the year. We can be proud of our business for what it has done. However, our long-term goals of driving digital enablement, targeting primary account growth to generate non-interest revenue, reducing cost and our cost to serve by scaling back physical infrastructure have not changed; so too our pre Covid-19 strategic intent of sustainably delivering returns above cost of equity.

With that in mind and building from our 2020 growth reset, we have sought to improve the business-as-usual recovery of our results from doing more with what we have, first, in managing and stabilising the business through the crisis and in re-imagining it. We believe this strategy will set us up to grow and recover better than the market over our three-year planning period. Potential areas for growth are in agriculture, tourism, green energy and low-cost housing; in targeting these our wholesale operation must be enabled with the appropriate transactional and lending capabilities and appetite. We see government competing with banks for funding in 2021 and are concerned since this will impact what can be lent to clients and its pricing – and in turn impact the turnaround of the economy. We however do see improvement in the overall control environment on arrear management and collections allowing us to help spearhead economic growth and job creation.

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MANAGING DIRECTOR'S REVIEW

Our research shows people expect consistent and high-quality service, great digital channels on which to service themselves and fit-for-purpose transactional and lending offerings that help them meet their needs. To fully capitalise on these opportunities, we need to re-build and re-position our organisation for the future we expect. Within this context, we need to ensure we build a business backed by a strong control environment that can consistently provide returns on equity greater than 20%.

Our re-imagining has focused on eight themes. They are: growing where there is growth in our economies; leveraging our investments in digital and automation; differentiating through client experience; accelerating digital transformation; repurposing branches and office space; forging value addition partnerships; harnessing group capabilities and an enterprise approach to staff; and further entrenching our 'Go to Green' initiative which is aimed at building and strengthening a control and compliance environment that gives us a licence to operate, to grow, to take on more risk, and to provide comfort to our stakeholders.

What is critical is how we rebound now and fast track our long-term goals as Namibia attempts to recover from the effects of COVID-19 as well as the poor economic performance that has prevailed from 2016.

We expect 2021 to be yet another difficult year and anticipate a turnaround in the economy only in 2022. Nonetheless we are committed to helping rapidly build a clear road back to the kind of economic growth and prosperity last seen in 2015 and believe our strategies can contribute meaningfully to this.

Thanks

In looking back on a stressful and demanding year, we can celebrate our operational resilience and IT stability in the face of increased demand for remote work; our maintaining our obligated capital and liquidity benchmarks; our managing of discretionary cost; our support for clients and vulnerable and at-risk communities; and securing the health and safety of our staff.

This has been achieved by a team of high-performing, vibrant people whose talent and commitment to using our financial expertise to do good for Namibia and its people I have come to appreciate and admire since joining the group and its leadership in the second half of the year. I thank all our staff for their marvellous work, whether on rotation or in working from home – in times which have seen many also taking on an additional responsibility for home schooling.

I am also grateful for the support and encouragement of our board. Their wisdom and guidance has been invaluable. I also thank our clients for choosing to do business with us and our stakeholders who work with us to create a better Namibia for all its people.

Martha **Murorua**

MANAGING DIRECTOR

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CHIEF FINANCIAL OFFICER'S REPORT

As the awful impact of Covid-19 on lives and livelihoods unfolded across the globe in the first quarter, the group reacted quickly and shifted focus to ensure **resilience of operations** on the back of a strong balance sheet, health and safety of staff and clients and support for relief measures for individual and business clients.

The severity of yet another contraction in the Namibian economy in 2020 – a projected 7,3% against expectations of 4,4% for the world economy – and the pandemic-induced toll on Namibians and their wellbeing from job losses and business closures are reflected in the group's financial performance for the year.

In a year marked by a devastating fallout from the pandemic, the group's after-tax profit plummeted from N$330,3 million in 2019 to N$117,7 million. Earnings per ordinary share after tax dropped to 166,4 cents from 468,2 cents in 2019.

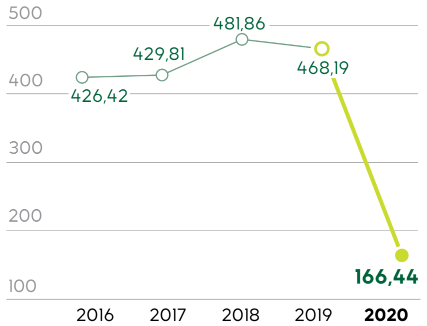
This was the fifth consecutive year of economic downturn in Namibia. It had however begun with some optimism about growth. As the awful impact of Covid-19 on lives and livelihoods unfolded across the globe in the first quarter, the group reacted quickly and shifted focus to ensure resilience of operations on the back of a strong balance sheet, health and safety of staff and clients and support for relief measures for individual and business clients as well as for steps taken in the best national interest to preserve the soundness of the financial system.

With this shift the group finance team was called on to plot the reversal in financial performance and to help shape goals for cost reduction, brand protection and revenue growth. It did so – and continues to do so – through ongoing test scenarios assessing the impact on group net interest income, non-interest revenue, impairments, costs, advances, deposits, tax and on headline earnings. These scenarios were initially founded on assumptions of further reduction in the repo rate; lower asset sales; the effect of payment holidays; a reduction in current book activity and card revenue; the impact on the Nedlife, Nedloans and Nedplan businesses; increased impairments;an aggressive cost discipline; and lower tax due to loss of income.

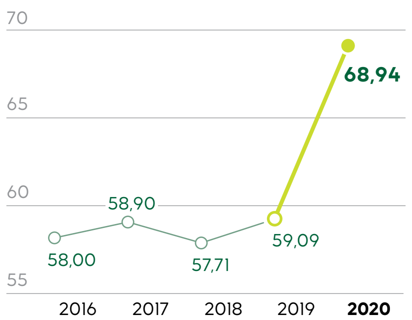
Through exhaustive budget reviews to reduce costs, the group was able to support initiatives, including the National Disaster Fund, to alleviate the plight of Namibians through donations of N$2,5 million. A total of N$7,7 million was allocated for personal protective equipment (PPE) for staff, including for those working from home, as well as for protective screening for clients and staff in branches and for transport, cleaning and sanitising costs.

The test scenarios played out through accurate assumptions. Of far-reaching significance was the Bank of Namibia's decision to reduce the repo rate to 3,75%, bringing interest rates in Namibia to their lowest level since independence. While offering relief to hard-pressed consumers and appropriate to supporting domestic economic activity, the reduction led to lower interest income and profits in the banking sector. Within the group, a small amount of Nedbank Namibia's funding, priced at the repo rate, is from the central bank. Fixed rate instruments constitute the bulk of the funding portfolio, so interest paid for this funding has not decreased in line with interest received from clients.

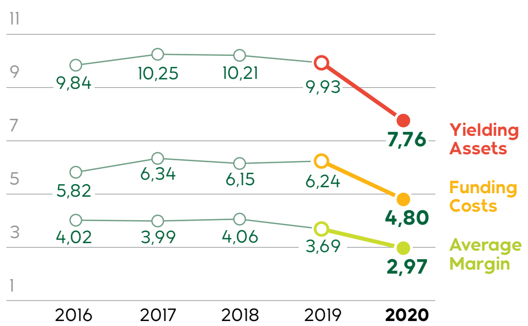
EARNINGS PER SHARE
Over 5 years (cents)



COST TO TOTAL INCOME
Over 5 years (%)



MARGIN ANALYSIS
Over 5 years (%)



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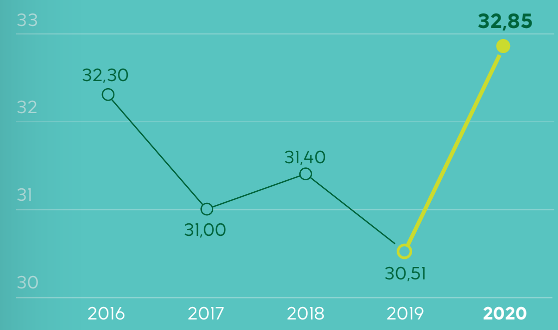
CHIEF FINANCIAL OFFICER'S REPORT

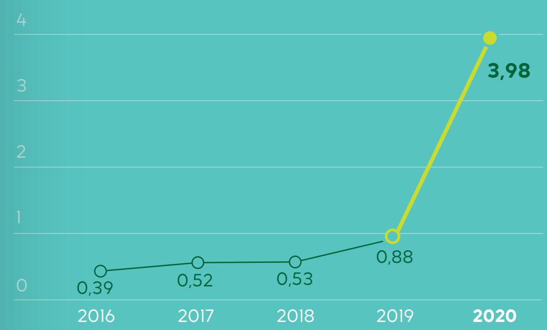
Accordingly, and with growth in loans and advances constrained to below budget by the acute dip in economic activity, group interest income for the year declined to N$1,6 billion from N$1,9 billion in 2019, net interest income for the year was N$740,4 million, down from N$857,1 million in 2019. After impairment of advances of N$246,5 million, more than double that of the N$108,9 million in 2019, net income amounted to N$494 million. This compared with N$748,2 million in 2019. There was a marginal decrease in non-interest revenue to N$361,5 million (2019: N$373,1 million). The aggressive cost discipline imposed as part of the strategy shift contained the increase in operating expenditure to N$762,9 million against N$726,5 million in 2019, leaving total income at N$855,5 million, down from N$1,1 billion in 2019.

NON-INTEREST REVENUE TO TOTAL INCOME
Over 5 years (%)



As clients grappled with the effect of job losses and retrenchments, there was a 52% increase in non-performing loans, significantly in the home loan book where valuations were under stress. The substantial increase in the impairment charge meant the credit loss ratio jumped to 3.98% from 0,88% in 2019. A large part of the impairment charge was attributable to compliance with International Financial Reporting Standards – directives which were not written at a time of a pandemic and associated economic contractions.

CREDIT LOSS RATIO
Over 5 years (%)



Although the capital adequacy ratio declined by 3,49% from 16,79% in 2019, this was still ahead of the internal target range of 12% and the group remained soundly capitalised. Net asset value per share was 3 544,62 cents per share (2019: 3 592,19 cents). Returns on average equity after taxation (4,71% against 13,07% in 2019) and on average total assets after taxation (0,56% against 1,66%) were also lower.

Looking at 2021

After the contraction in the gross domestic product increased almost fivefold in 2020 over that in 2019, the Bank of Namibia, according to its latest economic outlook, says the domestic economy is projected to rebound by 2,6% and 3,2% in 2021 and 2022, respectively. It notes that the steep contraction in 2020 was driven by sharp declines in hotels and restaurants; mining; transport and storage; manufacturing; wholesale and retail trade; and construction. It cautions that risks to domestic growth are currently dominated by uncertainty regarding the duration of the COVID-19 pandemic, ongoing travel restrictions and lockdowns in major economies, exacerbated by the second wave of coronavirus infections. Commentators are thus understandably worried about the knock-on effects of this setback deepening across Namibia into remote areas as prospects of rapid recovery, notably in a battered tourism sector, once the country's third largest revenue generator, appear dim. It is conditions such as these which are fed by the group finance team into the assumptions shaping test scenarios and gauging impact on financial performance.

Thanks

Just as the economic devastation of 2020 was not contemplated when International Finance Reporting Standards were prepared, so the members of the group finance team have had to contend with an array of hitherto unforeseen challenges in ensuring resilience of operations. Their stamina and commitment have been marvellous. That they have gone the proverbial extra mile in meeting these challenges is deeply appreciated, as is the co-operation we have enjoyed with colleagues across the group and from suppliers.

Thank you!

JG **van Graan**

CHIEF FINANCIAL OFFICER

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CHIEF RISK OFFICER'S REPORT

As Namibia's economic outlook deteriorated drastically with the introduction of lockdowns, the group increased **focus on the safety, health and wellbeing of staff and clients**, on capital preservation and liquidity, systems stability, supportive credit and collections processes and aggressive cost discipline.

The impact of the Covid-19 pandemic – an event of nature and scale no scenario analysis could have thoroughly plotted – triggered an urgent reshaping of the group's risk universe to ensure successful management of priorities.

In the unprecedented environment which prompted implementation of the group's business continuity plan and establishment of steering committees, business (global and country) and people and operational risks topped the risk universe. This focus meant we took significant measures to achieve staff wellbeing.

As Namibia's economic outlook deteriorated drastically with the introduction of lockdowns, the group increased focus on the safety, health and wellbeing of staff and clients, on capital preservation and liquidity, systems stability, supportive credit and collections processes and aggressive cost discipline.

The pivot in strategic focus on these priorities to navigate through the Covid-19 fallout while still maintaining sight of long-term goals lent weight to strategic execution risk. Buoyed by a strong balance sheet we initiated intensive and robust stress testing to ensure resilience and capital buffers remained above regulatory requirements. In addressing liquidity risk, we ensured compliance with all key ratios and limits.

After elevating credit risk in the universe in 2019 after experiencing a significant increase in impairments, we further prioritised this risk in 2020. With inevitable increase in non-performing loans and macro-economic factors predicting slow recovery in the near future, credit loss ratio nearly doubled. We however improved controls in the credit process, strengthened the legal collections department and, led by new leadership in credit and market risk, established a special unit to focus on rehabilitating defaulting borrowers. These measures are expected to level if not reduce credit loss ratio in the coming year.

As we increasingly enabled clients digitally, and with many staff working remotely through the crisis, we embedded recommendations from a Bank of Namibia/KPMG cyber risk maturity assessment and monitored controls against cyber-attacks. We enhanced staff awareness of potential cyber-related threats.

In addressing regulatory and compliance risk, we worked closely with regulators to report on implementation of measures to support economic stimulus, to ensure health and safety of staff and clients and to mitigate operational risk.

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CHIEF RISK OFFICER'S REPORT

This was in addition to regular reporting on capital, liquidity and credit. Significant effort is being spent to comply with directives on payment services and evolve anti-money-laundering controls.

The extent of the magnification of conduct and market risk can be gauged from some of the major regulatory changes during the year. These included the banking industry determination responding to the challenges of economic and financial stability, determinations on basic bank accounts and a revision to a determination on the disclosure of bank charges, fees and commission. They represented additions to the regulatory requirements on banks while dealing with far reaching changes in the industry and how clients are served and treated.

Ahead of the implementation of the Financial Institutions and Markets Bill, promoting the highest standards of business conduct, the group became the first institution to fully embrace market conduct principles by amending the NedLoans product offering.

Credit insurance is no longer an embedded component of the NedLoan. In the loan application assessment process we consider all existing debt commitments, not only those deducted directly by the client's employer. This aims to put clients in a position to have adequate funds available to cater for regular monthly living expenses and accumulating savings for unforeseen expenses.

We are lending more significance to climate risk which has a potential impact across the breadth of the group's risk universe. An illustration of this risk is provided for example by locusts destroying grazing land and crops across certain regions of Namibia after good rains the past season whilst other regions experience continuing drought. Our climate risk framework and policy are complementing social and environmental standards with which the group has to comply in implementing its business strategies.

The group encountered no major adverse reputational risks during the year. It achieved a positive market rating and enjoyed favourable reaction to its relief measures and social investments to make a difference in the time of the pandemic to the wellbeing of Namibians, reflecting sound reputational risk management.

Risk management will continue to focus in the year ahead on credit, cyber and compliance risks while guarding operational resilience in uncertain times.

Annette
Stafford-Evans

CHIEF RISK OFFICER

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We strive to remain relevant in a transforming society by driving sustainable economic growth within environmental boundaries.

Making a difference in a pandemic

Rudolf Seibeb
Challenges People face in 2020
2020
Acrylic on canvas

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Independence Avenue Branch Staff
l-r: Enrico Benade, Lee Khoa, Theorine Uiras and Rejoice Aebes.

Concentrating efforts on health and safety

The Group responded to the challenges thrust upon Namibia by Covid-19 and lockdowns with swift action to safeguard staff and clients and to support individuals, families and communities seen as vulnerable, at risk or less fortunate as well as businesses affected by the economic contraction.

We supplemented our role as an active contributor to building a thriving society and a healthy environment with focused partnerships to help make a difference across our country.

With banking regarded as an essential service, we prioritised measures to safeguard staff while ensuring systems were online and stable and that client-facing channels were accessible to clients for services vital to their livelihoods. We enacted the group business continuity plan during the first lockdown and established a pandemic steering committee meeting daily to manage operational risk and health and safety of staff, clients and other stakeholders. Staff, some working on a rotational basis with vulnerable employees working from home, were provided with hand sanitisers, masks, food vouchers and immune boosters. Awareness communication was sent on a daily basis and weekly communication detailed the status of infection cases and any safety protocols.

Strict measures in place to comply with the COVID-19 rules included social distancing; regular sanitising of premises and of hands of employees and customers upon entry and leaving branches; and compulsory wearing of masks. We implemented Covid-19 registers to assist with contact tracing, scanned temperatures of staff and clients, and installed perspex shields for all frontline staff to minimise direct contact with clients. We issued official letters to employees for travelling and business purposes to help ensure operations continued across the Group.

Emotional impact and debriefing sessions and virtual sessions regarding mental health, financial literacy and stress management were facilitated by an external specialist in the provision of employee support services. Internal morale-boosting campaigns linked to sponsored and national events were initiated. We sent regular wellness topical communications to staff and encouraged participation in other wellness initiatives such as Breast Cancer Day, Wellness Days with our medical service provider and the Banking Association of Namibia Wellness Stationery Drive. A Covid-19 survey conducted to determine the impact on staff during the crisis produced favourable results.

Making a difference through partnerships

Recognising the urgent need for support for government's efforts to deal with the pandemic, Nedbank Namibia donated N$1 million to help set up and equip temporary medical facilities and provide additional personal protective equipment for health care workers. The donation was welcomed in government as an act of patriotism.

The bank through its Go Green partnership with the Namibian Nature Foundation also allocated N$1 million to the Conservation Relief, Recovery and Resilience Fund launched by the Minister of Environment, Forestry and Tourism. The fund was designed to help mitigate against the economic and social impact of a catastrophic drop in tourism and to secure our natural resource base. The N$1 million funding has meant active support for seven communal conservancies, helping to sustain conservancy employment, especially of game guards and wildlife protectors.

Herman Reinder, Regional Manager: Nedbank Namibia Coastal, with Co-Feed Namibia volunteers and some recipients of the grocery packages.

A sum of N$100 000 was donated to the Namibian Red Cross Society response plan which aimed to reduce the spread of the secondary transmission of the virus as well as to contain the outbreak in regions in which the society has a presence. Nedbank's contribution served to support 108 families in the Khomas rural constituency.

Nedbank Namibia pledged N$50 000 to Co-Feed Namibia's initiative to assist vulnerable households in the Erongo region. Co-Feed is a citizen-driven effort aimed at mobilising food supplies and other basic necessities for distribution to communities during the pandemic. One hundred affected households at Swakopmund and Walvis Bay received non-perishable parcels via the drive. Pick 'n Pay Walvis Bay supplied all retail goods and assisted with the packing of the parcels with the help of Nedbank staffmembers based at the bank's three coastal branches.

Co-Feed was one of three charities to benefit from the Nedbank Bridge Run, an event to provide Namibians with a unique way of keeping fit during the Covid-19 lockdown, yet simultaneously providing a means to give back to those in need. Just over N$50 000 was received from entry fees for the race, an amount matched by Nedbank, bringing the total donated to N$100 730.

The other charities to benefit were the Mammadù Trust and SIDE BY SIDE Early Intervention Centre. The donation to the trust went towards paying school fees for orphan and vulnerable children who are assisted by its centre, located in Otjomuise in Windhoek. SIDE BY SIDE Early Intervention Centre supports families with children who have disabilities.

In a partnership with Nedbank, BEE Biofuel, a Windhoek-based company, stepped up to meet one of the principal needs during the global pandemic by focusing production on sanitisers, demand for which had skyrocketed.

Using ink disposed of by a local printing company, BEE Biofuel distils back ethanol, an essential ingredient for sanitisers. In this way, the company provides much needed 'green' hand sanitiser, surface sanitiser and antibacterial hand soap. The company believes waste should become food for another process either by virtue of a by-product or recovered resource for another industrial process, or as regenerative resources for nature. This also encourages a more circular economy where Namibian industries move closer to depending more on one another to survive, rather than procuring from outside sources.

The partnership with BEE Biofuel is part of a Nedbank Namibia programme to provide funding to businesses to green their operations or start a climate-friendly business project. Nedbank Namibia is a key local stakeholder working with SUNREF Namibia to promote the sustainability sector in Namibia. The SUNREF Namibia Technical Assistance facility provides local players from various industries such as fish processing, fishing, mineral processing, tourism and agriculture options for financing. Key results and solutions working with SUNREF Namibia include considerable reductions in operational costs through the implementation of innovative energy savings. SUNREF Namibia is funded by The Agency Francaise de Development (AFD) and delivers technical assistance free of charge.

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back row, l-r: Richard Meeks, Nedbank Namibia Executive: Retail and Business Banking; and Alka Bhatia, Resident Representative at UNDP Namibia.
front row, l-r: Hon Pohamba Shifeta, Minster of Environment, Forestry and Tourism; and Benedict Libanda, CEO of the Environmental Investment Fund.

Erastus Haihambo, Head: Nedloans and Ndeshi Shitenga, Financial Education and Consumer Protection and Secretariat Manager of the Financial Literacy Initiative.

l-r: Elia Irimari, Governor of Oshana; Martha Murorua, Managing Director; Fillemon Shuumbwa Nangolo, King of Ondonga; and Rauha Amwele, Oshana Police Commissioner.

Helene Meintjes, Marketing Manager: Nedbank Namibia, handing over sponsored Nedbank Desert Dash cycling kits to Dave Hammond, Robert Groenewaldt and Gideon Nasilowski.

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Boosting the economy and supporting the needy through sport

The group continued to support major sporting and community events, a stand-out being the longest single-stage mountainbike race in the world, the Nedbank Desert Dash over 373km between Windhoek and Swakopmund.

The race which provides a major boost to the coastal economy and also is an opportunity for riders to raise funds for causes close to their hearts, attracted entries from 212 solo cyclists, of whom 18 were women; 126 two-person teams and 134 four-person teams. Of the total 35% were international riders.

Further boosts for the coastal economy came from the Nedbank Desert Classic, a premier golf competition, and the Nedbank Swakopmund Food Festival.

A beneficiary of another sporting event – The Nedbank Cycle Challenge – was Physically Active Youth (PAY), an after-school centre in Katutura, which provides a safe and nurturing learning environment for Namibian children and youth from disadvantaged communities. The centre caters for learners in grades 1 to 12 as well as out-of-school youth. Children taking part in the programme regularly participate in cycling, athletics and swimming competitions.

The top three cyclists in the race donated their winnings to PAY, with Nedbank pledging a further $25 000 in appreciation of their donation. The donated funds were used to strengthen PAY's cycling development structures, which include support for 120 young cyclists, as well as fixing bicycles and buying parts.

The Nedbank for Autism Series which took the game of golf to nine towns across Namibia, raised more than N$130 000 for autism awareness in Namibia. Autism Association of Namibia aims to support parents, their children with autism, adults with autism, as well as friends and professionals who are interested in promoting the well-being of persons with autism within Namibia, and to provide a network between the various autism organisations worldwide.

Nedbank for Autism Series – Oshakati round

Nedbank for Autism Golf Series

A continued focus on social investment

The group continued to focus on social investments in youth development, financial literacy, poverty alleviation and projects of the Go Green Fund which support the foundations of tourism and help to protect natural resources.

The fund which benefits from contributions from Nedbank on new home and vehicle loan transactions, has a current project programme ranging from the Save the Rhino Trust to the Giraffe Conservation Foundation and from the Brown Hyena Project to the Namib Desert Environmental Education Trust which provides experiential education to youth and educators.

As a platform partner of the Financial Literacy Initiative by the Ministry of Finance, Nedbank, the first financial institution with market conduct principles to treat customers fairly, introduced a targeted consumer education programme, including countrywide workshops which it proposes to extend to employees and management of conservancies in 2021.

The group supported Women Action for Development and its workshops for disadvantaged and vulnerable women on office administration and computer literacy; hospitality and tourism; needlework and tailoring; the Namibian constitution; human rights and gender laws; and gender-based violence and substance abuse.

Nedbank supported Wildlife Therapy Namibia (WTN) which organises hiking trips to the Fish River Canyon and Namib-Naukluft National Park for high school learners from disadvantaged and vulnerable communities. The hikes are followed by a year-long mentorship programme and other initiatives such as a career day. The bank also supported Beautiful Kidz, which arranges youth camps and leadership training for vulnerable and disadvantaged children. The group initiated research to identify a framework for a pilot youth and small and medium enterprise development project and the willingness of staff to mentor youth at SOS Children's Villages who are seeking employment. Nedbank also supported a futsal development team with youth players from less privileged communities in Windhoek.

A launch-pad for cooking entrepreneurs, the Nedbank Kapana Cook-Off competition, offered participants the opportunity to start a business, become self-sufficient and, as has been the case with all previous winners, create employment opportunities for fellow Namibians. The winner received a mobile food kitchen, with built-in quality appliances to the value of N$90 000, a cash prize of N$10 000 from Nedbank Namibia and an additional N$3 000 from co-sponsor Bakpro. The final, which took place in the heart of Katutura at the Soweto Market, saw nine finalists from the coastal, northern and central regions put forward their best kapana dishes after preliminary rounds hosted in Walvis Bay, Ondangwa and Windhoek. The winner of the professional chefs category earned N$ 10 000.

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SUSTAINABILITY REPORT

I-r: Mrs Inonge Guillemin (NNF), Mr Thomas Muronga (KKC Chairperson), Mr Willbard Mukena (MEFT) and Martin Haingura (KKC Secretary) at Kapinga Kamwalye Conservancy (KKC).

I-r: Gernot de Klerk, Communication Manager: Nedbank; Brumilda Hikumwa, Nedbank Kapana Cook-Off Winner; and Veruschka de la Harpe, Marketing Manager: Nedbank.

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Women members of the Nedbank SME and NedNamibia Life teams celebrate International Women's Day 2020.

Developing people at a great place to work

The group took some major strides in its drive for a high-performance culture in 2020. The drive targets performance excellence, a culture of learning, purpose and direction, alignment and focus, care towards stakeholders and ensuring there are standardised processes and systems for a proper work flow.

Further momentum was lent to the recently launched bursary programme with the selection of 10 students, seven being employees studying part-time. We also appointed internal audit trainees on a three-year development plan. We launched a new performance management methodology, with training in goal commitment contracts and prepared for the launch across Nedbank Namibia of People Promise, a programme replacing our employee value proposition. We rolled out an enhanced induction programme in Retail and Business Banking with the rest of the bank to follow in 2021. We also replaced our staff surveys with employee pulse insight research; this was launched in November with 62% participation.

In talent management, our new talent approach got under way with training sessions for the executive committee and senior and middle management. We implemented a sales assessment tool to appoint the right skill in the sales environment and established an innovation hub.

In recognition, reward and remuneration, our Top Achiever programme saw Ms Ndapandula Sem winning honours within Nedbank Africa Regions and four staffmembers receiving awards from Nedbank Group technology. A new recognition committee was elected through a bankwide voting process. Long service awards were presented at functions through the year.

A total of 46 staffmembers participated in the voluntary bonus share scheme in which bonuses are invested in company shares. We engaged with staff on a rent-to-own programme to promote acquisition of affordable housing.

While the pandemic brought delays to some learning and development initiatives, we were able to ensure training took place via Nedlearn, which provides e-learning modules on product and policies, and virtual sessions. More focus was on regulatory training in the areas of anti-money laundering, compliance, ethics and cybersecurity and on projects including efficiency of payment systems and an enhanced debit order system.

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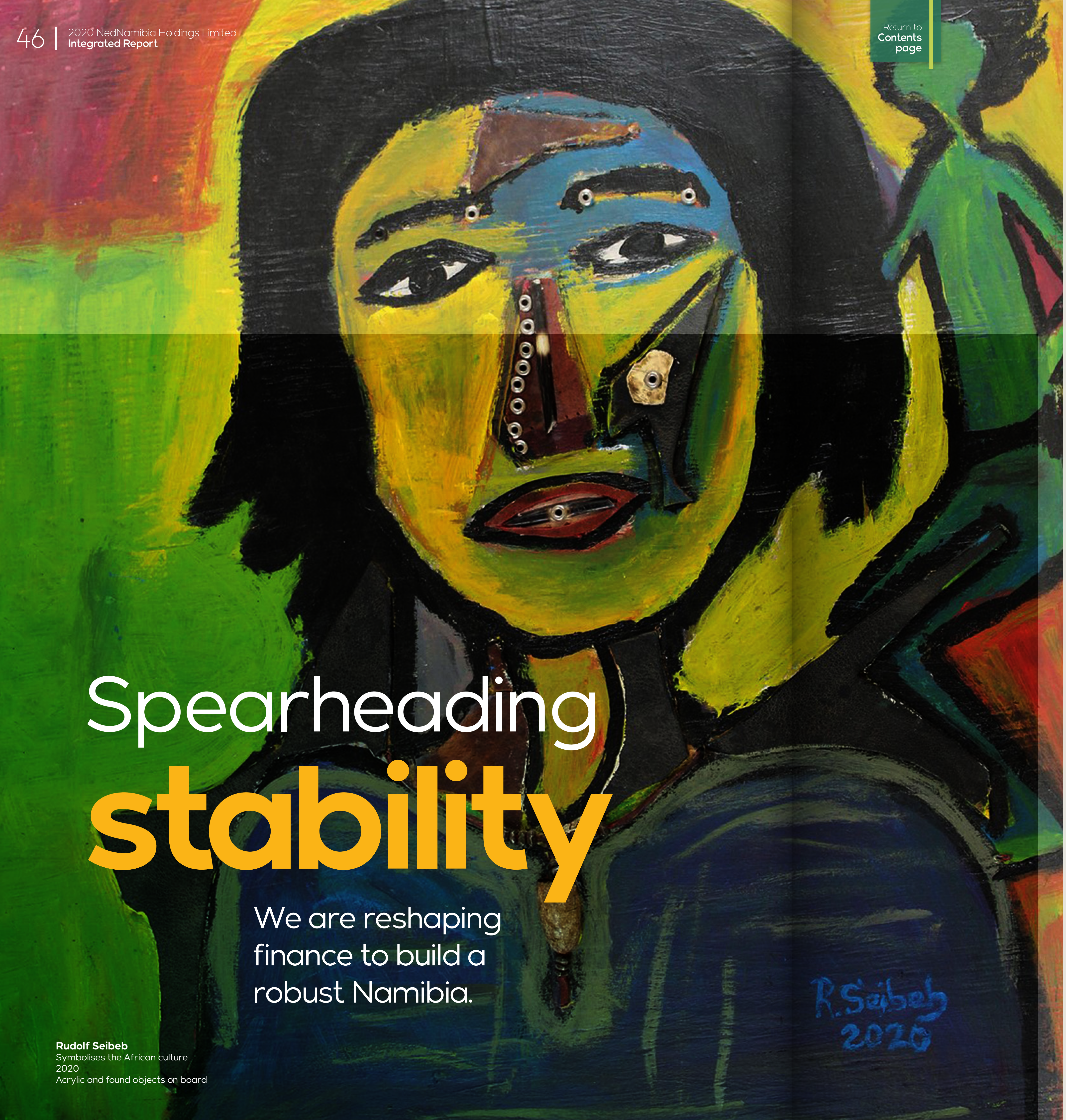

Spearheading stability

We are reshaping finance to build a robust Namibia.

Rudolf Seibeb
Symbolises the African culture
2020
Acrylic and found objects on board

GROUP ANNUAL FINANCIAL STATEMENTS

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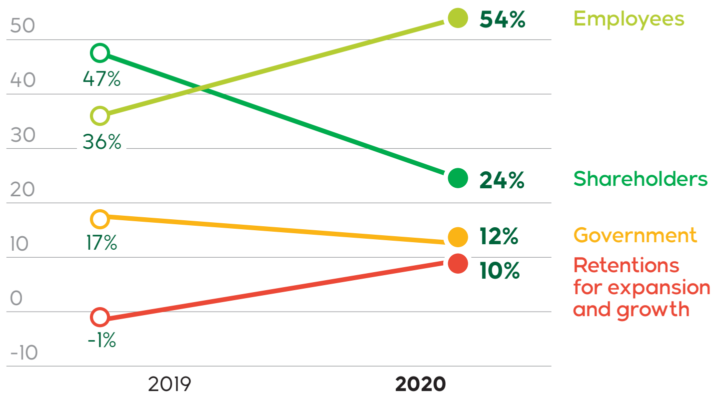
VALUE ADDED STATEMENT

For the year ended 31 December 2020

	2020 N$'000	2020 %	2019 N$'000	2019 %
Value Added				
Value added is the wealth created by NedNamibia Holdings Limited through the provision of services to clients				
Interest income and non-interest revenue	1 969 504		2 288 897	
Interest paid and other expenditure	1 423 324		1 439 969	
	546 180		848 928	
Value Allocated				
Employees				
Salaries, wages and other benefits	293 873	54%	308 843	36%
Government				
Direct and Indirect Tax	64 256	12%	146 224	17%
Shareholders				
Dividends	132 000	24%	400 000	47%
Retentions for expansion and growth	56 051	10%	(6 139)	-1%
Retained income	(14 299)		(69 639)	
Depreciation and amortisation	70 350		63 500	
	546 180	100%	848 928	100%

VALUE ADDED



CORPORATE GOVERNANCE AND ETHICS REVIEW

GOVERNANCE STRATEGY

NedNamibia Holdings Limited ('NNH') and its subsidiaries ('the group') is a systemically significant financial services group in the Namibian economy and it is committed to the highest values and principles of excellent corporate governance. The group has made pertinent strides in enhancing good governance and has thereby contributed to value creation through enhanced accountability, strategic risk and performance management, greater transparency, effective and bold leadership and a values-driven approach to business. We aspire to be Namibia's most admired financial services provider and thereby earn the trust and promote the interest of all our stakeholders. Corporate governance is a commitment to abide by principles and structures that enable us to facilitate and foster good relationships between the board, management and the group's internal and external stakeholders. Ultimately our accountability is the key enabler of our organisation.

The sustainability and effectiveness of a business is founded upon a clear commitment to sound corporate governance. In the group, this is reflected in the effectiveness and efficiency of processes that enhance and enrich our clients' experience and enables the board to exercise its oversight with due independence and skill, thus making the best decisions and ensuring a sustainable, value-creating and profitable enterprise. The board is committed to governance consistent with the relevant local and international best practices. The group believes that good governance contributes to value creation through enhanced accountability, strong risk and performance management, greater transparency, effective leadership and a value-driven approach to everything we do to earn the trust and promote the interest of all stakeholders. Corporate governance means abiding by principles and structures that enable us to facilitate and foster good relationships between the board, shareholders, stakeholders and employees and facilitating collaboration between our clients and their business partners.

The provisions and principles of the NamCode inform the governance framework and practices of the group. The group's existing governance framework and culture create a solid foundation to introduce and embed the principles of the King IV Governance Code in as far as it does not contradict the NamCode and Namibian legislation. If for any reason the group does not align with the principles of King IV, this will be disclosed and an explanation will be given in the integrated report. King IV is aligned with international governance codes and best practice, and seeks to enhance transparency and address the wider interests of current and future stakeholders. King IV moves from the 'Apply or Explain' to the 'Apply and Explain' mode of governance. It seeks to shift the alignment in the approach to capitalism towards inclusive, integrated thinking across the six capitals and it takes account of the contextual developments, legislative changes, structural necessities, emerging risks and opportunities from new trends and innovations.

The reporting and disclosure methodology is also more integrated. In 2021 the group will enhance its governance quality.

The focus will be on:

- rationalising and optimising the business governance structure;
- effective and timely review of policies;
- enhancement of efficiencies;
- documenting of key processes;
- introduction of electronic record keeping of documents; and
- enhancement of board reporting and implementation of Board Credit and Information Communication and Technology Committees.

The board annually assesses and documents whether the process of corporate governance implemented by the group successfully achieves the objectives, measured as part of the Regulation 39(18) report and whether any material malfunction has occurred in the functioning of the internal controls, procedures and systems, measured as part of the Regulation 40 report on the state of corporate governance in the group, as prepared and submitted to the South African Reserve Bank, in accordance with the South African Banks Act requirement. The Group Directors' Affairs Committee ('GDAC') monitors corporate governance quarterly to ensure that it complies with best practice, the regulatory and legal requirements as well as the corporate governance principles stipulated in The NamCode.

Compliance with the NamCode

We endeavour at all times to ensure compliance with the NamCode. There is presently one instance of deviation from the NamCode, namely:

Non-executive directors' fees do not comprise a base fee and a sitting fee per meeting. On the grounds that Determination BID-1 of the Banking Institutions Act, 1998 (Act 2 of 1998) requires non-executive directors to attend at least 75% of the board meetings of a banking institution in any particular year, the board deviated from the governance principle to pay directors a basic and a sitting fee. The non-executive directors in the group only receive a basic fee, which is paid monthly on a pro-rata basis.

Codes, regulations and compliance

The Namibian financial services regulatory and risk management environment can be appropriately described as an escalation of the nature of risks and the cost of compliance. Banking and finance laws are becoming increasingly rigorous and onerous and financial industry participants are expected to adapt to these regulatory changes with due agility and efficiency while promoting the integrated interests of all stakeholders. With the advent and acceleration of the fourth industrial revolution and the age of the machines, deeply entrenched good governance practices are imperative, while at the same time retaining the flexibility to respond proactively to the fast-changing regulatory and business environment. Complying with all applicable legislation, regulations, standards and codes is an integral part of the group's culture. Risks relating to cybercrime and conduct are rapidly introducing exceedingly transformational and disruptive trends and effects on people, processes, systems and strategy as a whole.

CORPORATE GOVERNANCE AND ETHICS REVIEW (CONTINUED)

GOVERNANCE STRATEGY (CONTINUED)

Codes, regulations and compliance (continued)

The group has a diverse business coverage across the financial services industry and is regulated by the Bank of Namibia for its banking financial services whilst the non-banking financial services, including the long-term insurance and insurance brokerage businesses, are regulated by the Namibia Financial Institutions Supervisory Authority ('NAMFISA'). The board has delegated the oversight of compliance risk management to the Group Risk and Capital Management Committee ('GRCMC'), which on a quarterly basis monitors, amongst others, the status of compliance risk management in the group, areas of non-compliance, as well as feedback on interactions with regulators.

The board is satisfied that the group has not suffered any material losses for non-compliance with laws and regulations for the past year.

BOARD OF DIRECTORS

Role of the NNH board

The NamCode stipulates that the role of the board is to provide effective leadership on an ethical foundation, to ensure that the group is seen as a responsible corporate citizen and is a focal point and custodian of corporate governance. The board provides strategic guidance and oversight to the group in order to safeguard stakeholder value creation within a framework of prudent and effective controls, which enable risks to be assessed and managed to ensure the group's long-term sustainable development and growth. The ultimate accountability and responsibility for the performance, sustainability and ethics of the group lies with the board. The board monitors and holds the managing director accountable for the group's financial, operational, risk and ethical performance and management, thus requiring transparent and timely disclosure and reporting, to the board, of all significant matters.

NNH Board structure and composition

The board is governed by formal written terms of reference, which are set out in 'the NNH board charter', which is reviewed every second year or more frequently, if necessary. The terms of reference are subordinate to the articles of association and any governing legislation and are designed to serve as a guide for directors' duties, in accordance with the principles of sound corporate governance, the appropriate legislative requirements and codes of conduct.

The board comprises the following members:
Two executive, one non-executive and five independent non-executive directors, totalling eight directors. At the end of the period, the board's diversity and demographic mix comprised three white directors (37.5%), five black directors (62.5%), one of the white directors being a woman (12.5%) and six Namibians (75%). This is in compliance with the Namibia Financial Sector Charter ('NFSC').

Chairperson of the NNH Board

The chairperson of the board is an independent non-executive director and fulfils his roles and duties in terms of the relevant board charter and statutes. In light of the fact that the chairperson of the board is a non-executive director, there is a clear distinction between the roles of the chairperson, and the Managing Director. While the chairperson leads the Board of Directors, the Managing Director is in charge of the day-to-day operations and executive management of the group. The board and executive management collaborate synergistically in determining the strategic objectives of the group and driving execution thereof, within the ambit of the governance codes and standards of ethics and sustainability. The role and responsibilities of the chairperson are encapsulated in the board charter.

NNH board diversity and demographic mix versus NFSC targets

Category	NFSC target by 2020	Current achievement	Outcome
Black boardmembers as a percentage of all boardmembers	40%	62.5%	Exceeded
Black women boardmembers as a percentage of all boardmembers	20%	12.5%	Non-Compliant
Boardmembers with Namibian nationality	40%	75%	Exceeded

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At the end of the reporting period, the board comprised the following members, classified in terms of the NamCode definition of independence:

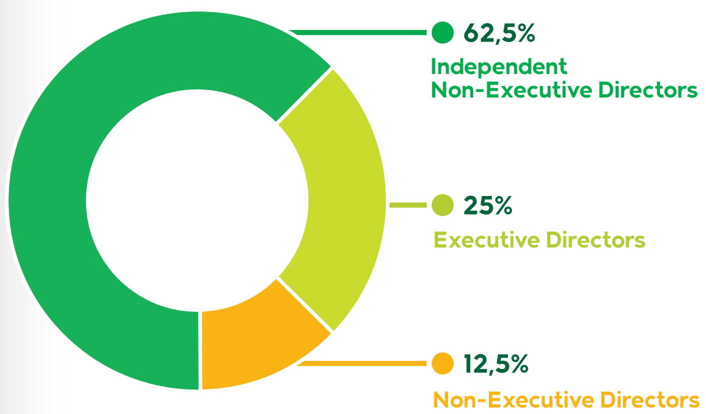
Composition of NNH Board

	Appointment date	Nationality	Age	Current status
Independent non-executive directors				
Kankondi Sebulon I (Chairperson)	17 July 2020 (BON APPROVAL)	Namibian	55	Appointed (17/07/2020)
Hiwilepo Trophimus T	22 August 2014	Namibian	54	No change
Hibbit Peter CW	12 May 2016	South African	70	No change
Maasdorp Ramon L	3 November 2017	Namibian	40	Resigned (16/09/2020)
Horn Talita B	16 April 2019	Namibian	50	No change
Urib Harold H	9 November 2020 (BON APPROVAL)	Namibian	63	Appointed (09/11/2020)
Non-executive directors				
Sibiya Terence G	18 September 2018	South African	50	No change
Executive directors				
Van Graan G Johannes (Chief Financial Officer)	3 June 2019	Namibian	37	No change
Matthews Lionel J (Managing Director)	30 September 2013	Namibian	55	Retired (31/03/2020)
Murorua Martha (Managing Director)	20 June 2020 (BON APPROVAL)	Namibian	47	Appointed (13/07/2020)

Independence

The majority of the board members are independent directors, which is in compliance with the NamCode:

MIX OF DIRECTORS



CORPORATE GOVERNANCE AND ETHICS REVIEW (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

Skills, knowledge, experience and attributes of directors

The board is satisfied that the directors possess the skills, knowledge and experience to fulfill their duties. The directors come from diverse backgrounds and bring to the board a wide range of experience in commerce, risk management, information technology, industry and banking. The board is of the view that the non-executive directors all have a high degree of integrity and credibility and the strong independent composition of the board provides for independent and objective input into the decision making process, thereby ensuring that no one director holds unfettered decision making powers.

Succession planning

The board, assisted by the Group Directors' Affairs Committee, reviews the composition of the board and its committees on an ongoing basis. A board continuity plan is in place that addresses:

- the skills, experience and other qualities required for the effective functioning of the board;
- the processes around the selection and appointment of directors;
- the induction and ongoing training of directors;
- the evaluation of directors' performance; and
- directors' succession planning.

In terms of the board continuity plan, a senior independent non-executive director will be earmarked by the board to assume the role of the chairperson should the current chairperson become incapacitated and will facilitate the appointment process of the new chairperson.

At the annual general meeting held in terms of Section 187(9) of the Companies Act, Act 28 of 2004, on 28 June 2020, the following directors who retired by rotation in accordance with the provisions of the company's articles of association, made themselves available for re-election and were duly elected as directors of the company:

- Mr. Peter Charles Wenham Hibbit
- Mr. Trophimus Hiwilepo
- Ramon Lorenzo Maasdorp

The board succession planning will continue to receive focus to ensure that the board composition continually comprises the appropriate mix of skills and experience.

BOARD RESPONSIBILITIES

Key responsibilities of the board are *inter alia*:

- Annually approving the group strategic plan and continually monitoring management's performance and implementation of such plan to ensure that the group achieves its strategic objectives;
- Ensuring that the necessary financial and capital resources are in place for the group to meet its strategic objectives;
- Ensuring that the group adheres to high standards of ethical and corporate behaviour;
- Overseeing the adequacy of the group systems of governance, risk and compliance controls;
- Ensuring the group has appropriate systems, frameworks and policies for the identification, measurement, control and reporting of all key risk areas and key performance indicators of the business of the group;
- Ensuring that procedures and practices are in place that protect the group assets and reputation;
- Protecting the group financial position by reviewing the performance of the business of the group on the basis of, *inter alia*, quarterly financial reports and analysis, as well as any other reports it may require to meet its responsibilities;
- Appointment of directors, including the managing director, subject to regulatory approval and election by the members in general meeting;
- Appointment of members of the Executive Committee ('EXCO'), the company secretary and the chief internal auditor;
- Ensuring that an effective internal audit department, staffed with qualified resources, is established to perform the internal audit function in the group;
- Safeguarding the interests of all the group stakeholders, including shareholders, employees, suppliers, customers and the environment and ensuring that the group has a communication policy and communicates with its shareholders and all relevant stakeholders openly and promptly;
- Reviewing remuneration policies and practices in general, including superannuation and incentive schemes for management and determining the appropriate levels of executive remuneration for the managing director and EXCO members; and
- Delegating the oversight over the professional management of the group to the managing director and the EXCO.

Delegation of authority

The board retains effective control through a well-developed governance structure that provides a framework for delegation.

A schedule of delegated authorities, setting out the mandates, powers and authority levels that apply to the various decision making bodies and officers who are responsible for governance and management of the group, is in place.

The board has delegated certain powers and authorities to the managing director jointly with any member of the group EXCO to manage the business and affairs of the group and reserved others for itself.

The board subscribes to the 'four eyes' principle of management, in terms of which no individual officer of the group (including the managing director) acting alone, is empowered to bind the group in relation to material matters.

MATTERS RESERVED FOR THE NNH BOARD

Matters reserved by the board, include *inter alia* the following:

- Approval of material changes to the accounting policies or practices of the group;

- The declaration or recommendation of dividends by the group and the forfeiture of unclaimed dividends and balances (if any);
- The raising of incremental borrowing facilities (other than in the ordinary course of business), involving amounts in excess of limits determined by the board;
- The increase, reduction or alteration to the share capital of the group and the allotment, issue or disposal of its shares;
- Approval of major acquisitions, disposals and capital expenditure;
- Approval of the group strategy, business plans and annual budget and any material changes to the strategic direction or material deviations in business plans;
- Approval of annual financial statements and interim reports;
- Any special resolution as provided for in the Namibian Companies Act, 28/2004;
- Appointments, removals and dismissals of incumbents of executive positions, the company secretary and the chief internal auditor;
- Appointment of external auditors;
- Appointment and removal of directors;
- Approval of directors' fees;
- Approval of share incentive schemes, the rules applicable to any such schemes and any amendment to such rules;
- The parameters for any salary increases for managerial and non-managerial staff, including but not limited to annual increases;
- Approval of all policies and charters that apply to the group and any amendment thereto;
- Establishment, closing and disposal of any subsidiary of the group;
- Variation of the rights attached to shares, where such powers are vested in the directors;
- Approval of the code of conduct and ethics and other similar codes and any amendment thereto;
- Approval of any agreements entered into with controlling shareholders;
- The approval and authority to issue prospectuses, listing particulars, rights offer or takeover or merger documents;
- Considering or approving any major transactions outside the ordinary course of business;
- Approval of any material restructuring or structural changes within the company; and
- Approval of mergers, acquisitions and/or capital investments.

BOARD APPOINTMENTS

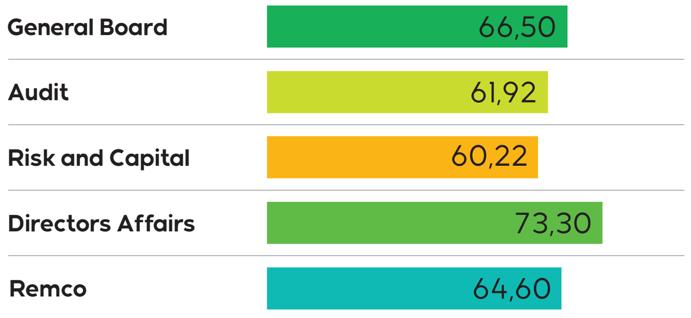
The appointment of Directors must be done prudently with a focus on ensuring a board with the necessary skills, knowledge, expertise and industry knowledge to meet our strategic objectives and the board should equally exhibit and possess the requisite independence and appropriate demographic representation. Board appointments are conducted in a formal and transparent manner with the assistance of the NNH GDAC. New board members will only hold office until the next annual general meeting, at which they will retire and become available for election at the same meeting.

With the exception of the executive directors, who are subject to short-term notice periods as defined in the terms and conditions of their service contracts, all directors are subject to retirement by rotation in terms of the company's articles of association and, where available for re-election, are evaluated and assessed against predetermined criteria that serve as a benchmark for assessment, prior to submission of their names for election at the annual general meeting. The retirement age of a non-executive director is 70. The service contracts of executive directors are effective until they reach the normal retirement age.

Ongoing evaluation

Board and board committee evaluations are conducted annually to gain an insight into how well the board and board committees are meeting their objectives and to monitor effectiveness and transparency. An appraisal of the board and board committees was conducted and the results are as follows:

COMMITTEES



With an overall composite rating of 65.3%, the evaluation results revealed that the board and the group board committees are in operational compliance with their charters, that good governance is generally practiced and that the board and the group board committees are functioning effectively and achieving their objectives. Members have taken the time to provide valuable comments around the workings of the board and the group board committees and identified developmental needs that directors might have. Any concerns or developmental needs raised by members are followed up and action plans are implemented to address concerns and comments.

The chairperson's performance and facilitation of board meetings was rated as 'consistently good', and directors were individually informed by the chairperson of their own evaluation results, which were treated as confidential.

In addition to the annual directors' peer evaluation, the executive directors' performances are assessed bi-annually by way of a performance scorecard.

According to the appraisal the board is currently optimal in terms of size, composition and independence (balance of executive and

CORPORATE GOVERNANCE AND ETHICS REVIEW (CONTINUED)

BOARD APPOINTMENTS (CONTINUED)

Ongoing evaluation (continued)

non-executive directors), it has the right mix of skills, experience and knowledge to determine the correct strategic decisions and oversee delivery of objectives and the board effectively monitors management's performance, implementation of strategies and plans, key risk areas and key performance indicators.

The appraisal moreover concluded that:

- the board approves and understands the company's risk appetite and ensures that strategy aligns thereto.
- the board ensures a good balance between organisational performance and compliance, and has a good understanding of its role and responsibilities as a whole and of its individual members.
- the board regularly reviews sub-committee reports, handling questions that may arise and ensuring implementation of recommendations and instructions received.
- the board spends its time appropriately on the most important issues facing the group and the chairperson fulfils an appropriate role in ensuring the effectiveness of the board.
- the heads of risk and compliance play an appropriate role in advising the board on good governance principles and best practice.
- the board is responsible for the sound corporate governance of the group and its board's performance.
- there is a high degree of mutual trust between the executive team and the board and there is sufficient dialogue between the executive team and the board.
- management responds to issues raised by the board in a timely and efficient manner and there is a good sense of teamwork amongst the board members.
- there is constructive and positive interaction between the board and other group companies and the major shareholder.

In regard to board meetings the appraisal concluded that:

- sufficient detail and information is provided in board packs to allow for meaningful contributions and engagements and that there are sufficient opportunities to meet as a team in order to discuss matters with the executive team and senior management.
- Board meetings are managed efficiently and effectively, and the board ensures that appropriate persons are invited to meetings, who can make significant contributions to specific agenda items.
- the necessary support and expertise is received by the company secretary to enable the chairperson and the board to discharge their responsibilities effectively.

In regard to the committees of the board the appraisal concluded that:

- the board sub-committees enhance the overall performance and effectiveness of the board as key issues and decisions of the board sub-committees are shared appropriately with the wider board.
- the board sub-committees have the right level of skill and expertise to discharge their duties effectively and the board provides leadership and vision to the group that will ensure sustainable growth and appropriate corporate citizenship for the benefit of all stakeholders of the group.
- the board ensures that there is a framework of prudent and effective controls which enables risk and opportunity to be assessed and managed effectively.

Director development

The ongoing enhancement of the competency, efficiency and effectiveness of the board is essential to ensure that all members of the board and board committees are up to date with local and international industry developments, technological and innovation issues, risk management and corporate governance best practice.

The annual one-day development program took place on 18 August 2020 and covered the following topics:

- Banks' international responses to COVID-19
- Liquidity and Capital Management
- Recovery Plan
- Business Continuity Plan
- Directors' Liabilities, Fiduciary Duties and Responsibilities

The group has a comprehensive induction programme for new non-executive directors which enables them to familiarise themselves with the group's operations, financial affairs and strategic plans, thus enabling them to make a constructive contribution to the board.

The board members are expected to keep themselves abreast of changes and trends in the business and in the group environment and markets, including changes and trends in the economic, political, social and legal climate generally.

Directors' conflict of interest

All directors diligently disclose all outside interests and potential conflicts of interest in terms of processes embedded to ensure that directors avoid participation in any decisions where they may have any such conflict or potential conflict.

The group has a code of conduct that applies to all directors and addresses outside interests and conflicts of interest within the group. At each board meeting in 2020, directors were given an opportunity to disclose outside interests and possible conflicts of interests.

During the period under review, no contract had been entered into wherein directors of the group had an interest or that significantly affected the affairs of the business of the group or any of its subsidiaries.

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Attendance register of the NNH board and NNH board committees

Directors' attendance of the board and board committee meetings is monitored by the NNH GDAC quarterly. Irregular attendance of meetings is dealt with by the chairperson of the board.

The following attendances of board and board committee meetings have been recorded for 2020:

NNH board attendance 2020

Names of Directors	NNH Board	NNH Group Audit Committee	NNH Group Risk & Capital Management Committee	NNH Group Remuneration, Human Resources, Transformation, Social and Ethics Committee	NNH Group Directors' Affairs Committee
Meetings held:	4	5	4	4	4
Attendance:					
Kankondi SI	2#	0	2	2	1#
Van Graan JG	4	5*	4*	–	–
Hibbit PCW	4#	–	4	4#	4
Hiwilepo TT	4	5	4#	–	–
Matthews LJ (retired)	1	2*	1*	1	1
Urib HH	1	0	0	0	0
Maasdorp RL (resigned)	3	3	2	3#	3
Sibiya TG	4	5	4	4	4
Horn TB	4	5#	4	4	–
Murorua M	2	2*	2*	2	2

 # Chairperson
** Attended board committee meetings by invitation.*
^ Retired at Annual General Meeting

For the period under review, all the directors attended at least 75% of the board/committee meetings, thereby complying with the requirements set out in Determination BID-1 (as amended) of the Banking Institutions Act, 1998 (Act 2 of 1998).

The board and committee meetings are held quarterly and additional meetings may be held if and when required. Separately from the formal board meeting schedule, the chairperson has met with the non-executive directors, with no executive present, to provide a forum where any issues can be raised.

CORPORATE GOVERNANCE AND ETHICS REVIEW (CONTINUED)

BOARD APPOINTMENTS (CONTINUED)

Directors' remuneration

The directors in the group only receive a basic fee, which is paid monthly on a pro-rata basis.

The following directors' fees were approved for the 2020 financial year:

NedNamibia Holdings Limited		
Annual Directors' Remuneration		
	Chairperson (fees per annum)	Members (fees per annum)
NedNamibia Holdings	N$64 050	N$32 025
Nedbank Namibia	N$231 525	N$115 762.50
Group Audit Committee	N$147 000	N$73 500
Group Risk and Capital Management Committee	N$147 000	N$73 500
Group Remuneration, Human Resources, Social, Ethics and Transformation Committee	N$74 250	N$37 012.50
Directors' Affairs Committee	N$34 650	N$17 325
Fees for time spent by directors on matters that fall outside the normal course of board/board committee business/preparation	N$2,205 per hour	

NedNamibia Holdings Limited	
Fees paid for 2020 financial year to individual directors	
Names of directors	N$ paid per annum
Non-executive directors	
Kankondi SI (Chairperson)	64 050.00
Maasdorp LR (Resigned)	32 025.00
Hibbit Peter CW	32 025.00
Hiwilepo TT	32 025.00
Horn TB	32 025.00
Urib HH	32 025.00
Sibiya GT	NIL
Executive directors	
Van Graan JG	NIL
Matthews LJ (Managing Director - Retired)	NIL
Murorua M (Managing Director)	NIL

Nedbank Namibia Limited	
Fees paid for 2020 financial year to individual directors	
Names of directors	N$ paid per annum
Non-executive directors	
Kankondi SI (Chairperson)	231 525.00
Maasdorp LR	115 762.50
Hibbit Peter CW	115 762.50
Hiwilepo TT	115 762.50
Urib HH	115 762.50
Horn TB	115 762.50
Sibiya GT	NIL
Executive directors	
Remuneration	4 949 000
Performance bonus	1 900 000
Retention bonus and share options	2 003 500

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Reflection on key focus areas and pertinent matters addressed by the Board in 2020

Strategy execution

2020 was an unexpectedly challenging year as the COVID-19 pandemic did further damage to Namibia's already poor economic prospects. In February 2020, the Bank of Namibia (BON) expected Namibia's GDP to grow by 1.5% and 1.4% in 2020 and 2021 respectively. In December 2020, the expectation was that the economy would suffer a contraction of 7.3% in 2020 and then would recover from that low base by 2.6% in 2021. Lockdowns and economic uncertainty have drastically reduced consumer activity in 2020 and led to reduced lending, negatively affecting our revenue streams.

We expect an uneven recovery in 2021, as has been experienced in other parts of the world. Businesses and consumers that derive their income from robust sources (e.g. household necessities and digital sales and services) are likely to remain strong and become relatively more important to consumption, lending and investment activity domestically. Other businesses and consumers are likely to face uncertain and gradual roads to recovery.

At Nedbank Namibia, our strategic pillars remain largely unchanged as we had planned for a weak economic environment already. As the conditions have become worse, our efforts have become more intense:

- NBN will continue to strengthen its control environment and 'Go-to-Green'.
- NBN will continue to improve our ability to compete for main-banked customers in the saturated market by improving our offerings (particularly in the digital banking space).
- NBN will continue to use our drive towards digital banking to manage the growth of our costs.

In 2020, the group CIB managed to secure the following achievements:

- CIB has had substantial net growth in its loans and advances book, by growing assets by N$425 million.
- The business achieved significant growth in non-interest revenue due to the strong mix of revenue from the different channels of the business, specifically card acquiring, electronic banking and raising fees.
- The growth in CIB funding has been significant during the majority of the months of 2020.
- CIB successfully rolled out two big transactional clients in the major retailer space.
- Consistent growth in the number of CIB clients, with 20 primary clients gained during 2020, was achieved, with no loss of clients during the year.

In conclusion, we are committed to achieving our strategic aims of:

- CIB's (Corporate and Investment Banking) key focus is still on supporting its customer base through the economic fallout from COVID-19.
- Active impairment monitoring has been initiated, with a further objective of reducing overdue reviews.
- Focus rollout of Cashout functionality to selected merchants to grow our footprint.
- Strong alignment with Nedbank Africa Regions Credit.
- Focus on Renewable Energy, SOE (State owned enterprises) and Invoice Discounting.
- Compliance focus on continued KYC overhauling of client portfolios.

Treasury

Due to its link to the South African Rand, the Namibian Dollar had a seesaw performance in 2020.

The Namibian Dollar (NAD) depreciated by less than 5% in 2020, trading at USD/NAD 14 at the beginning of the year and at USD/NAD 14.6 at the end of the year.

However, the volatility of the local currency against the US Dollar can be best summarized in three phases:

- The first phase was the deprecation of more than 35 % and the all-time low of USD/NAD 19.2500 recorded on 06 April 2020.
- Phase two saw a trading range of between USD/NAD 16.50 and 19.00 for a period until mid-August.
- The last 4 months of the year saw the currency strengthening more than 15 % to break within a short period of less than six weeks; the technical hurdles of "16" (early November) and then "15" in mid-December.

Most of the high-risk, high yielding currencies, the South African Rand being one of them, experienced this trend in the last quarter of 2020.

In 2020, the Treasury managed to secure the following achievements:

- FX (Foreign exchange) risk was well management through the Covid crisis.
- Despite lower volumes, FX revenue was stable throughout the year.
- Despite the lower interest rate environment, net interest income from the liquid asset book remained stable over the year.
- Non-interest revenue exceeded budget through improved procedures and the desk was able to capitalize on the severe market moves in the liquidity asset portfolio.

We are committed to achieving our strategic aims of:

- Automation of processes and reports to reduce administration and increase profitability.
- Increasing risk management and analytical ability through improvements of market risk and middle office structure.
- Deepening staff skills and capabilities to further develop the dealing room.
- Funding will be focused on Basel III friendly liabilities and improving the current offering.

CORPORATE GOVERNANCE AND ETHICS REVIEW (CONTINUED)

Reflection on key focus areas and pertinent matters addressed by the Board in 2020 (continued)

Global trade

Anti-Money Laundering ('AML'), Combating the Financing of Terrorism ('CFT') and sanctions compliance oversight.

During 2020, NNH Group continued to focus on improving the effectiveness of its AML control environment through the implementation of additional data fields in the core-banking system and continual improvements in the AML ancillary systems. The continual improvement in these systems has allowed us to progress in our compliance and risk management journey to ensure that we have comprehensive controls to prevent and detect money laundering and financing of terrorism and proliferation transactions within our bank.

The following successes are noteworthy:

- The bulk upload of our old client associated party data, which allows us to have a full view of our clients' related parties on our core-banking system;
- Assistance in the deployment of the IdentityToday functionality, which allows for online KYC of clients and easier compliance with regulations;
- Further enhancements that ensure mandatory data fields in our core banking which allow us to formulate a client's full financial profile.

Looking forward the steps forward as mentioned above will allow us to make further comprehensive changes to our transaction monitoring and client risk rating systems. This will result in enhanced client risk profiling and quality alerts for suspicious transactions.

Second line reviews were conducted during the year by Nedbank Group Enterprise Governance and Compliance and the Financial Intelligence Centre of Namibia to assess the effectiveness of the implementation of controls. Agreed management actions have been implemented. All material risks and issues are listed in the Key Issue Control Log ('KICL') and are reported through the Letter of Representation ('LOR') process.

Further system enhancements regarding client risk profiling and transaction monitoring is planned during the course of the next 2 years.

Financial statements

Monitoring and approving the financial statements to ensure that they fairly present NNH's affairs and the profit or loss at the end of the financial year.

- Financial reports were presented by the Chief Financial Officer to the board on a quarterly basis.
- The board is satisfied that the 2020 financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and in the manner required by the Namibian Companies Act and fairly present the group's affairs.
- NNH's annual financial statements for the 2020 financial year were, on recommendation of the Group Audit Committee ('GAC'), approved by the board.

Governance and compliance

The NNH Group seeks to establish compliance in substance, not just in form, with the provisions of Namibia's corporate governance code, the NamCode as well as the main acts and regulations affecting the financial services industry.

The group in all instances endeavours to apply the principles and recommendations of the NamCode. When this cannot be done, alternative measures are applied where possible and explained. The compliance framework makes provision for our compliance risk management procedure, which deals with the identification, assessment, management, control, monitoring and reporting of compliance risk through the various governance structures, including the Enterprisewide Risk Management Committee processes and the board.

Ethics

Ensuring that the group adheres to high standards of ethical and corporate behaviour.

The board assumes ultimate responsibility for the group's ethics. It sets the tone for the group EXCO and employees to act ethically. Various tools are being used to instil an ethics culture into the group, including:

- NNH Board Ethics Statement;
- Code of Ethics;
- Code of Conduct;
- Ethics assessment/monitor; and
- Ethics awareness programmes and annual declarations.

A detailed ethics report is disclosed on pages 60 to 62 of this report.

The group Remuneration, Human Resources, Social, Ethics and Transformation Committee ('REMCO') assists the board in overseeing the ethical practices in the group.

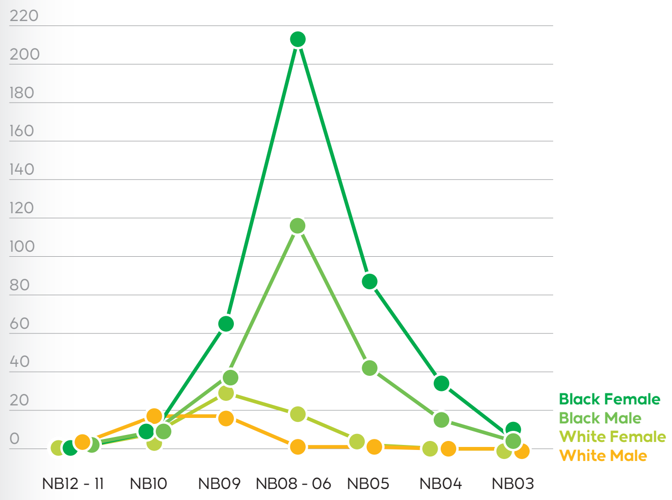
Information and Communication Technology ('ICT')

ICT employs the appropriate level of skilled employees to ensure the group's system of internal controls from an ICT perspective (centralised technical cybersecurity and projects inclusive), is maintained within the ambit of NNH's mandated policies and supporting standards.

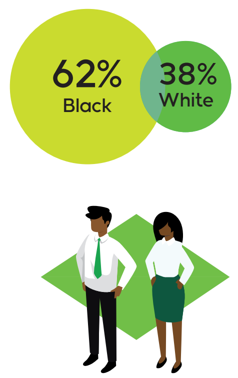
- ICT's processes and enabling tools provide for monitoring, tracking and reporting to an executive level and the board. A robust structure, defined within the Enterprise-wide Risk Management Framework, is in place that governs the ICT function and requires periodic reviews of management's assessment of the ICT risks facing the group and management's efforts to monitor and mitigate those risks.

OVERVIEW OF NNH GROUP EMPLOYMENT EQUITY PROFILE

NNH TRANSFORMATION SEPTEMBER 2020

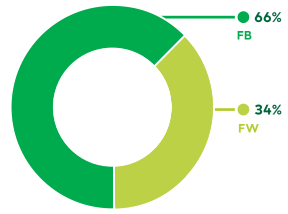


Person with disability: 1
Average age: 43
Youngest: 25
Oldest: 61

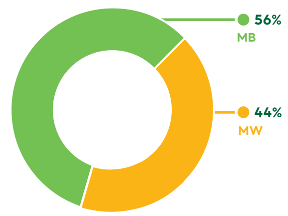


43% MALE | 57% FEMALE

MANAGEMENT FEMALE NB 09-12



MANAGEMENT MALE NB 09-12



LEGEND: BM - Black Male BF - Black Female WM - White Male WF - White Female FW - Female White FB - Female Black MW - Male White MB - Male Black

- The NNH GRCMC specifically focuses on ICT from both an operational and strategic perspective inclusive of ICT risk.
- The Information and Communication Technology Committee, a sub-committee of the group Exco, serves as a committee for ICT related matters.
- The Nedbank South Africa Technology division, Group Technology ('GT'), is the custodian for all information technology from a Nedbank group perspective. There is continuous monitoring of technology, security and processes to ensure alignment to the Group Operating Model.
- Cybersecurity has become one of the top risks across the group, requiring focus on system compliance through means of; application of security standards and controls, continuous vulnerability management through means of system patches, fixes and standards, user training and awareness and continuous monitoring. This trend will continue and cybersecurity will remain one of the top priorities.

Transformation

The group's transformation agenda is a key element for fulfilling its strategic vision. The illustration above is an overview of the group's Employment Equity Profile. The 2020 AA Report has been approved by the Equity Commissioner and the respective Compliance Certificate was duly issued.

The Namibia Financial Sector Charter

The objective of the Namibian Financial Sector Charter ('NFSC') is to guide the transformation of the Namibian Financial Sector by ensuring that a charter is developed within the context of Vision 2030 and the National Development Plans as well as within an agreed time frame. In terms of the NFSC, each financial institution shall submit an annual report to the Namibian Financial Sector Charter Council ('the Council') on the progress of its implementation of the Charter by dates determined by the executive of the Council.

The group Compliance function collated data to supplement the submission to the NFSC council to determine the group assessment which the Nedbank Group will integrate into the group localisation plan.

Nedbank contemplates further consultation with the NFSC Council during such planning phase to determine possible credits that could be achieved on various scenarios being considered. The planning phase will also consider alignment with legislation relating to economic transformation, such as amendments to the Banking Institutions Bill and the draft New Equitable Economic Empowerment Framework Bill, which we understand is still imminent. The development and approval of the plan will follow normal internal governance process at NNH and Nedbank Group levels.

The group's localisation plan will be concluded once the applicable legislative and regulatory assessments have been finalised.

Enterprisewide risk management

Overseeing enterprisewide risk and capital management.

- The enterprisewide risk management framework ('ERMF') establishes formal governance, procedures and processes for all risks. This framework is reviewed regularly by the GRCMC and the board to ensure that it is responsive to both the internal, external and regulatory environments in which the group operates. The board is advised of all developments and approves changes to the Group ERMF.

The board is confident that:

- the group governance and risk management systems and processes enable management to appropriately identify, measure and mitigate risks; and
- the monitoring and mitigation of all risks were enhanced through the implementation of key risk indicators.

CORPORATE GOVERNANCE AND ETHICS REVIEW (CONTINUED)

The Internal Capital Adequacy Assessment Process ('ICAAP')

The board is responsible for reviewing and approving the outcome of the ICAAP annually.

- The board has reviewed the ICAAP in Nedbank Namibia and confirms that: a comprehensive internal audit has been conducted on NBN's ICAAP, in line with principle 9.6 of Determination 20 of the Banking Institutions Act. In terms thereof the ICAAP is subject to regular review through an internal audit process. The Internal Audit process is distinct from the Supervisory Review and Evaluation Process ('SREP') conducted by the Bank of Namibia. This aims to ensure that the ICAAP is comprehensive and proportionate to the nature and scale of the bank's activities so that it accurately reflects the major sources of risk to which the bank is exposed.

The internal audit results revealed that:

- There is an appropriate identification and measurement of risks;
- There is an appropriate level of internal capital in relation to the Bank's risk profile; and
- There is an application and further development of suitable risk management systems in the Bank.

The board has approved:

- The 2019 ICAAP report; and
- The Capital Plan.

The board is satisfied that the bank is adequately capitalised for the business model and the risk appetite as defined by the board.

Board key focus areas in 2020 and beyond

Key focus areas for 2020 and beyond include *inter alia*:

Ethical and effective leadership

Setting the tone at the top and leading NNH ethically and effectively. This means that, in their decision-making, individual board members should act with independence, inclusivity competence, diligence, courage and with the necessary insight and information.

Leadership for sustainable growth and corporate citizenship

Providing leadership and vision to NNH that will ensure sustainable growth and appropriate corporate citizenship for the benefit of all group stakeholders.

Effective controls facilitating risk vs opportunity analysis

Ensuring that there is a framework of prudent and effective controls, which enables risk and opportunity to be assessed and managed effectively, but with the necessary entrepreneurial mindset.

Responsibility and accountability for NNH's performance

Being ultimately responsible and accountable for the performance of NNH and supporting NNH in setting its purpose and vision and achieving its strategic objectives.

These responsibilities include:

- delegating management of NNH to a competent executive management;
- providing input and oversight regarding succession planning for key management roles;
- governing technology;
- governing information;
- governing cybersecurity;
- ensuring compliance with appropriate legislation, including regulations, supervisory codes and appropriate best practices;
- governing disclosure so that stakeholders can effectively assess the performance of NNH;
- safeguarding the interests of NNH stakeholders;
- ensuring fair, responsible and transparent people practices; and
- having oversight of the risk appetite and adequacy and effectiveness of the Enterprisewide Risk Management Framework, which will include key risks, key performance indicators, as well as strategic, business and operational risk arising from the execution of the group business strategies, decision making practices and processes.

Responsibility for sound corporate governance

Being responsible for sound corporate governance in the group and for governance at board level. The board is responsible for its performance, including:

- evaluating the effectiveness and composition of the board to improve its performance;
- disclosing all outside interests or possible conflicts;
- providing oversight and guidance with regard to succession planning;
- creating governance structures to ensure the effective • discharge of responsibilities; and
- taking responsibility for the group remuneration practices, which should be aligned to best market practices but also consider the sociopolitical environment in which the group operates.

Access to independent advice

The board and board committees may seek outside legal or other independent professional advice if it considers this necessary.

The board has unrestricted access to the executive management team of the group to engage on and discuss any matters regarding which they require additional information or understanding.

Leadership through ethics and human rights

Governance of ethics

The board is ultimately responsible and accountable for the group's ethical values, conduct, culture and performance. It sets the tone for the executive management and staff to act ethically. A high ethics culture and trustworthy employees are key to our continued success and sustainability. The required level of ethical behaviour is achieved through ongoing employee awareness and education efforts and a culture of zero tolerance toward ethical misconduct.

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Various management frameworks are used to instil an ethical culture into the group, including *inter alia*:

Board Ethics Statement

Ethical and effective leadership should complement and reinforce each other. In line with this requirement, all directors in the group as well as group executives have signed ethics statements for the year 2020, undertaking to uphold high ethical standards and to conduct their business honestly, scrupulously and with integrity. They also therein acknowledged that a business relies on trust and that they will do their utmost to earn it and nothing to impair it. The quality aimed at in all dealings is integrity. The Ethics Statement is in line with the Principle in the NamCode Chapter 1 par C1.1 which stipulates that the 'Board should provide effective leadership based on an ethical foundation' and par C1.3 stating that the 'Board should ensure that the company's ethics are managed effectively.' In King IV one of the beneficial outcomes of good corporate governance is an ethical culture in the organisation. Ethical leadership and effective leadership should complement and reinforce one another.

Code of Ethics

At the core of the Code of Ethics are the group's values of integrity, accountability, respect, being people-centred and pushing beyond boundaries, which must be used to guide and direct the way we do business. Being responsible is at the heart of our approach to business. This commitment is encapsulated in the group's Code of Ethics, to which all employees (including contractors and temporary employees) must adhere. The Code of Ethics is available on the group's intranet and is reviewed annually to ensure it stays relevant in a changing business environment. The Employee Conduct Pledge is also on Nedlearn – the e-learning platform – and employees were invited to complete this pledge through a compliance circular.

Code of Conduct

The group's Code of Conduct expands on the Code of Ethics. This operational document offers examples of ethical behaviour to help employees make ethical decisions. The Code of Conduct is posted on the organisation's intranet to ensure that it is accessible to all the group employees. The most recent board approved Code of Conduct, Further Guidelines to Code of Conduct and updated Declaration Forms have been published on the intranet and awareness was raised through circulars on specific rules regarding Outside Interests and Gifts. During Q3, awareness and training for Retail branches in Windhoek continued. The presentation *inter alia* focussed on rules as per the NNH Code of Conduct with regards to gifts, outside interest and Personal Account Trading Declarations.

Ethics programme

The Compliance and Ethics team has developed an E-Course on Ethics and Code of Conduct rules for the Nedlearn portal. NNH Employees are invited annually to complete training with consequent assessments conducted thereafter. In addition, emphasis is placed on new employees to complete the Ethics Module on Nedlearn through distribution of an email from the Compliance function inviting new employees , once loaded on the Nedlearn database, to complete the module.

Driving ethical awareness

Promoting ethics among our employees

The ethics awareness training is continuously provided to employees of the group. The majority of the employees attended ethics awareness sessions presented by the group ethics officer. Employees who have not received the in-person ethics awareness training are being encouraged to complete an in-house developed e-learning ethics course. The group REMCO is tasked with the oversight of ethical practices.

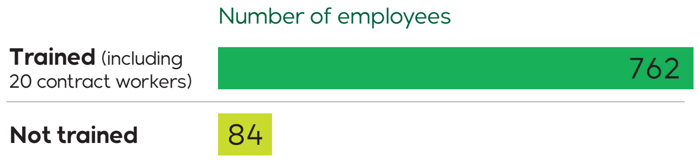
Measurement of Ethics

The Ethics Institute conducted an Ethics Risk and Opportunity Assessment ('ERA') on behalf Nedbank's Africa Regions in 2018 within the group. Focus group interviews were conducted in March 2018 by a specialist of the Institute and an online survey was rolled out in May as a second-leg of the review. A pleasing participation rate of 75% was attained. Issues identified in the ERA have been duly addressed by management during 2019. ERA is an important aspect of managing ethics in an organisation. It provides the organisation with a clear understanding of its ethics standards (that which should be built upon) and its ethics risk (that which should be avoided). The risks identified were duly advised to management and to the board of directors for remediation.

Ethics Management: The ERA indicated that there seems to be a relatively high awareness of the group's ethics standards, and the group also has high levels of ethics training and communication among employees. The areas of improvement are being addressed through initiatives to improve awareness and further embed the ethics standards into a deeply entrenched culture.

ETHICS AWARENESS TRAINING

Training on ethics awareness - 2013 to 2020



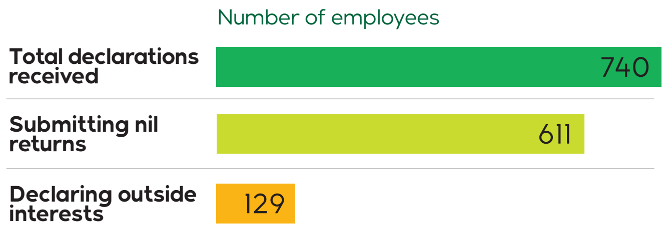
CORPORATE GOVERNANCE AND ETHICS REVIEW (CONTINUED)

Board key focus areas in 2020 and beyond (continued)

Declarations of outside interest 2020

The tracking and recording of annual declarations is a manual process performed by the group's compliance and ethics function. From a total of 762 employees, 740 declarations were submitted, thus a 97% submission rate was attained. Directors are required to disclose their outside interest at quarterly board meetings.

Declarations of outside interest 2020



Enabling engagement on ethics

A key component of a truly ethical culture is the ability for stakeholders to engage with the group regarding their ethics concerns. There are a variety of internal and external mechanisms in place for reporting actual or suspected unethical or unlawful behaviour and matters related to organisational integrity. These include:

- Tip-offs anonymous hotline;
- 'Talk to the ethics office' e-mail addresses Nedbank Group Risk Reporting Line (This is not an anonymous channel);
- Ethics office at Nedbank Group SA or compliance and ethics department locally, where any unethical behaviour or human rights violations can be reported.

Human rights

Committed to upholding human rights

The group embraces and upholds the protection of human rights as enshrined in the Namibian Constitution and specifically, the Bill of Rights. We also adhere to the 10 principles of the United Nations Global Compact ('UNGC') and have shown significant progress in implementing the requirements of the John Ruggie Report, which was commissioned by the UNGC.

Governance of human rights in business

Ensuring that we have an effective framework in place to manage the implementation of human rights in business, the human-rights-in-business policy was approved by the board.

Company Secretary

The board appoints the company secretary who provides support and guidance to the board on matters relating to governance, ethics and statutory practices. The company secretary assists the board as a whole and directors individually with detailed guidance on how to discharge their responsibilities in the best interest of the group. All directors have access to the advice and services of the company secretary.

The company secretary plays a vital role in the assessment process of the board and board committees as well as board training. New directors are informed of their duties and responsibilities by way of an induction course that is run by the company secretary and each newly appointed director is provided with an induction pack containing essential documentation and background material aimed at deepening their understanding of the group.

The company secretary is responsible for corporate governance on board, board committee and business governance level with the support of the enterprise-wide risk as well as compliance and ethics functions, reporting to the Managing Director of NNH.

The company secretary has direct access to and ongoing communication with the chairperson of the board and the chairperson and the company secretary meet regularly throughout the year. The company secretary is not a director of the group and has an arm's length relationship with the board. The board appointed Mr Christoffer Chipeio as Head: Compliance, Governance and Company Secretary on 1 April 2018. He is assisted by Ms Anelda Harmse.

NNH Board Committees

The board as a whole remains responsible for the operations of the group, but to assist in discharging its responsibilities, it delegates certain functions to committees established by the board. Each board committee has formal written terms of reference and a charter that is reviewed every second year, or more frequently if necessary. The board monitors these responsibilities to ensure effective coverage of and control over the operations of the group. All board and board committee charters are published on the group intranet.

The board is responsible for the appointment of board committee members, who should all be directors of the group. In terms of the respective board committee charters, members retire after two years from appointment, but are eligible for reappointment. Any board member who ceases to be a director for any reason whatsoever, ipso facto ceases to be a member of the board committees on which he/she serves.

The executive directors, Mrs Martha Murorua and Mr. Johannes Gerhardus van Graan, are not members of board committees, but attend board committee meetings by invitation. Other standing invitees who attend the NNH GAC and NNH GRCMC meetings are the members of the group EXCO, the chief internal auditor and the external auditors (who only attend NNH GAC meetings). Other members of management and representatives of Nedbank Group (SA) attend board committee meetings as invitees when necessary.

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Name of committee	Role of committee
NNH Group Audit Committee ('GAC')	The GAC assists the board in discharging its duties relating to the evaluation and review of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within the group. It also highlights measures to enhance the credibility and objectivity of financial statements and reports and adopts the annual financial statements for recommendation to the board for approval.
NNH Group Risk and Capital Management Committee ('GRCMC')	The GRCMC acts as the board's expert monitor of the group risk universe as listed and defined in the enterprisewide risk management framework ('ERMF'). The committee assists the board in discharging its responsibility to: ▪ recognise all material risks to which the group is exposed and ensuring that the requisite risk management culture, practices, policies, resources and systems are in place and are functioning effectively; ▪ periodically review the risk management methodologies, policies and frameworks of the group; ▪ ensure an appropriate credit approval mandate structure is in place; ▪ monitor adherence to internal risk management policies, procedures, processes and practices.
NNH Group Remuneration, Human Resources, Social, Ethics and Transformation Committee ('REMCO')	The REMCO assists the board in discharging its responsibilities in terms of Remuneration, Human Capital, Social, Ethics and Transformation matters.
NNH Group Directors' Affairs Committee ('GDAC')	The GDAC considers, monitors and reports to the board on corporate governance and related responsibilities and the group's compliance with The NamCode and other governing Namibian legislation. It furthermore acts as the board's expert monitor and sounding board in relation to directors' affairs.

Frequency of meetings

The board annually approves the meeting programme. The board committees meet quarterly or more frequently if necessary.

Report of the NNH Group Audit Committee ('NNH GAC') Chairperson

In corporate governance, the purpose of the NNH GAC is to ensure the integrity of integrated reporting and internal financial controls and it identifies and manages financial risks. It has an essential role to play in ensuring the integrity and transparency of corporate reporting and provides key links between management, the board and external audit. The committee is able to focus on the key issues facing the organisation and oversees management's financial reporting controls and processes by reviewing significant accounting and reporting issues.

Mandate

The NNH GAC assists the board in fulfilling its oversight responsibility in the group, particularly with regard to:

- the evaluation of the integrity of the group's financial statements through the assessment of the adequacy and efficiency of its internal control systems, accounting policies and practices, information systems and auditing processes applied in the day-to-day management of the group's business.
- the assessment of the effectiveness of the internal audit and finance functions as well as the independence and effectiveness of the external auditors.
- the monitoring of the adequacy and reliability of management information and the efficiency of management information systems and effectiveness of information security as well as information technology as it relates to financial reporting and the going concern of the group.

CORPORATE GOVERNANCE AND ETHICS REVIEW (CONTINUED)

Report of the NNH Group Audit Committee ('NNH GAC') Chairperson (continued)

NNH GAC Charter
The terms of reference of the NNH GAC are set out in a board approved NNH GAC charter. The charter sets the NNH GAC meeting agenda. The committee is satisfied that it has executed its responsibilities for the year in compliance with its charter.

NNH GAC membership
The NNH GAC members are:

NNH Group Audit Committee members	Period served on committee
*Horn TB (chairperson)	2019-2020
**Sibiya TG	2018 – 2020
*Hibbit PCW	2016 – 2020
*Hiwilepo TT	2014 – 2020
*Maasdorp RL	2018 – 2020 – resigned 16 Sep 2020
*Urib HH	2020

** independent non-executive members*
*** non-executive director*

For directors' qualifications refer to directors' profiles on pages 9 to 11 of this report.

Ms Talita Horn, a Certified Internal Auditor and Chartered Accountant, is an Independent Non-Executive Director for NBN and NNH and is also the Chairperson of the Board Group Audit Committee.

The board is satisfied that the collective skills of the committee are appropriate to oversee integrated reporting.

Discharge of audit committee duties
The NNH GAC discharged its duties in respect of the group by:
- ensuring the expertise, resources and experience of the financial management function;
- ensuring integrity, reliability and accuracy of the financial statements and the efficiency of the internal financial control systems, accounting policies and practices, information systems and auditing processes;
- collectively having an understanding of IFRS and other regulatory requirements and assuring stakeholders that the accounting policies and practices within the group are in compliance with IFRS and regulatory requirements;
- evaluating the adequacy and effectiveness of internal audit assurance functions;
- maintaining transparent and appropriate relationships with the external auditors;
- reviewing the scope, quality and cost of the statutory audit and the independence and objectivity of the auditors and ensuring that the appointment of the external auditor complies with Namibian legislation;
- ensuring that there is adequate reliance placed on effective internal, external and management assurance providers;
- ensuring that the internal audit function is independent and has the necessary resources, budget, standing and authority within the group to enable it to discharge its functions;
- ensuring that a combined assurance model has been adopted and implemented to provide a coordinated approach to all assurance activities;
- ensuring that the integrated sustainability reporting obligations are met;
- reviewing and approving the integrated report and recommending the report to the board for approval;
- satisfying itself that the external auditor is independent of the company and determining the nature and extent of non-audit services;
- understanding how the board and the external auditor evaluate materiality for integrated reporting purposes;
- considering and recommending the internal audit charter for approval by the board; and
- considering and approving the internal audit plan and ensuring co-ordination between the internal audit plan and audits conducted by the external auditors.

Key focus areas and pertinent matters addressed by the NNH GAC in 2020
The NNH GAC met five times during the year and confirms that it has met its statutory obligations in all material respects.

Financial control, accounting and taxation
The NNH GAC reviews and comments on the financial statements, the accounting practices, taxation and the effectiveness of the internal financial control of the group and reports to the board thereon. It provides assurance on the integrity and completeness of the group's financial report.

- The NNH GAC reviewed the financial statements for the financial year ended 31 December and assessed the accounting practices applied in the group. The committee also monitored quarterly status reports on taxation and assessed the effectiveness of the internal financial controls of the group. Stakeholders are assured that:
  - the accounting policies and practices within the group are in compliance with IFRS, the Namibian Companies Act, the Banking Institutions Act and other applicable legislation;
  - the IFRS9 impairment policy was implemented as from 1 January 2018;
  - the financial statements of the group fairly reflect the financial position and performance of the group;
  - effective accounting practices and policies have been maintained;
  - the skills and resources of the finance function are competent and effective and the finance division is adequately resourced to fulfil the finance function in the group;
  - the Infostack system was actively used as part of the group's management information systems and to perform the reconciliation of key suspense accounts; and
  - with regard to taxation: the group is in good standing with the Receiver of Revenue. All tax returns of companies in the group have been submitted to the Receiver of Revenue and no compliance breaches occurred.
- The NNH GAC approved the group annual financial statements and recommended them to the board for approval.
- The NNH GAC further assessed and confirmed the appropriateness of the going-concern assumption used in the annual financial statements, taking into account management budgets and the group's capital and the liquidity profiles.

Internal control
The NNH GAC reviews the effectiveness of systems for internal control, financial reporting and considers the major findings of any internal investigations into control weaknesses, fraud or misconduct and managements' response thereto.

The NNH GAC received quarterly reports to assist in evaluating the group's internal controls. Requirements for improvements in internal controls in certain business areas have been identified through internal audits. Stakeholders are assured that identified control weaknesses are being given the necessary attention by management and that risk mitigation plans, programmes and structures are being implemented in these areas to enhance internal controls and mitigate risk.

Internal audit function
The NNH GAC monitors that the internal audit function is effective in terms of its scope, planned coverage, independence, skills, staffing, overall performance and position within the group.

The NNH GAC has:
- assessed the internal audit function in the group and confirms that it was adequately performed by the internal audit team with the assistance of Nedbank Group (SA) internal audit;
- monitored and challenged, where appropriate, actions taken by management with regard to adverse internal audit findings;
- approved the internal audit plans for and assures stakeholders that the plan was duly coordinated with audits planned and/or conducted by the external auditors and Nedbank Group Internal Audit ('NGIA'); and
- approved the revised internal audit charter and recommended it to the board, which the board approved.

External audit function
The NNH GAC conducted the review of the scope, quality and cost of the statutory audit and the independence and objectivity of the auditors and ensured that the appointment of the external auditor complies with Namibian legislation.

- The NNH GAC monitored the effectiveness of the external auditor in terms of its audit quality, expertise and the content and execution of the audit plan. The NNH GAC considered and is satisfied with the independence of the external auditors.
- The NNH GAC adopted the annual external audit plan and related scope of work, confirming suitable reliance on the group internal audit and the appropriateness of key audit risks identified.
- The NNH GAC considered and approved the audit- and non-audit fees for the financial year.
- The revised provision of non-audit services policy was considered by the committee and recommended to the board for approval.
- The NNH GAC has recommended the reappointment of Deloitte & Touche as external auditor to the shareholder.

In accordance with the requirements of the NamCode and the NNH GAC charter, a separate meeting was held by the NNH GAC with the external auditor, without the presence of management to provide comfort to the NNH GAC that the external audit was conducted without any scope restrictions or undue pressures and influences from management.

Co-ordinated assurance
The NNH GAC ensures the application of a combined assurance model, which provides a coordinated approach to all assurance activities within the group.

The NNH GAC is satisfied that the relationship between internal and external assurance providers is conducive to the attainment of assurance objectives of assurance providers.

Information Technology
The NNH GAC monitors the adequacy and reliability of management information and the efficiency of management information systems and effectiveness of information security as well as information technology as it relates to financial reporting and the going concern of the group.

The NNH GAC regularly reviewed reports of the group Information and Communication Technology, pertaining to the effectiveness and efficiency of the group information systems and information security.

The committee is satisfied that:
- The group Information and Communication Technology Committee, a sub-committee of the group Exco, serves as a committee for ICT related matters.
- The Nedbank South Africa Technology division (Group Technology), is the custodian for all information technology from a Nedbank group perspective and continuously monitors technology, security and processes to ensure alignment to the Group Operating Model.
- Quarterly updates were given to the board on the Flexcube stabilisation programme and status reports on information technology were tabled at committee and board meetings. Flexcube has been stabilized and focus has shifted to optimisation, automation and innovation within the core banking space. The group is investigating and exploring prospects for robotics and automated workflow.
- The Flexcube core banking platform remediation programme remained a key focus area of the board.
- BID-19 Localisation of the core banking system: The service-level agreement between the group and Nedbank Group Technology has been signed. The group has taken accountability of the core banking operations and also assumed technical and operational functionality and support in respect of its core banking and peripheral systems. The principles of BID-19 have been embedded into the ICT practices. An ICT Command Center has been established with fully operational 24 hours 7 days a week 365 days a year shifts executing end of day processes and client support. Whilst the CAMS system is not physically located in Namibia the bank has implemented controls to substantially achieve objectives of the determination.

CORPORATE GOVERNANCE AND ETHICS REVIEW (CONTINUED)

Key focus areas and pertinent matters addressed by the NNH GAC in 2020 (continued)

Information Technology (continued)

- Cybersecurity has become one of the top risks across the group, requiring focus on system compliance through means of application of security standards and controls, continuous vulnerability management through means of system patches, fixes and standards, user training and awareness and continuous monitoring. The control activities and enhancements thereto aim to mature the control environment in line with leading practices. Cybersecurity will remain one of the top priorities.
- The Technology teams has refreshed the core network equipment, increasing communication between back end systems up to 10X from a network communication perspective, and addressing single point of failures by building in redundancy.
- As part of the Nedbank digital drive and enablement, the new MoneyApp was launched, bringing additional functionality to our clients, and aligning our user experience (UX) to a common Nedbank look and feel, with further enhancements anticipated in 2021.
- Rollout of the new corporate internet banking platform has aligned both retail and corporate customers on a single platform, bringing in additional security practices and stability for our corporate customer base.

Key focus areas for 2021 and beyond

Key focus areas for 2021 and beyond include, *inter alia*:

- improving and maintaining an effective internal control environment in the group and ensuring that the group's financial systems, processes and controls are operating effectively and are responsive to changes in the environment and industry;
- monitoring of the financial statements to ensure that they fairly present the group's affairs and the profit or loss at the end of the financial year;
- continued monitoring of the further development of the Infostack management information system in terms of enhancements and additional offerings;
- monitoring that the internal audit function is effective in terms of its scope, plans, coverage, independence, skills, staffing, overall performance and position within the group; and
- reviewing the scope, quality and cost of the statutory audit and the independence and objectivity of the external auditor and ensuring that the appointment of the external auditor complies with Namibian legislation.

External Audit

The external auditor, Deloitte & Touche, has assured the committee that it has established various safeguards and procedures to ensure its independence and objectivity.

The external auditor reaffirmed to the NNH GAC:

i. its independence and objectivity for the year ended 31 December;
ii. that the external audit has been conducted without any audit scope restrictions; and
iii. that the external audit team was sufficiently resourced.

The report of the independent auditors on pages 94 to 95 sets out the responsibilities of the external auditors with regard to expressing an opinion on the annual financial statements and the group compliance with both statutory and accounting standard requirements.

The external audit is structured to provide sufficient evidence to give reasonable assurance that the annual financial statements are free from material misstatement.

Fees paid to the external auditor, which include any fees for non-audit services, are disclosed in note 31 to the annual financial statements. The scope of the services provided was approved by the NNH GAC, and did not impair their independence.

The external auditor has unrestricted access to the chairperson of the NNH GAC.

NNH Group Internal Audit ('NNHGIA')

The purpose of the NedNamibia Holdings Limited Internal Audit ('NNHGIA') is to provide independent, objective assurance, via the NedNamibia Holdings Group Audit Committee, to the Board of Directors of NedNamibia Holdings Limited and subsidiaries (the 'NNH Group') that the governance processes, management of risk and systems of internal control are adequate and effective to mitigate the most significant risks (in line with Nedbank Group Internal Audit Methodology), both current and emerging, that threaten the achievement of the group's objectives, and in so doing help improve the control culture of the group.

To provide independence of the group's internal audit function, the Chief Internal Auditor ('CIA') has a direct reporting line to the NNH GAC chairperson, a functional reporting line to the managing director and the head of Group Internal Audit (Nedbank Group (SA) and has unrestricted access to the chairperson of the board. The chief internal auditor of Nedbank Group Limited has an oversight over the group internal audit function. By virtue of its mandate any material or significant control weakness is brought to the attention of the Group Chief Risk Officer, managing director and NNH GAC for consideration and the necessary remedial action.

Internal control

For the board to discharge its responsibilities to ensure the accuracy and integrity of the annual financial statements, management has developed and continues to maintain adequate accounting records and effective systems of internal control. The board has ultimate responsibility for the systems of internal control and reviews their operation primarily through the NNH GAC and various other risk-monitoring committees.

As part of the systems of internal control, the NNHGIA function conducts operational, financial, and specific audits and coordinates audit coverage with the external auditors. Specialist skills such as that required for information technology and treasury audits are sourced from NGIA.

The internal controls include risk-based systems of internal accounting and administrative controls, designed to provide reasonable, but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the group policies and procedures. These internal controls are based on established and written policies and procedures with an appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system, operating within strict deadlines and an appropriate control framework that has been developed in accordance with the group's activities. Internal control issues are regularly discussed with the managing director and at NNH GAC and board level.

The board and board committees continuously identify operational control areas and oversee the implementation of suitable processes and technology to further enhance this important component of the operations of the business.

The group's effectiveness of internal controls and risk management has been assessed by Nedbank Group Internal Audit, which confirmed to the NNH GAC that, based on the audit work that has been performed during the period 1 January to 31 December nothing has come to NGIA's attention that adversely affects the adequacy and effectiveness of the group system of internal controls and risk management as covered by the annual audit plan and 3+9 planning process (in terms of the risk-based Nedbank Group Internal Audit Methodology and Nedbank Change Methodology). The NNH Chief Internal Auditor has also provided comparable assurance.

Integrated reporting

The NNH GAC reviewed and discussed the audited annual financial statements with the chief financial officer, the managing director, the chief risk officer, internal audit and the external auditors. The NNH GAC has assessed, and found to be effective and appropriate, the accounting policies adopted, the reporting process and controls that led to the preparation of the annual financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Namibian Companies Act, 28 of 2004.

The NNH GAC reviewed and discussed the statement's integrated report reporting process, governance and financial information included in the report and has adopted the going concern assumptions in preparing the annual financial statements. The committee has made an assessment of the group ability to continue as a going concern and has no reason to believe that the group will not be a going concern in the year ahead and recommended to the board for the approval of the annual financial statements. The board has subsequently approved the 31 December 2020 annual financial statements, which will be tabled for adoption by the shareholders at the forthcoming annual general meeting.

The external auditor's opinion on the 31 December 2020 annual financial statements is reflected in the independent auditor's report on pages 94 to 95.

NNH GAC evaluation

An internal appraisal of the NNH GAC was conducted by the group company secretariat with a resultant overall composite rating of 61.92%. The committee was rated as well functioning, effective and in operational compliance with its charter. Structures were being put in place to address areas that required improvement. The Compliance unit also conducted an assessment to determine compliance with BID-10 of the Banking Institutions Act, which assessment was concluded as satisfactory.

Conclusion

The NNH GAC is satisfied and herewith confirms that it has complied with its legal, regulatory and other responsibilities and that it has met its objectives.

Talita B. **Horn**
CHAIRPERSON OF THE GAC

Report of the NNH Group Remuneration, Human Resources, Social, Ethics and Transformation Committee ('REMCO') Chairperson

People are a key to the achievement of our vision to become most admired by our stakeholders. The group has been on a transformative journey to build an organisation which is increasingly people centric as a core value.

Mandate

The NNH REMCO assists the board with the general oversight and monitoring responsibility over the group human resources, social, ethics and transformation functions to fulfil the following objectives:

- To instil a human resources philosophy (including but not limited to a remuneration philosophy) which attracts, retains, motivates and rewards employees to successfully implement the group strategy.

In executing remuneration policies, processes and procedures, to ensure that:

- remuneration structures are aligned with best market practice and sound governance principles;
- the group conforms to the latest thinking regarding good corporate governance on executive remuneration and correctly aligns the behaviour of executives with the strategic objectives of the group;
- due regard is given to all stakeholders and to the financial and commercial health of the group;
- the group complies with the relevant employment related legislation of Namibia, with special reference to the Labour Act, 2007 (Act No 11 of 2007) as amended from time to time; and
- due regard is given to the management of collective labour relations.

To ensure that a competitive human resources strategy is developed and implemented to comply with:

- the guidelines provided by the Employment Equity Commissioner ('EEC') as well as affirmative action initiatives, to support superior business performance; and
- the BBEE targets set in the Namibian Financial Sector Charter.

To oversee and monitor the group activities in the field of transformation, ethics, human capital development and sustainability, public safety, stakeholder relationships as well as industrial relations matters.

CORPORATE GOVERNANCE AND ETHICS REVIEW (CONTINUED)

Report of the NNH Group Remuneration, Human Resources, Social, Ethics and Transformation Committee ('REMCO') chairperson (continued)

Charter

The terms of reference of the Group REMCO are set out in a board approved Group REMCO charter. The committee is satisfied that it has executed its responsibilities for the year in compliance with its charter.

NNH Group REMCO membership

The Group REMCO members are:

NNH Group REMCO members	Period served on committee
*Kankondi SI	2020
*Horn TB	2019– 2020
**Sibiya TG	2018 – 2020
*Hibbit PWC (acting Chairperson)	2019– 2020
*Maasdorp RL (former Chairperson)	2018 – 2020 resigned 16/09/2020
*Urib HH	2020

** independent non-executive members*
*** non-executive director*

For directors' qualifications refer to directors' profiles on pages 9 to 11 of this report.

Key focus areas and pertinent matters addressed in 2020

The Group REMCO has met quarterly during the period under review. The following pertinent matters were addressed by the Group REMCO in:

Human Capital ('HC') Strategy

To instil a human resources philosophy which attracts, retains, motivates and rewards employees to successfully implement the group strategy.

- The focus areas of the HC strategy were redefined and the strategic enablers introduced. Quarterly updates on the HC strategy execution were provided by management to enable the Group REMCO to monitor strategy execution.

The committee confirms that the following strategic HC initiatives were, amongst others, successfully concluded in 2020:

- EXCO succession management has been reviewed on a quarterly basis.
- The lodging of the 2019 Affirmative Action report with the EEC and the subsequent receipt of the compliance certificate.
- Bi-annual performance reviews, after the check & challenge session with Exco.
- Feedback sessions of the Employee Compass and Barrett surveys have been finalized.
- Formal Recognition and Long Service function took place during 2020.
- NHP wellness and product sessions, wellness massages and breast cancer days have been held.
- Training initiatives concluded. Nedlearn Training – virtual training sessions were held during Covid-19.
- Approved 2020 Workforce Plan – the 2020 approved headcount reduced from 787 to 775. External headcount freeze was implemented – Actual headcount at end of December 2020 was 734 + 32 temps = 766, which was managed well by the Headcount Committee.
- Bursaries were issued to Seven (7) internal employees and three (3) external bursary holders during 2020.
- A successful Top Achiever Function took place on 13 March 2020. Ms. Ndapandula Sem has been chosen as Namibia's Top Achiever within Namibian Africa Regions (NAR).
- The CMA Team of Namibia has also been invited from Group GT to attend their Recognition Reward function in SA. They've also been selected to attend the Final Top Achievers Award Function.
- The STI Bonus has been paid out during March 2020.
- The VBSS went live on 13 March 2020 and 46 employees participated in this process.
- The 2020 Wage Negotiations has successfully been finalized and all increase letters were issued to non-management employees .
- BAN Stationary Drive – The stationary hand-over was done by the Branch Manager: Luderitz to one of their schools.
- Our first Exco Talent Board meeting successfully took place on 29 April 2020. The HR Talent Review Board took place on 30 June 2020.
- Internal competition campaigns (Positive/Inspirational video clips on how Nedbank treated employees during COVID-19 published on I AM NEDBANK WhatsApp Group, Workers Day & Bridge Run Challenges, etc.) took place just to keep employees still motivated and take their minds away from COVID-19.
- Meeting with Union took place on 28 May 2020 to inform them about the Pension fund that will move to an Umbrella Fund. The Union agreed & it was communicated bank-wide.
- HR Audit has been finalized – received a satisfactory report.
- Departmental Long-service hand-over functions took place throughout the year.
- Rent-to-own employee engagement sessions were held on 17 & 18 November 2020 (i.e. affordable houses).
- Desert Dash staff challenge – winners were announced (1st place – Bancassurance Team & 2nd place – ICT Team). They performed during the Desert Dash event on 11 December 2020
- People Promise – a pre-launch with Exco took place on 2 December 2020 to prepare for the bank-wide roll-out.

COVID-19 Update

The Pandemic Response Plan was invoked with inception of the first lock-down period in March. During the lock-down extension in April employees started to work on a rotational basis, where practically possible. The Pandemic Steering Committee, consisting out of Exco, Health & Safety and a Communication Specialists met daily. Employees received hand sanitizers, masks, food vouchers, immune boosters and awareness communication was sent frequently. To accommodate needs of employees who needed to quarantine or isolate, additional COVID-19 leave categories were incorporated in the Leave Policy.

Health and safety protocols, in compliance with gazetted rules were implemented at all points of presence and included amongst others, perspex glass erected for all frontline employees in branches and vulnerable employees working from home.

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As part of Employee Wellness programmes, ICAS facilitated Emotional Impact & Debrief sessions. With support of ICAS we distributed Wellness Topical Campaigns bank-wide virtual wellness sessions for our employees.

At any point in time the number of employees needing to isolate has not exceed 3% of our workforce and is testimony to our employees practicing health and safety measures at workplace and outside. We are grateful that very few employees needed to be hospitalised whilst In Isolation and that to date we have not had to mourn a fatality.

The Group REMCO adopted and recommended the following matters to the board for approval:

- Adoption of annual salary increase for non-bargaining unit employees.
- Adoption of profit share bonus pool based on 2019 results.
- Adoption of Optimization of Admin Hub structure.
- Adoption of Appointments of COO, Managing Director & Executive: Credit & Market Risk.
- Adoption of 2021 – 2023 People Strategy.

Remuneration Strategy, Structure and Cost

To consider remuneration in its totality in an integrated and holistic manner.

The Group REMCO continuously monitors remuneration practices and differentials in the group to ensure that they are fair and defensible and confirms that:

- the committee has, *inter alia*, adopted and recommended to the board for approval the annual salary increase (i.e. for non-management employees) and short-term incentive bonus pool; and
- the salaries negotiations between the group and the Namibia Financial Institutions Union ('NAFINU') were successfully concluded with agreement having been reached in various remuneration components.

Ethics and Stakeholder Relationships

To oversee and monitor the group activities in the field of transformation, ethics, human capital development and sustainability, public safety, stakeholder relationships as well as labour and employment matters.

- The ethics and stakeholder relationship monitoring is essential to the group attaining its purpose and retaining its position as a responsible corporate citizen. The board has assessed reports in relation to the Ethics and Stakeholder Relationships of the group. Details on ethics awareness in the group are disclosed in the ethics report on pages 60 to 62.

Key focus areas for 2021 and beyond

Key focus areas for 2021 and beyond include, *inter alia*:

- monitoring the execution of the human resources strategy and continued focus on ensuring that the Group REMCO fulfils its responsibilities to meet the group's HR objectives;
- overseeing and monitoring the group's activities in the field of transformation, ethics, human capital development and sustainability, public safety, stakeholder relationships as well as labour and employment matters;
- overseeing and monitoring the group's remuneration policy and practices, ensuring the appropriateness of our reward arrangements;
- overseeing and monitoring the review and optimisation of the group's management structure and the implementation of the group's change management plan. The Central Operations Optimization structure has been approved during the May 2020 Board meeting and is currently busy with the 2nd phase;
- reviewing succession and development plans for executive and senior managers in the group;
- Induction Program is being revised and kicked-off within the Retail and Business Banking space. It will be rolled-out to the rest of the bank during 2021;
- Review of short term and long term incentives;
- Transformation Strategy;
- Nedbank Campus – The Waste Management/Recycling initiative has been implemented. The rest of the initiatives were delayed due to Covid-19. There will be more focus during 2021; and
- The 3-year People Strategy has been presented & approved by Board.

Performance management

The group's performance management process ensures appropriate alignment of individual, team and business unit performance objectives with those of the group. This enables translation of the group's strategic focus areas into individual action plans. Employee performance assessments are conducted across the group bi-annually.

The core principles of the group's performance management process are as follows:

- Performance management is consistently applied across the group to ensure effective alignment of strategic objectives and individual outputs.
- Performance objectives are based on a scorecard of metrics featuring both financial and non-financial indicators that align with the group's strategic imperatives.
- Performance management is an ongoing process rather than an event and it is duly complemented with incentives that are appropriate for the long term sustainability of the business.
- Performance outcomes are appropriately differentiated to reflect the different levels of the contribution made by employees to the success of the group. Where performance deficits are identified, these are dealt with actively, with the primary objective of returning the employee to full performance.
- The new performance management methodology kicked-off with Exco, who completed their GCC (Goal Commitment Contract) during the mid-year review. The rest of the business has been trained and will complete their GCC's during the 2021 year-end reviews.

Employment equity/Affirmative action

The group continuously strives to achieve employment equity in the workplace and to enhance competitiveness. It is a carefully planned, managed and monitored process, incorporating strategies aimed at transforming the employment environment within the group.

CORPORATE GOVERNANCE AND ETHICS REVIEW (CONTINUED)

Key focus areas for 2021 and beyond (continued)

Employment equity/Affirmative action (continued)

These mechanisms provide for the recruitment, development and promotion of competent individuals, especially those from previously disadvantaged groups, to allow them to gain access to opportunities based on their suitability, while ensuring the maintenance of core standards within the organisation. The 2018 affirmative action ('AA') report has been approved by the EEC and the affirmative action compliance certificate was issued to the group. The 2019 AA report has been lodged with the EEC and was duly approved.

Remuneration

The group defines total reward as a combination of various types of rewards, including financial and non-financial, indirect and direct and intrinsic and extrinsic rewards. The group's remuneration policy is board-approved and forms part of the group's operating philosophy, policies and standards. It provides a framework for the management of total reward in the group and supports the group's employee value proposition. The remuneration policy sets out how total remuneration is to be managed in the group and is supported by detailed operating policies, procedures and practices at business unit level.

Achieving fair and responsible remuneration outcomes is a matter which the Group REMCO continuously applies its mind to.

The remuneration of directors was duly ratified at the 2020 annual general meeting.

Culture and surveys

Both the Barrett & Compass surveys have been replaced by the Employee Insight Pulse Survey, which were launched during November 2020. This survey will run three times a year.

REMCO evaluation

An internal evaluation of the effectiveness of the Group REMCO was conducted by the group company secretariat. With an overall composite rating of 64.6%, the committee was rated as well functioning and effective. Structures are being put in place to address areas that require improvement.

Conclusion

The Group REMCO is satisfied that it complies with its legal, regulatory and other responsibilities.

Peter W. C. **Hibbit**
ACTING CHAIRPERSON OF THE GROUP REMCO

Report of the NNH Group Directors' Affairs Committee ('NNH GDAC') Chairperson

Mandate

The NNH GDAC assists the board with its corporate governance and related responsibilities and acts as the board's expert monitor and sounding board in the following key areas:

- Governance, including implementation and adherence to corporate governance standards, compliance with the NamCode and corporate governance provisions of the Banking Institutions Act;
- Directors' nominations and appointments;
- The board committee nominations and appointments;
- Directors' remuneration and fees;
- Directors' training and development;
- Evaluation of board/board committees/chairperson/individual directors;
- Termination, rotation, retirement and dismissal of directors; and
- Directors' outside interests.

Charter

The terms of reference of the NNH GDAC are set out in a board approved NNH GDAC charter. The committee is satisfied that it has executed its responsibilities for the year in compliance with its charter.

NNH GDAC membership

The NNH GDAC members are:

Group Directors' Affairs Committee members	Period served on committee
**Kankondi SI (Chairperson)	2020
*Hibbit PWC (Former Chairperson)	2019 - 2020
**Sibiya TG	2018 - 2020
*Maasdorp RL	2019 - 2020 resigned 16/09/2020

** independent non-executive members*
*** non-executive director*

For directors' qualifications refer to directors' profiles on pages 9 to 11 of this report.

Key focus areas and pertinent matters addressed in 2020

The NNH GDAC has met quarterly during the period under review. The following pertinent matters were addressed by the NNH GDAC in 2020:

Board governance

The NNH GDAC assists the board with its corporate governance and related responsibilities and acts as the board's expert monitor and sounding board with respect to corporate governance issues.

In 2020, the NNH GDAC met quarterly, focusing on board governance and related responsibilities within the group. The committee confirms that the following governance initiatives were, amongst others, successfully concluded in:

- The board-/board committee evaluations.
- Directors declared their outside interests to the NNH GDAC and board quarterly. No conflicts of interest occurred.
- Directors have signed the board Ethics Statement thereby confirming that they have read and understood the contents thereof and agreeing to be bound by the terms thereof.
- The board and board committee attendance by directors was monitored quarterly to ensure that the directors comply with the 75% attendance rule determined in Determination BID-1.
- The group held an annual general meeting.
- The NNH GDAC reviewed and amended the board charters to integrate the principles of King IV where no legislative imperative exists to apply the Namcode and NNH GDAC recommended to the board for approval.
- The NNH GDAC adopted and recommended to the board for approval the reappointment of the following directors who retired by rotation at the AGM for the year ended 2019, which was held in June 2020, in terms of the provisions of the respective board committee charters and were re-elected:
  - Mr. Peter Charles Wenham Hibbit
  - Mr. Trophimus Hiwilepo
  - Mr. Ramon Lorenzo Maasdorp
- The committee noted the resignations of Mr Theo Frank, Mrs. Liina Muatunga and Ms Afra Shimming-Chase, from the NNH and NBN board.
- The NNH GDAC furthermore adopted and recommended for board approval:
  - Mr Peter W. C. Hibbit resigned as Chairperson of the NNH and NBN Boards;
  - Mr Ramon. L Maasdorp resigned as Chairperson of the REMCO;
  - Mr Sebulon I. Kankondi has been appointed as Chairperson of the NNH and NBN Boards;
- The committee discussed the matter of appointing a Lead Independent Director ('LID') and it was agreed that at this point, that the matter be revisited to stand over into 2021.
- The establishment of two additional board sub-committees, namely Information Communication and Technology Committee and Board Credit Committee (Large Exposures) was discussed.

Key focus areas for 2021 and beyond

Key focus areas for 2021 and beyond include, *inter alia*:

- Ensuring that sound corporate governance processes and structures are in place to protect the shareholder's interests;
- Ensuring that balanced board structures are established and maintained in the group to ensure the proper and effective functioning of the board and board sub-committees of the group;
- Ensuring proper board succession planning;
- Overseeing the transition by the group to the principles of King IV, in so far as it does not contradict the Namibian legislation and/or the NamCode;
- Establishing two additional board sub-committees, namely Information Communication and Technology Committee and Group Credit Committee; and
- Appoint LID (Lead Independent Director)

NNH GDAC evaluation

An internal evaluation of the effectiveness of NNH GDAC has been conducted by the group company secretariat. With an overall composite rating of 73.3%, the committee was rated as well functioning and effective. Structures were being put in place to address areas that required improvement.

Conclusion

The NNH GDAC is satisfied and confirms that:

- the governance framework in the group is well established and aligned with regulatory requirements and the principles of the NamCode and that governance processes across the group are functioning effectively. Governance matters that deviate from the principles of the NamCode are duly explained in these annual financial statements.
- In order to align with King IV where relevant, the group will in 2021 undergo yet another governance refresh.
- The NNH GDAC complied with its legal, regulatory and other responsibilities.

Sebulon I. **Kankondi**
CHAIRPERSON OF THE NNH GDAC

Report of the NNH Group Risk and Capital Management Committee ('NNH GRCMC') Chairperson

The fourth industrial revolution is fundamentally changing not only the way in which businesses operate but also the risks to which they are exposed. Businesses are therefore continuously having to review and update their risk management policies, procedures and processes. This changing environment also proves challenging to regulators who are responding by increasing regulatory requirements and imposing material fines for non-compliance. The group has responded to these changes by continuously monitoring and updating the risk universe which covers a wide range of risks including credit, capital and liquidity management, financial crime, cybersecurity and regulatory compliance. The NNH GRCMC is continuously monitoring and updating the risk universe, ensuring that the group is adequately capitalised, maintains adequate liquidity and effectively manages the risk universe. In 2020, the group maintained a stable operating risk environment despite a continued high inherent operation risk profile.

Mandate

The NNH GRCMC has a monitoring and decision making responsibility and is considered the board's expert monitor of the risk universe as listed and defined in the group's Enterprisewide Risk Management Framework ('ERMF').

The role of the NNH GRCMC is primarily to set and own the risk strategy of the group, taking into account all variables and to ensure that both risks and opportunities are appropriately identified, monitored, managed, priced and appropriately provisioned within the group's defined risk appetite.

The NNH GRCMC monitors risk across the group's ERMF and assists the board in fulfilling its credit risk oversight responsibilities, particularly with regard to the evaluation

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CORPORATE GOVERNANCE AND ETHICS REVIEW (CONTINUED)

Report of the NNH Group Risk and Capital Management Committee ('NNH GRCMC') Chairperson (continued)

Mandate (continued)

of credit mandates and governance, policies and credit risk appetite. It is responsible for confirming the adequacy and efficiency of credit impairments and ongoing monitoring of the overall credit portfolio.

In terms of the committee's mandate, it oversees the development of a risk strategy and the group's risk plan, adopts the group's risk appetite, adopts and reviews the group's risk and other policies, ensures the development and maintenance of an Internal Capital Adequacy Assessment Process ('ICAAP'), monitors asset and liability management processes and maintains the group's ERMF.

Charter

The terms of reference of the NNH GRCMC are set out in a board approved NNH GRCMC charter. The committee is satisfied that it has executed its responsibilities for the year in compliance with its charter.

NNH GRCMC membership

The NNH GRCMC members are:

Group Risk and Capital Management Committee members	Period served on committee
*Hibbit PCW	2016 - 2020
*Maasdorp RL	2018 - 2020 Resigned 16/09/2020
*Hiwilepo TT (chairperson)	2018 - 2020
*Horn TB	2019 - 2020
**Sibiya TG	2019 - 2020
*Kankondi SI	2020
*Urib HH	2020

** independent non-executive members*
*** non-executive director*

For directors' qualifications refer to directors' profiles on pages 9 to 11 of this report.

Mr Kankondi was appointed to the NNH GRCMC with effect from July 2020. Mr Urib was appointed to the NNH GRCMC with effect from November 2020.

Key focus areas and pertinent matters addressed in 2020

The NNH GRCMC has met quarterly during the period under review.

The following pertinent matters were addressed by the NNH GRCMC in 2020:

Ensuring and protecting value

The board has ultimate responsibility for any financial loss or reduction in shareholder value suffered by the group. The NNH GRCMC assists the board with recognizing all material risks to which the group is exposed and to ensure that the requisite risk management culture, practices, policies, resources and systems are in place and are functioning effectively.

Quarterly reports were submitted to the NNH GRCMC, to enable the committee to fulfil the duties and responsibilities assigned to it by the board.

The committee reports that:

- Credit risk monitoring and impairments – credit risk portfolios were prudently monitored by the group and impairments were adequately provisioned. The risk is priced appropriately and monitored on an ongoing basis.
- Overseeing financial crime risk remained one of the committee's key focus areas. The financial crime unit has increased capacity. Initiatives and structures were put in place to mitigate financial crime risk:
  - An AML remediation programme which aimed to ensure all KYC information as required by the regulator is acquired, so as to better understand any potential money laundering risk posed by clients;
  - Implementation of upfront sanctions screening systems to ensure that NNH does not onboard clients who are sanctioned or pose reputational risk which is not acceptable to the group;
  - Further enhancements were made to the transaction monitoring systems to ensure a more rigorous review of transactions to identify any that may be linked to money laundering;
  - Ongoing training of employees within NNH regarding their AML responsibilities, information to be shared with clients and the combatting of fraud. Continuous awareness sessions were held with employees;
  - Further Trade Based Money Laundering controls were implemented to enhance the Global Business environment and mitigate previous findings noted by the regulator and previous combined assurance reviews carried out by internal assurance providers.
  - The Nedbank Group Risk initiative 'GO-TO-GREEN' is getting traction and progressing in the identified themes of people, process, controls, reporting, systems (IT), data governance, accountability, engagement, communication, risk appetite and the four lines of defence model.
  - Cybersecurity remained a key focus area and there is a drive to enhance alignment between operational risk management and cybersecurity processes. Systems and mainframes were analysed to ensure that the group was proactively bolstered against cybercrime and NNH is conducting an assurance exercise to further improve cyber risk resilience in collaboration with Nedbank Group. Cybersecurity has become the no. 2 risk, requiring the group to focus on system compliance through means of application of security standards, continuous system patching and vulnerability management, user training and awareness and continuous monitoring. This trend will continue and cybersecurity will remain one of the top priorities.
- Physical security – assistance was provided by Nedbank Group Risk Services to identify and address vulnerabilities in the group's physical security systems, infrastructure and the premises.
- Information technology risk – overseeing the broader risks of information technology (those not covered by the NNH GAC) remained a key focus area. The resolution of IT issues receives ongoing attention, internally and by Nedbank Group Technology. The group has embarked on an exercise to review and enhance the service levels which enable the effective management of the IT risk in Namibia.

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- BID-19 localisation of core banking system – the relevant service-level agreement has been concluded with Nedbank Group Technology. NBN's card processing takes place outside of Namibia and management is engaging BoN (Bank of Namibia) on a recommendation that the group accepts this risk, as there is currently no practical alternative processing option. BID-19 has been embedded into the ICT practices. With the exception of Cards, all core systems have been localized and the support structure put in place to maintain these services. An ICT Command Center has been established which executes end of day processes and client support 24 hours 7 days a week 365 days a year. The Bank of Namibia communicated certain fines, specifically with regards to the localisation of the cards system, which are currently subject to an appeal process due for resolution in 2021.
- The Key Issue Control Log ('KICL') continued to be adequately managed through the identification of high-rated issues by way of the Risk and Control Self-Assessments ('RCSAs') performed by the relevant business units.
- The Enterprise-wide Risk Management Framework establishes formal governance, procedures and processes for all risks. This framework is reviewed regularly by the NNH GRCMC and the board to ensure that it is responsive to both the internal, external and regulatory environments in which the group operates.
- Concentration risk was well managed and in line with the risk appetite.
- The group-related policies, charters, and certain manuals have been reviewed by the NNH GRCMC quarterly and those adopted by the committee were recommended to the board for approval.
- Operational risk management:
  - Business units have finalised a review of high-risk and high impact processes and controls; and
  - A business process management framework was adopted for the group. A resource has been identified to complete the exercise, which is ongoing.
  - The board approved the Recovery Plan ('RP') which the Assets and Liability Committee ('ALCO') and EXCO had approved in August 2019.

The Internal Capital Adequacy Assessment Process ('ICAAP') and Asset and Liability Management

The NNH GRCMC assists the board with overseeing the ICAAP and monitoring the adequacy and efficiency of the asset and liability process in NNH.

- The committee confirms to its stakeholders that it is satisfied that:
  - the asset and liability management process in the bank is adequate and efficient.
  - the 2019 ICAAP report was reviewed and adopted by the NNH GRCMC and recommended to the board for approval and was submitted to the Bank of Namibia. More details on ICAAP governance are reported on page 84.
  - the bank is adequately capitalised for the business model and the risk appetite as defined by the board.
- Liquidity Risk Contingency Plan – all matters identified by way of the liquidity simulation exercise that was conducted in 2016, and which specifically focused on the bank's ability to deal with a liquidity crisis, have been incorporated in the Liquidity Risk Contingency Plan. The Liquidity Risk Contingency Plan is updated annually, the latest update was performed during 2020.
- Capital risk – based on the capital adequacy calculations, NBN has sufficient capital for its current and projected operations. The board has, on recommendation of the NNH GRCMC, approved the 2019 ICAAP report, which was submitted to Bank of Namibia. The board is satisfied that the capital levels (both regulatory capital and our internal capital assessment, economic capital) are appropriate and believe Nedbank Namibia is strongly capitalised in relation to its business activities, strategy, risk appetite, risk profile and the external environment in which the bank operates, based on the capital adequacy calculations. As the ICAAP is a forward looking process, it takes into consideration capital and risk projections and additionally applies stress scenarios on such projections. Additionally, the board is satisfied with the overall effectiveness of the processes relating to corporate governance, internal controls, risk management, capital management and capital adequacy. The total risk-weighted capital adequacy ratio decreased year-on-year from 16.79% at 31 December 2019 to 13.30% at 31 December 2020.

Key focus areas for 2021 and beyond

Key focus areas for 2021 and beyond include, *inter alia*:

- Fortifying all measures and structures to enhance cybersecurity to protect our clients and stakeholders;
- Overseeing the broader risks of information technology (those not covered by the NNH GAC), Flexcube and monitoring the stabilisation and ongoing enhancement of the group's core banking system and AML technology;
- The GO-TO-GREEN initiative is making progress in the identified themes of people, process, controls, reporting, information technology systems, data governance, accountability, engagement, communication, risk appetite and the four lines of defence model;
- Enhancing the Cyber and Information Security maturity with the recommendations made by the KPMG and BON maturity assessment;
- Overseeing the development and implementation of the risk strategy and the group risk plan to ensure that the group and banking entities manage risks in an optimal manner;
- Monitoring the adequacy and efficiency of the asset and liability management process in the group;
- Continue to have a keen eye set on macroeconomic conditions and to monitor the implementation of liquidity and capital requirements as required by Basel III and BID-6;
- Overseeing anti-money laundering, combating the financing of terrorism and sanctions compliance;
- Overseeing all aspects of credit management, including the quality of the bank's loan portfolio and ensuring adequate provisioning for potential loss exposures;
- Continue to monitor and determine credit and concentration risk appetite and the impact thereof on origination strategies;
- Perform risk management of distressed portfolios, key watchlist clients and industry specific concentration risk; and
- Monitoring legal and compliance risks.

CORPORATE GOVERNANCE AND ETHICS REVIEW (CONTINUED)

Key focus areas for 2021 and beyond (continued)

Emerging risks

Although emerging risks are difficult to quantify and assess, the group keeps abreast of the global risk landscape to enable identification and assessment of new risks.

Emerging risks (internal or external environment) are also raised at divisional level by business units in consultation with divisional risk managers through the RCSA process. Material emerging risks are tabled and discussed at the quarterly the Group Enterprisewide Risk Committee ('ERCO') meetings, where they are escalated to monitor potential changes to the risk exposure through the top and emerging risk log.

Current emerging risks include:

- **Cybercrime/Information security** – The risk of illegal activities used against the group's computer systems, networks and the internet to disrupt business and perform scams, theft and fraud.
- **Banking Institutions Amendment Act/Bill**
  - BON further revised certain key provisions and circulated those key provisions for further comment. Key provisions include *inter alia* restricting foreign shareholders, recovery plans, minimum capital funds and exposures to holding companies, affiliates and subsidiaries, and a restriction to dividends in certain circumstances. The Banking Institutions Amendment Bill is still under consideration of the Minister.
- **BID-5A - Revised Determination on Basel III minimum capital adequacy requirements**
  - New BID-5A was gazetted, effective 1 September 2018. Banking institutions have to comply with the regulatory limits and minima as prescribed under Basel III capital regulations, on an ongoing basis. To ensure smooth transition to Basel III, appropriate transitional arrangements have been provided for meeting the minimum Basel III capital ratios and full regulatory adjustments to the components of capital.
- **BID-4 – Single Exposures, Large Exposures and Concentration risk**
- The revised Determination repealed and replaced the current BID-4 on Limits on Exposures to Single Borrowers, Large Exposures and Concentration Risk, effective 31 December 2019.
- BID-6 – Minimum Liquid Assets was gazetted on 28 August 2019, and was effective from 1 September 2019.
- **Financial Institutions and Markets Bill**
  - The purpose is to consolidate and harmonize the laws regulating financial institutions and financial markets in Namibia. Once enacted, several statutes will be repealed, including the Long- and Short-Term Insurance Acts, Pension Funds Act, Friendly Societies Act, Stock Exchanges Control Act, Unit Trusts Control Act, Participation Bonds Act and Inspection of Financial Institutions Act. It will also amend various pieces of legislation, including the Banking Institutions Act, Insolvency Act, Companies Act, Financial Intelligence Act and the Medical Aids Funds Act. Namfisa confirmed in April 2018 that a final version of the Bill was sent to the Minister of Finance but the Minister is yet to introduce the Bill to Parliament. According to Namfisa they have finalized the Bill and forwarded it to the Legislature. The Bill was tabled before Parliament for the first reading on 26 June 2019, we are awaiting promulgation by Parliament.

Policy governance

The prescribed policy approval process in the group determines that policies are to be submitted to the following forums for adoption/approval:

- The Group Enterprisewide Risk Management Committee;
- The Group Risk and Capital Management Committee;
- The Group Audit Committee (only those policies that relate to the NNH GAC's responsibilities);
- The Group Remuneration, Human Resources, Social, Ethics and Transformation Committee (only those policies that relate to the Group REMCO's responsibilities);
- NNH/NBN Board.

This process is guided and managed by enterprisewide risk management ('ERM') through the central policy repository.

Policies are regularly reviewed and are tailored to suit the environment of the group, meet legislative requirements and ensuring relevance to meet the group's risk management objective. The group's policies are published on the Intranet to provide employees with ready access to the policies.

NNH GRCMC evaluation

An internal evaluation of the effectiveness of the NNH GRCMC was conducted by the group company secretariat. With an overall composite rating above 60.22% the NNH GRCMC was rated as well functioning and effective. A few matters were identified that only 'partially meet objectives' which will be addressed through the implementation of appropriate structures and training.

Conclusion

Fundamentally, the business of banking and financial services is about strategically managing risk. For the group to achieve its three-year aspirations and targets on a sustainable basis, given the regulatory and highly competitive environment, along with technological advancement and innovation, risk management has become a competitive differentiator for the group.

The NNH GRCMC is satisfied that:

- the committee has adequately discharged its duties in terms of its charter and in particular overseeing the development and implementation of a risk strategy and the group risk plan to ensure that the group manages risks in an optimal manner;
- the group's risk management processes are appropriate and effective; and
- the committee has complied with its legal, regulatory and other responsibilities.

Trophimus **Hiwilepo**
CHAIRPERSON OF THE NNH GRCMC

MANAGEMENT COMMITTEES

NNH Group Executive Committee ('EXCO')

The group EXCO is the highest ranking management committee in the group, assisting the managing director in managing the business of the group, subject to regulatory and statutory limits, the board's limitations on delegation of authority and the board approved policies and authority levels of the group. The group EXCO must execute the annual group business plans as approved by the board. The committee furthermore assists the managing director to guide and control the overall direction of the business of the group and acts as a medium of communication and coordination between business units and the board.

Responsibility for material management decision making in the group is delegated by the board to the group EXCO, which in turn is accountable to the board through the managing director, who is the chairperson of the group EXCO and a member of the board. The group EXCO members are appointed by the board, upon the recommendation of the NNH REMCO.

For the group EXCO members' qualifications refer to the group EXCO members' profiles on pages 12 to 15 of this report.

The composition of the group EXCO is as follows:

Executive Committee Members

Name of Members	Occupation
Murorua M	Managing Director (Appointed June 2020)
Meeks R	Executive: Retail and Business Banking
Ashikoto V	Chief Operating Officer (Appointed March 2020)
Altmann K-S	Executive: Corporate and Investment Banking and Treasury
Ghirmatsion GM	Executive: Wealth Management/Bancassurance
Van Graan JG	Chief Financial Officer
Stafford-Evans A	Chief Risk Officer (Appointed March 2020)
Booysen F	Executive Credit and Market Risk (Appointed October 2020)

Co-opted Executive Committee Members

Name of Member	Occupation
Cloete F	Head: Human Capital
Chipeio C	Head: Compliance, Governance and Company Secretary

The performance of individual group EXCO members is assessed bi-annually by way of a performance scorecard.

As reflected in the corporate governance structure on pages 86 and 87 of this report, the group EXCO is supported by the following business committees, which are governed by board approved charters, incorporating standard principles of good business governance and which are all accountable to the group EXCO:

- Asset and Liability Committee;
- Product and Pricing Committee;
- Financial Crime Committee;
- Bank Credit Committee;
- Social Investment Fund Committee;
- Information and Communication Technology Committee;
- Health and Safety Committee;
- High Risk Client Committee;
- Transformation and Human Capital Committee;
- Innovation Hub Committee;
- Formal Recognition Committee;
- Monitoring Credit and Risk Management Committee;
- Vendor and Procurement Management Committee;
- Headcount Committee;
- Insurance Risk Committee;
- Enterprisewide Management Committee; and
- Bursary and Internship Committee.

RISK MANAGEMENT AND GOVERNANCE

Enterprisewide Risk Management

At the heart of the group's business and management processes are integrated risk and balance sheet management frameworks. The group has a strong risk culture which is built on best practice enterprisewide risk management, a strong 'tone from the top' from the managing director, top management and the board and ongoing risk leadership by the CRO. Our approach aligns strategy, policies, people, processes, technology and business intelligence to measure, evaluate, manage and optimise the opportunities, threats and uncertainties which the group faces every day. In this way, the group is able to maximize sustainable shareholder value within its defined risk appetite.

NNH Group Enterprisewide Risk Management Framework ('ERMF')

The risk management function is embedded in the group enterprisewide risk management framework ('ERMF') that sets out the major risk classifications. The group ERMF forms the basis of risk governance and is underpinned by the 4 lines of defence model, which places strong emphasis on accountability and responsibility of business management, supported by appropriate internal control-, risk management- and governance structures.

CORPORATE GOVERNANCE AND ETHICS REVIEW (CONTINUED)

Enterprisewide Risk Management (continued)

NNH Group Enterprisewide Risk Management Framework ('ERMF') (continued)

The enterprisewide risk management function is a risk monitoring function that is independent from business activities. Integrating risk with other business functions remains a key coordination challenge, which the group attempts addressing by allocating divisional risk managers to business operations. This ultimately serves to mature the risk culture in the group and create capacity to perform truly independent second line assurance.

Root cause framework ('RCF')

Root cause analyses are conducted on top risks and issues in line with the group's RCF. The well-structured Group-wide approach aims to address the root cause of problems rather than focusing merely on symptoms and ultimately leads to sustainable resolutions, which prevent recurrences of the same issues and simultaneously improve the risk and control culture.

RISK UNIVERSE

Collectively there are 17 key risks that make up the risk universe in the group's ERMF, i.e.:

Accounting, Financial & Taxation Risks

Accounting risk is the possibility that:
A material misstatement or error in the production of financials occurs, resulting from inadequate or failed internal controls.

Accounting policies and related accounting opinions regarding the recognition, measurement and presentation of assets, liabilities, equity, income, expenses and disclosures are not in accordance with the applicable financial reporting frameworks, International Financial Reporting Standards (IFRS) and the Companies Act.

Financial statements and related disclosures and other statutory and regulatory financial information are not in accordance with the requirements of International Financial Reporting Standards (IFRS) and/or other relevant statutory requirements.

Financial accounting systems and processes do not account and/or record financial transactions in a manner to ensure the occurrence, completeness, accuracy, and classification of the transactions.

Financial accounting systems and processes do not account and/or record financial balances in a manner to ensure the existence, completeness, rights and obligations, valuation and classification of the balances.

Transactions are not executed and recorded in accordance with generally accepted business practices and the NNH Group's written principles, policies and procedures and that assets are appropriately safeguarded.

Inappropriate accounting policies, accounting opinions, financial statements and disclosures and financial accounting systems and processes could lead to suboptimal or incorrect business decisions by NNH Group and/or incorrect conclusions and reviews by external stakeholders (ie: Regulators, Investors, Shareholders, Employees, Government, etc.).

Financial risk is the possibility that:
- Inaccurate financial information causes suboptimal investment and operational decisions to be made.
- Stakeholders and regulatory bodies are not adequately informed of significant variances in financial performance.
- Material misstatement or error of in the production of Bank's Act (BA) Returns resulting from inadequate or failed internal controls.
- Regulatory sanctions, material financial loss, or loss of reputation to the NNH Group because of its failure to comply with laws, regulations and applicable rules.

Taxation risk is defined as:
Any event, action or inaction in tax strategy, operations, financial reporting or compliance that either adversely affects the NNH Group's tax objectives or resulting in an unanticipated or unacceptable tax obligation. Taxation risk can arise from:
- Non-compliance with tax regulations resulting in penalties, interest or under provision of tax and reputational damage.
- Incorrect assessment, deduction and payment of tax liabilities.
- Inadequate or inaccurate disclosure to the Revenue Authorities.
- Failure to keep complete, accurate and valid records in relation to tax disclosures and tax positions adopted.
- Ineffective tax planning and implementation or adoption of inappropriate tax positions.
- Non-compliance with current and future legislative, regulatory and industry best practice requirements.
- Inability to engage timeously with the Revenue Authorities and other relevant governmental departments.

Credit Risk

The risk arising from the probability of borrowers and/or counterparties failing to meet their contractual repayment commitments.

Credit risk is correlated to the following risks:
Collateral risk: The potential financial loss due to the inability to realise full collateral value due to unforeseen legal or adverse market conditions (e.g. property market slump) which cause the value of certain specific collateral types to deteriorate.
Issuer risk: The risk that a payment or set of payments due from an issuer of a listed instrument (e.g. corporate bond) will not be forthcoming as scheduled.
Industry risk: The risk that defaults will arise in an industry because of factors specifically affecting or related to that industry.
Country risk: Country Risk refers to the probability that changes in the business environment in another country where the bank does business may adversely impact operations resulting in a financial loss.
- Country risk includes the risk that a borrower will be unable to obtain the necessary foreign currency to repay its obligations, even if it has the necessary local currency (referred to as Transfer risk).
- Country Risk also includes Sovereign Risk, which is a subset of risk specifically related to the government or one of its agencies defaulting on its obligations and/or refusing to comply with the terms of a loan agreement.

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- Causes of Country Risk include political, macroeconomic mismanagement, war or labour unrest resulting in work stoppages.
  - Political changes may come about due to a change in leadership, control by a ruling party, or war.
  - New economic policies may be instituted resulting in expropriation of assets, nationalisation of private companies, currency controls, inability to expatriate profits, higher taxes or tariffs, and a host of minor impacts.

On a macroeconomic level, countries may pursue unsound monetary policy resulting in inflation, recession, higher interest rates, and shortages in hard currency reserves.

Credit-concentration risk: The possibility of losses resulting from an excessive concentration of exposure to a single client/group of clients or on a portfolio basis where the Bank has significant aggregated exposures to credit segments or portfolios, specific financial instrument(s), an individual transaction, a specific industry sector or geographical location; security or collateral.

Counter-party risk: The possibility that the counterparty to a financial transaction will fail to perform according to their side of the contractual agreement, thus causing financial loss.

Settlement risk (counter-party credit risk): Settlement risk is the risk that a counterparty (or intermediary agent) fails to deliver a security or its value in cash as per agreement when the security was traded after the other counterparty or counterparties have already delivered security or cash value as per the trade agreement, resulting in financial loss.

Settlement risk arises whenever the Bank settles in terms of a transaction with a counterparty. The risk is that the Bank performs or settles correctly, while the counterparty does not perform at all or performs imperfectly. The risk occurs when the Bank performs before the counterparty or before the Bank knows whether the counterparty has performed.

The performance may be:
- payment received in return for a present or future transfer of assets;
- assets received in return for a present or future payment; and
- payment made by the Bank to or on behalf of the counterparty without knowing whether the counterparty can reimburse the Bank.

To manage settlement risk effectively (barring current systems constraints), any transaction in respect of which settlement risk may occur can only be conducted with counterparties for whom a settlement risk limit has been approved. Where possible, counterparty performance must precede performance by the Bank. Where possible, settlement netting between different products must be instituted.

Operational Risk

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk, but excludes strategic risk and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements. Operational risks affect the group's ability to execute its strategic plan.

Financial Crime Risk

Financial crime risk is:
- any kind of criminal conduct, arising from either common law, any current statutory law, and any conduct which the group deems to be dishonest;
- regardless of whether the group is the victim or perpetrator of such conduct or the form it takes;
- whether committed by act or omission;
- that relates to money or financial services, including any form of market abuse, misconduct in, or misuse of, information relating to a financial market;
- in respect of, or in relation to any goods, products or services (whether corporeal or incorporeal) and includes any systems, technology, data and information required to provide such goods, products or render such services; and
- results in or is likely to result in any harm or loss (economic or financial) to the group or its employees, clients and any other stakeholder.

Liquidity and Funding Risks

The possibility that the group is unable to meet its payment obligations as they fall due replace funds when they are withdrawn or fund commitments to lend at the right time and place, and in the right currency i.e. the risk of being unable to meet commitments, repayments and withdrawals without incurring unacceptable cots or losses. These payment obligations could emanate from depositor withdrawals, Industry or systemic Issues, the inability to roll over maturing debt or meet contractual commitments to lend.

Capital Risk

The possibility that the group will become unable to absorb losses, maintain public confidence and support the competitive growth of the business.

Includes failure of the group's entities to maintain the minimum regulatory capital requirements laid down by the Bank of Namibia.

Market Risk

The risk of loss in on- and off-balance sheet positions occurring as a result of unfavourable changes in interest rates, foreign exchange rates, and equity and commodity prices, credit and implied volatilities.

Market risk in the Banking Book (sub risk of Market Risk)

The possibility of loss in the banking book as a result of unfavourable changes in foreign exchange rates, equity prices, property prices and interest rates.

Equity Risk (sub risk of Market risk in the Trading Book)

The possibility of loss as a result of unfavourable changes in market prices, such as foreign exchange rates, interest rates, equity prices, commodity prices, credit and implied volatilities. There is trading market risk within the Nedbank Group's proprietary trading activities (trading on the Nedbank Group own account).

CORPORATE GOVERNANCE AND ETHICS REVIEW (CONTINUED)

RISK UNIVERSE (CONTINUED)

Market Risk (continued)

Interest Rate risk (sub risk of Market risk in the Banking Book)

The possibility that the group's earnings or economic value will decline as a result of changes in interest rates. The sources of interest rate risk in the banking book are:

- Repricing risk (mismatch risk) (timing differences in the maturity (for fixed-rate) and repricing (for floating-rate) of bank assets, liabilities, and off-balance sheet positions);
- Endowment risk (the net mismatch between non-rate-sensitive assets, liabilities, capital and non-repricing transactional deposit accounts effectively invested in rate-sensitive assets);
- Basis risk (imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics);
- Yield curve risk (changes in the shape and slope of the yield curve); and
- Embedded options risk (the risk pertaining to interest-related options embedded in the NNH Group's products).

Property risk (sub risk of Market Risk in Banking Book)

The possibility of decline in the net realizable value of property arising from adverse movements in property prices or factors specific to the property itself (e.g. location). Property comprises business premises, property acquired for future expansion and properties in possession ('PIPs') or the group owned properties ('NOPs').

Foreign Exchange risk (sub risk of Market Risk in Banking Book)

The possibility that known or ascertainable currency cash flow commitments and receivables are uncovered and as a result have an adverse impact on the financial results and/or financial position of the group due to movements in exchange rates. Foreign exchange transaction risk in the banking book includes:

- Currency cash flow commitments and receivables (residual foreign exchange risk).
- Foreign funding mismatch.

Currency Translation risk (sub risk of Market risk in the Banking Book)

The risk to NNH Group/business earnings or capital arising from the conversion of the NNH Group's/business's offshore banking-book assets or liabilities or commitments or earnings from foreign currency to local or functional currency.

It arises when the NNH Group has an asset, liability or commitment or is earning income in a foreign currency and:

- The rates of exchange between the foreign currency and the NNH Group's/business's functional currency change between the date the asset or liability is created and the next reporting date; or
- The rates of exchange between the foreign currency and the NNH Group's/business's functional currency change between two reporting dates; or
- The rates of exchange between the foreign currency and the NNH Group's/business's functional currency change between the date of the commitment and the date of payment or next reporting date; or
- The average rates of exchange used to translate the foreign net income for two reporting periods change.
- Foreign exchange transaction risk in the banking book includes:
  - Currency cash flow commitments and receivables (residual foreign exchange risk); and
  - Foreign funding mismatch.

Any other transaction extending credit or making an investment that attracts foreign exchange risk.

Concentration Risk

- The possibility of losses resulting from an excessive concentration of exposure to a single client or group of related clients, specific financial instrument(s), an individual transaction, a specific industry sector or geographical location, security or collateral.
- The degree of positive correlation between clients and groups of clients as well as between financial instruments/markets under stressed economic conditions.
- In terms of liquidity risk, over reliance on funding or liquidity from a single depositor or small group of depositors.

Note: Concentration risk is not limited to credit, market, capital, and liquidity and funding risks and should be considered as relevant to any concentrated risk exposures within a business entity.

Concentration risk considerations:

Commercial property finance

- Over reliance on wholesale funding, sub-optimal deposits mix vs. peers.
- The NNH Group continuity to grow wholesale advances much faster than Retail, and transactional deposits.
- Vendor management (over reliance on one of very few vendors to perform several critical/high risk functions).
- Assets/ utilization/growth (including Risk Weighted Assets ('RWA')) vs. revenue/cost base/organic capital growth.
- Conglomerate Supervision (OMGH).

Conduct Risk

Conduct risk means all risks, including financial or reputational loss, arising from the inappropriate behaviour or culture or poor judgment of the NNH Group or its employee's in the execution of business activities or strategy which may result in poor/ unfair outcomes for or detriment to, clients, stakeholders and the markets.

- **Sales and Service Risk** – The deliberate, unintentional or negligent failure to service our clients in a manner that meets market conduct standards which may lead to client detriment. NNH Group may as a result suffer financial loss and/or reputational damage and/or regulatory sanctions.
- **Channel Risk** – Failure by business to select appropriate distribution channels for products that have been sold which may lead to financial loss and/or reputational damage and/ or regulatory sanctions. Business has not considered the risks associated with the product distribution method and therefore expose clients to detriment.

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- **Product Risk** – The deliberate, unintentional or negligent failure to meet market conduct standards related to the nature, design and/or delivery of a product which may lead to client detriment, resulting in NNH Group suffering financial loss and/or reputational damage and/or regulatory sanctions.
- **Governance Risk** – Oversight and monitoring of crystallised conduct risk has not been explicitly assigned to appropriate governance structures resulting in ineffective detection and management of conduct risk. Failing to report and provide assurance to senior management and the Board.
- **People and Culture Risk** – Failure to integrate/inadequate integration of Market Conduct outcomes as a key consideration into the employee journey including, incentives, remuneration, conflict of interest and change management i.e. recruitment, performance management and consequence management.
- **Market Integrity Risk** – Failure to maintain the integrity of financial markets resulting in financial loss and exposure of the NNH Group to significant reputational harm.
- **Innovation Risk** – associated with the failure to embed client need and market outcomes in the digital technology innovation design processes of the NNH Group.

Regulatory Risk

- It is the possibility that a change in regulations might have a negative effect on the business resulting from either a failure to timely implement appropriate controls to comply with changes in applicable regulatory requirements or if not responded to with a strategic intention may negate opportunity to gain a competitive advantage.

Information Technology Risk

The possibility that IT will either not deliver the capability required to support the achievement of the group's strategies and objectives or will not provide a competitive advantage in terms of the group's strategy. Information technology risk encompasses the strategic component, while the non-strategic component is included under operational risk.

- The risk of losses resulting from inadequate or inappropriate information technology investment, development, implementation, support or capacity with a concomitant negative impact on the achievement of the group's objectives.
- This includes the risk of system unavailability or malfunction, security breaches, electronic banking initiatives. Disaster recovery failures; IT development spend, and prioritisation spend not aligned on the group's overall key business objectives, requirements and strategy; including uncoordinated, inefficient and/or under resourced information technology strategy, as a result of which the group becomes progressively less competitive.

Business and Strategic (Execution) Risks

Business risk

The possibility of loss of future earnings assumed due to potential changes in general business conditions, such as competitive market environment, client behaviour and disruptive technological innovation. Business risk includes the impact of reputational risk but excludes long term strategic risk.

Country risk

Country risk involves the risk of default by obligors on their cross-border obligations due to implementation of capital controls (transfer risk) and/or a risk of loss occurring as a result of a country event (e.g. adverse political and legal changes, or macroeconomic (jurisdiction risk) or environmental factors).

Strategic risk

Strategic risk is the risk that the group's strategy may be inappropriate to establish, maintain or improve the group's competitive position in the market and longer-term sustainability thus, having negative effects on capital and earnings.

Execution risk

Strategy execution risk is the risk that the strategic objectives, set when formulating the / a strategy, will not be executed as intended and adversely affecting planned or expected outcomes. It is also the risk of the overall execution process through the application of people, processes and systems, or components thereof, failing. This definition includes business-as-usual execution risk which forms part of the day to day business and risk management practices as well as risks identified through the management of programmes.

Reputational Risk

The possibility of impairment of the group's image in the stakeholder community or the long-term trust placed in the group by its shareholders as a result of a variety of factors, such as the group's performance, strategy execution, brand positioning and competitiveness, ability to create shareholder value, or an activity, action or stance taken by the group. This may result in loss of business and/or legal action.

Governance and Compliance Risks

Governance risk

Governance risk refers to an entity's governing body (the board) not exercising ethical and effective leadership towards achieving the group objectives.

Governance refers to the institutions, rules conventions, processes and mechanisms by which decisions about risks are taken and implemented. Risk governance goes beyond traditional risk analysis to include the involvement and participation of various stakeholders as well as considerations of the broader legal, political, economic and social contexts in which a risk is evaluated and managed. The scope of risk governance encompasses public health and safety, the environment, old and new technologies, security, finance, and many others.

Compliance risk

'Compliance risk' is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation which the group may suffer as a result of its failure to comply with applicable regulatory requirements. Compliance risk consists of the following sub-risks:

- Compliance with prudential supervision requirements, regulatory authorisations and permissions;

CORPORATE GOVERNANCE AND ETHICS REVIEW (CONTINUED)

RISK UNIVERSE (CONTINUED)

Governance and Compliance Risk (continued)

Compliance risk (continued)

- Management of regulatory relationships and regulatory developments;
- Compliance with regulatory requirements pertaining to market abuse and trading;
- Compliance with regulatory requirements pertaining to Market Conduct;
- Compliance with data protection and privacy laws;
- Compliance with regulatory requirements pertaining to financial crime; and
- Compliance with regulatory requirements that enable organisational effectiveness.

Transformation, Social and Environmental Risks

Transformation risk

Transformation risk refers to the risk of not taking responsibility for ensuring that the group is transformed company that is relevant in the environment within which it operates, not only in relation to its core business but also with regards to promoting broader and meaningful participation of black people in the mainstream economy as guided by the Affirmative Action (Employment) Act 29 of 1998 and the Employment Services Act, 8 of 2011.

- Business Transformation risk concerns the failure to respond to and address and uphold the Affirmative Action (Employment) Act, 29 of 1998.
- People Transformation risk concerns the failure to respond to and address and uphold related law such as the Employment Services Act, 8 of 2011.

Social risk

Means a measure of potential threats to society that the NNH Group activities may hold, including labour and working conditions, occupational health and safety, community health, safety and security, land acquisition and resettlement and cultural heritage which may give rise to the possibility of reputation damage, political intervention, heightened regulatory pressure, protests, boycotts and operational stoppages – and ultimately loss of business and profitability.

It deals with human rights, labour standards in the supply chain, any exposure to illegal child labour and more routine issues such as adherence to workplace health and safety. A social score also rises if a company is well integrated with its local community and therefore has a "social license" to operate with consent.

Environmental risk

Means a measure of the potential threats to the environment that activities may hold – it combines the probability that events will cause or lead to the degradation of the environment; and the magnitude of the degradation. It also includes the contribution an entity makes to climate change through greenhouse gas emissions, along with waste management and energy efficiency. The scope of environmental risk covers:

- Climate change, natural resources, pollution and waste and environmental opportunities.

People Risk

People risk is the risk associated with inadequacies in human capital and the management of human resources, policies and processes, resulting in the inability to attract, manage, motivate, develop and retain competent resources, at the same time having a negative impact on the achievement of the group's strategic objectives.

It includes:

- the risk that effective risk-adjusted performance measurement and indicators are not implemented in the group, resulting in incorrect reward allocation, failure to optimise the use/allocation of the group's capital and wrong corporate behaviour resulting in sub-optimal returns;
- the risk that the group fails to motivate staff through the use of inappropriate incentive schemes, or the poor administration of incentive schemes;
- the risk that the group does not ensure that skills and experience are developed, consistently and methodically retained (or capitalised) and enhanced to create value for the group (for example, in the form of innovative product designs, developed systems, methods and procedures); and
- the risk arising from or related to inappropriate compensation practices for directors and executive officers.
- additional considerations: Culture and wellbeing.

The possibility of losses associated with people has a strategic component, while the operational component is included in operational risk.

Insurance Risk (non-banking)

The possibility that the underwriting process permits clients to enter risk pools with a higher level of risk than priced for, resulting in a loss to the business unit or the group by increasing the value of insurance liabilities. This consists of seven subcategories of risk as follows:

Subcategory of Insurance Risk	Definition
Underwriting Risk	The risk of loss due to inadequate pricing assumptions.
Reserving Risk	The risk of loss arising from an adverse change in the value of insurance liabilities, due to inadequate reserving assumptions.
Catastrophe Risk	The risk of non-independence where a single event results in claims from multiple customers.
Mortality Risk	Where a benefit is payable to a customer in the event of death of the insured life.
Morbidity Risk	Where a benefit is payable to a customer in the event of diagnosis of a specified set of diseases, temporary disability and/or permanent disability.
Retrenchment Risk	Where a benefit is payable to a customer in event of their employment being terminated as a result of a company-wide restructuring of the workforce.
Claims Risk	The risk of short-term insurance claims being larger than forecast through a combination of more claims than expected or larger claims than expected. Excludes many claims from a single event.

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The materiality of these risks is regularly assessed, reviewed and challenged by the NNH GRCMC, the board and by management at the group Enterprisewide Risk Management committee.

The group provides the assurance that:

- adequate and effective risk management and systems of internal control are maintained in the group;
- the systems of internal control and risk management within the group are:
  - operated by trained and skilled personnel; and
  - designed to provide reasonable assurance that management and financial information emanating from the business is reliable, and that assets are safeguarded, verified and maintained.
- the group will continue as a going concern for the year ahead.

Material issues and or any emerging/potential issues are highlighted in relation to the internal control environment of the group and exceptions are reported and noted.

NNH Group Enterprisewide Risk Management Committee ('ERCO')

The group ERCO forms part of the group's enterprisewide risk governance structure. The primary role of group ERCO is to assess, monitor and report on the risks and implementation of the risk management frameworks in the group. These risk management frameworks are approved by the group ERCO. The committee has a dual reporting line, one into the NNH GRCMC and the other one into the Nedbank Africa Regions ERCO. The managing director is the chairperson of the group ERCO.

Operational Risk

The management and measurement of operational risk require key elements to be defined and used within the group. The operational risk management framework ('ORMF') defines and requires the use of:

Risk and Control Self-assessment ('RCSA')
Enable proactive identification of key potential operational risk and assessment of effectiveness of the controls in place to manage these risks within defined and acceptable risk tolerance and appetite levels.

Key Risk Indicator ('KRI')
Process of continuous monitoring, measurable variables that are correlated with performance, losses or loss variability and track business, risk and control factors where applicable.

OPERATIONAL RISK

Internal and External Loss Data ('ILD')
Actual losses that have taken place within the group. Near misses are reported and monitored.
Where gross loss amounts are recoverable a recovery process has been implemented and is monitored.

The group's operational loss management process is of a centralised nature, allowing for firm validation control and a combined overview. In line with the requirements of the Nedbank Group ORMF, all single material loss and near miss events of N$1 000 000 and above are escalated and reported to Nedbank Group Operational Risk ('GOR') within 24 hours, where emphasis is placed on identifying root causes and enhancing mitigating actions.

Risk Escalation

Escalation criteria is in place and significant risks, issues and/or limit breaches are raised and included in all relevant forum and committee meeting packs, which is a key feature of the group ERMF and risk reporting across the group. The process of corporate governance, including the risk management process, as contemplated in regulation 39 of the South African Banks Act, is assessed annually against the existing internal control environment.

Similarly an assessment of whether the group can continue as a going concern, as required in terms of regulation 40 of the same Act is carried out with due regard to governance, risk management and long-term planning of the group.

Risk Appetite

The group has cultivated a strong risk culture and embedded a prudent and conservative risk appetite focused on the basics and core activities of banking and other financial services. While our risk appetite is prudent and appropriately conservative, it remains enabling for our businesses, promoting competitive growth and returns. There is no material change proposed in our risk appetite in the group's 2020-2022 business and risk plans.

CORPORATE GOVERNANCE AND ETHICS REVIEW (CONTINUED)

RISK MANAGEMENT

NNH Group Top Risks (updated for impact of COVID-19 crisis)

Increased residual risk ratings for Business risk, Strategic Execution risk as well as Credit risk and elevation of Liquidity risk and Capital risk into the top risks.

1. BUSINESS RISK ▲

- A Business Plan for the next three years (2021-2023) was approved by the NNH board, in the context of macro-economic environment and considering input from group stakeholders.
- The strategic plan is reviewed continuously as the factors driving business risk evolve.
- The Internal Capital Adequacy Process is performed annually to assess whether the bank is adequately capitalised to absorb, amongst others, macro-economic environment shocks.
- Risk appetite, quantitative and qualitative, is reviewed at least annually.

2. CREDIT RISK ▲

- We continue to focus on stabilising and reversing past due and non-performing loan trends, also in the context of industry peers.
- We regularly stress test non-performing loan portfolio to determine impact on risk weighted assets and capital adequacy ratios.
- In light of macro-economic environment and as part of preparing three year Business Plan we reviewed Credit Loss Ratio (CLR) target ranges.
- We amended the operating model for retail and wholesale arrear management providing for increased focus on the assessment of defaulting clients for merits of restructure and rehabilitation.
- The three year business plan aims to increase exposure to wholesale commercial lending, placing reduced reliance on consumer lending.

3. FINANCIAL CRIME (AML) RISK ▲

- The focus is on implementing enhanced system solutions for Transaction Monitoring and Customer Due Diligence.

4. CYBER RISK ▲

- We continue to address findings of the BoN/KPMG cyber maturity assessment.
- We enhance resourcing to ensure lines of defence are established.

5. COMPLIANCE RISK ▲

- We continue to project manage implementation of PSD7 to planned completion in 2021.
- The Regulatory Change Programme aims to co-ordinate multitude of requirements to comply with local, regional and international laws, determinations and standards.

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6. FINANCIAL RISK ▲

- A Business Plan for the next three years (2021-2023) was approved by the NNH board, outlining plans to meet strategic objectives at business unit level.
- Performance against the granular business plans is tracked continuously, measured by articulated key performance indicators.

7. INFORMATION TECHNOLOGY RISK ▶

- Significant projects planned as part of the three year business plan are:
- Enhanced Disaster Recovery capabilities;
- Reducing core banking platforms from three to two; and
- Implementing Office 365.

8. OPERATIONAL RISK ▶

- The focus is on reducing overdue internal audit findings and on-time remediation of findings becoming due in 2021.
- We continue to operate under the Pandemic Response Plan, with regular consideration of new developments in the external environment.
- We enhance resourcing to ensure lines of defence are strengthened and control environments continue to mature.

9. GOVERNANCE RISK ▶

- We review frameworks and policies timely in line with Group Operating Manual (GOM).

10. STRATEGIC EXECUTION RISK ▼

- Performance against the granular business plans is tracked continuously, measured by articulated key performance indicators.
- Second and third lines of defence are operating in terms of Coordinated Assurance plan and Group Internal Audit Plan.

CORPORATE GOVERNANCE AND ETHICS REVIEW (CONTINUED)

The Basel Capital Accord

Basel II

The group places significant focus on risk management in compliance with Basel II. The group presently applies the 'standardised approach' (standardised approach for credit risk and operational risk and 'standardised duration approach' for market risk) for regulatory purposes in line with the rest of the industry.

Basel III

Banking institutions have been advised by Bank of Namibia that all banking institutions that are considered Domestically Systemically Important Banks ('DSIB') are required to implement Basel III. The group has successfully implemented the Basel III capital standards and has been submitting Basel III capital returns.

The Bank of Namibia published BID-5A in terms of phased in implementation of Basel III with an effective date of 1 September 2018. In view of the Covid-19 pandemic however, the Bank of Namibia has reduced the capital conservation buffer to 0% for a period of at least 24 months to provide relief to banking institutions to give lending to clients during this difficult time.

The Bank of Namibia published BID-6 which became effective on 1 September 2019. BID-6 requires banking institutions to a minimum liquid assets and although the regulation does not yet incorporate Basel III liquidity ratios of Liquidity Coverage Ratio ('LCR') and the Net Stable Funding Ratio ('NSFR') it introduces mismatch limits based on a business as usual ("BaU") scenario. The group has successfully implemented the monitoring of BaU limits. Although the LCR and NSFR are not yet incorporated, the group has set in motion processors to measure these ratio in view of then monitoring them.

Internal Capital Adequacy Process ('ICAAP')

The Bank of Namibia requires that Namibian banking institutions review and evaluate their ICAAP annually and report thereon by submitting an ICAAP report to Bank of Namibia (per BID-20).

The ICAAP is aligned with Basel II Pillar 2 processes and comprises a bank's procedures and measures designed to ensure:
a) an appropriate identification and measurement of risks;
b) an appropriate level of internal capital in relation to the NBN's risk profile; and
c) application and further development of suitable risk management systems in NBN.
and provide constructive feedback to management to improve the ICAAP based on their assessment.

The board has, on recommendation of the NNH GRCMC, approved the ICAAP report, which was submitted to Bank of Namibia. The board is satisfied that the capital levels (both regulatory capital and our internal capital assessment, economic capital) are appropriate and believe NBN is strongly capitalised in relation to its business activities, strategy, risk appetite, risk profile and the external environment in which NBN operates, based on the capital adequacy calculations. The board is satisfied that the group's and the NBN governance and risk management systems and processes led to an appropriate identification and measurement of risks.

NBN has sufficient capital for its current and projected operations. The total regulatory risk-weighted capital adequacy ratio decreased year to date from 16.79% (31 December 2019) to 13.30% (31 December 2020) after incorporating full year expected audited profits for the 2020 financial year. With a N$382.5 million (24.9%) buffer in excess of the minimum ECap required of N$1.53 billion, the 2020 ICAAP indicated sufficient available capital based on N$1.9 billion total capital available at 31 December 2020.

As the ICAAP is a forward looking process, it takes into consideration capital and risk projections and additionally applies stress scenarios on such projections. The board takes into consideration capital and risk projections and additionally applies stress scenarios on such projections. The board is satisfied that Nedbank Namibia is adequately capitalised for the business model and the risk appetite defined by the board. The Board is satisfied with the overall effectiveness of the processes relating to corporate governance, internal controls, risk management, capital management and capital adequacy.

The capital management (incorporating ICAAP) responsibilities of the board and management are incorporated in their respective terms of reference and are assisted by the board's NNH GRCMC, ALCO and EXCO, respectively.

A comprehensive risk report by the CRO is disclosed on pages 30 to 33.

NNH GROUP SUBSIDIARIES

NedNamibia Life Assurance Company Limited ('NNLA'); NedPlan Insurance Brokers Namibia (Proprietary) Limited ('NIBN'); NedCapital Namibia (Proprietary) Limited; NedProperties (Proprietary) Limited and Nedbank Namibia Limited ('NBN')

These companies are wholly owned subsidiaries of NNH. The companies' internal control environments are monitored by the NNH GAC while the NNH GRCMC monitors the companies' capital management as well as their risk management, information technology and compliance environments. Both committees report into the board.

The board composition of below companies is compliant with King IV, NAMFISA and The NamCode in terms of independence and the boards' sizes are compliant with the companies' articles of association.

Composition of NNLA Board

	Appointment date	Nationality	Age	Current status
Independent non-executive directors				
Peters Rolf H (Chairperson)	29 October 2003	German	72	No change
Etzolt Ulrich M	1 September 2015	Namibian	49	No change
Tjipueja Patterson K	25 September 2014	Namibian	55	Resigned (18/09/2020)
Schimming-Chase Afra R	5 November 2018	Namibian	46	Resigned (29/06/2020)
Samaria Meraldea E	7 November 2019	Namibian	43	No change
Marte W	21 February 2020	South African	44	Appointed (21/02/2020)
Non-executive directors				
Meeks Richard	9 January 2015	British	50	No change
Murorua M	13 July 2020	Namibian	47	Appointed (13/07/2020)
Executive director				
Ghirmatsion Biniam M	17 February 2020	Eritrean	45	Appointed (17/02/2020)

Composition of NIBN Board

	Appointment date	Nationality	Age	Current status
Independent non-executive directors				
Peters Rolf H (Chairperson)	September 2014	German	72	No change
Etzolt Ulrich M	October 2015	Namibian	49	No change
Tjipueja Patterson K	September 2014	Namibian	55	Resigned (18/09/2020)
Non-executive director				
Meeks Richard	March 2016	British	50	No change

DIRECTOR'S REMUNERATION

The directors of NNLA and NIBN only receive a basic fee, which is paid monthly on a pro-rata basis and rounded up to the nearest N$500. Directors' fees are only paid to independent non-executive directors. The following directors' fees were approved for NNLA and NIBN for the 2020 financial year:

NedNamibia Life Assurance Company Limited and Nedplan Insurance Brokers Namibia (Proprietary) Limited

Annual Directors' Remuneration	Chairperson (fees per annum)	Members (fees per annum)
Directors' fees NNLA	N$72 000	N$36 000
Directors' fees NIBN	N$48 000	N$24 000

DIRECTORS' DECLARATION

The directors of NedNamibia Holdings Limited confirm and acknowledge that:

- it is the directors' responsibility to prepare the group's annual financial statements that fairly present the state of affairs of the group at the end of the financial year and the profit or loss and cash flows for that period;
- the auditors are responsible for reporting on whether the annual financial statements are fairly presented;
- adequate accounting records and an effective system of internal control and risk management have been maintained;
- appropriate accounting policies, supported by reasonable and prudent judgements and estimates have been applied consistently, except as otherwise disclosed; and
- applicable accounting standards have been adhered to or, if there has been any departure in the interest of fair presentation, this has been disclosed, explained and quantified.

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GROUP GOVERNANCE STRUCTURE

31 December 2020

- **NedNamibia Holdings Limited** Board of Directors
  - **Nedbank Namibia Limited** Board of Directors
  - *Group Risk and Capital Management Committee
    - Group Enterprisewide Risk Management Committee (ERCO)
      - Insurance Risk Committee (IRC)
    - Credit Risk and Monitoring Committee (Monitoring CRAM)
  - *Group Board Credit Committee
  - *Group Directors' Affairs Committee
  - *Group Remuneration, Human Resources, Transformation, Social and Ethics Committee
  - *Group Audit Committee
  - *Group ICT Committee
  - Group Executive Committee (EXCO)
    - Asset and Liability Committee (ALCO)
    - Bank Credit Committee
    - Head Count Committee
    - Product and Pricing Committee
    - Social Investment Fund Committee
    - Financial Crime Committee
    - High Risk Client Committee
    - Formal Recognition Committee
    - Information and Communication Technology Committee (ICTC)
    - Health and Safety Committee
    - Vendor and Procurement Management Committee
    - Transformation and Human Capital Committee
    - Bursary and Internship Committee
    - Innovation Hub Committee
  - Nedbank Namibia Limited Board of Directors
    - NedLoans (Proprietary) Limited Board of Directors
    - CBN Nominees (Proprietary) Limited Board of Directors
    - Walvis Bay Land Syndicate (Proprietary) Limited Board of Directors
    - Ten Kaiser Wilhelm Strasse (Proprietary) Limited Board of Directors
  - NedNamibia Life Assurance Company Limited Board of Directors
  - NedPlan Insurance Brokers Namibia (Proprietary) Limited Board of Directors
  - NedProperties (Proprietary) Limited Board of Directors
  - NedCapital Namibia (Proprietary) Limited Board of Directors

* Group relates to NedNamibia Holdings Group

Fillipus Sheehama
Collapsing Identity
2020
Mixed media
(makalani nut piths, animal bone, wire)

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ENTERPRISEWIDE RISK MANAGEMENT FRAMEWORK ('ERMF')

Risk Universe	Accounting, Financial and Taxation Risk	Credit Risk	Operational Risk	Financial Crime Risk	Liquidity and Funding Risk	Capital Risk	Insurance Risk (non-banking)	Market Risk		Concentration Risk	Conduct Risk	Regulatory Risk	Information Technology Risk	Business and Strategic (execution) Risk	Reputational Risk	Governance and Compliance Risk	Transformation, Social and Environmental Risk	People Risk
								Trading Book	Banking Book									

Key Features of the ERMF

1. The NNH board of directors is ultimately responsible for all risks in the NedNamibia Holdings Limited and its subsidiaries (NNH Group), approval and oversight of the risk measurement and management system and the setting of risk appetite.
2. The ERMF provides the foundation and underpins the entire risk management structure and system of the NNH Group (implementation, monitoring, reporting and remediation).
   - Strong emphasis in the ERMF is placed on individual accountability and not undue reliance on committees.
   - Risk management frameworks (for all major risk types) are in place.
   - Provides a set of sub-risks where relevant, to each main risk category.
   - Shows the NNH Board Committees and their respective roles as the final oversight and monitoring function for the NNH Group.
   - Depicts the structure of the Executive management committees and their roles and responsibilities for the proper, efficient and effective functioning of the NNH Group's business.
   - Reporting Philosophy – Provides a reporting structure from business units through to the NNH Board.
3. The Lines of Defence Model – Sets out the, and positions the Lines of Defence model across the NNH Group and the roles and responsibilities of each within the overall framework.
   - Primary responsibility and accountability for the risks originating in the businesses are clearly assigned to the respective heads of department and executives.
4. The Chief Risk Officer reports to the Managing Director, who has ultimate individual accountability for risk.

1st Line of Defence

Strategy, performance and risk management (risk taking and risk ownership)

Focused and informed involvement by the NNH Board and Exco, accountability and responsibility of business management and NNH Group Finance, all supported by appropriate internal controls, risk management and governance structures and processes

Board of Directors

Board Committees	NedNamibia Holdings Board Committee Chairperson: SI Kankondi* * Independent Non-Executive Director	Nedbank Namibia Limited Board Committee Chairperson: SI Kankondi* * Independent Non-Executive Director	NNH Group Audit Committee Chairperson: T Horn* * Independent Non-Executive Director	NNH Group Risk and Capital Management Committee. Chairperson: TT Hiwilepo* * Independent Non-Executive Director	NNH Group Remco Acting Chairperson: PCW Hibbit* * Independent Non-Executive Director	NNH Group Directors' Affairs Chairperson: SI Kankondi* * Independent Non-Executive Director
	NNH Group Credit Committee Chairperson: Vacant	NNH Group Information and Communication Technology Committee. Chairperson: SI Kankondi* * Independent Non-Executive Director				
Subsidiary Board Committees	NedLife Board Committee	NedPlan Board Committee	NedLoans Board Committee	NedProperties Board Committee	CBN Nominees Board Committee	NedCapital Board Committee
	Ten Kaiser Wilhelm Strasse Board Committee	Walvis Bay Land Syndicate Board Committee				

Executive Committee (EXCO)

Business Committees	Asset and Liability Committee ('ALCO')	Innovation Hub Committee	Product and Pricing Committee	Financial Crime Committee	Vendor and Procurement Management Committee	Formal Recognition Committee
	Transformation and Human Capital Committee	Bank Credit Committee	Information and Communication Technology Committee	Social Investment Fund Committee (including Go Green Fund)	Health and Safety Committee	High Risk Client Committee
	Head Count Committee	Bursary and Internship Committee				
Forums	ATM Forum	Attorney's Panel Forum	Employee Equity Forum	Coordinated Assurance Forum	Revamp Forum	Business Process Mapping Forum
Steercos	PCI-DSS Steerco	Campus Project / Procurement Steerco	Payment Steerco	NamPay Steerco	NedLoans Migration Project Steerco	Business Continuity Management Steerco
	Human Capital Change Management Steerco					

2nd Line of Defence

Risk oversight, monitoring and advisory

Group Risk

2B – NNH Group Level – Macro and fully independent	Enterprisewide Risk Management Committee ('ERCO')	Insurance Risk Committee ('IRC')	Credit Risk and Monitoring Committee (Monitoring 'CRAM')	Legal and Forensic Services	Compliance and Ethics	Enterprise Risk Management / Operational Risk Management	Financial Crime: AML/CFT/SANCTIONS
2A – Business level – Micro (client facing units)	Divisional Risk Managers / Divisional Risk Analysts						

3rd Line of Defence

Internal Audit

Internal Audit	Group Internal Audit

4th Line of Defence

External Audit / Regulators

DIRECTORS' RESPONSIBILITY

For the year ended 31 December 2020

The Board of directors bear the key responsibility of the preparation and fair presentation of the consolidated and separate annual financial statements of NedNamibia Holdings Limited. The consolidated and separate annual financial statements presented on pages 75 to 85 (section relating to financial risk management and governance) and 96 to 180 have been prepared in accordance with International Financial Reporting Standards ('IFRS'), and interpretations issued by the IASB, as well as the Companies Act of Namibia and the Namibian Banking Institutions Act and include amounts based on judgements and estimates made by management. The directors have also sanctioned and endorsed other information included in the integrated annual report, in light of their responsibility for both its accuracy and consistency with the annual financial statements.

The directors set the standards for internal control to ensure the reduction of the risk of error or loss, in a cost effective manner. To enable the board to discharge its responsibilities, management has developed and continues to maintain a system of internal financial control. The board has ultimate responsibility for this system of internal control and reviews the effectiveness of its operation primarily through the Group Audit Committee, the Group Risk and Capital Management Committee and other risk monitoring functions.

The internal financial controls include risk-based systems of accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the group's board approved written policies and procedures.

The controls are monitored by management and include a comprehensive budgeting and reporting system, operating within strict deadlines and an appropriate control framework. As part of the system of internal financial control, the Internal Audit division – which operates unimpeded and independently from operational management – conducts operational, financial and specific audits within the group and coordinates audit coverage with the external auditors.

The consolidated and separate annual financial statements have been audited by the independent auditors, Deloitte & Touche, who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during the audit are valid and appropriate. The audit report of the independent auditors is presented on pages 94 and 95.

To the best of their knowledge and belief, based on the above, the directors are satisfied that, other than the AML gaps identified and being remediated, no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review.

The going-concern basis has been adopted in preparing the consolidated annual financial statements. The directors have made an assessment of the company's and the group's ability to continue as going concerns and have no reason to believe that the company and the group as a whole will not be a going concern in the year ahead.

The consolidated annual financial statements of NedNamibia Holdings Limited were approved by the NedNamibia Holdings board of directors on 4 June 2021 and are signed on its behalf by:

S I **Kankondi**
CHAIRPERSON
INDEPENDENT NON-EXECUTIVE DIRECTOR

M **Murorua**
MANAGING DIRECTOR
INDEPENDENT NON-EXECUTIVE DIRECTOR

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STATUTORY ACTUARY'S REPORT

For the year ended 31 December 2020

Statement of assets, liabilities, excess assets and capital requirements

I have conducted an actuarial valuation of NedNamibia Life Assurance Company Limited (the Company) in accordance with generally accepted actuarial principles. These principles require reasonable provision for future outgo under in-force policies, generally based on the assumption that current conditions will continue. Provision is therefore not made for all possible contingencies. I have accepted that the Financial Statements comply with the Companies Act and the Long-Term Insurance Act of Namibia.

Actuarial balance sheet – published reporting basis

The excess of assets over liabilities on the Published Reporting Basis is shown in the table below:

	2020 N$	2019 N$
Value of assets		
Total value of assets per statement of financial position	290 988 212	277 024 804
Less: Reinsurance asset	1 377 523	1 805 984
Value of assets on the published basis	289 610 689	275 218 820
Less liabilities:		
Actuarial value of policy liabilities	110 409 161	114 108 684
Current and other liabilities	4 837 261	3 008 171
Excess of assets over liabilities	174 364 267	158 101 965
Represented by:		
Share capital and premium	4 000 000	4 000 000
Accumulated surplus	170 364 267	154 101 965
Ordinary shareholder's interest	174 364 267	158 101 965

Actuarial balance sheet – statutory reporting basis

The excess of assets over liabilities on the Statutory Reporting Basis is shown in the table below:

	2020 N$	2019 N$
Value of assets		
Total value of assets per statement of financial position	289 610 689	275 218 820
Less: Disallowed assets	5 036 837	8 236 962
Value of assets on the statutory basis	284 573 852	266 981 858
Less liabilities:		
Actuarial value of policy liabilities	110 409 161	114 108 684
Current and other liabilities	4 837 261	3 008 171
Excess of assets over liabilities	169 327 430	149 865 003
Capital adequacy requirement ('CAR')	12 388 583	11 980 953
Excess of assets over liabilities as a multiple of CAR	14 times	13 times

STATUTORY ACTUARY'S REPORT (CONTINUED)

Analysis of change in excess assets

The excess of the value of assets over the liabilities on the Published Reporting Basis has changed as follows over the reporting period.

	2020 N$	2019 N$
Excess assets as at end of reporting period	174 364 267	158 101 965
Excess assets as at beginning of reporting period	158 101 965	176 597 647
Change in excess assets over the reporting period	16 262 302	(18 495 682)
This change in the excess is due to the following factors:		
Investment return generated		
Investment income plus capital gains	13 426 243	19 706 023
Total investment return	13 426 243	19 706 023
Operating profit	38 963 597	58 483 513
Changes in valuation methods and assumptions	(4 419 665)	(763 849)
Taxation	(1 105 873)	(921 369)
Total reported earnings per financial statements	46 864 302	76 504 318
Dividends paid	(30 602 000)	(95 000 000)
Total change in excess assets	16 262 302	(18 495 682)
Reconciliation to reported earnings:		
Total earnings as per above table	46 864 302	76 504 318
Reported earnings in the financial statements	46 864 302	76 504 318
Difference	–	–

Reconciliation of excess assets between Published Reporting Basis and Statutory Basis

The excess assets on the published basis reconcile to the excess assets on the statutory basis as follows:

	2020 N$	2019 N$
Excess assets on Published Reporting Basis	174 364 267	158 101 965
Less: Disallowed Assets	5 036 837	8 236 962
Excess assets on Statutory Basis	169 327 430	149 865 003

Changes in valuation methods and assumptions

The value of the liabilities increased by N$4,419,665 (before tax) as a result of the following changes to the valuation assumptions and methodology:

– Valuation Methodology Changes

No changes to the valuation methodology were performed at the current year-end.

– Economic assumptions

The economic basis was reviewed to reflect the current economic environment. This has resulted in a lower overall investment return to discount future liability outgo. At the same time, the expense inflation assumption was decreased.

– Non-economic assumptions and modelling changes

The expense, lapse and retrenchment assumptions were reviewed in the light of recent experience and the basis was revised accordingly. In addition, minor modelling changes were incorporated at the current year-end.

Valuation basis of assets

Assets are valued at statement of financial position values ie at market or director's value as described in the Annual Financial Statements. NedNamibia Life Assurance Company Limited has disallowed assets as defined in Section 27 of the Namibian Long-Term Insurance Act.

Valuation basis of policy liabilities

The valuation was performed in accordance with the Namibian Standard of Actuarial Practice 104 (NSAP104) endorsed by the Society of Actuaries of Namibia (SAN). The same methods and assumptions were used for the Published Reporting Basis and the Statutory Valuation Method.

The result of the valuation method and assumptions is that profits are released appropriately over the term of the policy, to avoid the premature recognition of profits that may give rise to losses in the later years.

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Individual life liabilities were valued on a discounted cashflow method, plus an Incurred But Not Reported Reserve (IBNR). An Incurred But Not Reported Reserve was also held for the Company's Group business.

The decrement assumptions are based on prudent best estimates of the expected experience. Compulsory and discretionary margins are then added to the best estimate assumptions to provide a buffer against adverse experience and to ensure an appropriate release of surplus over every policy's lifespan. The main assumptions, before allowing for margins, were as follows:

- Future persistency, mortality and other decrements are estimated taking into account historical and recent experience. Specific allowance has been made for the mortality and morbidity experience due to AIDS;
- An IBNR reserve for death, disability and retrenchment is held based on the lag between the date of claim event and the date the Company is notified of the claim event.
- Expense assumptions were set with reference to recent experience and budgets. Per policy costs were assumed to increase at a rate of 3.5% p.a.; and
- An assumed future investment return of 3% (gross of tax) per annum was used.

A reserve of N$2.2m was held in respect of policies that were sold but not included in the valuation data as at the valuation date.

Compulsory margins have been allowed for as outlined in the Society of Actuaries of Namibia's guidance note – NSAP104. In addition, the following discretionary margins have been incorporated:

- Elimination of negative reserves; and
- Discretionary mortality, retrenchment and lapse margins where appropriate.

Capital adequacy requirement

The capital adequacy requirement (CAR) is calculated in accordance with NSAP104 (other than the Minimum Capital Requirement which is based on current rather than proposed Namibian regulation) issued by the Society of Actuaries of Namibia, to determine whether the excess of assets over liabilities is sufficient to provide for the possibility of actual future experience, departing negatively from the assumptions made in calculating policy liabilities and against fluctuations in the value of assets.

The CAR can allow for Management action; for the purpose of this valuation, no management action has been allowed for.

For the purpose of grossing up the Intermediate Ordinary Capital Requirements (IOCR) to determine the Ordinary Solvency Capital Requirement (OCR), it has been assumed that assets backing the capital adequacy requirements are invested 100% in cash or cash equivalents. This is in line with a decision taken by the Board.

The OCR exceeded the Termination Capital Requirement ("TCR") at the valuation date, and thus the capital adequacy requirements have been based on the OCR. This amounts to N$12.4 million.

Namibian regulation requires that a Life Company with multiple products holds at least N$4 million in capital. Therefore current CAR for NedNamibia Life Assurance is in excess of N$4 million and sufficient as per regulations.

The excess assets are 14 times the capital adequacy requirement.

Certification of statutory financial position

I hereby certify that:

- The valuation on the statutory basis of NedNamibia Life Assurance Company Limited as at 31 December 2020, the results of which are summarised above, has been conducted in accordance with, and this Statutory Actuary's report has been produced in accordance with, the Namibian Long-Term Insurance Act, the Society of Actuaries of Namibia's Standard of Actuarial Practice 104, as well as applicable Actuarial Society of South Africa Advisory Practice Notes;
- I have accepted that the annual financial statements comply with the requirements of the Namibian Companies Act and Long-Term Insurance Act in Namibia;
- In terms of the Statutory Valuation Method, the Company has assets exceeding the liabilities and CAR; and,
- Therefore, the Company is financially sound on the statutory basis as at the valuation date, and in my opinion is likely to remain financially sound for the foreseeable future.

Svenja **Poriazis**
(FASSA)

Statutory Actuary for NedNamibia Life Assurance Company Limited
QED Actuaries & Consultants

8 March 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of NedNamibia Holdings Limited
For the year ended 31 December 2020

Opinion

We have audited the consolidated and separate financial statements of NedNamibia Holdings Limited ("the Group"), which comprise the consolidated and separate statement of financial position as at 31 December 2020 and the consolidated and separate statement of comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement 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 other explanatory notes and the report of the directors as set out on pages 96 to 180.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of NedNamibia Holdings Limited as at 31 December 2020 and its consolidated and separate financial performance and 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 Group in accordance with International Ethics Standards Board for Accountants 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 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 opinion.

Other Information

The directors are responsible for the other information. The other information comprises content under the following subheadings:

- Group profile
- Highlights
- Retail branch network
- Group structure
- Board of directors
- Executive committee
- Chairperson's report
- Managing director's review
- Chief financial officer's report
- Responding to the impact of COVID-19
- Chief risk officer's report
- Sustainability report
- Value added statement
- Corporate governance and ethics review
- Group governance structure
- Enterprisewide risk management framework
- Directors' responsibility statement
- Statutory actuary's report
- Contact details

The other information does not include the consolidated and separate financial statements 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 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, 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 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 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.

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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 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.
- 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 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 and separate financial statements. We are responsible for the direction, supervision and performance of the 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Deloitte & Touche

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Per: Julius Nghikevali
Partner
Windhoek
4 June 2021

REPORT OF THE DIRECTORS

For the year ended 31 December 2020

The directors have pleasure in submitting their report together with the annual financial statements of NedNamibia Holdings Limited (hereinafter referred to as 'the company') and its subsidiaries (hereinafter referred to as 'the group') for the year ended 31 December 2020. The details of the annual financial results are set out in these annual financial statements, which have been prepared under the supervision of the group's Chief Financial Officer, Mr JG van Graan, in accordance with International Financial Reporting Standards ('IFRS') and Interpretations issued by the International Accounting Standards Board ('IASB'), as well as the Companies Act of Namibia and the Namibian Banking Institutions Act and include amounts based on judgments and estimates made by management.

Integrated Report

The group integrated report is produced and published annually and covers the period 1 January to 31 December 2020. The directors are committed to the principles of integrated reporting. Our integrated reporting process as well as the contents of this report are guided by best practice pursuant to the recommendations of The NamCode, which is based on the principles contained in King III and other international best practices, but adapted to suit the Namibian legislative landscape. In compiling this integrated report, cognisance was also taken of the principles contained in King IV, the fundamental concept of which is value creation that is accomplished in a sustainable manner by operating in the triple context of the economy, society and the environment. Our thinking and our approach to long-term value creation are aligned with these principles, which allow us to tell a clear and comprehensive story about how value is created through strategy and how we deliver on our purpose to use our financial expertise to do good for individuals, families, businesses and society.

Nature of the business

NedNamibia Holdings Limited is a Namibian registered holding company which, through its subsidiaries, is a diversified financial services provider, offering a wide range of wholesale and retail banking services as well as insurance, asset management and wealth management solutions. The group's head office is in Windhoek and its operations are confined to Namibia.

Holding Company and Controlling Shareholder

The holding company of NedNamibia Holdings Limited is Nedbank Group Limited, a South African registered company, which holds 100% of the issued share capital of NedNamibia Holdings Limited. Its ultimate controlling shareholder was Old Mutual Plc, incorporated in England and Wales, whose shareholding was reduced. Old Mutual Plc held approximately 52% of the issued share capital of Nedbank Group in its shareholder funds. After the Nedbank Group unbundling in 2018, a minority interest of 19.9% of the issued share capital of Nedbank Group in the shareholder funds of Old Mutual Life Assurance Company (South Africa), a wholly-owned subsidiary of Old Mutual, was retained. The group structure is set out on page 7 of this report.

Registered and Business Address

The business address as well as that of the registered office is:

Physical address: 12-20 Dr Frans Indongo Street, Windhoek, Namibia

Postal address: P O Box 1, Windhoek, Namibia

Registration number: The company's registration number is 91/075.

Country of incorporation: Republic of Namibia

Company Secretary

Mr Christoffer Chipeio is the Company Secretary. He is assisted by Ms. Anelda Harmse.

Auditors

Deloitte & Touche will continue in office in accordance with Section 278 (2) of the Companies Act.

Physical address: Deloitte Building, Maerua Mall Complex, Jan Jonker Road, Windhoek, Namibia

Postal address: P O Box 47, Windhoek, Namibia

Transfer Secretaries

Transfer Secretaries (Proprietary) Limited will remain the company's transfer secretaries until such time that most of the minority shareholders have surrendered their original documents of title as defined in the Scheme of Arrangement that was concluded between Nedbank Group Limited and the minority shareholders in 2007. Their business address is 4 Robert Mugabe Avenue, entrance in Burg Street, Windhoek; P O Box 2401, Windhoek, Namibia.

Financial Results for the Year

Full details of the consolidated annual financial results are set out on pages 98 to 180 of this report.

Accounting Treatment of Loans and Advances

The accounting treatment of loans and advances disclosed in the annual financial statements complies with IFRS. The impairment determined in compliance with the requirements of BID-2 (Determinations on the Classification of Loans and the Suspension of Interest on Non-Performing Loans and the Provisions for Bad and Doubtful Debts) issued pursuant to Section 71(3) of the Banking Institutions Act, 1998, is recorded in the returns to the Bank of Namibia. The excess impairment determined in compliance with BID-2 over the impairment determined based on IFRS is recorded as a general risk reserve in the annual financial statements.

Share Capital

NedNamibia Holdings has an authorised share capital of 80 000 000 ordinary shares with a nominal value of 25 cents each. The company's issued share capital comprises 70 381 644 ordinary shares. At the annual general meeting held on 26 June 2020, the shareholder placed the unissued share capital of 9 618 356 ordinary shares under the control of the directors until the next annual general meeting.

Dividends

No ordinary dividend was declared and paid in the year under review. Special dividend totaling an amount of N$132 million for the financial year ended 31 December 2019 was paid to Nedbank Group Limited on 28 May 2020.

Borrowings

The group's borrowings comprise mainly deposits and current accounts, originated through banking operations and long-term financing.

Property and Equipment

The group's property and equipment are disclosed in note 12 of the annual financial statements.

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Board of Directors

At the annual general meeting held in terms of Section 187(9) of the Companies Act, Act 28 of 2004, on 28 June 2020, the following directors who retired by rotation in accordance with the provisions of the company's articles of association, made themselves available for re-election and were duly elected as directors of the company:

- Mr. Peter Charles Wenham Hibbit
- Mr. Trophimus Hiwilepo
- Ramon Lorenzo Maasdorp

The board succession planning will continue to receive focus to ensure that the board composition comprises the appropriate mix of skills and experience.

The composition of the board during the year and to the date of this report was as follows:

Composition of NNH/NBN Boards	Appointment date (NNH)	Nationality	Age	Current status
Independent non-executive directors				
Kankondi Sebulon I (Chairperson)	17 July 2020 (BON Approval)	Namibian	55	Appointed (17/07/2020)
Hiwilepo Trophimus T	22 August 2014	Namibian	54	No change
Urib Haroldt H	09 November 2020 (BON Approval)	Namibian		Appointed (09/11/2020)
Hibbit Peter CW	12 May 2016	South African	70	No change
Maasdorp Ramon L	09 February 2018	Namibian	40	Resigned (16/09/2020)
Horn Talita B	16 April 2019	Namibian	50	No change
Non-executive directors				
Sibiya Terence G	18 September 2018	South African	50	No change
Executive directors				
Murorua Martha (Managing Director)	13 July 2020	Namibian	47	Appointed (13/07/2020)
Van Graan Johannes G (Chief Financial Officer)	03 June 2019	Namibian	38	No change
Matthews Lionel J (Managing Director)	30 September 2013	Namibian	55	Retired (31/03/2020)

The profiles and qualifications of the members of the board are disclosed on pages 8 to 11 of this annual report.

Directors Emoluments

Directors' emoluments are disclosed on page 56 of this report.

Directors' interest in the capital of the company

None of the directors have an interest in the share capital of the company.

Contracts and matters in which directors of the company have an interest

During the year under review, no contracts in which directors of the company have an interest and that significantly affect the affairs of the business of the company or any of its subsidiaries were entered into.

Interest in subsidiaries

The following were the wholly owned subsidiaries of NedNamibia Holdings as at 31 December 2020:

Name of subsidiary	Type of business	Issued share capital	Proportion held
Nedbank Namibia Limited	Commercial banking	67 758 596 ordinary shares	100%
NedCapital Namibia (Proprietary) Limited	Specialised finance service	8 000 ordinary shares	100%
NedNamibia Life Assurance Company Limited	Long-term insurance	4 000 000 ordinary shares	100%
NedPlan Insurance Brokers Namibia (Proprietary) Limited	Insurance broker	100 ordinary shares	100%
NedProperties (Proprietary) Limited	Property holding company	100 ordinary shares	100%

More details on subsidiaries of the group are set out in note 11 to the annual financial statements.

Going Concern

The going-concern basis has been adopted in preparing the consolidated and separate annual financial statements. The directors have made an assessment of the company's and the group's ability to continue as going concerns and have no reason to believe that the company and the group as a whole will not be a going concern in the year ahead.

Special Resolutions

No special resolutions were passed by NedNamibia Holdings Limited or any of its subsidiaries during the period under review.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 N$'000	2019 N$'000
Assets			
Cash and balances with central bank	4	**683 952**	482 155
Due from other banks	5	**3 079 147**	2 457 869
Other short-term securities	6	**2 510 099**	2 264 828
Derivative financial instruments	7	**65 513**	41 932
Government and other securities	8	**2 147 279**	2 372 464
Loans and advances to customers	9	**12 209 117**	12 071 345
Other assets	10	**257 797**	151 706
Investment in subsidiaries, associates and listed investments	11	**21 651**	49 541
Current tax receivable		**15 594**	1 638
Property and equipment	12	**547 161**	405 871
Computer software and development cost	13	**75 389**	70 344
Goodwill	14	**29 125**	29 125
Total assets		**21 641 824**	20 398 818
Equity and Liabilities			
Capital and reserves			
Share capital	15	**17 595**	17 595
Share premium	15	**99 536**	99 536
General risk reserve	16	**157 993**	33 413
Revaluation reserve	17	**71 032**	79 378
Fair value reserve		**2 957**	1 808
Equity investment revaluation reserve	18	**5 970**	20 020
Retained income		**2 126 385**	2 262 987
Shareholder's interest		**2 481 468**	2 514 737
Non-controlling interest		**13 303**	13 522
Total shareholder's equity and non-controlling interest		**2 494 771**	2 528 259
Liabilities			
Derivative financial instruments	7	**73 504**	41 319
Due to other banks	19	**1 709 481**	1 477 174
Due to customers	20	**12 356 215**	11 353 753
Negotiable certificates of deposit	21	**4 386 137**	4 354 390
Other liabilities	22	**129 554**	121 424
Current tax payable		**211**	250
Deferred taxation liabilities	23	**27 163**	58 595
Policyholder liabilities under insurance contracts	24	**110 409**	114 108
Provision for post-retirement medical benefits	25	**8 521**	8 495
Long-term subordinated debt instruments	26	**317 636**	316 966
Lease liabilities	27	**28 222**	24 085
Total liabilities		**19 147 053**	17 870 559
Total equity and liabilities		**21 641 824**	20 398 818

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 N$'000	2019 N$'000
Interest and similar income		**1 607 957**	1 912 636
Interest expense and similar charges		**(867 518)**	(1 055 545)
Net interest income	28	**740 439**	857 091
Impairment of loans and advances	22 & 30	**(246 475)**	(108 936)
Income from lending activities		**493 964**	748 155
Non-interest income	29	**361 548**	373 075
Share of profit from associate	11	**–**	3 186
Net income excluding impairments		**1 101 987**	1 233 352
Net income		**855 512**	1 124 416
Operating expenditure		**(762 875)**	(726 541)
Transfers to policyholder liabilities under insurance contracts	32	**3 700**	(1 555)
BEE transaction expenses	33	**(360)**	(549)
Profit before taxation	31	**95 977**	395 771
Taxation	34	**21 725**	(65 410)
Total profit after taxation		**117 702**	330 361
Other comprehensive income net of taxation			
Items that will not be reclassified subsequently to profit or loss:			
Loss on valuation of land and buildings		**(5 061)**	(843)
Remeasurement of defined benefit liability		**–**	2 238
Items that may be reclassified subsequently to profit or loss:			
Equity investment revaluation reserve movement		**(14 050)**	(10 059)
Movement in fair value reserve (FVOCI debt instruments):			
Debt investments at FVOCI – net change in fair value		**1 149**	1 187
Total other comprehensive income net of taxation		**(17 962)**	(7 477)
Total comprehensive income for the year		**99 740**	322 884
Total profit after tax attributable to:			
Non-controlling interest		**559**	839
Owners of the parent		**117 143**	329 522
Total profit after taxation		**117 702**	330 361
Total comprehensive income attributable to:			
Non-controlling interest		**559**	839
Owners of the parent		**99 181**	322 045
Total comprehensive income for the year		**99 740**	322 884
Earnings per share (cents)	36	**166,44**	468,19
Diluted earnings per share (cents)	36	**166,44**	468,19

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2020

	Share capital N$'000	Share premium N$'000	General risk reserve N$'000	Revaluation reserve N$'000	Equity investment revaluation reserve N$'000	Fair value reserve N$'000	Retained income N$'000	Total shareholder's interest N$'000	Non-controlling interest N$'000	Total N$'000
Balance at 1 January 2019	17 595	99 536	22 333	83 201	30 079	621	2 338 795	2 592 160	13 958	2 606 118
Adjustment on initial application of IFRS 9, net of tax	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(843)	(10 059)	1 187	331 760	322 045	839	322 884
Profit for the year	–	–	–	–	–	–	329 522	329 522	839	330 361
Movement in fair value reserve (FVOCI debt instruments)	–	–	–	–	–	1 187	–	1 187	–	1 187
Movement in post retirement medical aid scheme	–	–	–	–	–	–	2 238	2 238	–	2 238
Other comprehensive income for the year	–	–	–	(843)	(10 059)	–	–	(10 902)	–	(10 902)
Non-controlling interest dividends	–	–	–	–	–	–	(1 275)	(1 275)	(1 275)	(2 550)
Unclaimed dividend written back	–	–	–	–	–	–	1 807	1 807	–	1 807
Transfers	–	–	–	(2 980)	–	–	2 980	–	–	–
General risk reserve	–	–	11 080	–	–	–	(11 080)	–	–	–
Dividends paid	–	–	–	–	–	–	(400 000)	(400 000)	–	(400 000)
Balance at 31 December 2019	17 595	99 536	33 413	79 378	20 020	1 808	2 262 987	2 514 737	13 522	2 528 259
Adjustment on initial application of IFRS 9, net of tax	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(5 061)	(14 050)	1 149	117 143	99 181	559	99 740
Profit for the year	–	–	–	–	–	–	117 143	117 143	559	117 702
Movement in fair value reserve (FVOCI debt instruments)	–	–	–	–	–	1 149	–	1 149	–	1 149
Movement in post retirement medical aid scheme	–	–	–	–	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	(5 061)	(14 050)	–		(19 111)	–	(19 111)
Non-controlling interest dividends	–	–	–	–	–	–	(450)	(450)	(778)	(1 228)
Unclaimed dividend written back	–	–	–	–	–	–	–	–	–	–
Transfers	–	–	–	(3 285)	–	–	3 285	–	–	–
General risk reserve	–	–	124 580	–	–	–	(124 580)	–	–	–
Dividends paid	–	–	–	–	–	–	(132 000)	(132 000)	–	(132 000)
Balance at 31 December 2020	17 595	99 536	157 993	71 032	5 970	2 957	2 126 385	2 481 468	13 303	2 494 771
Notes	15	15	16	17	18					

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 N$'000	2019 N$'000
Cash generated from operating activities	37.1	1 133 594	1 421 979
Cash received from customers	37.2	1 979 511	2 250 579
Cash paid to customers	37.3	(906 940)	(918 301)
Cash paid to employees and suppliers		(825 418)	(763 133)
Dividends received		–	1 498
Taxation paid	37.4	(23 596)	(86 933)
Recoveries of loans previously written off	30.1	11 575	12 554
Cash movements in advances and other accounts		(406 806)	61 859
Cash movements in operating liabilities	37.6	1 305 268	863 856
Cash utilised in financing activities		(105 557)	(419 015)
Cash repayments on lease liabilities		26 443	(19 015)
Dividends paid to ordinary shareholders	37.5	(132 000)	(400 000)
Cash utilised in investment activities		(204 962)	(693 802)
Investment in property, equipment, computer software and development cost		(196 677)	(125 500)
Purchase of non-dealing securities	37.7	(8 285)	(568 302)
Net increase in cash and cash equivalents		823 075	309 162
Cash and short-term funds at beginning of the year		2 940 024	2 630 862
Cash and short-term funds at end of the year	37.8	3 763 099	2 940 024

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2020

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1. BASIS OF PREPARATION

The financial statements of NedNamibia Holdings Limited (the 'company') and its subsidiaries (the 'group') are prepared in accordance with and comply with International Financial Reporting Standards ('IFRS') adopted by the International Accounting Standards Board ('IASB'), and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB and the requirements of the Namibian Companies Act and the Namibian Banking Institutions Act.

The financial statements are presented in Namibia Dollar ('N$'), the functional currency, and are rounded to the nearest thousand Namibia Dollar. The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- financial assets and financial liabilities at fair value through profit or loss;
- financial assets classified as fair value through other comprehensive income; and
- owner-occupied properties.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if a market participant would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements are determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are disclosed as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

During the year management revised the presentation of items included in the financial statements and reclassified certain amounts to ensure more relevant disclosure. Prior year amounts have been represented accordingly.

Critical accounting judgements and key sources of estimation uncertainty

In the preparation of the annual financial statements the group has recorded various assets and liabilities on the presumption that the group is an on-going business and as such, certain key sources of estimation have been assumed:

Credit impairment

Allowances for loan impairment represent management's estimate of the losses incurred in the loan portfolios at the reporting date. The group assesses its loan portfolios for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the group makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cashflows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing loans is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These include early arrears and other indicators of potential default, such as changes in macroeconomic conditions and legislation affecting credit recovery. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Statistical techniques are used to calculate impairment allowances on the portfolio, based on historical recovery rates and assumed emergence periods. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios.

Judgement and knowledge are needed in selecting and reviewing the statistical methods. The impairment allowance reflected in the financial statements is therefore considered to be reasonable and supportable.

For larger non-performing exposures impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cashflows are taken into account, for example the business prospects for the client, the realizable value of collateral, the group's position relative to other claimants, the reliability of client information and the likely cost and duration of the workout process. The level of the impairment allowance is the difference between the value of the discounted expected future cashflows (discounted at the loan's original effective interest rate) and its carrying amount. Subjective judgements are made in the calculation of future cashflows. Furthermore, judgements change with time as new information becomes available or as workout strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairments charge.

Fair value of financial instruments

The fair value of a financial instrument is the amount that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of instruments that are quoted in an active market is determined using quoted prices where they represent those at which regularly and recently occurring transactions take place.

The group uses valuation techniques to establish the fair value of instruments where quoted prices in active markets are not available.

Details of the processes, procedures and assumptions used in the determination of fair value are discussed in note 43.3 to the financial statements.

Financial risk management

The group's risk management policies and procedures are disclosed in the corporate governance and compliance report on pages 75 to 81. These risk management procedures include, but are not limited to, credit risk, securitisation risk, liquidity risk, interest rate risk in the banking book and market risk.

Employee Benefits

For defined-benefit schemes, including post-retirement medical aid schemes, actuarial valuation of each of the scheme's obligations using the projected-unit credit method and the fair valuation of each of the scheme's assets are performed every two years in accordance with IAS 19.

The actuarial valuation is dependent on a series of assumptions, the key ones being interest rates, mortality, investment returns and inflation. Mortality estimates are based on standard industry and national mortality tables, adjusted where appropriate to reflect the group's own experience. The returns on fixed-interest investments are set to market yields at the valuation date (less an allowance for risk) to ensure consistency with the asset valuation. The returns on equities are based on the long-term outlook for global equities at the calculation date, having regard to current market yields and dividend growth expectations.

The inflation assumption reflects long-term expectations of both earnings and retail price inflation. Further information on employee benefit obligations, including assumptions, is set out in note 25 to the consolidated financial statements.

Property valuations

Property, whose fair value can be reliably measured, are stated at revalued amounts, being fair valued at the date of revaluation less subsequent accumulated depreciation and accumulated impairment losses.

Information about the valuation techniques and inputs used in determining the fair value of the assets are disclosed in note 3.4 and note 12.

Leases - Estimating the incremental borrowing rate

The group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Policyholders' liability

Policyholders' liability valuations are performed in accordance with the Namibian Standard of Actuarial Practice 104 (NSAP104) endorsed by the Society of Actuaries of Namibia (SAN). The same methods and assumptions were used for the Published Reporting Basis and the Statutory Valuation Method.

Details of the results of the valuation methods and assumptions used are disclosed in the Actuary's Report on pages 91 to 93.

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2. ADOPTION OF NEW AND REVISED STANDARDS

Standards and interpretations effective in the current year

The following standards adopted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year: The following standards adopted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year:

New/Revised International Financial Reporting Standards		Issued/Revised	Effective for annual periods beginning on or after
IFRS 3	Definition of a Business	October 2018	1 January 2020
IAS 1 & IAS 8	Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material	October 2018	1 January 2020
IAS 1	Conceptual Framework for Financial Reporting	March 2018	1 January 2020

DESCRIPTION

IFRS 3 – Business Combinations

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, and add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

IAS 1 and IAS 8 – Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The Conceptual Framework

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, and guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 – The objective of financial reporting
- Chapter 2 – Qualitative characteristics of useful financial information
- Chapter 3 – Financial statements and the reporting entity
- Chapter 4 – The elements of financial statements
- Chapter 5 – Recognition and derecognition
- Chapter 6 – Measurement
- Chapter 7 – Presentation and disclosure
- Chapter 8 – Concepts of capital and capital maintenance

The Conceptual Framework is accompanied by a Basis for Conclusions. The Board has also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the Conceptual Framework. In most cases, the standard references are updated to refer to the Conceptual Framework. There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 and for those applying IAS 8.

The changes to the *Conceptual Framework* may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

The abovementioned standards have no material impact on the annual financial statements of the Group.

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Recent amendments to standards and interpretations not effective in the current year

The following table contains effective dates of IFRS's and recently revised IAS's, which have not been early adopted by the group and that might affect future financial periods:

New/Revised International Financial Reporting Standards		Issued/Revised	Effective for annual periods beginning on or after
IFRS 3	Reference to Conceptual Framework	May 2020	1 January 2022
IAS 16	Property Plant and Equipment: Proceeds before Intended Use	May 2020	1 January 2022
IAS 37	Onerous Contracts-Cost of Fulfilling a contract	May 2020	1 January 2022
IAS 1	Classification of Liabilities as Current or Non-Current	January 2020	1 January 2023

A reliable estimate of the impact of the adoption of the recent amendments for the group has not yet been determined, however, the directors anticipate that the adoption of the recent standards and interpretations will have no material impact on the consolidated financial statements in future periods, except for disclosure to the consolidated financial statements.

DESCRIPTION

IFRS 3 – Reference to Conceptual Framework

In May 2020 the IASB issued amendments to IFRS 3 Business Combinations-Reference to the Conceptual Framework. The amendments are intended to replace a reference to the previous framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the conceptual Framework) without significantly changing its requirements.

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, amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

IAS 16– Property Plant and Equipment: Proceeds before Intended use

The amendments prohibit entities from deducting from cost the cost of an item of property, plant and equipment (PPE), 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 cost of producing those items, in profit and loss.

The amendments must be applied retrospectively only to items of PPE made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for first-time adopters.

The Onerous Contracts – Cost of Fulfilling a contract

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which cost an entity needs to include when assessing whether a contract is onerous or loss-making.

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 cost 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 amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

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For the year ended 31 December 2020

IAS 1 – Classification of Liabilities as Current or Non-Current

In January 2020 the Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of liabilities not impact its classification

Right to defer settlements

The Board decided that if an entity's right to defer settlements of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date.

Existence at end of reporting date

The amendments also clarify that the requirement for the right to exist at end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

Management expectations

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after reporting period'. That is, managements' intention to settle in the short run does not impact the classification. This applies even if settlements has occurred when the financial statements are authorised for issuance.

Meaning of the term 'settlement'

The Board added two new paragraphs (paragraphs 76A and 76 B) to IAS 1 to clarify what is meant by 'settlement' of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity.

Settlement by way of an entity's own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-current, with one exception.

In case where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settle by way of own equity instruments be disregarded when determining whether the liability is current or non-current.

Unchanged from the current standard, a rollover of borrowing is considered the extension of an existing liability and therefore not considered to represent 'settlement'.

3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied consistently in dealing with items that are considered material in relation to the group's annual financial statements.

3.1 Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and entities controlled by the company. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the group owns directly or indirectly through its subsidiaries, more than half of the voting power of an entity, unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. The group considers the existence and effect of potential voting rights that are currently exercisable or convertible when assessing whether it has control. Entities in which the group holds half or less of the voting rights, but are controlled by the group by retaining the majority of risks or benefits, are also included in the consolidated financial statements.

Subsidiary undertakings include special-purpose entities ('SPEs') that are created to accomplish a narrow, well-defined objective, and may take the form of a company, corporation, trust, partnership or unincorporated entity. The assessment of control for SPEs is based on the substance of the relationship between the group and the SPE. SPEs in which the group holds half or less of the voting rights, but which are controlled by the group by retaining the majority of risks or benefits, are also included in the group financial statements.

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3: Business Combinations are recognised at their fair values at the acquisition date, except for:

- deferred taxation assets or liabilities, which are recognised and measured in accordance with IAS 12: Income Taxes, and liabilities or assets related to employee benefit arrangements, which are recognised and measured in accordance with IAS 19: Employee Benefits;
- liabilities or equity instruments that relate to the replacement, by the group, of an acquiree's share-based payment awards, which are measured in accordance with IFRS 2: Share-based Payments; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5: Non-current Assets Held for Sale and discontinued operations, which are measured in accordance with that standard.

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Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the costs of the business combination, the excess is immediately recognised in profit or loss. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

The group consolidated financial statements include the assets, liabilities and results of NedNamibia Holdings Limited and its subsidiaries (including SPEs) controlled by the group. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the annual financial statements of subsidiaries to bring their accounting policies into line with those of the group. All intra-group transactions, balances, and profits and losses arising from intra-group transactions, are eliminated in the preparation of the group consolidated annual financial statements. Unrealised losses are not eliminated to the extent that they provide evidence of impairment.

The difference between the proceeds from the disposal of a subsidiary and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary in equity, is recognised in the group statement of comprehensive income as the gain or loss on the disposal of the subsidiary.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interest consists of the amount of those interests at the date of the original business combination and the minority's share of changes in the equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interest of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3.1.1 Investment in associates

An associate is an entity, including an unincorporated entity such as a partnership, over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the group financial statements using the equity method of accounting, from the date significant influence commences until the date significant influence ceases. Under the equity method, investments in associates are carried in the consolidated statement of financial position at the cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate are not recognised. When the group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil, inclusive of any debt outstanding, and recognition of further losses is discontinued, except to the extent that the group has incurred or guaranteed obligations in respect of the associate.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate.

3.1.2 Interests in joint ventures

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the group's interest in a jointly controlled entity is accounted for in accordance with the group's accounting policy for goodwill arising on the acquisition of a subsidiary (see 3.1.3 below). Where the group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
3.1 Basis of consolidation (continued)

3.1.3 Goodwill
Goodwill arises on the acquisition of subsidiaries, associates or a jointly controlled entity. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investments, the carrying amount of goodwill is included in the carrying amount of the investment.

All business combinations are accounted for by applying the purchase method. At acquisition date, the group recognises the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their respective fair values. The cost of a business combination is the fair value of purchase consideration due at date of acquisition plus any directly attributable transaction costs. Any contingent purchase consideration is recognised to the extent that it is probable and can be measured reliably. Any excess between the cost of the business combination and the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as goodwill in the statement of financial position. Goodwill is adjusted for any subsequent remeasurement of contingent purchase consideration.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

The recoverable amount of a cash-generating unit is the higher of its fair value less cost to sell and its value in use. The fair value less cost to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the expected future cash flows from the cash-generating unit are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the cash-generating unit. Impairment losses relating to goodwill are not reversed in a subsequent period and all impairment losses are recognised in profit and loss.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. The group's policy for goodwill arising on the acquisition of an associate is described under 'Investment in associate' above.

3.2 Financial instruments

Financial instruments recognised in the statement of financial position include all financial assets and financial liabilities, including derivative instruments, but excluding investments in subsidiaries, associate companies and joint arrangements, employee benefit assets and liabilities and leases. Financial instruments are accounted for under IAS 32: Financial Instruments – Presentation, IAS 39: Financial Instruments – Recognition and Measurement, IFRS 9: Financial Instruments, IFRS 7: Financial Instruments – Disclosures and IFRS 13: Fair Value Measurement.

The group does not apply hedge accounting. This accounting policy should be read in conjunction with the categorised statement of financial position and the group's risk management policies and procedures in the Corporate Governance Report.

(i) Initial recognition
Financial instruments are recognised on the statement of financial position when the group becomes a party to the contractual provisions of a financial instrument. All purchases of financial assets that require delivery within the time frame established by regulation or market convention ('regular way' purchases) are recognised at trade date, which is the date on which the group commits to purchase the asset. Financial liabilities are recognised on trade date, which is when the group becomes a party to the contractual provisions of the financial instruments.

Contracts that require or permit net settlement of the change in the value of the contract are not considered 'regular way' contracts and are treated as derivatives between the trade and settlement dates of the contract.

(ii) Initial measurement
Financial instruments that are categorised and designated at initial recognition as being at fair value through profit or loss are recognised at fair value. Transaction costs, which are directly attributable to the acquisition or on issue of these financial instruments, are recognised immediately in profit and loss.

Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique, the variables of which include only data from observable markets, the group defers such differences (day-one gains or losses). Day-one gains or losses are amortised on a straight-line basis over the life of the financial instrument. To the extent that the inputs determining the fair value of the instrument become observable, or on derecognition of the instrument, day-one gains or losses are recognised immediately in profit or loss.

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(iii) Classification and measurement of financial instruments
Financial assets
From 1 January 2018, the Group applies IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI) and
- amortised cost.

The classification requirements of investments in debt and equity instruments are described below:

Debt instruments
The classification of investments in debt instruments depends on:

- the business model within which the financial assets are held and managed; and
- the contractual cashflow characteristics of the financial assets, ie whether the cashflows represent 'solely payments of principal and interest'.

Financial assets are measured at amortised cost if they are held within a business model of which the objective is to hold those assets for the purpose of collecting contractual cashflows and those cashflows comprise solely payments of principal and interest (ie 'hold to collect' business model).

Financial assets are measured at FVOCI if they are held within a business model of which the objective is achieved by both collecting contractual cashflows and selling financial assets and those contractual cashflows comprise solely payments of principal and interest (ie 'hold to collect and sell' business model). Movements in the carrying amount of these financial assets are taken through OCI, except for impairment gains or losses, interest revenue and foreign exchange gains or losses, which are recognised in profit or loss.

Where the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The remaining financial assets are measured at FVTPL. All derivative instruments that are either financial assets or financial liabilities will continue to be classified as held for trading and measured at FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cashflows are solely payments of principal and interest.

The group reclassifies debt investments when, and only when, its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Investments in equity instruments
For equity investments that are held neither for trading nor for contingent consideration the group may irrevocably elect to present subsequent changes in the fair value of these equity investments in OCI. Where the equity investment is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified in equity.

Alternatively, where the group does not make the abovementioned election, fair-value changes are recognised in profit or loss. This election is made on an investment-by-investment basis. On initial recognition the group may irrevocably designate a financial asset otherwise meeting the requirements for measurement at amortised cost or FVOCI, or as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities
Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at FVTPL: This classification is applied to derivative financial liabilities, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated as FVTPL are presented partially in OCI (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability).
- Financial liabilities arising from the transfer of financial assets that did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the group recognises any expenses incurred on the financial liability.
- Financial guarantee contracts and loan commitments.

(iv) Embedded derivative
Derivatives in a host contract that is a financial or non-financial instrument, such as an equity conversion option in a convertible bond, are separated from the host contract when all of the following conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The combined contract is not measured at fair value, with changes in fair value recognised in profit or loss.
- The host contract is accounted for:
  - under IFRS 9 if it is a financial instrument; and
  - in accordance with other appropriate accounting standards if it is not a financial instrument.

If an embedded derivative is required to be separated from its host contract, but it is not possible separately to measure the fair value of the embedded derivative, either at acquisition or at a subsequent financial reporting date, the entire hybrid instrument is categorised as at fair value through profit or loss and measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
3.2 Financial instruments (continued)

(v) Measurement basis of financial instruments

Amortised cost
Amortised cost financial assets and financial liabilities are measured at fair value on initial recognition, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, less any cumulative impairment losses.

The effective-interest method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial instrument.

When calculating the effective interest rate, cash flows are estimated considering all contractual terms of the financial instrument, but future credit losses are not considered. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Fair value
Direct and incremental transaction costs are included in the initial fair value of financial assets and financial liabilities, other than those at fair value through profit or loss. The best evidence of the fair value of a financial asset or financial liability at initial recognition is the transaction price, unless the fair value of the instrument is evidenced by comparison with other current observable market transactions in the same instrument or based on a valuation technique whose variables include market observable data.

Where quoted market prices are available, such market data is used to determine the fair value of financial assets and financial liabilities that are measured at fair value. The bid price is used to measure financial assets held and the offer price is used to measure the fair value of financial liabilities. Mid-market prices are used to measure fair value only to the extent that the group has assets and liabilities offsetting risk positions (refer to note 3.2 (ix)).

If quoted bid prices are unavailable, the fair value of the financial asset is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures (prices from observable current market transaction in the same instrument without modification or other observable market data) at the reporting date.

When market related measures are not available, observable market data is modified to incorporate relevant factors that a market participant in an arm's length exchange motivated by normal business considerations would consider in determining the fair value of the financial instrument (non-observable market inputs). The International Private Equity and Venture Capital Valuation Guidelines and industry practice, which have demonstrated the capability to provide reliable estimates of prices obtained in actual market transactions, are used to determine the adjustments to observable market data. Consideration is given to the nature and circumstances of the financial instrument in determining the appropriate non-observable market input.

Non-observable market inputs are used to determine the fair values of, among others, private equity investments, management buyouts and development capital. Valuation techniques applied by the group and that incorporate non-observable market inputs include, among others, earnings multiples, the price of recent investments, the value of the net assets of the underlying business and discounted cash-flows.

The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. In cases where the fair value of financial liabilities cannot be reliably determined, these liabilities are recorded at the amount due.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and have to be settled by delivery of such unquoted equity instruments, are not measured at fair value but at cost.

Fair value is considered reliably measured if:
- the variability in the range of reasonable fair value estimates is not significant for that instrument; or
- the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

Transfers between levels of the fair value hierarchy are recognised as of the end of the reporting period during which the change has occurred.

(vi) Derecognition
All financial assets and financial liabilities are derecognised on trade date, which is when the group commits to selling a financial asset or redeeming a financial liability.

The group derecognises a financial asset when and only when:
- The contractual rights to the cash flows arising from the financial assets have expired or been forfeited by the group; or
- It transfers the financial asset including substantially all the risks and rewards of ownership of the asset; or
- It transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

A financial liability (or part of a financial liability) is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired.

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The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in non-interest revenue for the period.

(vii) Impairment of financial instruments

Financial liabilities
The accounting for financial liabilities remains largely unchanged under IFRS 9, except for financial liabilities designated as FVTPL. Changes in the fair value of these financial liabilities that are attributable to the group's own credit risk are recognised in OCI. Where the financial liability is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified in equity.

On the initial application of IFRS 9 an entity may revoke its previous designation of financial assets and financial liabilities measured at FVTPL (fair-value option), with the loans being reclassified in amortised cost or FVOCI, depending on the entity's business model for the asset.

Impairments
Impairments in terms of IFRS 9 are determined based on an Expected Credit Losses (ECL) model, as opposed to the incurred loss model of IAS 39. The ECL model applies to financial assets measured at amortised cost and debt instruments at FVOCI, lease receivables and certain loan commitments, as well as financial guarantee contracts.

Under IFRS 9 loss allowances are measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The group is required to recognise an allowance for either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk ('SICR') since initial recognition. Indicators of an SICR in the retail portfolio may include any of the following:
- Short-term forbearance.
- Direct debit cancellation.
- Extension to the terms granted.
- Previous arrears within the past months.

Indicators of an SICR in the wholesale portfolio may include any of the following:
- Significant increase in the credit spread.
- Significant adverse changes in business, financial and/or economic conditions in which the client operates.
- Actual or expected forbearance or restructuring.
- Significant change in collateral value.
- Early signs of liquidity and cashflow problems, such as a delay in the servicing of trade creditors/loans.

Measurement of ECLs
The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the entity's best available forward-looking information. The abovementioned probability-weighted outcome considers the possibility of a credit loss occurring and the possibility of no credit loss occurring, even if the possibility of a credit loss occurring is low. Credit losses are measured as the present value of all cash shortfalls (ie the difference between the cashflows due to the entity in accordance with the contract and the cashflows that the group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The assessment of the ECL of a financial asset or portfolio of financial assets entails estimations of the likelihood of defaults occurring and of default correlations between counterparties.

The group measures ECL using probability of default ('PD'), exposure at default ('EAD') and loss given default ('LGD'). These three components are multiplied together and adjusted for the likelihood of default. The calculated ECL is then discounted using the original effective interest rate of the financial asset.

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The group has performed historical analyses and identified the key economic variables impacting credit risk and ECL for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. The Nedbank Group Economic Unit unit provides a forecast of economic variables and an overview of the economy quarterly or more often if necessary. Significant judgement and estimates are applied in this process of incorporating forward-looking information into the SICR assessment and ECL calculation.

Credit-impaired financial assets
At each reporting date, the group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cashflows of the financial asset have occurred. The group's definition of credit-impaired is aligned to our internal definition of default.

Maximum credit risk
Credit risk arises principally from loans and advances to clients, investment securities derivatives and irrevocable commitments to provide facilities. The maximum credit risk is typically the gross carrying amount, net of any amounts offset and impairment losses. The maximum credit exposure for loan commitments is the full amount of the commitment if the loan cannot be settled net in cash or using another financial asset.

Renegotiated financial assets
Financial assets are deemed as renegotiated financial assets when the terms of financial assets that would otherwise be past

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (continued)

(vii) Impairment of financial instruments (continued)

Renegotiated financial assets (continued)
due or impaired have been renegotiated and restructured in an effort to reduce the risk of the borrower defaulting and the group ultimately incurring a loss. Restructuring is done by granting a concession to the borrower, such as restructuring the repayment terms or interest rate to improve the borrower's cash flow position, and then obtaining further or better security, subsequently reducing the risk of default.

Renegotiation of asset based finance accounts are only done in exceptional circumstances and after the asset has been inspected and found to be in an acceptable condition.

An arrangement for repayment of arrears or legal collections matters, whether by means of an increased debit order against un-adjusted instalment, or by means of a borrower's transfer or deposit of additional funds into the account, does not constitute as a restructuring. Only short term arrangements (ie arrears to be rectified within two to three months) are accepted on active accounts in arrears.

Credit ratings
The grades and the description of the grades utilised by the group in grading the loans and advances are detailed in the table below:

Grade	Description
NGR 1-12	Represents borrowers who demonstrate a strong capacity to meet financial obligations, and who have a negligible or low probability of default. This category comprises, but is not limited to, the group's large corporate clients, including financial institutions, parastatals and other government-related institutions.
NGR 13-20	Represents borrowers who demonstrate a satisfactory ability to make payments and who have a low or moderate probability of default. This category comprises, but is not limited to, small and medium-sized businesses, medium-sized corporate clients and individuals.
NGR 21-25	Represents borrowers who are of higher risk. This category comprises higher-risk individuals or small businesses, as well as borrowers that were rated higher on inception, but have since migrated down the rating scale as a result of poor financial performance. However, the borrower has not defaulted and is continuing to make repayments.
NP 1-3	Represents clients who have defaulted. Where this rating appears in the 'past due but not impaired' category, the borrowers are continuing to make repayments against their obligation and are being closely monitored.
Unrated	Loans and advances in this category do not have assigned Advanced Internal Ratings Based ratings.

Modification of loans
The bank may renegotiate or otherwise modify the contractual cashflows of loans to clients. When this happens, the bank assesses whether the new terms are substantially different to the original terms. In the normal course of business restructures a combination of qualitative and quantitative factors needs to be considered to establish whether the change to the contractual cashflows is substantial. However, in a distressed restructure the bank needs to determine whether it is merely attempting to recover the original cashflows in the most optimal manner, and as such the original cashflows have not expired, or whether the risks and rewards associated with the cashflows have been altered fundamentally enough for the original instrument to be derecognised.

The bank is of the view that the abovementioned principle can be applied by type of modification for retail exposures, as we assume there is a homogenous business process and objective underlying each type of modification. The application to wholesale exposures should be dealt with on a case by case basis through consultation by the business unit with the bank's IFRS Advisory division, as it may be necessary to consider whether the modification is considered to be substantial based on the unique facts and circumstances.

Should the terms be substantially different, the bank derecognises the original financial asset and recognises a 'new' financial asset at fair value and recalculates a new effective-interest rate for the asset.

The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes and for determining whether a significant increase in credit risk has occurred. However, the bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

Should the terms not be substantially different, the renegotiation or modification does not result in derecognition, and the bank recalculates the gross carrying amount based on the revised cashflows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cashflows at the original effective-interest rate (or credit-adjusted effective-interest rate for purchased or originated credit-impaired financial assets).

Per BID-33, Policy changes in response to economic and financial stability challenges, following the fallout of the COVID-19 pandemic, Bank of Namibia has granted relief to banking institutions for capital payment moratorium where a holiday is allowed on the principal amount for a period ranging from six (6) months up to period, but not exceeding 24 months (two years) based on thorough assessment of economic and financial condition of individual borrowers.

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viii) Financial liabilities and equity instruments issued by the group

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Compound instruments
The component parts of compound instruments issued by the group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compounded instrument as a whole. This is recognised and included in equity, net of income taxation effects, and is not subsequently re-measured.

(ix) Offsetting financial instruments and related income

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to set-off and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expense items are offset only to the extent that their related instruments have been offset in the statement of financial position.

(x) Collateral

Financial and non-financial assets are held as collateral in respect of certain recognised financial assets. Such collateral is not recognised by the group, as the group does not retain the risks and rewards of ownership, and is obliged to return such collateral to counterparties on settlement of the related obligations. Should a counterparty be unable to settle its obligations, the group takes possession of collateral or calls on other credit enhancements as full or part settlement of such amounts. These assets are recognised when the applicable recognition criteria under IFRS are met, and the group's accounting policies are applied from the date of recognition (refer to note 48.4 to the consolidated financial statements).

Collateral is also given to counterparties under certain financial arrangements, but such assets are not derecognised where the group retains the risks and rewards of ownership. Such assets are at risk to the extent that the group is unable to fulfil its obligations to counterparties.

(xi) Acceptances

Acceptances comprise undertakings by the group to pay bills of exchange drawn on clients. The group expects most acceptances to be settled simultaneously with the reimbursement from clients.

Acceptances are disclosed as liabilities with the corresponding asset recorded in the statement of financial position within loans and advances.

(xii) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Issued financial guarantee contracts are recognised as insurance contracts and are measured at the best estimate of the expenditure required to settle any financial obligation as of the reporting date. Liability adequacy testing is performed to ensure that the carrying amount of the liability for issued financial guarantee contracts is sufficient. Any increase in the liability relating to guarantees is recognised in profit or loss.

3.3 Instalment transactions

Instalment credit agreements are regarded as financing transactions and the total instalments, less unearned finance charges, are included in advances and other accounts. Finance charges are computed at the commencement of the contractual periods and are recognised in income in proportion to the net cash investment capital balances outstanding. Unearned finance charges are carried forward as deferred income and deducted from advances.

3.4 Property and equipment

3.4.1 Initial recognition and subsequent expenditure

Items of property and equipment are initially recognised at cost if it is probable that any future economic benefits associated with the items will flow to the group and it has a cost that can be measured reliably.

Subsequent expenditure is capitalised to the carrying amount of items of property and equipment if it is measurable and it is probable that it increases the future economic benefits associated with the asset. Expenditure incurred to replace a component of an item of property or equipment is capitalised to the cost of the item of property and equipment and the part replaced is derecognised. All other expenditure is recognised in profit or loss as an expense when incurred.

Certain items of property and equipment that had been revalued to fair value on 1 January 2004, the date of transition to IFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

3.4.2 Measurement after recognition

Equipment
Subsequent to initial recognition, equipment, consisting principally of computer equipment, motor vehicles, fixtures and furniture, are stated at cost less accumulated depreciation and impairment losses.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property and equipment (continued)

3.4.2 Measurement after recognition (continued)

Property
Property, whose fair values can be reliably measured, are stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation and accumulated impairment losses.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. An external valuation is performed on an annual basis. In the event of a material change in the market conditions between the valuation date and the reporting date an internal valuation is performed and adjustments made to reflect any material changes in value.

An independent valuation of the group's land and buildings was performed during the current year to determine the fair value of land and buildings. The effective date of the revaluation was 31 December 2020. The revaluation of the group's properties has been done, where appropriate for the specific property being valued, with reference to one of the income capitalisation method or the depreciated replacement cost method.

The fair value is dependent on the method of valuation and assumptions utilised by the independent valuator, being key sources of estimation uncertainty. The valuation methodology adopted is dependent upon the nature of the property. Income generating assets are valued using discounted cash flows. Vacant land, land holdings and residential flats are valued according to sales of comparable properties. Near vacant properties are valued at land value less the estimated cost of demolition. Where neither of the income capitalisation method or sales value of comparable properties is available or reasonable, the depreciated replacement cost method is utilised.

Significant assumptions used by the independent valuators under the income capitalisation method include capitalisation rates of between 9.75% and 11.50% (2019: between 8.75% and 11.50%), rental income of between N$ 40 and N$ 225 (2019: N$ 40 and N$ 185) per m^2 and total expenditure being 25.3% (2019: 30.8%) of rental income.

When an individual property is revalued, any increase in its carrying amount (as a result of the revaluation) is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease of the same property previously recognised as an expense in profit or loss, in which case the increase is credited to profit and loss to the extent of the decrease previously expensed.

When the value of an individual property is decreased as a result of a revaluation, the decrease is charged against any related credit balance in the revaluation reserve in respect of that property. However, to the extent that it exceeds any surplus, it is recognised as an expense in profit or loss.

3.4.3 Reclassifications of property and equipment

Where properties are reclassified during the year from property and equipment to investment properties any revaluation gain arising is initially recognised in profit or loss to the extent of previous charged impairment losses. Any residual excess is taken to the revaluation reserve. Revaluation deficits are recognized in the revaluation reserve to the extent of previously recognised gains and any residual deficit is accounted for in profit or loss.

The revaluation reserve will be realised through a direct transfer to retained earnings on the date of disposal of the investment property.

Investment properties that are reclassified to owner occupied property are revalued at the date of transfer, with any difference being taken to profit or loss.

3.4.4 Depreciation

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciable amounts of property and equipment are charged to profit or loss on a straight-line basis over the estimated useful lives of items of property and equipment, unless they are included in the carrying amount of another asset. Useful lives and residual values are assessed on an annual basis.

In the case of owner-occupied property, on revaluation any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the property concerned and the net amount restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount for each property. Any difference between the depreciation charge on the revalued amount and that which would have been charged under historic cost is transferred net of any related deferred taxation, between the revaluation reserve and retained earnings as the property is utilised.

Land is not depreciated.

The maximum estimated useful lives are as follows:

Freehold buildings	50 years
Leasehold buildings	20 years
Furniture, fittings and equipment	10 years
Computer equipment	5 years
Motor vehicles	5 years

3.4.5 Derecognition

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal.

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On derecognition of a property or equipment, any gain or loss on disposal, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss in the period of the derecognition. In the case of property, any surplus in the revaluation reserve in respect of the individual property is transferred directly to retained earnings.

Compensation from third parties for items of property and equipment that were impaired, lost or given up is included in profit or loss when the compensation becomes receivable.

3.5 Impairment of assets

The group assesses all assets, other than financial instruments, for indications of an impairment loss or the reversal of a previously recognised impairment at each reporting date.

Should there be indications of impairment, the assets' recoverable amounts are estimated. These impairments (where the carrying amount of an asset exceeds its recoverable amount) or the reversal of a previously recognised impairment are recognized in profit or loss for the year.

Intangible assets not yet available for use are tested annually for impairment.

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. The fair value less cost to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset.

In assessing value-in-use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An asset whose cash flows are largely dependent on those of other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

A previously recognised impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior periods.

3.6 Leases

The group as lessee

Contract assessment and allocation of consideration
After initial application, the group assesses at the inception of a new contract, whether the contract is, or contains, a lease. In assessing whether a contract conveys the right to control the use of an identified asset, the group considers whether:

- The contract involves the use of an asset explicitly or implicitly identified in the contract. This asset must be physically distinct or represents substantially all the capacity of the asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The group has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use.
- The group has the right to direct the use of the asset, ie to direct how and for what purpose the asset is used.

At inception or on reassessment of a modified contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices and the aggregate standalone price of the non-lease components. Non-lease components are recognised as an expense in profit or loss in the period in which they arise.

Lease term
The group determines the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the group is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the group is reasonably certain not to exercise that option.

In assessing whether the group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the group considers all relevant facts and circumstances that create an economic incentive for the group to exercise the option to extend the lease, or not to exercise the option to terminate the lease. Lease terms are on average three years for ATMs, five years for branches and office blocks.

Right-of-use asset (Initial and subsequent measurement)
The right-of-use asset is initially at cost, which comprises:

- the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date;
- less any lease incentives received;
- plus, any initial direct costs incurred and
- an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability. Impairment losses are determined in accordance with IAS 36: Impairment of assets.

If the lease transfers ownership of the underlying asset to the group by the end of the lease term or if the cost of the right-of-use asset reflects that it is reasonably certain that the group will exercise a purchase option, the group depreciates the right-of-use asset over the useful life. Otherwise, the group depreciates the right-of-use asset over the shorter of the useful life and the lease term. The group's principles governing estimating useful lives of the right-of-use assets are determined using the same principles as those ascribed for property and equipment.

Onerous leases (impairment assessment)
Onerous leases are dealt with in IAS 36: Impairment of assets, except for short-term leases, low-value leases and leases that became onerous before commencement date of lease which are dealt with in IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

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For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (continued)

The group assesses for impairment indicators in the right-of-use asset considering a combination of the following factors:

- a significant decline in expected economic benefits from the full operational effects of the lease contract has occurred;
- when the leased asset is underutilised, renounced, relinquished or abandoned;
- combined with an array of factors to conclude on the presences of an onerous lease. Each case is assessed and weighed based on its prevailing merits, facts and circumstances.

Impairment losses reduce the right-of-use asset and are recognised in profit and loss. In most cases, an onerous lease does not discharge or extinguish the existing lease liability at time of occurrence of the impairment event. Any additional penalties to cancel the lease are present valued and included as part of the lease liability in accordance with IFRS 16. Disclosure for lease liabilities are done in note 27.

The group as lessor

Under IFRS 16: Leases, when the group is the lessor it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the group assesses whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying assets. In this case the lease is classified as a finance lease, otherwise it is classified as an operating lease. If the arrangement contains lease and non-lease components, the group allocates the consideration in the contract to each component on the basis of their relative standalone prices.

Where assets are leased out under a finance lease arrangement, the present value of the lease payments is recognised as a receivable and is included under loans and advances in the statement of financial position. Initial direct costs are included in the initial measurement of the receivable. The difference between the gross receivable and unearned finance income is recognised under loans and advances in the statement of financial position. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Assets leased out under operating leases are included under property and equipment in the statement of financial position. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income. Leased assets are depreciated over their expected useful lives on a basis consistent with similar assets. Rental income, net of any incentives given to lessees, is recognised on a straight-line basis over the term of the lease. When another systematic basis is more representative of the time pattern of the user's benefit, then that method is used.

3.7 Taxation

Taxation expense, recognised in the statement of comprehensive income, comprises current and deferred taxation. Current or deferred taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it too is recognised in equity and to the extent that it relates to items recognised in other comprehensive income, in which case it too is recognised in other comprehensive income.

3.7.1 Deferred taxation

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using taxation rates enacted or substantively enacted at the reporting date that are expected to be applied to temporary differences when they reverse.

Deferred taxation is recognised in profit or loss for the period, except to the extent that it relates to a transaction that is recognised directly in other comprehensive income. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to other comprehensive income.

Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred taxation is not recognised where the initial recognition of assets or liabilities in a transaction that is not a business combination affects neither accounting nor taxable profit.

A deferred taxation asset is recognised to the extent that it is probable that future taxable income will be available, against which the unutilised tax losses and deductible temporary differences can be used. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

Deferred taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities against current taxation assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxation entities, but they intend to settle current tax liabilities and assets on a net basis or their taxation assets and liabilities will be realised simultaneously.

Deferred taxation assets and liabilities are not discounted.

3.7.2 Direct and indirect taxation

Direct taxation is the expected taxation payable on the taxable income for the year, as adjusted for items which are not taxable or disallowed, using taxation rates enacted or substantively enacted in Namibia at the reporting date, and any adjustment to taxation payable in respect of previous years.
Indirect taxation includes Value Added Taxation (VAT) paid to central government and has been expensed in the statement of comprehensive income, to the extent that it has not been claimed under the Value Added Taxation apportionment ratio.

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3.8 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency by applying the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into the functional currency of the group at spot rates of exchange ruling at the reporting date.
Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency of the group at foreign exchange rates ruling at the date fair value is determined. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are converted into the functional currency of the group at the rate of exchange ruling at the date of the initial recognition and are not subsequently retranslated. Exchange gains and losses on the translation and settlement during the year of foreign currency monetary assets and liabilities are recognised in the statement of comprehensive income.

Exchange differences on non-monetary items, for example equity instruments, are recognised in equity when the changes in the fair value of the non-monetary item is recognised in other comprehensive income, and in profit or loss if the changes in fair value of the non-monetary item is recognised in profit or loss.

3.9 Properties in possession

Unsold properties in possession are stated at the lower of the net outstanding amount at date of purchase and net realisable value.

3.10 Employee benefits

Short-term employee benefits
Short-term employee benefits include salaries, accumulated leave payments, bonuses and non-monetary benefits such as medical aid contributions.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount to be paid under short-term cash bonus plans or accumulated leave if the group has a present, legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

Defined contribution plan
A defined contribution plan has been established for eligible employees of the group, with assets held in separate trustee-administered funds.

Contributions in respect of defined contribution pension schemes are recognised as an expense in profit or loss as incurred.

Post-retirement medical benefits
The group provides post-retirement medical benefits to eligible employees. Non-pension post-retirement benefits are accounted for according to their nature, either as defined contribution or defined benefit plans. The expected costs of post-retirement benefits that are defined benefit plans are accounted for in accordance with IAS 19: Employee Benefits.

The projected unit credit method is used to determine the defined benefit obligations based on actuarial assessments, which incorporate not only the post-retirement benefit obligations known on the reporting date, but also information relevant to their expected future development. The expected costs of post-retirement benefits are accrued over the period of employment and are determined by independent qualified actuaries. Actuarial gains and losses and service costs are immediately realised in the profit and loss when incurred or received.

3.11 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur and where a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the reasonable estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of discounting is material, provisions are discounted. The discount rate reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Gains from the expected disposal of assets are not taken into account in measuring provisions. Provisions are reviewed at each reporting date and adjusted to reflect the current reasonable estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

3.12 Contingent liabilities

The group discloses a contingent liability where:

- it is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or
- it is not probable that an outflow of resources will be required to settle an obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets are capitalised as part of the costs of these assets. Qualifying assets are assets that necessarily take a substantial period of time to prepare for their intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.
All other borrowing costs are expensed in the period in which they are incurred.

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For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Borrowing costs (continued)

Interest expense is recognised in profit or loss using the effective interest method taking into account the expected timing and amount of cash flows. Interest expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

3.14 Computer software and development cost

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding are recognised in the statement of comprehensive income as an expense incurred.

If costs can be reliably measured and future economic benefits are available, expenditure on computer software and other development activities, whereby set procedures and processes are applied to a project for the production of new or substantially improved products and processes, is capitalised if the computer software and other development products or processes are technically and commercially feasible and the group has intention and sufficient resources to complete development.

The expenditure capitalised includes cost of materials, and directly attributable employee and other direct costs. Computer development expenditure is amortised only once the relevant software has been commissioned. Capitalised software is stated at cost, less accumulated amortisation and impairment losses. Computer development expenditure is amortised only once the relevant software is available for use in the manner intended by management. Capitalised software is stated at cost less accumulated amortisation and impairment losses. Expenditure for the development of computers that are not yet available for use is not amortised and is stated at cost less impairment losses.

Amortisation on computer software and development costs is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of these assets, which do not exceed 5 years and are reviewed annually.

Subsequent expenditure relating to computer software is capitalised only when it is probable that future economic benefits from the use of assets will increase beyond its original assessed standard of performance. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. Surpluses or deficits on the disposal of computer software are recognised in the statement of comprehensive income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

3.15 Revenue recognition

Revenue relates to banking activities and comprises net income from funds, dividends from investments, fees and commissions from banking and related transactions and net income from exchange dealings.
Revenue is shown net of value added tax.

Interest income
Interest income is recognised in profit or loss using the effective interest method taking into account the expected timing and amount of cash flows. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Non-interest revenue

Dividend income
Dividend income from investments is recognised when the shareholder's rights to receive payment have been established on the ex-dividend date for equity instruments and is included in dividend income.

Fees and commissions
Fees and commissions are generally recognised on an accrual basis when the service has been provided, such as loan syndication fees.

Income earned from the provision of services is recognised when (or as) the performance obligations in the contract are satisfied.

Loan origination fees for loans that are probable of being drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the advance.

Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction, unless it forms an integral part of the effective interest rate of the underlying financial instruments.

Foreign exchange gains and losses
Foreign exchange gains and losses on monetary items arising from foreign currency transactions that have not been settled at the reporting date are recognised in income in the year in which the exchange rate movement occurred. The premium or discount on forward exchange contracts is amortised to income over the term of the forward exchange contract.

Rental income
The group's policy for recognition of revenue from operating leases is described in 3.6 above.

Other
Revenue other than interest, fees and commission, which includes exchange and securities trading income, dividends from investments and net gains on the sale of investment banking assets, is recognised in profit or loss when the performance obligations of the contracts with clients have been identified and satisfied. The transaction price determined and allocated to the performance obligations is the revenue to be recognised.

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Fair value gains or losses on financial instruments at fair value through profit or loss, including derivatives are included in non-interest revenue. These fair value gains or losses are determined after deducting the interest component, which is recognised separately in interest income and expense.

Gains or losses on derecognition of any financial assets or financial liabilities are included in non-interest revenue.

3.16 Share-based payments

Equity-settled share-based payment transactions
The services received in an equity-settled share-based payment transaction with employees are measured at the fair value of the equity instruments granted. The fair value of the equity instruments is measured at grant date and is not subsequently remeasured.

If the equity instruments granted vest immediately and the employee is not required to complete a specified period of service before becoming unconditionally entitled to those instruments, the services received are recognised in full on grant date in profit or loss for the period, with a corresponding increase in equity.

Where the equity instruments do not vest until the employee has completed a specified period of service, it is assumed that the services rendered by the employee, as consideration for those equity instruments, will be received in the future, during the vesting period. These services are accounted for in profit or loss as they are rendered during the vesting period, with a corresponding increase in equity. Share-based payment expenses are adjusted for non-market related performance conditions.

Where the equity instruments are no longer outstanding, the accumulated share-based payment reserve in respect of those equity instruments is transferred to retained earnings.

Cash-settled share-based payment transactions with employees
The services received in cash-settled share-based payment transactions with employees and the liability to pay for those services, are recognised at fair value as the employee renders services. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the year. Where the equity instruments do not vest until the employee has completed a specified period of service, it is assumed that the services rendered by the employee, as consideration for those equity instruments, will be received in the future, during the vesting period. These services are accounted for in profit or loss as they are rendered during the vesting period, with a corresponding increase in the liability. Share-based payment expenses are adjusted for non-market related performance conditions.

Measurement of fair value of equity instruments granted
The equity instruments granted by Nedbank Group Limited are measured at fair value at measurement date using standard option pricing valuation models. The valuation technique is consistent with generally acceptable valuation methodologies for pricing financial instruments, and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments. Vesting conditions, other than market conditions, are not taken into account in determining fair value. Vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount.

Share-based payments with persons or entities other than employees
The transactions in which equity instruments are issued to historically disadvantaged individuals and organisations in Namibia are accounted for as share-based payments. Where Nedbank Group Limited has issued such shares and expects to receive services in return for equity instruments, the share-based payments charge is spread over the relating vesting (ie service) period of these instruments. In instances where such goods and services could not be identified the cost has been expensed with immediate effect. The valuation techniques are consistent with those mentioned above.

3.17 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with central groups, treasury bills and other eligible bills, amounts due from other groups and trading securities.

3.18 Share capital

Ordinary share capital, preference share capital or any financial instrument issued by the group is classified as equity when:

- payment of cash, in the form of a dividend or redemption, is at the discretion of the group;
- the instrument does not provide for the exchange of financial instruments under conditions that are potentially unfavourable to the group;
- settlement in the group's own equity instruments is for a fixed number of equity instruments at a fixed price; and
- the instrument represents a residual interest in the assets of the group after deducting all of its liabilities.

The group's ordinary and preference share capital is classified as equity.

Share capital issued by the group is recorded at the proceeds received, less incremental directly attributable issue costs (net of any related income tax benefit).

Dividends are recognised as distributions within equity in the period in which they are approved by the shareholders.

Dividends for the year that are declared after the reporting date are disclosed in note 35.

3.19 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify as a complete sale within one year from the date of classification. An active programme to find a buyer should be in place with appropriate level of management approving the sale.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Non-current assets held for sale (continued)

Immediately before classification as held-for-sale, all assets are remeasured in accordance with the group's accounting policies. Non-current assets (or disposal groups) held for sale are measured at the lower of carrying amount and fair value less incremental directly attributable cost to sell (excluding taxation and finance charges) and are not depreciated. Gains or losses recognised on initial classification as held-for-sale and subsequent remeasurements are recognised in profit or loss, regardless of whether the assets were previously measured at revalued amounts. The maximum gains that can be recognised are the cumulative impairment losses previously recognised in profit or loss. A disposal group continues to be consolidated while held for sale. Income and expenses continue to be recognised, however, assets are not depreciated or amortised. Non-current assets (or disposal groups) are reclassified from held-for-sale to held-for-use if they no longer meet the held-for-sale criteria. On reclassification, the non-current asset (or disposal group) is remeasured at the lower of its recoverable amount and the carrying amount that would have been recognised had the asset (or disposal group) never been classified as held-for-sale.

Any gains or losses are recognised in profit or loss, unless the asset was carried at a revalued amount prior to classification as held-for-sale. Gains or losses on such assets are recognised as revaluation increases or decreases.

3.20 Policyholders' fund

The policyholders' fund represents net revenue from life business for the current year as a reserve against future claims.

The policyholders' fund provision has been computed using a gross premium valuation method. Provision has been made in accordance with the Financial Soundness Valuation basis as set out in the guidelines issued by the Society of Actuaries of Namibia in the Namibian Standard of Actuarial Practice 104 (NSAP 104). Under this guideline, provisions are valued using realistic expectations of future experience. In addition, compulsory margins have been added in accordance with NSAP 104.

3.21 Policyholder insurance contracts

NedNamibia Life Assurance Company Limited is licenced as long-term insurer in Namibia in accordance with the Long-Term Insurance Act of 1998 as amended ('LTIA'). The LTIA requires the determination of liabilities to be on a reasonable valuation basis; which according to generally accepted actuarial standards and principles; is considered actuarially sound by its valuator.

In terms of IFRS 4: Insurance Contracts, defined insurance liabilities are allowed to be measured under existing local practice. The group has adopted the Financial Soundness Valuation ('FSV') supported by the Namibian Standard of Actuarial Practice ('NSAP's') endorsed by the Society of Actuaries of Namibia ('SAN'), as well as relevant Advisory Practice Notes ('APN's') issued by the Actuarial Society of South African to determine the liability in respect of insurance contracts issued in Namibia.

The following APN's and NSAP's are of relevance to the determination of policyholder liabilities:
NSAP 104: Calculation of the value of assets, liabilities and capital adequacy requirement of long-term insurers
APN 105: Minimum requirements for deriving aids extra mortality rates
APN 106: Actuaries and Long-Term Insurance

Insurance contracts classification

The group issues contracts that transfer insurance risk or financial risk or, in some cases, both.

An insurance contract is a contract under which the group ('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. Such contracts may also transfer financial risk.

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 than the benefits payable if the insured event did not occur.

Insurance contracts measurement

These contracts are valued in terms of the Financial Soundness Valuation ('FSV') basis, on a gross premium valuation methodology, described in NSAP 104 and the liability is reflected as Policyholders' liabilities under insurance contracts.

The liability is based on assumptions of the best estimate of future experience, plus compulsory margins for prudent liabilities as required in terms of NSAP 104.

The liability assumptions are reviewed annually. Any changes in assumptions and/or other changes to the liability calculation are reflected in the statement of comprehensive income as they occur.

Outstanding claims provision

Provision is made in the policyholders' liabilities under insurance contracts for the estimated cost of claims outstanding at the end of the year.

Liability adequacy test

At each financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of related intangible present value of acquired in-force business assets. The liability is calculated in terms of the FSV basis described in NSAP 104. The FSV basis meets the minimum requirement of liability adequacy test.

Acquisition costs

Acquisition costs for insurance contracts represent commission that relate to the securing of new contracts.

The FSV method for valuing insurance contracts makes explicit allowance for the deferral of acquisition costs and hence no explicit deferred acquisition cost asset is recognised in the statement of financial position for insurance contracts.

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		2020 N$'000	2019 N$'000
4.	**CASH AND BALANCES WITH CENTRAL BANK**		
	Bank notes and coins	158 112	113 140
	Balances with central bank - other than mandatory reserve deposit	334 967	185 813
	Cash and balances with central bank excluding mandatory reserve	493 079	298 953
	Mandatory reserve deposit with central bank	190 873	183 202
		683 952	482 155

Mandatory reserve deposits are not available for use in the bank's day-to-day operations.
Cash on hand and mandatory reserve deposits are non-interest bearing.

		2020 N$'000	2019 N$'000
5.	**DUE FROM OTHER BANKS**		
	Investment portfolio		
	Placements with other banks	3 054 910	2 422 803
	Foreign correspondents	24 237	35 066
		3 079 147	2 457 869
6.	**OTHER SHORT-TERM SECURITIES**		
6.1	**Investment portfolio**		
	Negotiable certificates of deposit	362 144	176 840
	Money market funds	2 147 955	2 087 988
		2 510 099	2 264 828
6.2	**Expected maturity structure**		
	One year or less	2 510 099	2 264 828
	Five years or less but over one year	–	–
		2 510 099	2 264 828

6.3 Valuation

The estimation of the fair value of the negotiable certificates of deposit has proven to be reasonably close to the carrying value of such instruments.

7. DERIVATIVE FINANCIAL INSTRUMENTS

Financial assets classification: At fair value through profit or loss – held for trading

These transactions have been entered into in the normal course of business and no material losses are anticipated other than those for which provision has been made in the Statement of profit or loss and other comprehensive income. There are no commitments or contingent commitments under derivative instruments that are settled otherwise than with cash. The principal types of derivative contracts into which the Group enters are described below:

Swaps

These are over-the-counter ("OTC") agreements between two parties to exchange periodic payments of interest, or payment for the change in value of a commodity, or related index, over a set period based on notional principal amounts. The Group enters into swap transactions in several markets. Interest rate swaps exchange fixed rates for floating rates of interest based on notional amounts. Basis swaps exchange floating or fixed interest calculated using different bases. Cross currency swaps are the exchange of interest based on notional values of different currencies.

Forwards

Forward contracts are OTC agreements and are principally dealt in by the Group in interest rates as forward rate agreements and in currency as forward foreign exchange contracts.

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For the year ended 31 December 2020

	2020 N$'000	2019 N$'000
7.1 Total carrying amount of derivative financial instruments		
Gross carrying amount of assets	65 513	41 932
Gross carrying amount of liabilities	(73 504)	(41 319)
Net carrying amount	(7 991)	613

A detailed breakdown of the carrying amount, notional principal and fair value of the various types of derivative financial instruments held by the Group is presented in the following tables.

7.2 Notional principal of derivative financial instruments

This represents the gross notional amounts of all outstanding contracts at year-end for the Group. This gross notional amount is the sum of the absolute amount of all purchases and sales of derivative instruments. The notional amounts do not represent amounts exchanged by the parties and therefore represent only the measure of involvement by the Group in derivative contracts and not its exposure to market or credit risks arising from such contracts. The amounts actually exchanged are calculated on the basis of the notional amounts and other terms of the derivative, which relate to interest rates, exchange rates, securities' prices or financial and other indices.

2020	N$'000 Assets Notional	N$'000 Fair value	N$'000 Liabilities Notional	N$'000 Fair value
Exchange rate derivatives				
Forwards	126 578	53 638	348 482	52 184
	126 578	53 638	348 482	52 184
Interest rate derivatives				
Interest rate swaps	157 000	11 875	336 000	21 320
	283 578	65 513	684 482	73 504

2019	N$'000 Assets Notional	N$'000 Fair value	N$'000 Liabilities Notional	N$'000 Fair value
Exchange rate derivatives				
Forwards	81 713	36 774	246 849	36 229
	81 713	36 774	246 849	36 229
Interest rate derivatives				
Interest rate swaps	439 400	5 158	654 400	5 090
	521 113	41 932	901 249	41 319

7.3 Carrying amount of derivative financial instruments

The amounts disclosed represent the value of all derivative instruments held at 31 December 2020. The fair value of a derivative financial instrument is the amount at which it could be exchanged in a current transaction between willing parties, other than a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and market-accepted option-pricing models.

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	Assets Notional N$'000	Fair value N$'000	Liabilities Notional N$'000	Fair value N$'000
7.4 Analysis of derivative financial instruments				
Positive fair value of derivatives				
2020				
Maturity analysis				
Under one year	126 578	53 638	348 482	52 184
One to five years	–	–	–	–
Over five years	–	–	–	–
	126 578	53 638	348 482	52 184
2019				
Maturity analysis				
Under one year	28 093	11 728	182 843	12 205
One to five years	53 620	25 046	64 006	24 024
Over five years	–	–	–	–
	81 713	36 774	246 849	36 229
Negative fair value of derivatives				
2020				
Maturity analysis				
Under one year	–	–	34 000	1 163
One to five years	157 000	11 875	226 000	14 603
Over five years	–	–	76 000	5 554
	157 000	11 875	336 000	21 320
2019				
Maturity analysis				
Under one year	282 400	1 179	354 400	982
One to five years	157 000	3 979	260 000	3 400
Over five years	–	–	40 000	708
	439 400	5 158	654 400	5 090

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For the year ended 31 December 2020

		2020 N$'000	2019 N$'000
8.	**GOVERNMENT AND OTHER SECURITIES**		
	Financial assets classification		
8.1	**Investment portfolio**		
	Treasury bills	1 406 575	1 357 087
	Government registered stock	429 026	681 295
	Credit linked notes	311 891	312 755
	Other public sector securities	–	22 031
		2 147 492	2 373 168
	Impairment of Government and other securities	(213)	(704)
		2 147 279	2 372 464
8.2	**Expected maturity structure**		
	One year or less	1 540 456	1 683 643
	Five years or less but over one year	476 384	605 205
	Over five years	130 652	84 319
	Non-determined	(213)	(703)
		2 147 279	2 372 464
8.3	**Valuation**		
	– Book value	2 129 936	2 370 139
	– Market valuation	2 147 279	2 372 464

Treasury bills with a nominal value of N$250 million (2019: N$250 million) and government registered stock or other public sector securities with a nominal value of N$380 million (2019: N$380 million) have been encumbered to secure the current account with Bank of Namibia in the event that it goes in overdraft.

Treasury bills with a nominal value of nil (2019: N$305 million) have been encumbered to secure the deposits received under repurchase agreement from Bank of Namibia.

Banking institutions may overdraw their current account against certain pledged eligible securities to cover possible shortages. Overdrafts are limited to 90% of the maturity or redemption value of the securities pledged. Daily interest is charged at the prevailing repo rate on the amount received from Bank of Namibia (90% of the maturity value).

		2020 N$'000	2019 N$'000
9.	**LOANS AND ADVANCES TO CUSTOMERS**		
9.1	**Category analysis**		
	Property loans	6 755 356	6 810 904
	Other loans and overdrafts	3 610 797	2 714 216
	Net leases and instalment debtors	1 196 823	1 581 938
	Personal loans	1 134 270	1 270 757
		12 697 246	12 377 815
	Impairment of advances (note 30)	(488 129)	(306 470)
		12 209 117	12 071 345
9.2	**Sectoral analysis**		
	Individuals	7 375 707	7 707 555
	Manufacturing	349 944	368 544
	Retailers, catering and accommodation	307 672	310 562
	Agriculture, hunting, forestry and fishing	662 636	358 257
	Mining and quarrying	72 739	89 139
	Financial services, insurances and real estates	2 043 952	1 686 031
	Government and public sector	217 914	239 030
	Building and property development	806 795	859 482
	Transport, storage and communication	167 638	185 862
	Other services	692 249	573 353
		12 697 246	12 377 815

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		2020 N$'000	2019 N$'000
9.3	**Expected maturity structure**		
	Less than three months but not repayable on demand or at short-term notice	2 152 492	1 820 696
	One year or less but over three months	1 174 713	1 525 424
	Five years or less but over one year	4 024 095	4 508 126
	Over five years	4 282 454	4 523 569
	Non-determined	1 063 492	
		12 697 246	12 377 815
9.4	**Geographical analysis**		
	Namibia	12 697 246	12 377 815
9.5	**Non-performing advances**		
9.5.1	Category analysis (included under note 9.1)		
	Property loans	767 808	521 879
	Other loans and overdrafts	215 889	114 118
	Net leases and instalment debtors	74 254	59 146
	Personal loans	54 228	34 715
		1 112 179	729 858
9.5.2	Sectoral analysis (included under note 9.2)		
	Individuals	736 993	475 720
	Manufacturing	3 743	2 662
	Retailers, catering and accommodation	23 967	18 630
	Agriculture, hunting, forestry and fishing	8 327	2 234
	Mining and quarrying	9 155	204
	Financial services, insurances and real estates	131 937	86 929
	Government and public sector	3 770	1 404
	Building and property development	107 804	86 221
	Transport, storage and communication	16 422	5 755
	Other services	70 061	50 099
		1 112 179	729 858

		Subject to 12-month ECL N$'000	Subject to Lifetime ECL N$'000	Subject to Lifetime ECL – excluding purchased/originated (credit-impaired) N$'000	Total N$'000
9.6	**Credit quality of loans and advances**				
	Loss allowance – Debt investment securities at amortised cost				
	2020				
	Beginning of the period	10 582 284	929 369	559 692	12 071 345
	New financial assets originated or purchased	2 388 947	–	–	2 388 947
	Financial assets derecognised (excl. write-offs)	(1 277 545)	(83 555)	(48 502)	(1 409 602)
	Financial assets that have been written-off	–	–	–	–
	Repayments net of readvances & capitalised interest & fees	(968 185)	(45 212)	(17 245)	(1 030 642)
	Transfers to 12-month ECL	143 286	(137 365)	(5 921)	–
	Transfers to lifetime ECL (not credit impaired)	(591 423)	595 877	(4 454)	–
	Transfers to lifetime ECL (credit impaired)	(204 673)	(145 813)	350 486	–
	Foreign exchange and other	96 999	133 386	(41 316)	189 069
	End of the period	10 169 690	1 246 687	792 740	12 209 117
	Loss allowance – Debt investment securities at amortised cost				
	2019				
	Beginning of the period	11 387 758	450 440	367 558	12 205 756
	New financial assets originated or purchased	2 421 893	–	–	2 421 893
	Financial assets derecognised (excl. write-offs)	(1 456 613)	(46 680)	(27 670)	(1 530 963)
	Financial assets that have been written-off	–	–	(14 839)	(14 839)
	Repayments net of readvances & capitalised interest & fees	(1 196 620)	(36 163)	2 487	(1 230 296)
	Transfers to 12-month ECL	224 449	(184 291)	(40 158)	–
	Transfers to lifetime ECL (not credit impaired)	(632 470)	643 252	(10 782)	–
	Transfers to lifetime ECL (credit impaired)	(166 113)	(40 954)	207 066	(1)
	Foreign exchange and other	–	143 765	76 030	219 795
	End of the period	10 582 284	929 369	559 692	12 071 345

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For the year ended 31 December 2020

9. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

9.6 Credit quality of loans and advances (continued)

	Total 2020 N$'000	Total 2019 N$'000	NGR 1 – 12 2020 N$'000	NGR 1 – 12 2019 N$'000	NGR 13 – 20 2020 N$'000	NGR 13 – 20 2019 N$'000	NGR 21 – 25 2020 N$'000	NGR 21 – 25 2019 N$'000	Unrated 2020 N$'000	Unrated 2019 N$'000
Neither past due nor impaired	10 272 059	10 676 894	113 941	752 274	1 102 719	720 459	11 267	29 140	9 044 131	9 175 021
Property loans	5 804 422	6 014 611	3 252	14 610	29 382	120 940	1 701	2 835	5 770 087	5 876 226
Net leases and instalment debtors	1 047 441	1 419 958	8 630	62 526	101 513	167 843	785	5 466	936 512	1 184 123
Other loans and overdrafts	2 355 212	2 025 304	102 059	675 138	971 824	431 676	8 781	20 839	1 272 548	897 651
Personal loans	1 064 984	1 217 021	–	–	–	–	–	–	1 064 984	1 217 021
Past due but not impaired	1 313 008	971 063	75 385	98 395	875 616	451 610	25 907	25 228	336 100	395 830
Property loans	183 126	274 414	–	–	–	2 246	–	–	183 126	272 168
Net leases and instalment debtors	75 128	102 834	–	386	38 151	43 907	4 701	3 017	32 276	55 524
Other loans and overdrafts	1 039 696	574 794	75 385	98 009	837 465	405 457	21 206	22 211	105 640	49 117
Personal loans	15 058	19 021	–	–	–	–	–	–	15 058	19 021
Defaulted	1 112 179	729 858	–	–	–	–	–	–	1 112 179	729 858
Property loans	767 808	521 879	–	–	–	–	–	–	767 808	521 879
Net leases and instalment debtors	74 254	59 146	–	–	–	–	–	–	74 254	59 146
Other loans and overdrafts	215 889	114 118	–	–	–	–	–	–	215 889	114 118
Personal loans	54 228	34 715	–	–	–	–	–	–	54 228	34 715
Total	12 697 246	12 377 815	189 326	850 669	1 978 335	1 172 069	37 174	54 368	10 492 410	10 300 709

The group uses a master rating scale for measuring credit risk, which measures borrower risk excluding the effect of collateral and any credit mitigation (ie probability of default only). The comprehensive probability of default rating scale, which is mapped to default probabilities and external rating agency scales, enables the group to measure credit risk consistently and accurately across its entire portfolio. A brief explanation of the scale follows:

NGR 1-12: Represents borrowers who demonstrate a strong capacity to meet financial obligations, and who have a negligible or low probability of default. This category comprises, but is not limited to, the group's large corporate clients, including financial institutions, parastatals and other government-related institutions.

NGR 13-20: Represents borrowers who demonstrate a satisfactory ability to make payments and who have a low or moderate probability of default. This category comprises, but is not limited to, small and medium-sized businesses, medium-sized corporate clients and individuals.

NGR 21-25: Represents borrowers who are of higher risk. This category comprises higher-risk individuals or small businesses, as well as borrowers that were rated higher on inception, but have since migrated down the rating scale as a result of poor financial performance. However, the borrower has not defaulted and is continuing to make repayments.

NP 1-3: Represents clients who have defaulted. Where this rating appears in the 'past due but not impaired' category, the borrowers are continuing to make repayments against their obligation and are being closely monitored.

Unrated: Loans and advances in this category do not have assigned Advanced Internal Ratings Based ratings.

10. OTHER ASSETS

	2020 N$'000	2019 N$'000
Financial assets classification: Financial assets at amortised cost	245 874	145 207
Remittances in transit	176 337	97 901
Sundry debtors and other accounts	69 537	47 306
Non - financial instruments	11 923	6 499
Prepayments	11 923	6 499
	257 797	151 706

11. INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND LISTED INVESTMENTS

	2020 N$'000	2019 N$'000
Investment in associates	–	13 865
– Carrying value at the beginning of the year	13 865	10 679
– Derecognition of investment in associate	(1 164)	–
– Share of associate's profit	–	3 186
– Dividend (Received)	(12 701)	–
Listed investments	21 651	35 676
	21 651	49 541
Market valuation	21 651	49 541

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11. INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND LISTED INVESTMENTS (CONTINUED)

	Nature of business	Issued ordinary share capital 2020 '000	Issued ordinary share capital 2019 '000	Proportion held 2020 %	Proportion held 2019 %	Shares at cost 2020 N$'000	Shares at cost 2019 N$'000	Aggregate profits after tax of subsidiary 2020 N$'000	Aggregate profits after tax of subsidiary 2019 N$'000
Indirect Subsidiary Companies of the Group									
CBN Nominees (Proprietary) Limited	Safe custody company	–	–	100	100	–	–	404	445
NedLoans (Proprietary) Limited	Administration company	–	–	100	100	4 250	4 250	34	3 144
Ten Kaiser Wilhelm Strasse (Proprietary) Limited	Property company	582	582	50	50	291	291	1 278	729
Walvis Bay Land Syndicate (Proprietary) Limited	Property company	3 000	3 000	50	50	1 500	1 500	923	949

The Group has control over financial and operational decisions in both Ten Kaiser Wilhelm Strasse (Proprietary) Limited and Walvisbay Land Syndicate (Proprietary) Limited by means of majority representation on the board of directors of these companies.

Refer to note 8 in the Company annual financial statements on page 176 for details of direct subsidiaries.

	Nature of business	Issued ordinary share capital 2020 '000	Issued ordinary share capital 2019 '000	Proportion held 2020 %	Proportion held 2019 %	Shares at cost 2020 N$'000	Shares at cost 2019 N$'000	Indebtedness by Associate 2020 N$'000	Indebtedness by Associate 2019 N$'000
Associate									
Namclear (Proprietary) Limited	Clearing agent	4	4	25	25	1 162	1 162	–	–

The Bank was a 25% shareholder in Namclear (Pty) Ltd, which was converted to a Non-Profit Association Incorporated under section 21 of the Companies Act, 2004, on 31 January 2020. The shareholders collectively resolved to convert all contributions made to Namclear, as well as each shareholders portion of the dividends declared by the Company on 31 December 2019, into shareholders loans to Namclear. The Parties have agreed to convert Nedbank's redeemed share capital and share premiums as at 31 January 2020, as well as its share of the dividends declared by the Company on 31 December 2019, into a Loan to Namclear.

Summarised financial information in respect of Namclear (Proprietary) Limited:

	2020 N$'000	2019 N$'000
Total assets	–	108 660
Total liabilities	–	(53 210)
Net assets	–	55 450
Bank's share of associate's net assets	–	13 863
Total revenue	–	58 151
Total profit for the year	–	14 406
Share of associate's profit for the year	–	3 602
Less previous years' losses not consolidated	–	(416)
Share of associate's profit	–	3 186

	Nature of business	Issued ordinary share capital 2020 '000	Issued ordinary share capital 2019 '000	Proportion held 2020 %	Proportion held 2019 %	Shares at cost 2020 N$'000	Shares at cost 2019 N$'000	Fair value of shares 2020 N$'000	Fair value of shares 2019 N$'000
Listed investments									
Nedbank Group Limited	Banking	166	166	0.02	0.02	15 649	15 649	21 651	35 676

The shares in Nedbank Group Limited are held by the BEE trusts, which are consolidated on Group level.

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12. PROPERTY AND EQUIPMENT

	Freehold land N$'000	Freehold buildings N$'000	Right of use asset N$'000	Buildings under construction N$'000	Furniture fittings and equipment N$'000	Computer hardware N$'000	Total N$'000
2020							
Carrying amount at 1 January 2020	99 534	111 201	23 037	93 489	48 059	30 551	405 871
– at cost/revaluation	99 534	115 258	41 801	93 489	178 468	84 232	612 782
– accumulated depreciation	–	(4 057)	(18 764)	–	(130 409)	(53 681)	(206 911)
Additions at cost	–	482	27 892	165 669	3 488	11 655	209 186
Reclassification of assets cost	–	–	–	–	–	–	–
Reclassification of assets depreciation	–	–	–	–	–	–	–
Derecognition	–	–	–	–	–	–	–
– at cost/revaluation	–	–	–	–	–	–	–
– accumulated depreciation	–	–	–	–	–	–	–
Loss on valuation	(4 376)	(2 152)		–	–	–	(6 528)
Cost	(4 376)	(2 456)	–	–	–	–	(6 832)
Accumulated depreciation eliminated on revaluation	–	304	–	–	–	–	304
Disposals at net book value	–	–	–	–	(398)	(958)	(1 356)
Disposals at cost	–	–	–	–	(5 360)	(1 975)	(7 335)
Accumulated depreciation of disposals	–	–	–	–	4 962	1 017	5 979
Depreciation for the year	–	(6 002)	(25 034)	–	(17 717)	(11 259)	(60 012)
Carrying amount at 31 December 2020	95 158	103 529	25 895	259 158	33 432	29 989	547 161
– at cost/revaluation	95 158	113 284	69 693	259 158	176 596	93 912	807 801
– accumulated depreciation	–	(9 755)	(43 798)	–	(143 164)	(63 923)	(260 640)
2019							
Carrying amount at 1 January 2019	102 473	112 799	30 060	29 041	46 945	33 559	354 877
– at cost/revaluation	102 473	119 232	30 060	29 041	163 351	78 864	523 021
– accumulated depreciation	–	(6 433)	–	–	(116 406)	(45 305)	(168 144)
Additions at cost	–	1 959	12 730	64 448	18 253	6 832	104 222
Reclassification of assets cost	–	(2 241)	–	–	–	–	(2 241)
Reclassification of assets depreciation	–	2 241	–	–	–	–	2 241
Derecognition	–	–	(618)	–	–	–	(618)
– at cost/revaluation	–	–	(989)	–	–	–	(989)
– accumulated depreciation	–	–	371	–	–	–	371
Revaluation	(2 939)	1 904		–	–	–	(1 035)
Cost	(2 939)	(3 692)	–	–	–	–	(6 631)
Accumulated depreciation eliminated on revaluation		5 596	–	–	–	–	5 596
Disposals at net book value	–	–	–	–	(3)	(81)	(84)
Disposals at cost	–	–	–	–	(3 136)	(1 464)	(4 600)
Accumulated depreciation of disposals	–	–	–	–	3 133	1 383	4 516
Depreciation for the year	–	(5 461)	(19 135)	–	(17 136)	(9 759)	(51 491)
Carrying amount at 31 December 2019	99 534	111 201	23 037	93 489	48 059	30 551	405 871
– at cost/revaluation	99 534	115 258	41 801	93 489	178 468	84 232	612 782
– accumulated depreciation	–	(4 057)	(18 764)	–	(130 409)	(53 681)	(206 911)

Information regarding land and buildings required in terms of the Companies Act is available for inspection, by the shareholder or duly authorised agents, at the Group's registered office.

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12.2 Valuation

2020

Independent valuations of freehold land and buildings were performed by FA Frank-Schultz who has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The effective date of the valuation is 31 December 2020.

The revaluation of properties has been done, where appropriate for the specific property being valued, with reference to one of:
- income capitalisation method using a capitalisation rate of 9.75% - 11.5%; and
- the depreciated replacement cost method.

The valuations conforms to International Valuation Standards.

2019

Independent valuations of freehold land and buildings were performed by FA Frank-Schultz who has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The effective date of the valuation is 31 December 2019.

Type of Property	Valuation Method	Significant Inputs	Parameters	Land 2020 N$'000	Land 2019 N$'000	Buildings 2020 N$'000	Buildings 2019 N$'000
Commercial property	Income capitalisation and depreciated replacement cost method	Income capitalisation rates	9,75% – 11,50% (2019: 8,75% – 11,50%)	38 446	42 822	103 077	110 748
Total Land and Buildings				38 446	42 822	103 077	110 748

In accordance with IFRS 13 (Fair Value Measurement), the measurement of the Group's properties is considered to be recurring. Recurring fair-value measurements are those that IFRS requires or permits to be recognised in the statement of financial position at the end of each reporting period. Furthermore, the Group classifies its properties measured at fair value into Level 3 of the fair value hierarchy. Level 3 fair-value measurements are those that include the use of significant unobservable inputs.

If land and buildings were carried under the cost and not the revaluation model, the carrying amount would have been N$57 850 (2019: N$57 987).

13. COMPUTER SOFTWARE AND DEVELOPMENT COST

	Development cost N$'000	Computer software N$'000	Customer relationships N$'000	Trademark N$'000	Total N$'000
2020					
Carrying amount at 1 January 2020	28 043	41 876	–	425	70 344
– at cost	28 043	129 251	1 568	500	159 362
– accumulated amortisation	–	(87 375)	(1 568)	(75)	(89 018)
Additions at cost	–	695	–	–	695
Development cost incurred	14 688	–	–	–	14 688
Transfer of development cost	(3 939)	3 939	–	–	–
Amortisation for the year	–	(10 238)	–	(100)	(10 338)
Carrying amount at 31 December 2020	38 792	36 272	–	325	75 389
– at cost	38 792	133 885	1 568	500	174 745
– accumulated amortisation	–	(97 613)	(1 568)	(175)	(99 356)
2019					
Carrying amount at 1 January 2019	20 373	40 701	–	–	61 074
– at cost	20 373	116 142	1 568	–	138 083
– accumulated amortisation	–	(75 441)	(1 568)	–	(77 009)
Additions at cost	–	712	–	500	1 212
Development cost incurred	20 067	–	–	–	20 067
Reclassification of assets cost	–	–	–	–	–
Reclassification of assets depreciation	–	–	–	–	–
Transfer of development cost	(12 397)	12 397	–	–	–
Amortisation for the year	–	(11 934)	–	(75)	(12 009)
Carrying amount at 31 December 2019	28 043	41 876	–	425	70 344
– at cost	28 043	129 251	1 568	500	159 362
– accumulated amortisation	–	(87 375)	(1 568)	(75)	(89 018)

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	2020 N$'000	2019 N$'000
14. GOODWILL		
Carrying amount at beginning of year	29 125	29 125
– Cost	29 125	29 125
Carrying amount at end of year	29 125	29 125
– Cost	29 125	29 125

Goodwill arose from the acquisition of Nedbank Namibia Limited, NedLoans (Proprietary) limited and NedCapital Namibia (Proprietary) Limited. The directors have assessed goodwill for impairment and are satisfied that there are no indicators of impairment.

	2020 N$'000	2019 N$'000
15. SHARE CAPITAL AND SHARE PREMIUM		
Ordinary shares	17 595	17 595
Share premium	99 536	99 536
	117 131	117 131

The total number of authorised shares at year end was: 80 000 000 (2019: 80 000 000) ordinary shares of 25 cents each
The total number of issued shares at year end was: 70 381 644 (2019: 70 381 644) ordinary shares of 25 cents each
All issued shares are fully paid.
Subject to the restrictions of the Companies Act, the unissued shares are under the control of the directors until the forthcoming annual general meeting.

	2020 N$'000	2019 N$'000
16. GENERAL RISK RESERVE		
Balance at the beginning of the year	33 413	22 333
Movement during the year	124 580	11 080
Balance at the end of the year	157 993	33 413

The general risk reserve is created to comply with the requirements of BID-2 of the Bank of Namibia regarding the general risk provision.

	2020 N$'000	2019 N$'000
17. REVALUATION RESERVE		
Balance at the beginning of the year	79 378	83 201
Release of revaluation reserve	(3 285)	(2 980)
Loss on valuation of land and buildings	(5 061)	(843)
Balance at the end of the year	71 032	79 378

The revaluation reserve arises on the revaluation of land and buildings. Where revalued land or buildings are sold, the portion of the property's revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to other retained income. As revalued buildings are depreciated, the depreciation related to the property's revaluation reserve is also transferred directly to other retained income.

	2020 N$'000	2019 N$'000
18. EQUITY INVESTMENT REVALUATION RESERVE		
Balance at the beginning of the year	20 020	30 079
Movement during the year	(14 050)	(10 059)
Balance at the end of the year	5 970	20 020

The equity investment revaluation reserve arises on revaluation of an available for sale investment which is listed shares in Nedbank Group Limited through the BEE scheme. Refer to note 11 and 41.

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	2020 N$'000	2019 N$'000
19. DUE TO OTHER BANKS		
Deposits and borrowings from other banks	1 709 481	1 181 987
Deposits received under repurchase agreement from Bank of Namibia	–	295 187
Balance at the end of the year	1 709 481	1 477 174
20. DUE TO CUSTOMERS		
20.1 Category analysis		
Current accounts	1 788 054	1 574 004
Savings accounts	388 751	372 003
Other deposits and loan accounts	9 758 454	9 123 795
Foreign currency liabilities	420 956	283 951
	12 356 215	11 353 753
20.2 Sectoral analysis		
Government and quasi government	1 090 522	1 766 753
Insurance and pension funds	3 284 909	4 405 262
Companies and close corporations	6 065 313	3 689 539
Individuals and other	1 915 471	1 492 199
	12 356 215	11 353 753
20.3 Geographical analysis		
Namibia	12 356 215	11 353 753
21. NEGOTIABLE CERTIFICATES OF DEPOSIT		
Negotiable certificates of deposit	3 952 029	3 699 337
Promissory notes	434 108	655 053
	4 386 137	4 354 390
22. OTHER LIABILITIES		
Financial liabilities	83 807	68 299
Creditors and other accounts	75 224	60 117
Managerial fees - Nedbank Limited	8 583	8 182
Provision for impairments off balance sheet		
Balance at beginning of the year	10 360	2 618
Stage 1 ECL allowance	1 200	6 604
Stage 2 ECL allowance	7	970
Amounts written off against the impairment/other transfers	492	168
Balance at end of the year	12 059	10 360
Non-financial instruments	33 688	42 765
Deferred revenue	4 542	4 542
Bonus accrual	9 581	23 539
Leave pay accrual	19 565	14 684
	129 554	121 424

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23. DEFERRED TAXATION LIABILITIES

	2020 N$'000	2019 N$'000
The movement on the deferred taxation account is as follows:		
Balance at beginning of the year	58 595	75 257
– Temporary differences recognised in the statement of comprehensive income	(31 326)	(16 470)
Capital allowances	(4 376)	840
Credit impairments	(8 062)	(10 688)
Debentures	(426)	(368)
Prepaid expenses	1 597	(903)
Suspensive sales	(16 880)	(3 206)
Financial Instruments	1 881	1 035
Provision for expenses	(5 172)	(2 188)
Other income and expense items	112	(992)
– Recognised directly in equity	(106)	(192)
Revaluation of property – movement through revaluation reserve	(106)	(192)
Balance at end of the year	27 163	58 595
The balance comprises:		
Capital allowances	42 947	47 429
Credit impairments	(43 431)	(35 369)
Debentures	9 618	10 044
Prepaid expenses	4 233	2 636
Suspensive sales	21 598	38 478
Financial Instruments	3 279	1 398
Provision for expenses	(10 029)	(4 857)
Other income and expense items	(1 052)	(1 164)
	27 163	58 595

24. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS

	2020 N$'000	2019 N$'000
Balance at beginning of the year	114 108	112 553
Amounts recognised in statement of profit or loss and comprehensive income	(3 699)	1 555
Balance at the end of the year	110 409	114 108

An actuarial valuation was performed on the policyholders' liability, as at 31 December 2020, in March 2021 (2019: February 2020) by Svenja Poriazis.

Changes in valuation methods or assumptions

The value of the liabilities increased by N$4 419 million (before tax) as a result of the following changes to the valuation assumptions and methodology:

Economic Assumptions

The economic basis was reviewed to reflect the current economic environment. This has resulted in a lower overall investment return to discount future liability outgo. At the same time, the expense inflation assumption was decreased.

Non-Economic Assumptions

The expense, lapse and retrenchment assumptions were reviewed in the light of recent experience and the basis was revised accordingly. In addition, minor modelling changes were incorporated at the current year-end.

Valuation basis of assets

Assets are valued at statement of financial position values i.e. at market or director's value as described in the Annual Financial Statements. NedNamibia Life Assurance Company Limited has disallowed assets as defined in Section 27 of the Namibian Long-Term Insurance Act.

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Valuation of policy liabilities

The valuation was performed in accordance with the Namibian Standard of Actuarial Practice 104 (NSAP104) endorsed by the Society of Actuaries of Namibia (SAN). The same methods and assumptions were used for the Published Reporting Basis and the Statutory Valuation Method.

The result of the valuation method and assumptions is that profits are released appropriately over the term of the policy, to avoid the premature recognition of profits that may give rise to losses in the later years.

Individual life liabilities were valued on a discounted cashflow method, plus an Incurred But Not Reported Reserve.

The decrement assumptions are based on prudent best estimates of the expected experience. Compulsory and discretionary margins are then added to the best estimate assumptions to provide a buffer against adverse experience and to ensure an appropriate release of surplus over every policy's lifespan. The main assumptions, before allowing for margins, were as follows:

- Future persistency, mortality and other decrements are estimated taking into account historical and recent experience. Specific allowance has been made for the mortality and morbidity experience due to AIDS;
- An IBNR reserve for death, disability and retrenchment is held based on the lag between the date of claim event and the date the Company is notified of the claim event.
- Expense assumptions were set with reference to recent experience and budgets. Per policy costs were assumed to increase at a rate of 3.5% p.a.; and
- An assumed future investment return of 3% (gross of tax) per annum was used.

A reserve of N$2.2 million was held in respect of policies that were sold but not included in the valuation data as at the valuation date.

Compulsory margins have been allowed for as outlined in the Society of Actuaries of Namibia's guidance note – NSAP104. In addition, the following discretionary margins have been incorporated:

- Elimination of negative reserves; and
- Discretionary mortality, retrenchment and lapse margins where appropriate.

25. PROVISION FOR POST-RETIREMENT MEDICAL BENEFITS

The Bank subsidises 50% of the medical aid contribution of all employees who joined Nedbank Namibia between 1 April 2000 and 31 January 2003. The subsidy does not apply to any employees who joined the Bank on or after 1 February 2003. Provisions are made for these costs. The charge for the year is included in the staff costs expense in the statement of comprehensive income.

Valuation method and assumptions

The actuarial valuation method used to value the liabilities is the Projected Unit Credit Method prescribed by IAS 19 (Employee Benefits). Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime. The actuarial valuation is obtained once every two years. The most recent valuation was obtained for the year ended 31 December 2020 performed by Strategic Actuarial Partners Namibia.

The most significant assumptions used are:	2020	2019
Valuation interest rate	9,00%	9,00%
Medical aid contribution inflation	6,30%	6,30%
Net sensitivity (real rate)	2,70%	2,70%
Average longevity at retirement age for current pensioners (years)*	26,0	26,0
Average longevity at retirement age for current employees (Future pensioners) (years)*	8,0	8,0

* Based on the British derived a (55) ultimate life table less a 3 year age adjustment. This assumption was updated to the PA (90) life table less a 1 year age adjustment allowing for improvements in the mortality.

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25. PROVISION FOR POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

The key financial assumptions are the valuation interest rate and Medical Aid contribution inflation rate. It is the relationship between these two financial assumptions that are critically important when performing the sensitivity analysis.

	2020 N$'000	2019 N$'000
Movement in accrued liability if the real rate increased with 1%	902	819
Movement in accrued liability if the real rate decreased with 1%	(760)	(690)
Movement in accrued liability if the life expectancy increased by 2 years	722	608
Movement in accrued liability if the life expectancy decreased by 2 years	(749)	(687)
Reconciliation of net liability in the statement of financial position:		
Balance at beginning of the year	8 495	10 455
Movements during the year	26	(1 960)
Interest cost	733	981
Current service cost	60	77
Benefits paid	(767)	(780)
Actuarial loss	–	(2 238)
Balance at end of the year	8 521	8 495

26. LONG-TERM SUBORDINATED DEBT INSTRUMENTS

	Interest rate	Final maturity date	Notes	2020 N$'000	2019 N$'000
Unsecured subordinated debt instruments					
Subordinated debentures	17,00%	15 Sep 2030	(i)	9 942	8 610
NEDNAM01 fixed rate notes	10,82%	1 Aug 2029	(ii)	100 000	100 000
NEDNAM02 floating rate notes	3 month JIBAR + 2,75%	2 Aug 2027	(iii)	100 000	100 000
NEDX2030 fixed rate notes	0,1021	28 Feb 2030	(iv)	50 000	50 000
NEDJ2028 floating rate notes	3 month JIBAR + 2,75%	28 Feb 2028	(v)	50 000	50 000
Accrued interest				7 694	8 356
Total				317 636	316 966

The notes listed above qualify as Tier two capital for Nedbank Namibia Limited.

i) The debentures were issued at a discount on 15 September 1995 and are redeemable at their nominal value of N$40 million on 15 September 2030. Interest was payable on these debentures on a six-monthly basis at the rate of 17% per annum on nominal value until 15 September 2000.

Prior to 2001, these coupon payments were partially charged against income and partially against the capital value of the debentures. For the years 2001 to 2030, the effective interest expense is capitalised. The coupon holders are entitled, in the event of interest default, to put the coupon covering such interest payments to Nedbank Group Limited.

(ii) The NEDNAM01 fixed rate notes may be redeemed in full at the option of the group on 1 August 2024. Interest is paid semi-annually in arrears.

(iii) The NEDNAM02 floating rate notes may be redeemed in full at the option of the group on 1 August 2022. Interest is paid quarterly in arrears.

(iv) The NEDX2030 fixed rate notes may be redeemed in full at the option of the bank on 28 February 2025. Interest is paid semi-annually in arrears.

(v) The NEDJ2028 floating rate notes may be redeemed in full at the option of the bank on 28 February 2023. Interest is paid quarterly in arrears.

Information regarding long-term subordinated debt instruments is available for inspection, by the shareholder or duly authorised agents, at the group's registered office.

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27. LEASE LIABILITIES

	2020 N$'000	2019 N$'000
Lease liabilities reconciliation		
Balance at initial recognition	24 085	29 385
Interest expense	2 689	1 659
Acquisitions	3 517	12 730
Derecognition	–	(674)
Lease modifications	24 374	–
Lease payments	(26 443)	(19 015)
Balance at end of the year	28 222	24 085
Current and non-current lease liabilities		
Current lease liabilities	17 867	14 405
Non-current lease liabilities	10 355	9 680
	28 222	24 085
Amounts recognised in the statement of cashflows		
Cash repayments on lease liabilities (capital)	23 801	17 356
Cash repayments on lease liabilities (interest)	2 642	1 659
Total cash flow repayments on lease liabilities	26 443	19 015

28. NET INTEREST INCOME

	2020 N$'000	2019 N$'000
Interest and similar income		
Due from other banks	179 107	220 405
Home loans	574 863	682 786
Other loans and overdrafts	360 497	394 400
Sundry interest	4 583	–
Lease and instalment debtors	118 733	187 358
Personal loans	182 889	227 206
Government and other securities	160 051	174 962
Short-term funds and securities	27 234	25 519
Total interest and similar income	1 607 957	1 912 636
Interest and similar income may be analysed as follows:		
– Interest and similar income from financial instruments not at FVTPL	1 575 888	1 882 415
– Interest and similar income from financial instruments at FVTPL	32 069	30 221
Total interest and similar income	1 607 957	1 912 636
Interest expense and similar charges		
Deposit and loan accounts	514 525	532 132
Current and savings accounts	55 126	80 730
Negotiable certificates of deposit	249 402	372 538
Other liabilities	19 785	38 452
Long-term debt instruments	28 680	31 693
Total interest expense and similar charges	867 518	1 055 545
Interest expense and similar charges may be analysed as follows:		
– Interest expense and similar charges from financial instruments not at FVTPL	850 938	1 045 153
– Interest expense and similar charges from financial instruments at FVTPL	16 580	10 392
Total interest expense and similar charges	867 518	1 055 545
Net interest income	740 439	857 091

29. NET NON-INTEREST INCOME

	2020 N$'000	2019 N$'000
Commission and fee income	288 880	286 679
Commission and fee expense	(61 753)	(73 965)
Premiums received	61 318	93 910
Dividends	–	1 498
Exchange earnings	56 436	56 931
– Exchange commission	14 984	15 350
– Foreign exchange profit	41 452	41 581
Loss on sale of property and equipment	(688)	(283)
Changes in fair value of Financial instruments designated as fair value through profit or loss – held for trading	25 598	7 046
– Financial assets and liabilities designated as fair value through profit or loss – held for trading	25 598	7 046
Other income	(8 243)	1 259
	361 548	373 075

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30. IMPAIRMENT OF LOANS AND ADVANCES

30.1 Movements

	Home loans N$'000	Other loans and overdrafts N$'000	Leases and instalment debtors N$'000	Personal loans N$'000	Total N$'000
2020					
Balance at beginning of the year	118 751	101 117	45 803	40 799	306 470
– Stage 3 allowance originated credit impaired	86 265	40 860	29 221	13 819	170 165
– Stage 1 ECL allowance	18 118	48 062	9 378	22 454	98 012
– Stage 2 ECL allowance	14 368	12 195	7 204	4 526	38 293
Amounts written off against the impairment/other transfers	(100 219)	(39 453)	(34 743)	(30 693)	(205 108)
Statement of profit or loss charge net of recoveries	116 713	71 084	36 308	21 163	245 268
– Stage 3 allowance originated credit impaired	111 340	40 000	34 323	27 220	212 883
– Stage 1 ECL allowance	3 748	4 199	1 971	(5 562)	4 356
– Stage 2 ECL allowance	1 625	26 885	14	(495)	28 029
– Debts recovered	437	3 944	3 974	3 220	11 575
– Interest in suspense	105 169	14 056	5 052	5 648	129 925
Balance at end of the year (note 9)	240 851	150 748	56 394	40 137	488 130
– Stage 3 allowance originated credit impaired	202 992	59 407	37 827	19 214	319 440
– Stage 1 ECL allowance	21 866	52 261	11 349	16 892	102 368
– Stage 2 ECL allowance	15 993	39 080	7 218	4 031	66 322
2019					
Balance at beginning of the year	87 218	58 840	66 308	43 812	256 178
– Stage 3 allowance originated credit impaired	64 596	32 201	44 106	15 324	156 227
– Stage 1 ECL allowance	13 055	22 810	14 664	23 449	73 978
– Stage 2 ECL allowance	9 567	3 829	7 538	5 039	25 973
Amounts written off against the impairment/other transfers	385	(20 646)	(42 605)	(28 268)	(91 134)
Statement of profit or loss charge net of recoveries	16 927	54 846	13 334	16 255	101 362
– Stage 3 allowance originated credit impaired	8 520	17 309	20 790	17 786	64 405
– Stage 1 ECL allowance	7 052	35 174	(7 362)	(1 386)	33 478
– Stage 2 ECL allowance	1 355	2 363	(94)	(145)	3 479
– Debts recovered	252	1 506	4 034	6 762	12 554
– Interest in suspense	13 969	6 571	4 732	2 238	27 510
Balance at end of the year (note 9)	118 751	101 117	45 803	40 799	306 470
– Stage 3 allowance originated credit impaired	86 265	40 860	29 221	13 819	170 165
– Stage 1 ECL allowance	18 118	48 062	9 378	22 454	98 012
– Stage 2 ECL allowance	14 368	12 195	7 204	4 526	38 293

Included under the Stage 3 balance is interest in suspense amounting to N$132.8 million (2019: N$89.5 million).

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30.2 Sectoral analysis

	Stage 1: 12-month ECL allowance 2020 N$'000	Stage 2: Lifetime ECL allowance (not credit-impaired) 2020 N$'000	Stage 3: Lifetime ECL allowance (credit-impaired) 2020 N$'000	Stage 1: 12-month ECL allowance 2019 N$'000	Stage 2: Lifetime ECL allowance (not credit-impaired) 2019 N$'000	Stage 3: Lifetime ECL allowance (credit-impaired) 2019 N$'000
Individuals	61 630	36 191	160 987	56 520	23 464	122 728
Manufacturing	3 355	12 217	767	6 426	1 061	1 298
Retailers, catering and accommodation	4 230	2 771	3 318	4 094	2 483	2 421
Agriculture, forestry and fishing	3 770	2 767	4 054	2 584	3 711	1 664
Mining and quarrying	1 967	291	4 042	2 225	7	113
Financial services, insurance and real estate	16 197	3 027	39 439	10 463	614	21 175
Government and public sector	715	982	917	1 817	935	392
Building and property development	4 659	2 978	85 378	8 106	2 179	7 870
Transport, storage and communication	2 620	3 653	2 594	1 838	1 090	813
Other services	3 226	1 444	17 943	3 939	2 749	11 691
	102 369	66 321	319 439	98 012	38 293	170 165

30.3 Ratio of impairments

	2020 N$'000	2019 N$'000
Impairment of loans and advances at end of year	488 130	306 470
Total gross loans and advances	12 697 246	12 377 815
Ratio (%)	3,84%	2,48%

31. PROFIT BEFORE TAX

Profit before tax was arrived at after deducting the following expenses, which are separately disclosable:

	2020 N$'000	2019 N$'000
Auditors' remuneration	6 669	4 541
– Audit fees	6 560	4 375
– Other services	109	166
Post-retirement medical aid benefit	793	1 058
– Interest cost	733	981
– Current service cost	60	77
Depreciation	60 012	51 491
Amortisation and write off of computer software and development cost	10 338	12 009
Staff costs	337 844	345 876
Operating lease charges	1 415	1 182
– Other	1 415	1 182
Remuneration other than to employees for:		
– Managerial services	103 181	102 665
Value-added tax charge in respect of current expenditure net of input credits	22 971	24 303
Directors' fees paid by the Group	10 504	11 263
– For services as directors	1 868	2 040
– Managerial services	8 636	9 223
Key management	11 379	11 434
– Basic salary and other benefits	9 272	9 484
– Employer pension contribution	1 746	1 563
– Employer medical aid contribution	361	387
Other expenses	197 769	160 719
	762 875	726 541

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	2020 N$'000	2019 N$'000
32. TRANSFER TO POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS		
Transfer to policyholder liabilities under insurance contracts	(3 700)	1 555
33. BEE TRANSACTION EXPENSES		
BEE share-based payment expenses	360	549
34. TAXATION		
34.1 (Recoveries)/Charge for the year		
Normal taxation – current year	13 040	84 434
Normal taxation – prior year refund	(3 439)	(2 554)
Deferred taxation – current year	(31 326)	(16 470)
	(21 725)	65 410
	%	%
34.2 Reconciliation of rate of taxation		
Namibian normal rate of taxation	32,0	32,0
Reduction in rate for the year:	(57,3)	(15,5)
– Corporate funds	(21,8)	(14,9)
– Foreign income	(26,6)	–
– Other non-taxable income	(3,9)	(0,7)
– Prior period adjustment	(10,0)	–
– Non deductible expenses	5,0	0,1
Effective rate of taxation	(25,3)	16,5
	N$'000	N$'000
35. DIVIDENDS		
Dividends declared and paid	132 000	400 000
	Cents per share	Cents per share
36. EARNINGS PER SHARE		
Basic earnings per share	166,44	468,19
Diluted earnings per share	166,44	468,19
Basic earnings per share	N$'000	N$'000
Earnings used in the calculation of basic earnings per share	117 142	329 522
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	70 382	70 382

Diluted earnings per share

The earnings and the weighted average number of ordinary shares used in the calculation of all diluted earnings per share measures are the same as those for the equivalent basic earnings per shares measures, as outlined above.

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	2020 N$'000	2019 N$'000
37. CASH FLOW INFORMATION		
37.1 Reconciliation of profit before taxation to cash generated by operating activities		
Profit before taxation	95 976	395 771
Adjustments for non-cash items:	267 579	299 345
– Accrued interest	(24 657)	100 074
– Negotiable certificates of deposit	(3 980)	5 034
– Loss from associates	–	(3 186)
– Loss on disposal of property and equipment	688	283
– Fair value adjustment to financial instruments	(25 598)	(7 046)
– Impairment of advances	247 884	110 077
– Non-cash movement in accruals	(7 638)	23 538
– Non-cash movement in leave pay accrual	2 286	3 140
– Fair value movement in derivatives	8 604	4 480
– BEE share-based payment expense	(360)	(549)
– Depreciation	60 012	51 491
– Computer software amortisation (incl. impairment loss on development costs)	10 338	12 009
Movement in operating assets	770 039	726 863
– Deposit, current and other accounts	1 137 835	632 322
– Advances and other accounts	(367 796)	94 541
Cash generated by operating activities	1 133 594	1 421 979
37.2 Cash received from customers		
Interest received	1 618 741	1 880 500
Commission and fees received	303 428	321 974
Other income received	57 342	48 105
	1 979 511	2 250 579
37.3 Cash paid to customers		
Interest paid on deposits	(906 940)	(918 301)
37.4 Taxation paid		
Amounts prepaid/(outstanding) – beginning of year	1 388	(3 665)
Charge to statement of profit or loss	(13 040)	(84 434)
Prior period refund	3 439	2 554
Amounts prepaid – end of year	(15 383)	(1 388)
	(23 596)	(86 933)
37.5 Dividends paid		
Dividend declared	(132 000)	(400 000)
	(132 000)	(400 000)

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For the year ended 31 December 2020

		2020 N$'000	2019 N$'000
37.6	**Cash movement in operating liabilities**		
	Due to other banks	232 307	(849 014)
	Current accounts	214 050	(51 893)
	Savings deposits	16 748	(38 544)
	Other deposits and loan accounts	644 747	2 636 939
	Foreign currency accounts	137 005	(31 564)
	Negotiable certificates of deposit	60 411	(802 068)
		1 305 268	863 856
37.7	**Purchase of non-dealing securities**		
	Other short-term securities	(298 946)	(342 694)
	Government and other securities	290 661	(225 608)
		(8 285)	(568 302)
37.8	**Cash and short-term funds**		
	For the purpose of the cash flow statement, cash and short-term funds comprises the following balances with less than 90 days maturity:		
	Bank notes and coins (note 4)	158 112	113 140
	Balances with central bank (note 4)	525 840	369 015
	Due from other banks (note 5)	3 079 147	2 457 869
		3 763 099	2 940 024
38.	**COMMITMENTS**		
38.1	**Capital expenditure**		
	Property and equipment		
	Contracted	218 351	200 071
	Not yet contracted	88 564	238 957
		306 915	439 028
	Funds to meet capital expenditure will be provided from internal resources.		
38.2	**Undrawn facilities**		
	Original term of maturity of one year or less	1 152 515	974 105

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		2020 N$'000	2019 N$'000
39.	**PENSION FUND**		
	All eligible employees are members of the Nedbank Namibia Pension Fund, a defined contribution plan, which has been registered in Namibia in accordance with the requirements of the Pension Fund Act.		
	The fund is governed by the Pension Fund Act, 1956, which requires an actuarial valuation every three years. The findings of independent consulting actuaries, based on their appraisal of the fund during June 2019, confirmed that the fund was financially sound.		
	The total value of contributions to the pension fund during the year amounted to:		
	Number of members	764	747
	Employer contributions	39 601	41 034
	Employee contributions	2 400	2 523
40.	**CONTINGENT LIABILITIES**		
	Confirmed letters of credit	1 317	–
	Liabilities under guarantees	527 653	418 315
	Legal actions against the Group	2 410	552
		531 380	418 867

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41. RELATED PARTY DISCLOSURE

41.1 Parent company

NedNamibia Holdings Limited is wholly owned by Nedbank Group Limited, which is incorporated in South Africa. The subsidiaries and associates of Nedbank Group Limited are seen as related companies.

41.2 Identity of related parties with whom transactions have occurred

Subsidiaries and the associate of the Group are identified in note 11. All of these entities are related parties. Transactions with directors and director controlled entities are related party transactions.

41.3 Related party balances

	2020 N$'000	2019 N$'000
Loans and placements from related parties		
Nedbank Limited (fellow subsidiary)	**428**	2 053
Nedbank Limited (fellow subsidiary) (Internal settlement account)	**–**	3 330
Nedbank Limited (fellow subsidiary) (Fixed deposits)	**1 453 564**	930 330
Nedbank Group Limited (holding company) (Replica PNs)	**106 300**	131 544
Nedbank Limited (fellow subsidiary) (accrual for management fees)	**8 583**	8 182
Nedbank Limited (Derivative instruments included under note 7)	**46 132**	8 227
Old Mutual Namibia Limited (related party)	**1 993 473**	1 766 073
Old Mutual Namibia Limited (related party) (Long-term subordinated debt instruments included under note 26)	**307 694**	308 356
Nedbank Limited: London Branch (fellow subsidiary)	**–**	190
Nedbank (Lesotho) Limited (fellow subsidiary)	**254 539**	237 077
Nedbank Namibia Pension Fund (pension fund)	**15 586**	14 326
Balances with directors	**2 554**	402
Balances with key management	**9 728**	6 148
Loans to and placements with related parties		
Nedbank Limited (fellow subsidiary) (Internal settlement account)	**150 374**	–
Nedbank Limited (fellow subsidiary) (Credit Linked Note)	**311 891**	312 755
Nedbank Limited (Derivative instruments included under note 7)	**40 611**	35 833
Black Management Scheme	**649**	649
Nedbank Limited: London Branch (fellow subsidiary) Placement	**1 989 443**	1 412 127
Nedbank Limited (fellow subsidiary)	**915 093**	904 746
Old Mutual US Dollar Money Market Fund	**505 059**	453 109
Old Mutual Namibia Limited (fellow subsidiary)	**544 397**	549 956
Balances with directors	**926**	11 202
Balances with key management	**6 619**	6 613

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41.4 Related party transactions

	Interest income 2020 N$'000	Interest income 2019 N$'000	Other income 2020 N$'000	Other income 2019 N$'000	Interest expense 2020 N$'000	Interest expense 2019 N$'000	Expenses and dividends paid 2020 N$'000	Expenses and dividends paid 2019 N$'000
Related party								
Nedbank Limited *(fellow subsidiary)*								
Interest on internal settlement account	**2 402**	2 188	**–**	–	**4 007**	9 295	**–**	–
Interest income on Nedbank London Branch placement	**108 992**	116 043	**–**	–	**–**	–	**–**	–
Interest expense on fixed deposits	**–**	–	**–**	–	**82 782**	64 784	**–**	–
Interest expense on R – Bond	**–**	–	**–**	–	**–**	–	**–**	–
Interest income on Step up deposit	**61 412**	94 545	**–**	–	**–**	–	**–**	–
Interest income on Credit Linked Note	**24 823**	28 255	**–**	–	**–**	–	**–**	–
Interest income on Buy sell back	**–**	–	**–**	–	**–**	–	**–**	–
Management fees	**–**	–	**–**	–	**–**	–	**103 181**	102 665
Interest expense on Replica Promissory Notes	**–**	–	**–**	–	**8 358**	3 552	**–**	–
Old Mutual Limited *(related party)*								
Interest income on corporate fund	**27 960**	43 374	**–**	–	**–**	–	**–**	–
Interest expense Long-term subordinated debt instruments	**–**	–	**–**	–	**28 010**	30 533	**–**	–
Interest expense on current account	**–**	–	**–**	–	**47 462**	59 437	**–**	–
Nedbank Namibia Pension Fund *(pension fund)*								
Pension contributions	**–**	–	**–**	–	**–**	–	**38 471**	40 289
Nedbank (Lesotho) Limited *(fellow subsidiary)*								
Interest expense	**–**	–	**–**	–	**16 440**	20 407	**–**	–
Transactions with directors								
Services as directors	**–**	–	**–**	–	**–**	–	**903**	2 040
Other services	**–**	–	**–**	–	**–**	–	**5 817**	7 199
Staff costs	**–**	–	**–**	–	**–**	–	**11 379**	11 434
Old Mutual US Dollar Money Market Fund *(related party)*								
Interest income	**8 654**	13 805	**–**	–	**–**	–	**–**	–
Nedbank Group Limited (holding company)								
Dividends	**–**	–	**–**	–	**–**	–	**132 000**	400 000

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42. CAPITAL RISK MANAGEMENT

42.1 Nedbank Namibia Limited

The capital adequacy is managed in terms of the Banking Institutions Act, 1998 ('the Act'). The aim of capital risk management is to ensure that the Group's major subsidiary, Nedbank Namibia Limited ('the Bank'), maintains a level of capital which
(i) is adequate to protect its depositors and creditors;
(ii) is commensurate with the risk activities and profile of the Bank; and
(iii) promotes public confidence in the Bank and the banking system.

Capital is managed under the following definitions:

Capital measures

The ratios used for measuring capital adequacy are:

- Leverage (equity) capital ratio (ie Tier 1 capital divided by gross assets; for purposes herein, 'gross assets' means total assets plus general _and specific provisions);
- Tier 1 risk-based capital ratio (ie Tier 1 capital divided by total risk-weighted assets); and
- Total risk-based capital ratio (ie total qualifying capital divided by total risk weighted assets).

Total risk-weighted capital:

Total risk-weighted capital is the total assets reported in financial returns required to be submitted to the Bank of Namibia, less intangible assets and the excess of assets classified as loss but not fully provisioned for, after applying the different risk weights to the prescribed category of assets as set forth in BID-5 A of the Act.

Minimum requirements

The following minimum ratios shall apply (unless higher ratios are set by the Bank) for an individual bank based on criteria set forth below:

(a) **Leverage Capital**: the minimum leverage ratio shall be 6.0%. In accordance with the Act, if, in the normal course of business, a bank anticipates that it will not have adequate capital available to comply with the minimum ratios or with any higher minimum ratio that may be required by the Bank, due to circumstances beyond the bank's reasonable ability to anticipate and control, then the bank shall in writing inform the Bank urgently as such, stating the reasons for non-compliance and indicating in a detailed plan how and when the position will be corrected.

(b) **Tier 1 Risk-Based Capital**: the minimum Tier 1 ratio shall be 7.5%. In accordance with the Act, if, in the normal course of business, a bank anticipates that it will not have adequate capital available to comply with the minimum ratios or with any higher minimum ratio that may be required by the Bank, due to circumstances beyond the bank's reasonable ability to anticipate and control, then the bank shall in writing inform the Bank urgently as such, stating the reasons for non-compliance and indicating in a detailed plan how and when the position will be corrected.

(c) **Total Risk-Weighted Capital**: the minimum total ratio shall be 10.0%. In accordance with the Act, if, in the normal course of business, a bank anticipates that it will not have adequate capital available to comply with the minimum ratios or with any higher minimum ratio that may be required by the Bank, due to circumstances beyond the bank's reasonable ability to anticipate and control, then the bank shall in writing inform the Bank urgently as such, stating the reasons for non-compliance and indicating in a detailed plan how and when the position will be corrected.

	2020 N$'000	2019 N$'000
The Bank follows the minimum ratios as prescribed by the Act.		
Share capital and share premium	65 392	65 392
Retained earnings	1 626 489	1 810 352
Accumulated other comprehensive income and other disclosed reserves, excluding revaluation of surplus on land and building assets	2 957	1 807
Deduct: Goodwill and other intangibles (except mortgage servicing rights)	(44 358)	(13 599)
Total qualifying tier 1 capital	**1 650 480**	1 863 952
Subordinated debt	127 054	187 196
Asset revaluation reserves	22 289	22 346
Portfolio impairment	118 269	116 633
Total qualifying tier 2 capital	**267 612**	326 175
Total regulatory capital	**1 918 092**	2 190 127
Risk-weighted assets:		
Operational risk	1 374 765	1 307 735
Credit risk	13 036 739	11 726 672
Market risk	7 812	12 600
Total risk-weighted assets	**14 419 316**	13 047 007
Capital adequacy ratios:	%	%
Leverage capital	7,17%	8,73
Tier 1 risk-based capital	11,45	14,29
Total risk-weighted capital	13,30	16,79

42.2 NedNamibia Life Assurance Company Limited

The current capital adequacy ratio for NedNamibia Life Assurance Company Limited is 14 times (2019:13 times) in surplus of the regulatory requirements.

Refer to the Statutory Actuary's Report on page 91 for more detail.

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43.1 STATEMENT OF FINANCIAL POSITION - CATEGORIES OF FINANCIAL INSTRUMENTS

	Notes	At fair value through profit and loss – Mandatory N$'000	At fair value through profit and loss – Designated N$'000	At fair value through other comprehensive income – debt instruments N$'000	At fair value through other comprehensive income – equity instruments N$'000	Financial assets/ financial liabilities at amortised cost N$'000	Non-financial assets and liabilities N$'000	Total N$'000
2020								
Assets								
Cash and balances with central bank	4	–	–	–	–	683 952	–	683 952
Due from other banks	5	–	–	–	–	3 079 147	–	3 079 147
Other short-term securities	6	–	–	362 144	–	2 147 955	–	2 510 099
Derivative financial instruments	7	65 513	–	–	–	–	–	65 513
Government and other securities	8	–	400 258	1 606 651	–	140 370	–	2 147 279
Loans and advances to customers	9	–	–	–	–	12 209 117	–	12 209 117
Other assets	10	–	–	–	–	245 874	11 923	257 797
Investment in subsidiaries, associates and listed investments	11	–	–	–	21 651	–	–	21 651
Current tax receivable		–	–	–	–	–	15 594	15 594
Property and equipment	12	–	–	–	–	–	547 161	547 161
Computer software and development cost	13	–	–	–	–	–	75 389	75 389
Goodwill	14	–	–	–	–	–	29 125	29 125
Total assets		65 513	400 258	1 968 795	21 651	18 506 415	679 192	21 641 824
Liabilities								
Derivative financial instruments	7	73 504	–	–	–	–	–	73 504
Due to other banks	19	–	–	–	–	1 709 481	–	1 709 481
Due to customers	20	–	–	–	–	12 356 215	–	12 356 215
Negotiable certificates of deposit	21	–	–	–	-	4 386 137	–	4 386 137
Other liabilities	22	–	–	–	–	83 807	45 747	129 554
Current tax payable		–	–	–	–	–	211	211
Deferred taxation liabilities	23	–	–	–	–	–	27 163	27 163
Policyholder liabilities under insurance contracts	24	–	–	–	–	–	110 409	110 409
Provision for post-retirement medical benefits	25	–	–	–	–	–	8 521	8 521
Long-term subordinated debt instruments	26	–	–	–	–	317 636	–	317 636
Lease liabilities	27	–	–	–	–	–	28 222	28 222
Total liabilities		73 504	–	–	–	18 853 276	220 273	19 147 053

43.1 STATEMENT OF FINANCIAL POSITION - CATEGORIES OF FINANCIAL INSTRUMENTS

	Notes	At fair value through profit and loss – Mandatory N$'000	At fair value through profit and loss – Designated N$'000	At fair value through other comprehensive income – debt instruments N$'000	At fair value through other comprehensive income – equity instruments N$'000	Financial assets/ financial liabilities at amortised cost N$'000	Non-financial assets and liabilities N$'000	Total N$'000
2019								
Assets								
Cash and balances with central bank	4	–	–	–	–	482 155	–	482 155
Due from other banks	5	–	–	–	–	2 457 869	–	2 457 869
Other short-term securities	6	–	–	176 840	–	2 087 988	–	2 264 828
Derivative financial instruments	7	41 932	–	–	–	–	–	41 932
Government and other securities	8	–	449 358	1 783 303	–	139 803	–	2 372 464
Loans and advances to customers	9	–	–	–	–	12 071 345	–	12 071 345
Other assets	10	–	–	–	–	145 206	6 500	151 706
Investment in subsidiaries, associates and listed investments	11	–	–	–	35 676	–	13 865	49 541
Current tax receivable		–	–	–	–	–	1 638	1 638
Property and equipment	12	–	–	–	–	–	405 871	405 871
Computer software and development cost	13	–	–	–	–	–	70 344	70 344
Goodwill	14	–	–	–	–	–	29 125	29 125
Total assets		41 932	449 358	1 960 143	35 676	17 384 366	527 343	20 398 818
Liabilities								
Derivative financial instruments	7	41 319	–	–	–	–	–	41 319
Due to other banks	19	–	–	–	–	1 477 174	–	1 477 174
Due to customers	20	–	–	–	–	11 353 753	–	11 353 753
Negotiable certificates of deposit	21	–	79 407	–	–	4 274 983	–	4 354 390
Other liabilities	22	–	–	–	–	78 659	42 765	121 424
Current tax payable		–	–	–	–	–	250	250
Deferred taxation liabilities	23	–	–	–	–	–	58 595	58 595
Policyholder liabilities under insurance contracts	24	–	–	–	–	–	114 108	114 108
Provision for post-retirement medical benefits	25	–	–	–	–	–	8 495	8 495
Long-term subordinated debt instruments	26	–	–	–	–	316 966	–	316 966
Lease liabilities	27	–	–	–	–	–	24 085	24 085
Total liabilities		41 319	79 407	–	–	17 501 535	248 298	17 870 559

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43.2 STATEMENT OF FINANCIAL POSITION - FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

	Notes	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Financial assets/ financial liabilities at amortised cost N$'000	Non-financial assets, and liabilities N$'000	Total N$'000
2020							
Assets							
Cash and balances with central bank	4	–	–	–	683 952	–	683 952
Due from other banks	5	–	–	–	3 079 147	–	3 079 147
Other short-term securities	6	–	362 144	–	2 147 955	–	2 510 099
Derivative financial instruments	7	–	65 513	–	–	–	65 513
Government and other securities	8	–	2 006 909	–	140 370	–	2 147 279
Loans and advances to customers	9	–	–	–	12 209 117	–	12 209 117
Other assets	10	–	–	–	245 874	11 923	257 797
Investment in subsidiaries, associates and listed investments	11	21 651	–	–	–	–	21 651
Current tax receivable		–	–	–	–	15 594	15 594
Property and equipment	12	–	–	–	–	547 161	547 161
Computer software and development cost	13	–	–	–	–	75 389	75 389
Goodwill	14	–	–	–	–	29 125	29 125
Total assets		21 651	2 434 566	–	18 506 415	679 192	21 641 824
Liabilities							
Derivative financial instruments	7	–	73 504	–	–	–	73 504
Due to other banks	19	–	–	–	1 709 481	–	1 709 481
Due to customers	20	–	–	–	12 356 215	–	12 356 215
Negotiable certificates of deposit	21	–	–	–	4 386 137	–	4 386 137
Other liabilities	22	–	–	–	83 807	45 747	129 554
Current tax payable		–	–	–	–	211	211
Deferred taxation liabilities	23	–	–	–	–	27 163	27 163
Policyholder liabilities under insurance contracts	24	–	–	–	–	110 409	110 409
Provision for post-retirement medical benefits	25	–	–	–	–	8 521	8 521
Long-term subordinated debt instruments	26	–	–	–	317 636	–	317 636
Lease liabilities	27	–	–	–	–	28 222	28 222
Total liabilities		–	73 504	–	18 853 276	220 273	19 147 053

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43.2 STATEMENT OF FINANCIAL POSITION - FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

	Notes	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Financial assets/ financial liabilities at amortised cost N$'000	Non-financial assets, liabilities and equity N$'000	Total N$'000
2019							
Assets							
Cash and balances with central bank	4	–	–	–	482 155	–	482 155
Due from other banks	5	–	–	–	2 457 869	–	2 457 869
Other short-term securities	6	–	176 840	–	2 087 988	–	2 264 828
Derivative financial instruments	7	–	41 932	–	–	–	41 932
Government and other securities	8	–	2 232 661	–	139 803	–	2 372 464
Loans and advances to customers	9	–	–	–	12 071 345	–	12 071 345
Other assets	10	–	–	–	145 206	6 500	151 706
Investment in subsidiaries, associates and listed investments	11	35 676	–	–	–	13 865	49 541
Current tax receivable		–	–	–	–	1 638	1 638
Property and equipment	12	–	–	–	–	405 871	405 871
Computer software and development cost	13	–	–	–	–	70 344	70 344
Goodwill	14	–	–	–	–	29 125	29 125
Total assets		35 676	2 451 433	–	17 384 366	527 343	20 398 818
Liabilities							
Derivative financial instruments	7	–	41 319	–	–	–	41 319
Due to other banks	19	–	–	–	1 477 174	–	1 477 174
Due to customers	20	–	–	–	11 353 753	–	11 353 753
Negotiable certificates of deposit	21	–	79 407	–	4 274 983	–	4 354 390
Other liabilities	22	–	–	–	78 659	42 765	121 424
Current tax payable		–	–	–	–	250	250
Deferred taxation liabilities	23	–	–	–	–	58 595	58 595
Policyholder liabilities under insurance contracts	24	–	–	–	–	114 108	114 108
Provision for post-retirement medical benefits	25	–	–	–	–	8 495	8 495
Long-term subordinated debt instruments	26	–	–	–	316 966	–	316 966
Lease liabilities	27	–	–	–	–	24 085	24 085
Total liabilities		–	120 726	–	17 501 535	248 298	17 870 559

The appropriateness of the financial instruments classification and fair value hierarchy is reviewed on an annual basis.

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43.3 STATEMENT OF FINANCIAL POSITION – VALUATION OF FINANCIAL INSTRUMENTS

Background
Information obtained from the valuation of financial instruments is used by the Group to assess the performance of the business and, in particular, provide assurance that the risk and return measures that the business has taken are accurate and complete. It is important that the valuation of financial instruments accurately represents the financial position of the Group while complying with the requirements of the applicable accounting standards.

The fair value of a financial instrument is the amount that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is a presumption that an entity is a going concern without any intention or need to liquidate, to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value is not, therefore, the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distressed sale.

Control Environment

Validation and approval
The business unit entering into the transaction is responsible for the initial determination and recording of the fair value of the transaction. There are normalised review protocols for the independent review and validation of fair values separate from the business unit entering into the transaction. These include, but are not limited to:

- daily controls over the profit or loss recorded by trading and treasury front office traders;
- specific controls to ensure consistent pricing policies and procedures are adhered to;
- independent valuation of structures, products and trades; and
- periodic review of all elements of the modelling process.

The validation of pricing and valuation methodologies is verified by a specialist team that is part of the Group's risk management function and that is independent of all the business units. A specific area of focus is the marking-to-model of illiquid and/or complex financial instruments.

The review of the modelling process includes approval of model revisions, vetting of model inputs, review of model results and more specifically the verification of risk calculations. All valuation techniques are validated and reviewed by qualified senior staff and are calibrated and back-tested for validity by using prices from any observable current market transaction in the same instrument (ie without modification or repackaging) or based on any observable market data. The Group obtains market data consistently in the same market where the instrument was originated or purchased.

If the fair-value calculation deviates from the quoted market value due to inaccurate observed market data, these deviations in the valuation are documented and presented at a review committee, which is independent of both the business unit and the specialist team, for approval. The committee will need to consider both the regulatory and accounting requirements in arriving at an opinion on whether the deviation is acceptable.

The Group refines and modifies its valuation techniques as markets and products develop and as the pricing for individual products becomes more or less readily available. While the Group believes its valuation techniques are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions may result in different estimates of fair value at the different reporting dates.

Valuation Methodologies

The objective of a fair-value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. A fair-value measurement includes, but is not limited to, consideration of the following:

- The particular asset or liability that is being measured (consistently with its unit of account),
- The principal (or most advantageous) market for the asset or liability and
- The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorised.

Quoted price
A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, industry bank, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The appropriate quoted market price for an asset held or a liability to be issued is usually the current bid price and, for an asset to be acquired or a liability held, the asking price.

The objective of determining fair value is to arrive at the transaction price of an instrument on the measurement date (ie without modifying or repackaging the instrument) in the principal (or most advantageous) active market to which the business has immediate access.

The existence of published price quotations in an active market is the most reliable evidence of fair value and, when they exist, they are used without adjustment to measure the financial asset or financial liability. A market is considered to be active if transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

These quoted prices would generally be classified as level 1 in terms of the fair-value hierarchy prescribed by IFRS 13 Fair Value Measurement.

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Valuation techniques
If the market for a financial instrument is not active, the Group establishes fair value by using various valuation techniques. These valuation techniques may include:

- using recent arm's length market transactions between knowledgeable, willing parties;
- reference to the current fair value of another instrument that is substantially the same in nature;
- reference to the value of the net asset of the underlying business;
- earnings multiples;
- discounted-cashflow analysis; and
- various option pricing models.

If there is a valuation technique that is commonly used by market participants to price the financial instrument and that technique has been demonstrated to provide reasonable estimates of prices obtained in actual market transactions, the group will use that technique. In applying valuation techniques, and to the extent possible, the group maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange and motivated by normal business considerations. In applying valuation techniques, the Group uses estimates and assumptions that are consistent with available information about the estimates and assumptions that market participants would use in setting a price for the financial instrument.

Fair value is therefore estimated on the basis of the results of a valuation technique that makes maximum use of market inputs and relies as little as possible on entity-specific inputs. A valuation technique would be expected to arrive at a realistic estimate of the fair value if:

- it reasonably reflects how the market could be expected to price the instrument; and
- the inputs to the valuation technique reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Therefore, a valuation technique:

- will incorporate all relevant factors that market participants would consider in determining a price and
- is consistent with accepted economic methodologies for pricing financial instruments.

If a published price quotation in an active market does not exist for a financial instrument in its entirety, but active markets exist for its component parts, fair value is determined on the basis of the relevant market prices for the various component parts.

If a rate (rather than a price) is quoted in an active market, the Group uses that market-quoted rate as an input into a valuation technique to determine fair value. If the market-quoted rate does not include credit risk or other factors that market participants would include in valuing the instrument, the bank adjusts for these factors.

Valuation techniques applied by the group would generally be classified as level 2 or level 3 in terms of the fair-value hierarchy prescribed by IFRS 13 Fair Value Measurement. The determination of whether an instrument is classified as level 2 or level 3 is dependent on the significance of observable inputs versus unobservable inputs in relation to the fair value of the instrument.

Observable markets

Quoted market prices in active markets are the best evidence of fair value and are used as the basis of measurement, if available. A determination of what constitutes 'observable market data' will necessitate significant judgement. It is the Group's belief that 'observable market data' comprises, in the following hierarchical order:

- prices or quotes from an exchange or listed markets in which there are sufficient liquidity and activity;
- proxy observable market data that is proven to be highly correlated and has a logical, economic relationship with the instrument that is being valued; and
- other direct and indirect market inputs that are observable in the marketplace.

Data is considered by the group to be 'observable' if the data is:

- verifiable;
- readily available;
- regularly distributed;
- from multiple independent sources;
- transparent; and
- not proprietary.

Data is considered by the group to be 'market-based' if the data is:

- reliable;
- based on consensus within reasonable narrow, observable ranges;
- provided by sources that are actively involved in the relevant market; and
- supported by actual market transactions.

It is not intended to imply that all of the above characteristics must be present to conclude that the evidence qualifies as observable market data. Judgement is applied based on the strength and quality of the available evidence.

Inputs to Valuation Techniques

An appropriate valuation technique for estimating the fair value of a particular financial instrument would incorporate observable market data about the market conditions and other factors that are likely to affect the instrument's fair value. Inputs are selected on a basis that is consistent with the characteristics of the instrument that market participants would take into account in a transaction for that instrument. Principal inputs to valuation techniques applied by the group include, but are not limited to, the following:

- Discount rate: Where discounted-cashflow techniques are used, estimated future cashflows are based on management's best estimates and the discount rate used is a market rate at the reporting date for an instrument with similar terms and conditions.

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43.3 STATEMENT OF FINANCIAL POSITION – VALUATION OF FINANCIAL INSTRUMENTS (CONTINUED)

Inputs to Valuation Techniques (continued)

- The time value of money: The business may use well-accepted and readily observable general interest rates, such as the Johannesburg Interbank Agreed Rate (SA), London Interbank Offered Rate (UK) or an appropriate swap rate, as the benchmark rate to derive the present value of a future cashflow.
- Credit risk: Credit risk is the risk of loss associated with a counterparty's failure or inability to fulfil its contractual obligations. The valuation of the relevant financial instrument takes into account the effect of credit risk on fair value by including an appropriate adjustment for the risk taken.
- Foreign currency exchange prices: Active currency exchange markets exist for most major currencies, and prices are quoted daily on various trading platforms and in financial publications.
- Commodity prices: Observable market prices are available for those commodities that are actively traded on exchanges in SA, London, New York, Chicago and other commercial exchanges.
- Equity prices: Prices (and indices of prices) of traded equity instruments are readily observable on JSE Ltd or any other recognised international exchange. Present value techniques may be used to estimate the current market price of equity instruments for which there are no observable prices.
- Volatility: Measures of the volatility of actively traded items can be reasonably estimated by the implied volatility in current market prices. The shape and skew of the volatility curve is derived from a combination of observed trades and doubles in the market. In the absence of an active market, a methodology to derive these volatilities from observable market data will be developed and utilised.
- Recovery rates/Loss given default: These are used as an input to valuation models as an indicator of the severity of losses on default. Recovery rates are primarily sourced from market data providers or inferred from observable credit spreads.
- Prepayment risk and surrender risk: Expected repayment patterns for financial assets and expected surrender patterns for financial liabilities can be estimated on the basis of historical data.
- Servicing costs: If the cost of servicing a financial asset or financial liability is significant and other market participants would face comparable costs, the issuer would consider them in determining the fair value of that financial asset or financial liability.
- Dividends: Consistent consensus dividend forecasts adjusted for internal investment analysts' projections can be applied to each share. Forecasts are usually available for the current year plus one additional year. Thereafter, a constant growth rate would be applied to the specific dates into the future for each individual share.
- Inception profit (day-one gain or loss): The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (ie the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (ie without modification or repackaging) or based on a valuation technique, the variables of which include data from observable markets only.

To estimate a reliable fair value, where appropriate, the group applies certain valuation adjustments to the pricing information derived from the above sources. In making appropriate adjustments, the group considers certain adjustments to the modelled price that market participants would make when pricing that instrument. Factors that would be considered include, but are not limited to, the following:

- Own credit on financial liabilities: The carrying amount of financial liabilities held at fair value is adjusted to reflect the effect of changes in the bank's own credit spreads. As a result, the carrying value of issued bonds and subordinated-debt instruments that have been designated at fair value through profit or loss is adjusted by reference to the movement in the appropriate spreads. The resulting gain or loss is recognised in profit and loss in the statement of other comprehensive income.
- Counterparty credit spreads: Adjustments are made to market prices when the creditworthiness of the counterparty differs from that of the assumed counterparty in the market price (or parameter).

Valuation Techniques by Instrument

In accordance with IFRS 13 Fair-value Measurement, the measurement of the following financial instruments are considered to be recurring.

Other short-term securities and government and other securities

The fair value of these instruments is based on quoted market prices from an exchange dealer, broker, industry bank or pricing service, when available. When they are unavailable, the fair value is determined by reference to quoted market prices for similar instruments, adjusted as appropriate for the specific circumstances of the instruments.

Where these instruments include corporate bonds, the bonds are valued using observable active quoted prices or recently executed transactions, except where observable price quotations are not available. Where price quotations are not available, the fair value is determined based on cashflow models, where significant inputs may include yield curves and bond or singlename credit default swap spreads.

Derivative financial instruments

Derivative contracts can either be traded via an exchange or over the counter (OTC) and are valued using market standard models and quoted parameter inputs. Parameter inputs are obtained from pricing services, consensus pricing services and recently occurring transactions in active markets, whenever possible. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures. Other inputs are not observable, but can generally be estimated from historical data or other sources.

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Loans and advances

Loans and advances include mortgage loans (home loans and commercial mortgages), other asset-based loans, including collaterised debt obligations, and other secured and unsecured loans.

In the absence of an observable market for these instruments, the fair value is determined by using internally developed models that are specific to the instrument and that incorporate all available observable inputs. These models involve discounting the contractual cashflows by using an at-inception credit-adjusted zero - coupon curve. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance.

Other assets

Short positions or long positions in equities arise in trading activities where equity shares, not owned by the Group, are sold n the market to third parties. The fair value of these instruments is determined by reference to the gross short/long position valued at the offer rate.

Investments in instruments that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured, as well as derivatives that are linked to and have to be settled by delivery of such unquoted equity instruments, are measured at fair value, using models considered to be appropriate by management.

Amounts owed to depositors

Amounts owed to depositors include deposits under repurchase agreements, negotiable certificates of deposit and other deposits. These instruments incorporate all market risk factors, including a measure of the Group's credit risk relevant for that financial liability when designated at fair value through profit or loss.

The fair value of these financial liabilities is determined by discounting the contractual cashflows using a Nedbank Ltd-specific credit-adjusted yield curve that reflects the level at which the bank would issue similar instruments at the reporting date.

The market risk parameters are valued consistently to similar instruments held as assets.

The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. When the fair value of a financial liability cannot be reliably determined, the liability is recorded at the amount due. Fair value is considered reliably measurable if:

- the variability in the range of reasonable fair-value estimates is not significant for that instrument; or
- the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

Investment contract liabilities

The fair value of investment contract liabilities is determined by reference to the fair value of the underlying assets.

Long-term debt instruments

The fair value of long-term debt instruments is determined by reference to published market values on the relevant exchange, when they are:

- available and
- considered to be trading with sufficient volume and frequency.

When the above conditions are not met, the fair value is determined using models considered to be appropriate by management. As far as possible, inputs to these models will leverage observable inputs for similar instruments with similar coupons and maturities.

Other liabilities

Short positions or long positions in equities arise in trading activities where equity shares, not owned by the Group, are sold in the market to third parties. The fair value of these instruments is determined by reference to the gross short/long position valued at the offer rate.

Where the Group has assets and liabilities with offsetting market risks, it may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position, as appropriate.

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43.3 STATEMENT OF FINANCIAL POSITION – VALUATION OF FINANCIAL INSTRUMENTS (CONTINUED)

Summary of principal valuation techniques - Level 2 instruments

The following table sets out the Group's principal valuation techniques used in determining the fair value of financial assets and financial liabilities classified as level 2 in the fair value hierarchy:

Assets	Valuation technique	Key Inputs
Other short term securities	Discounted cashflow model	Discount rates
Derivative financial instruments	Discounted cashflow model Black-Scholes model Multiple valuation techniques	Discount rates Risk-free rate and volatilities Valuation multiples
Government and other securities	Discounted cashflow model	Discount rates
Loans and advances	Discounted cashflow model	Interest rate curves

Liabilities	Valuation technique	Key Inputs
Negotiable certificates of deposit and promissory notes	Discounted cashflow model	Discount rates
Derivative financial instruments	Discounted cashflow model Black-Scholes model Multiple valuation techniques	Discount rates Risk-free rate and volatilities Valuation multiples
Amounts owed to depositors	Discounted cashflow model	Discount rates
Long-term subordinated debt instruments	Discounted cashflow model	Discount rates

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44. LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

44.1 Liquidity GAP

By monitoring the maturity profile of the current statement of financial position as well as its expected future structure ALCO proactively manages this risk and is able to address any potential mismatches in accordance with best banking practice. Refer to the section under the heading 'Liquidity risk' in the Corporate Governance and Compliance report to the consolidated annual financial statements for more detail on liquidity risk management.

	On demand N$'000	Up to 3 months N$'000	3 - 6 months N$'000	6 - 12 months N$'000	1 - 5 years N$'000	Over 5 years N$'000	Equity/Non-determined N$'000	Total N$'000
2020								
Assets								
Cash and balances with central bank	493 079	–	–	–	–	–	190 873	683 952
Due from other banks	633 993	458 366	–	258 110	1 728 678	–	–	3 079 147
Other short-term securities	–	2 210 603	249 496	50 000	–	–	–	2 510 099
Derivative financial instruments	–	16 076	6 194	31 361	11 882	–	–	65 513
Government and other sector	–	513 895	574 496	501 669	476 384	81 048	(213)	2 147 279
Loans and advances to customers	1 688 889	613 352	261 181	763 996	4 024 095	4 282 454	575 150	12 209 117
Other assets	176 337	–	–	–	–	–	81 460	257 797
Investment in subsidiaries, associates and listed investments	–	–	–	–	–	–	21 651	21 651
Current tax receivable	–	–	–	–	–	–	15 594	15 594
Property and equipment	–	–	–	–	–	–	547 161	547 161
Computer software and development cost	–	–	–	–	–	–	75 389	75 389
Goodwill	–	–	–	–	–	–	29 125	29 125
	2 992 298	3 812 292	1 091 367	1 605 136	6 241 039	4 363 502	1 536 190	21 641 824
Liabilities								
Total equity	–	–	–	–	–	–	2 494 771	2 494 771
Derivative financial instruments	–	15 737	6 184	31 426	14 603	5 554	–	73 504
Due to other banks	31 803	1 451 755	75 585	150 338	–	–	–	1 709 481
Due to customers	9 112 482	1 748 918	625 457	642 335	159 693	67 329	–	12 356 214
Negotiable certificates of deposit	–	1 466 126	563 009	1 467 702	889 300	–	–	4 386 137
Other liabilities	18 344	38 815	–	–	–	–	72 397	129 556
Current tax payable	–	–	–	–	–	–	211	211
Deferred taxation liabilities	–	–	–	–	–	–	27 163	27 163
Policyholder liabilities under insurance contracts	–	–	–	–	–	–	110 408	110 408
Provision for post-retirement medical benefits	–	–	–	–	–	–	8 521	8 521
Long-term subordinated debt instruments	–	7 317	–	372	300 000	9 947	–	317 636
Lease liability	1 806	3 804	4 687	6 596	11 598	–	(269)	28 222
	9 164 435	4 732 472	1 274 922	2 298 769	1 375 194	82 830	2 713 202	21 641 824
Net liquidity gap	(6 172 137)	(920 180)	(183 555)	(693 633)	4 865 845	4 280 672	(1 177 012)	–

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44. LIQUIDITY RISK (CONTINUED)

	On demand N$'000	Up to 3 months N$'000	3 - 6 months N$'000	6 - 12 months N$'000	1 - 5 years N$'000	Over 5 years N$'000	Equity/Non-determined N$'000	Total N$'000
2019								
Assets								
Cash and balances with central bank	298 953	–	–	–	–	–	183 202	482 155
Due from other banks	539 170	400 641	387 443	560 037	570 578	–	–	2 457 869
Other short-term securities	399 425	1 865 403	–	–	–	–	–	2 264 828
Derivative financial instruments	–	10 583	1 309	1 015	29 025	–	–	41 932
Government and other sector	–	249 757	988 166	445 720	605 205	84 319	(703)	2 372 464
Loans and advances to customers	(82 715)	1 888 299	728 248	812 288	4 508 126	4 523 569	(306 470)	12 071 345
Other assets	–	–	–	–	–	–	151 706	151 706
Investment in subsidiaries and associates	–	–	–	–	–	–	49 541	49 541
Current tax receivable	–	–	–	–	–	–	1 638	1 638
Property and equipment	–	–	–	–	–	–	405 871	405 871
Computer software and development cost	–	–	–	–	–	–	70 344	70 344
Goodwill	–	–	–	–	–	–	29 125	29 125
	1 154 833	4 414 683	2 105 166	1 819 060	5 712 934	4 607 888	584 254	20 398 818
Liabilities								
Total equity	–	–	–	–	–	–	2 528 259	2 528 259
Derivative financial instruments	–	11 070	1 108	1 010	27 423	708	–	41 319
Due to other banks	14 582	870 318	196 051	396 223	–	–	–	1 477 174
Due to customers	7 493 392	1 832 782	511 233	1 186 510	115 563	130 937	83 336	11 353 753
Negotiable certificates of deposit	–	2 416 022	701 293	730 688	476 173	30 214	–	4 354 390
Other liabilities	–	–	–	–	–	–	121 424	121 424
Current tax payable	–	–	–	–	–	–	250	250
Deferred taxation liabilities	–	–	–	–	–	–	58 595	58 595
Policyholder liabilities under insurance contracts	–	–	–	–	–	–	114 108	114 108
Provision for post-retirement medical benefits	–	–	–	–	–	–	8 495	8 495
Long-term subordinated debt instruments	–	–	–	–	256 608	60 358	–	316 966
Lease liability	–	–	–	–	–	–	24 085	24 085
	7 507 974	5 130 192	1 409 685	2 314 431	875 767	222 217	2 938 552	20 398 818
Net liquidity gap	(6 353 141)	(715 509)	695 481	(495 371)	4 837 167	4 385 671	(2 354 298)	–

44.2 Liquidity risk management

By monitoring the maturity profile of the current statement of financial position as well as its expected future structure ALCO proactively manages this risk and is able to address any potential mismatches in accordance with best banking practice. Refer to the section under the heading "Liquidity risk" in the Corporate Governance and Compliance report of the integrated report for more detail on liquidity risk management.

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44.3 Contractual liquidity risk analysis for financial liabilities

	On demand N$'000	Up to 3 months N$'000	3 - 6 months N$'000	6 - 12 months N$'000	1 - 5 years N$'000	Over 5 years N$'000	Equity/Non-determined N$'000	Total N$'000
2020								
Liabilities								
Derivative financial instruments	–	15 736	6 184	31 427	14 603	5 554	–	73 504
Due to other banks	30 912	1 513 635	26 804	158 142	–	–	–	1 729 493
Due to customers	9 174 693	1 690 227	688 797	668 598	184 710	67 329	–	12 474 354
Negotiable certificates of deposit	–	1 474 292	573 815	1 516 738	977 138	3 357	–	4 545 340
Other liabilities	18 344	38 815	–	–	–	–	72 395	129 554
Current tax payable	–	–	–	–	–	–	211	211
Deferred taxation liabilities	–	–	–	–	–	–	27 163	27 163
Policyholder liabilities under insurance contracts	–	–	–	–	–	–	110 409	110 409
Provision for post-retirement medical benefits	–	–	–	–	–	–	8 521	8 521
Long-term subordinated debt instruments	–	7 317	–	372	376 367	40 004	–	424 060
Lease liabilities	–	–	–	–	–	–	28 222	28 222
Total liabilities	9 223 949	4 740 022	1 295 600	2 375 277	1 552 818	116 244	246 921	19 550 831
Off statement of financial position								
Financial and other guarantees	–	6 327	100 340	28 138	63 050	274 882	58 643	531 380
Other	–	–	–	–	–	–	–	–
Undrawn facilities	1 152 515	–	–	–	–	–	–	1 152 515
2019								
Liabilities								
Derivative financial instruments	–	11 070	1 108	1 010	27 423	708	–	41 319
Due to other banks	7 397	877 251	204 228	436 137	–	–	–	1 525 013
Due to customers	7 501 189	1 531 144	526 328	1 242 893	153 927	130 937	83 335	11 169 753
Negotiable certificates of deposit	–	2 435 395	719 947	772 963	593 698	51 351	–	4 573 354
Other liabilities	–	–	–	–	–	–	121 424	121 424
Current tax payable	–	–	–	–	–	–	250	250
Deferred taxation liabilities	–	–	–	–	–	–	58 595	58 595
Policyholder liabilities under insurance contracts	–	–	–	–	–	–	114 108	114 108
Provision for post-retirement medical benefits	–	–	–	–	–	–	8 495	8 495
Long-term subordinated debt instruments	–	–	–	–	345 747	118 040	–	463 787
Lease liabilities	–	–	–	–	–	–	24 085	24 085
Total liabilities	7 508 586	4 854 860	1 451 611	2 453 003	1 120 795	301 036	410 292	18 100 183
Off statement of financial position								
Financial and other guarantees	–	11 345	10 973	65 894	18 515	253 175	58 965	418 867
Other	–	–	–	–	–	–	10 100	10 100
Undrawn facilities	974 105	–	–	–	–	–	–	974 105

The maturity analysis detailed under the contractual liquidity risk analysis for financial liabilities include future interest.

45. MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

The Group is exposed to both currency and interest rate risk. Refer to note 46 and note 47 for disclosure regarding these risks.

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46. CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates.

46.1 Currency risk management

Foreign exchange dealers monitor currency exchange rate movements on an ongoing basis and operate within pre-approved limits, based on their knowledge, expertise and experience. The risk of money market/capital market instruments being repriced due to interest rate movements are also monitored by dealers to remain within approved limits. Refer to the section under the heading 'Currency risk' in the Corporate Governance report to the annual financial statements for more detail on currency risk management.

46.2 Currency risk profile

	N$ N$'000	EUR N$'000	US$ N$'000	GBP N$'000	ZAR and Other N$'000	Total N$'000
2020						
Assets						
Cash and balances with central bank	680 763	760	1 025	123	1 281	683 952
Due from other banks	–	6 420	–	–	3 072 727	3 079 147
Other short-term securities	2 005 016	–	505 083	–	–	2 510 099
Derivative financial instruments	65 513	–	–	–	–	65 513
Government and other securities	2 147 279	–	–	–	–	2 147 279
Loans and advances to customers	12 209 116	–	1	–	–	12 209 117
Other assets	227 691	–	–	–	30 106	257 797
Investment in subsidiaries, associates and listed investments	21 651	–	–	–	–	21 651
Current tax receivable	15 594	–	–	–	–	15 594
Property and equipment	547 161	–	–	–	–	547 161
Computer software and development cost	75 389	–	–	–	–	75 389
Goodwill	29 125	–	–	–	–	29 125
Total assets	18 024 298	7 180	506 109	123	3 104 114	21 641 824
Equity and Liabilities						
Capital and reserves						
Share capital	17 595	–	–	–	–	17 595
Share premium	99 536	–	–	–	–	99 536
General risk reserve	157 993	–	–	–	–	157 993
Revaluation reserve	71 032	–	–	–	–	71 032
Fair value reserve	2 957	–	–	–	–	2 957
Equity investment revaluation reserve	5 970	–	–	–	–	5 970
Retained income	2 126 385	–	–	–	–	2 126 385
Shareholder's interest	2 481 468	–	–	–	–	2 481 468
Non-controlling interest	13 303	–	–	–	–	13 303
Total shareholder's equity and non-controlling interest	2 494 771	–	–	–	–	2 494 771
Liabilities						
Derivative financial instruments	73 504	–	–	–	–	73 504
Due to other banks	229 309	20	107 925	75	1 372 152	1 709 481
Due to customers	11 296 976	101 269	276 224	226	681 520	12 356 215
Negotiable certificates of deposit	3 880 844	–	–	–	505 293	4 386 137
Other liabilities	129 554	–	–	–	–	129 554
Current tax payable	211	–	–	–	–	211
Deferred taxation liabilities	27 163	–	–	–	–	27 163
Policyholder liabilities under insurance contracts	110 409	–	–	–	–	110 409
Provision for post-retirement medical benefits	8 521	–	–	–	–	8 521
Long-term subordinated debt instruments	317 636	–	–	–	–	317 636
Lease liability	28 222	–	–	–	–	28 222
Total liabilities	16 102 349	101 289	384 149	301	2 558 965	19 147 053
Total equity and liabilities	18 597 120	101 289	384 149	301	2 558 965	21 641 824
Net balance sheet position	(572 822)	(94 109)	121 960	(178)	545 149	–
Off balance sheet net notional position	9 764	6 320	(7 811)	185	(9 734)	(1 276)
Rates of exchange as at 31 December 2020	–	18,00	14,70	20,07	–	–

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46.2 Currency risk profile

	N$ N$'000	EUR N$'000	US$ N$'000	GBP N$'000	ZAR and Other N$'000	Total N$'000
2019						
Assets						
Cash and balances with central bank	471 940	4 868	4 301	72	974	482 155
Due from other banks	105 931	9 686	9 886	445	2 331 921	2 457 869
Other short-term securities	1 811 719	–	453 109	–	–	2 264 828
Derivative financial instruments	41 932	–	–	–	–	41 932
Government and other securities	2 059 709	–	–	–	312 755	2 372 464
Loans and advances to customers	12 071 343	–	2	–	–	12 071 345
Other assets	151 690	–	–	–	16	151 706
Investment in subsidiaries, associates and listed investments	49 541	–	–	–	–	49 541
Current tax receivable	1 638	–	–	–	–	1 638
Property and equipment	405 871	–	–	–	–	405 871
Computer software and development cost	70 344	–	–	–	–	70 344
Goodwill	29 125	–	–	–	–	29 125
Total assets	17 270 783	14 554	467 298	517	2 645 666	20 398 818
Equity and Liabilities						
Capital and reserves						
Share capital	17 595	–	–	–	–	17 595
Share premium	99 536	–	–	–	–	99 536
General risk reserve	33 413	–	–	–	–	33 413
Revaluation reserve	79 378	–	–	–	–	79 378
Fair value reserve	1 808	–	–	–	–	1 808
Equity investment revaluation reserve	20 020	–	–	–	–	20 020
Retained income	2 262 987	–	–	–	–	2 262 987
Shareholder's interest	2 514 737	–	–	–	–	2 514 737
Non-controlling interest	13 522	–	–	–	–	13 522
Total shareholder's equity and non-controlling interest	2 528 259	–	–	–	–	2 528 259
Liabilities						
Derivative financial instruments	41 319	–	–	–	–	41 319
Due to other banks	534 771	8 363	205 284	–	728 756	1 477 174
Due to customers	10 718 565	71 397	196 067	329	367 395	11 353 753
Negotiable certificates of deposit	3 849 097	–	–	–	505 293	4 354 390
Other liabilities	121 424	–	–	–	–	121 424
Current tax payable	250	–	–	–	–	250
Deferred taxation liabilities	58 595	–	–	–	–	58 595
Policyholder liabilities under insurance contracts	114 108	–	–	–	–	114 108
Provision for post-retirement medical benefits	8 495	–	–	–	–	8 495
Long-term subordinated debt instruments	316 966	–	–	–	–	316 966
Lease liability	24 085	–	–	–	–	24 085
Total liabilities	15 787 675	79 760	401 351	329	1 601 444	17 870 559
Total equity and liabilities	18 315 934	79 760	401 351	329	1 601 444	20 398 818
Net balance sheet position	1 045 151	(65 206)	65 947	188	1 044 222	–
Off balance sheet net notional position	1 749	(170)	625	–	(1 752)	452
Rates of exchange as at 31 December 2019	–	15,71	14,01	18,43	–	–

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46.3 Currency risk sensitivity analysis

	Possible effect on the statement of comprehensive income*	Reasonable possible change (increase/decrease)				Balance as at reporting date
	N$'000	EUR N$	US$ N$	GBP N$	ZAR and Other N$	N$'000
2020						
Assets						
Cash and balances with central bank	80	1,05	1,04	1,01	1,00	683 952
Due from other banks	327	1,05	1,04	1,01	1,00	3 079 147
Other short-term securities	19 597	1,05	1,04	1,01	1,00	2 510 099
Derivative financial instruments	–	–	–	–	–	65 513
Government and other securities	–	–	–	–	–	2 147 279
Loans and advances to customers	–	–	–	–	–	12 209 117
Other assets	–	–	–	–	–	257 797
Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	21 651
Current tax receivable	–	–	–	–	–	15 594
Property and equipment	–	–	–	–	–	547 161
Computer software and development cost	–	–	–	–	–	75 389
Goodwill	–	–	–	–	–	29 125
Total assets	20 004					21 641 824
Liabilities						
Derivative financial instruments	–	–	–	–	–	73 504
Due to other banks	–	–	–	–	–	1 709 481
Due to customers	15 885	1,05	1,04	1,01	1,00	12 356 215
Negotiable certificates of deposits	–	–	–	–	–	4 386 137
Other liabilities	–	–	–	–	–	129 554
Current tax payable	–	–	–	–	–	211
Deferred taxation liabilities	–	–	–	–	–	27 163
Policyholder liabilities under insurance contracts	–	–	–	–	–	110 409
Provision for post-retirement medical benefits	–	–	–	–	–	8 521
Long-term subordinated debt instruments	–	–	–	–	–	317 636
Lease liability	28 222	–	–	–	–	28 222
Total liabilities	44 107					19 147 053

46.3 Currency risk sensitivity analysis

	Possible effect on the statement of comprehensive income*	Reasonable possible change (increase/decrease)				Balance as at reporting date
	N$'000	EUR N$	US$ N$	GBP N$	ZAR and Other N$	N$'000
2019						
Assets						
Cash and balances with central bank	10 215	–	–	–	1,00	482 155
Due from other banks	2 351 938	–	–	–	1,00	2 457 869
Other short-term securities	453 109	–	–	–	–	2 264 828
Derivative financial instruments	–	–	–	–	–	41 932
Government and other securities	–	–	–	–	–	2 372 464
Loans and advances to customers	2	–	–	–	–	12 071 345
Other assets	–	–	–	–	–	151 706
Investment in subsidiaries, associates, and listed investments	–	–	–	–	–	49 541
Current tax receivable	–	–	–	–	–	1 638
Property and equipment	–	–	–	–	–	405 871
Computer software and development cost	–	–	–	–	–	70 344
Goodwill	–	–	–	–	–	29 125
Total assets	2 815 264					20 398 818
Liabilities						
Derivative financial instruments	–	–	–	–	–	41 319
Due to other banks	–	–	–	–	–	1 477 174
Due to customers	267 793	–	–	–	1,00	11 353 753
Negotiable certificates of deposits	–	–	–	–	–	4 354 390
Other liabilities	–	–	–	–	–	121 424
Current tax payable	–	–	–	–	–	250
Deferred taxation liabilities	–	–	–	–	–	58 595
Policyholder liabilities under insurance contracts	–	–	–	–	–	114 108
Provision for post-retirement medical benefits	–	–	–	–	–	8 495
Long-term subordinated debt instruments	–	–	–	–	–	316 966
Lease liability	24 085	–	–	–	–	24 085
Total liabilities	291 878					17 870 559

* The possible effect on the statement of profit or loss and other comprehensive income has been determined by applying the possible change in currency to the outstanding balance reported at year end. The possible change in currency can be either positive or negative and the figures reflected above are in absolute format. The possible change is based on forward rates for a 12 month period instrument by applying expectations determined by Nedbank Group Limited.

47. INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

47.1 Interest rate risk management

Interest rate risk is assessed through the use of traditional gap analysis techniques. Gap analysis measures the volumes of assets and liabilities subject to repricing within a given period. For this purpose assets and liabilities are classified according to their contractual repricing characteristics. Through the use of balance sheet stress testing and net interest income scenarios the impact of interest rate movements and risk concentrations can be identified and measured. Strategies are then developed for mitigating such risks. Refer to the section under the heading 'Interest rate risk' in the Corporate Governance and Compliance report to the annual financial statements for more detail on interest rate risk management.

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47.2 Interest rate risk analysis

2020

	Up to 3 months N$'000	3 - 6 months N$'000	6 - 12 months N$'000	1 - 5 years N$'000	Over 5 years N$'000	Non-interest sensitive N$'000	Total N$'000
Assets							
Cash and balances with central bank	334 967	–	–	–	–	348 985	683 952
Due from other banks	3 050 097	–	–	–	–	29 050	3 079 147
Other short-term securities	2 205 681	240 000	–	–	–	64 418	2 510 099
Derivative financial instruments	–	–	–	–	–	65 513	65 513
Government and other securities	666 090	397 276	500 577	458 133	78 798	46 405	2 147 279
Loans and advances to customers	11 597 141	–	–	–	–	611 976	12 209 117
Other assets	–	–	–	–	–	257 797	257 797
Investment in subsidiaries, associates and listed investments	–	–	–	–	–	21 651	21 651
Current tax receivable	–	–	–	–	–	15 594	15 594
Property and equipment	–	–	–	–	–	547 161	547 161
Computer software and development cost	–	–	–	–	–	75 389	75 389
Goodwill	–	–	–	–	–	29 125	29 125
Total assets	17 853 976	637 276	500 577	458 133	78 798	2 113 064	21 641 824
Equity and Liabilities							
Capital and reserves							
Share capital	–	–	–	–	–	17 595	17 595
Share premium	–	–	–	–	–	99 536	99 536
General risk reserve	–	–	–	–	–	157 993	157 993
Revaluation reserve	–	–	–	–	–	71 032	71 032
Fair value reserve	–	–	–	–	–	2 957	2 957
Equity investment revaluation reserve	–	–	–	–	–	5 970	5 970
Retained income	–	–	–	–	–	2 126 385	2 126 385
Shareholder's interest	–	–	–	–	–	2 481 468	2 481 468
Non-controlling interest	–	–	–	–	–	13 303	13 303
Total shareholder's equity and non-controlling interest	–	–	–	–	–	2 494 771	2 494 771
Liabilities							
Derivative financial instruments	–	–	–	–	–	73 504	73 504
Due to other banks	1 709 481	–	–	–	–	–	1 709 481
Due to customers	8 788 605	674 174	570 481	23 810	–	2 299 145	12 356 215
Negotiable certificates of deposit	3 232 200	306 300	661 777	99 933	–	85 927	4 386 137
Other liabilities	–	–	–	–	–	129 554	129 554
Current tax payable	–	–	–	–	–	211	211
Deferred taxation liabilities	–	–	–	–	–	27 163	27 163
Policyholder liabilities under insurance contracts	–	–	–	–	–	110 409	110 409
Provision for post-retirement medical benefits	–	–	–	–	–	8 521	8 521
Long-term subordinated debt instruments	150 000	–	–	150 000	9 946	7 690	317 636
Lease liabilities	–	–	–	–	–	28 222	28 222
Total liabilities	13 880 286	980 474	1 232 258	273 743	9 946	2 770 346	19 147 053
Total equity and liabilities	13 880 286	980 474	1 232 258	273 743	9 946	5 265 117	21 641 824
On balance sheet interest sensitivity gap	3 973 690	(343 198)	(731 681)	184 390	68 852	(3 152 053)	–
Cumulative on balance sheet interest sensitivity gap	3 973 690	3 630 492	2 898 811	3 083 201	3 152 053	–	–

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47.2 Interest rate risk analysis

2019

	Up to 3 months N$'000	3 - 6 months N$'000	6 - 12 months N$'000	1 - 5 years N$'000	Over 5 years N$'000	Non-interest sensitive N$'000	Total N$'000
Assets							
Cash and balances with central bank	185 813	–	–	–	–	296 342	482 155
Due from other banks	1 475 323	387 443	560 037	–	–	35 066	2 457 869
Other short-term securities	2 264 828	–	–	–	–	–	2 264 828
Derivative financial instruments	–	–	–	–	–	41 932	41 932
Government and other securities	424 207	1 003 053	470 080	420 947	87 000	(32 823)	2 372 464
Loans and advances to customers	11 582 609	14	28	252	631	487 811	12 071 345
Other assets	–	–	–	–	–	151 706	151 706
Investment in subsidiaries, associates and listed investments	–	–	–	–	–	49 541	49 541
Current tax receivable	–	–	–	–	–	1 638	1 638
Property and equipment	–	–	–	–	–	405 871	405 871
Computer software and development cost	–	–	–	–	–	70 344	70 344
Goodwill	–	–	–	–	–	29 125	29 125
Total assets	15 932 780	1 390 510	1 030 145	421 199	87 631	1 536 553	20 398 818
Equity and Liabilities							
Capital and reserves							
Share capital	–	–	–	–	–	17 595	17 595
Share premium	–	–	–	–	–	99 536	99 536
General risk reserve	–	–	–	–	–	33 413	33 413
Revaluation reserve	–	–	–	–	–	79 378	79 378
Fair value reserve	–	–	–	–	–	1 808	1 808
Equity investment revaluation reserve	–	–	–	–	–	20 020	20 020
Retained income	–	–	–	–	–	2 262 987	2 262 987
Shareholder's interest	–	–	–	–	–	2 514 737	2 514 737
Non-controlling interest	–	–	–	–	–	13 522	13 522
Total shareholder's equity and non-controlling interest	–	–	–	–	–	2 528 259	2 528 259
Liabilities							
Derivative financial instruments	–	–	–	–	–	41 319	41 319
Due to other banks	1 185 664	91 758	180 000	–	–	19 752	1 477 174
Due to customers	7 780 346	487 330	1 162 340	7 485	–	1 916 252	11 353 753
Negotiable certificates of deposit	3 024 774	583 755	522 630	193 017	30 214	–	4 354 390
Other liabilities	–	–	–	–	–	121 424	121 424
Current tax payable	–	–	–	–	–	250	250
Deferred taxation liabilities	–	–	–	–	–	58 595	58 595
Policyholder liabilities under insurance contracts	–	–	–	–	–	114 108	114 108
Provision for post-retirement medical benefits	–	–	–	–	–	8 495	8 495
Long-term subordinated debt instruments	152 132	–	–	104 476	60 358	–	316 966
Lease liabilities	–	–	–	–	–	24 085	24 085
Total liabilities	12 142 916	1 162 843	1 864 970	304 978	90 572	2 304 280	17 870 559
Total equity and liabilities	12 142 916	1 162 843	1 864 970	304 978	90 572	4 832 539	20 398 818
On balance sheet interest sensitivity gap	3 789 865	227 667	(834 825)	116 221	(2 941)	(3 295 987)	–
Cumulative on balance sheet interest sensitivity gap	3 789 865	4 017 532	3 182 707	3 298 928	3 295 987	–	–

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47.3 Interest rate risk sensitivity

	Possible effect on the statement of comprehensive income* N$'000	Reasonable possible change %	Rate sensitive N$'000	Non-interest sensitive N$'000	Fixed rate N$'000	Variable rate N$'000	Balance as at reporting date N$'000
2020							
Assets							
Cash and balances with central bank	3 350	1,0	334 967	348 985	-	334 967	683 952
Due from other banks	30 501	1,0	3 050 097	29 050	-	3 050 097	3 079 147
Other short-term securities	24 457	1,0	2 445 681	64 418	-	2 445 681	2 510 099
Derivative financial instruments	–	–	–	65 513	–	–	65 513
Government and other securities	21 009	1,0	2 100 874	46 405	1 875 290	225 584	2 147 279
Loans and advances to customers	115 971	1,0	11 597 141	611 976	11 826	11 585 315	12 209 117
Other assets	–	–	–	257 797	–	–	257 797
Investment in subsidiaries, associates and listed investments	–	–	–	21 651	–	–	21 651
Current tax receivable	–	–	–	15 594	–	–	15 594
Property and equipment	–	–	–	547 161	–	–	547 161
Computer software and development cost	–	–	–	75 389	–	–	75 389
Goodwill	–	–	–	29 125	–	–	29 125
Total assets	195 288		19 528 760	2 113 064	1 887 116	17 641 644	21 641 824
Liabilities							
Derivative financial instruments	–	–	–	73 504	–	–	73 504
Due to other banks	16 955	1,0	1 695 520	13 961	1 527 775	167 745	1 709 481
Due to customers	73 435	1,0	10 057 070	2 299 145	2 713 575	7 343 495	12 356 215
Negotiable certificates of deposit	21 265	1,0	4 300 210	85 927	2 173 710	2 126 500	4 386 137
Other liabilities	–	–	–	129 554	–	–	129 554
Current tax payable	–	–	–	211	–	–	211
Deferred taxation liabilities	–	–	–	27 163	–	–	27 163
Policyholder liabilities under insurance contracts	–	–	–	110 409	–	–	110 409
Provision for post-retirement medical benefits	–	1,0	–	8 521	–	–	8 521
Long-term subordinated debt instruments	1 500	1,0	309 946	7 690	159 946	150 000	317 636
Lease liabilities	–	–	–	28 222	–	–	28 222
Total liabilities	113 155		16 362 746	2 784 307	6 575 006	9 787 740	19 147 053

47.3 Interest rate risk sensitivity

	Possible effect on the statement of comprehensive income* N$'000	Reasonable possible change %	Rate sensitive N$'000	Non-interest sensitive N$'000	Fixed rate N$'000	Variable rate N$'000	Balance as at reporting date N$'000
2019							
Assets							
Cash and balances with central bank	1 858	1,0	185 813	296 342	–	185 813	482 155
Due from other banks	24 228	1,0	2 422 803	35 066	–	2 422 803	2 457 869
Other short-term securities	22 648	1,0	2 264 829	–	947 480	1 317 348	2 264 828
Derivative financial instruments	–	–	–	41 932	–	–	41 932
Government and other securities	24 053	1,0	2 405 287	(32 823)	2 179 703	225 584	2 372 464
Loans and advances to customers	115 835	1,0	11 583 534	487 811	11 826	11 571 708	12 071 345
Other assets	–	–	–	151 706	–	–	151 706
Investment in subsidiaries, associates and listed investments	–	–	–	49 541	–	–	49 541
Current tax receivable	–	–	–	1 638	–	–	1 638
Property and equipment	–	–	–	405 871	–	–	405 871
Computer software and development cost	–	–	–	70 344	–	–	70 344
Goodwill	–	–	–	29 125	–	–	29 125
Total assets	188 622		18 862 266	1 536 553	3 139 009	15 723 256	20 398 818
Liabilities							
Derivative financial instruments	–	–	–	41 319	–	–	41 319
Due to other banks	3 246	1,0	1 457 422	19 752	1 132 840	324 582	1 477 174
Due to customers	61 012	1,0	9 437 501	1 916 252	3 336 278	6 101 223	11 353 753
Negotiable certificates of deposit	14 739	1,0	4 354 390	–	2 880 446	1 473 944	4 354 390
Other liabilities	–	–	–	121 424	–	–	121 424
Current tax payable	–	–	–	250	–	–	250
Deferred taxation liabilities	–	–	–	58 595	–	–	58 595
Policyholder liabilities under insurance contracts	–	–	–	114 108	–	–	114 108
Provision for post-retirement medical benefits	–	1,0	–	8 495	–	–	8 495
Long-term subordinated debt instruments	1 521	1,0	316 966	–	164 834	152 132	316 966
Lease liabilities	–	–	–	24 085	–	–	24 085
Total liabilities	80 518		15 566 279	2 304 280	7 514 398	8 051 881	17 870 559

* The possible effect on the statement of profit or loss and other comprehensive income has been determined by applying the possible change in interest rate to the outstanding balance reported at year end. The possible change in interest rate can be either positive or negative and the figures reflected above are in absolute format. A linear risk relationship has been assumed to interest rate moves. Assumptions used in quantifying interest rate risk are in line with those used by Nedbank Group Limited. The possible change in interest rate is determined by means of applying a prime/call interest rate differential similar to those used in determining forward interest rates of a 12-month instrument.

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48. CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

48.1 Credit risk management

The Credit Department assesses all exposures and monitors the implementation of the Group's credit policy to ensure that the extension, control and maintenance of credit, as well as the process of providing for and writing off of bad debts, are executed in a proper way and within laid-down policy.

The Credit Committee approves all third – party risks, including sovereign and counterparty risks, within a prescribed limit, as delegated by the Board of directors. All credit exposures in excess of the authorised limits of the Credit Committee are referred to the Nedbank Africa Credit Committee for approval.

Refer to the section under the heading 'Credit risk' in the Corporate Governance and Compliance report of the integrated report for more detail on credit risk management.

See note 3.2 (vii) for an explanation of the credit ratings used.

48.2 Credit risk analysis

Credit analysis of other short-term securities, and government and other securities

	Investment grade 2020 N$'000	Investment grade 2019 N$'000	Subinvestment grade 2020 N$'000	Subinvestment grade 2019 N$'000	Not rated 2020 N$'000	Not rated 2019 N$'000	Total 2020 N$'000	Total 2019 N$'000
Other short-term securities	2 510 099	2 264 828	–	–	–	–	2 510 099	2 264 828
Negotiable certificates of deposit	362 144	176 840	–	–	–	–	362 144	176 840
Money market funds	2 147 955	2 087 988	–	–	–	–	2 147 955	2 087 988
Government and other securities	2 147 492	2 373 168	–	–	–	–	2 147 492	2 373 168
Treasury bills	1 406 575	1 357 087	–	–	–	–	1 406 545	1 357 087
Government registered stock	429 026	681 295	–	–	–	–	429 026	681 295
Credit linked notes	311 891	312 755	–	–	–	–	311 891	312 755
Other public sector securities	–	22 031	–	–	–	–	–	22 031

Debt securities that are purchased by the group are rated using an internal rating system, being the Nedbank Group Rating (NGR) scale. The group requires that all investments be rated using the NGR scale to ensure that credit risk is measured consistently and accurately across the group. This ensures compliance with the group's policy on the rating of investments. The NGR scale has been mapped to the Standard & Poor's credit-rating system. According to the NGR scale, investment grade can be equated to a Standard & Poor's rating of above BBB- (stable). All government and other short-term securities are current and not impaired. Investment grade includes credit ratings from NGR01 to NGR11 and subinvestment grade includes credit ratings from NGR12 to NGR25.

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	2020 N$'000	2019 N$'000
Classification: Past due		
Cash and balances with central bank	–	–
Due from other banks	–	–
Other short-term securities	–	–
Derivative financial instruments	–	–
Government and other securities	–	–
Loans and advances to customers (note 9.6)	1 313 008	971 063
– Home loans	183 126	274 414
– Other loans and overdrafts	1 039 696	574 794
– Net leases and instalment debtors	75 128	102 834
– Personal loans	15 058	19 021
Impairment of advances	(168 364)	(135 979)
– Home loans	(37 859)	(32 486)
– Other loans and overdrafts	(91 014)	(59 931)
– Net leases and instalment debtors	(18 568)	(16 582)
– Personal loans	(20 923)	(26 980)
Other assets	–	–
Investment in subsidiaries, associates and listed investments	–	–
Property and equipment	–	–
Computer software and development cost	–	–
Goodwill	–	–
	1 144 644	835 084
Classification: Impaired		
Cash and balances with central bank	–	–
Due from other banks	–	–
Other short-term securities	–	–
Derivative financial instruments	–	–
Government and other securities	–	–
Loans and advances to customers (note 9.6)	1 112 179	729 858
– Home loans	767 808	521 879
– Other loans and overdrafts	215 889	114 118
– Net leases and instalment debtors	74 254	59 146
– Personal loans	54 228	34 715
Impairment of advances (note 30.1)	(319 439)	(170 165)
– Home loans	(202 991)	(86 265)
– Other loans and overdrafts	(59 406)	(40 860)
– Net leases and instalment debtors	(37 828)	(29 221)
– Personal loans	(19 214)	(13 819)
Other assets	–	–
Investment in subsidiaries, associates and listed investments	–	–
Property and equipment	–	–
Computer software and development cost	–	–
Goodwill	–	–
	792 740	559 693

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2020

48.3 Credit risk: Maximum exposure

	2020 N$'000	2019 N$'000
Cash and balances with central bank	683 952	482 155
Due from other banks	3 079 147	2 457 869
Other short-term securities	2 510 099	2 264 828
Derivative financial instruments	65 513	41 932
Government and other securities	2 147 279	2 372 464
Loans and advances to customers	12 697 246	12 377 815
Other assets	257 797	151 706
	21 441 033	20 148 769

48.4 Credit risk: Collateral held in respect of note 48.3

Collateral is only held in respect of loans and advances. Below follows a description of the type of collateral held per class of loans and advances to customers:

Property loans: Secured by commercial property mortgage, residential property mortgage, surety ship, guarantees. Cession of life cover and fire cover is not considered security but is recommended as additional safety measure in the event of death or fire.

Other loans and overdrafts: Cession of life cover, secured by non-movable property, surety ship, guarantees, unsecured.

Preference share finance: Put option for sale of preference shares, guarantees from foreign banks.

Leases and instalment debtors: Secured by movable property under debt granted.

Personal loans: Cession of life cover and credit guarantee insurance.

	2020 N$'000	2019 N$'000
Cash and balances with central bank	–	–
Due from other banks	–	–
Other short-term securities	–	–
Derivative financial instruments	–	–
Government and other securities	–	–
Loans and advances to customers	9 065 701	9 099 614
– Home loans	6 139 943	6 190 431
– Other loans and overdrafts	1 477 946	1 125 279
– Net leases and instalment debtors	803 547	1 062 114
– Personal loans	644 265	721 790
Other assets	–	–
Investment in subsidiaries and associates	–	–
Investment in listed investments	–	–
Property and equipment	–	–
Computer software and development cost	–	–
	9 065 701	9 099 614

48.5 Credit risk: Fair value of collateral

The Group determines the fair value only on the following instances:
- on the date the loan or advance is initiated; and / or
- when the loan or advance is being renegotiated; or
- when a loan or advance has been transferred to the legal department of the Group for collection.

At reporting date, the fair value of the collateral held has not been provided due to the impracticality thereof. The system currently maintaining the collateral does not have the fair value readily available. The fair value of the collateral is determined by means of a manual process and the volume of collateral held makes it impractical for the Group.

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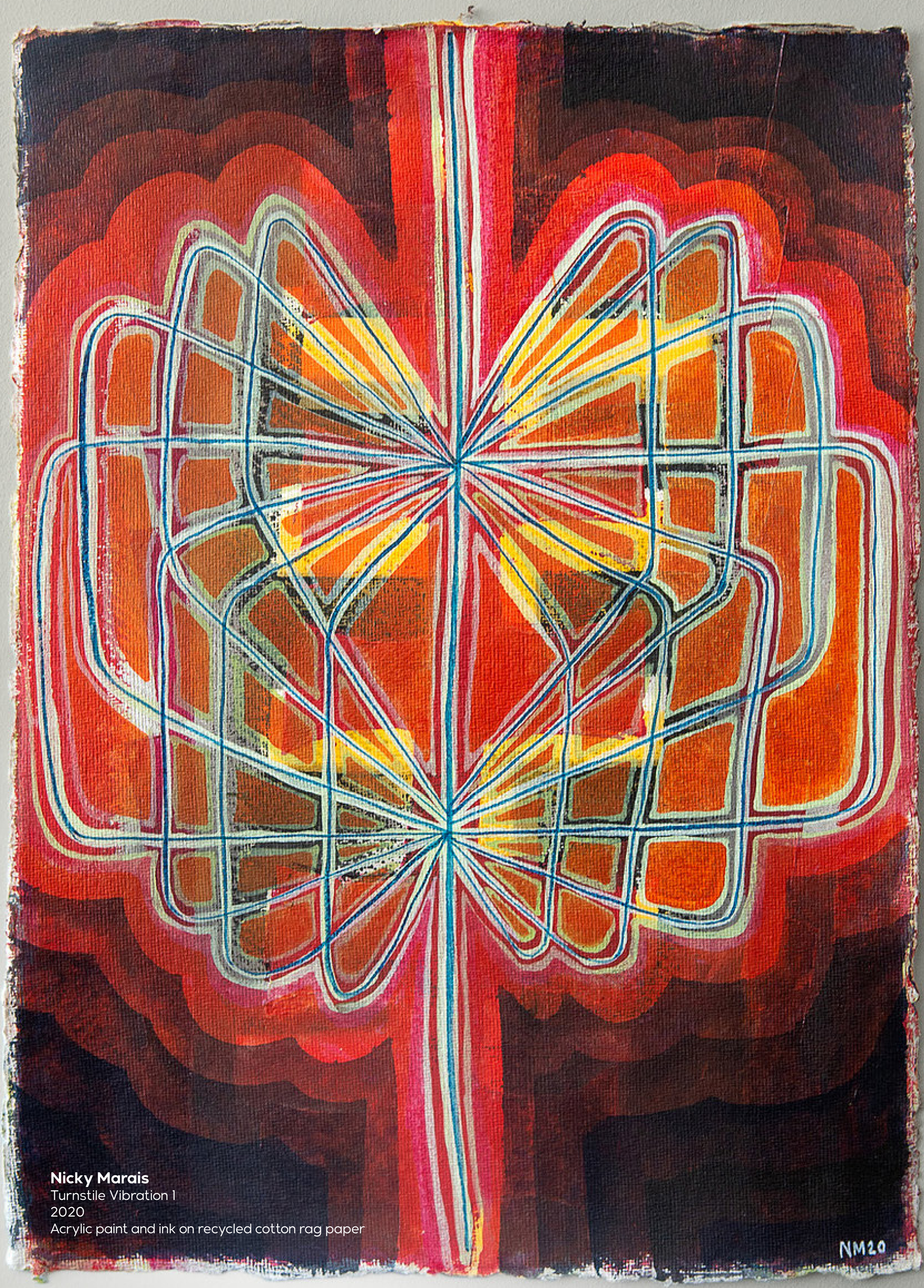

Nicky Marais
Turnstile Vibration 1
2020
Acrylic paint and ink on recycled cotton rag paper

Nedbank Namibia is deeply invested in building the economy and recognises that artists and art are as much a part of the economy as a strong, secure and living bank.

The bank is able to celebrate local art and culture as the beating heart of Namibia thanks to organisations which provide platforms for Namibian artists to showcase their work, such as the StArt Art Gallery. The gallery offers art consulting services for investing in and commissioning artworks. Discover and support Namibian art and artists at **startartgallery.com**. The artists whose works feature in this report are: Elisia Nghidishange, Fillipus Sheehama, Lok Kandjengo, Nicky Marais, Petrus Amuthenu and Rudolf Seibeb.

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Strengthening our foundation

We remain a trusted financial partner in the face of adversity.

Lok Kandjengo
Amazing Dogs
2018
Cardboard print on paper

COMPANY ANNUAL FINANCIAL STATEMENTS

CONTENTS

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 N$'000	2019 N$'000
Assets			
Current assets			
Due from other banks	4	18 872	378
Other short-term securities	5	52 593	59 832
Current tax receivable	15,3	17	105
Other assets	6	67 946	50 647
Non-current assets			
Deferred taxation	7	275	17
Investment in subsidiaries	8	255 946	246 513
Intangible asset	15,4	325	425
Total assets		395 974	357 917
Equity and Liabilities			
Capital and reserves			
Share capital	9	17 595	17 595
Share premium	9	99 536	99 536
Retained income		278 760	240 707
Shareholder's equity		395 891	357 838
Liabilities			
Other liabilities	10	83	79
Total liabilities		83	79
Total equity and liabilities		395 974	357 917

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 N$'000	2019 N$'000
Interest and similar income	11	8 370	13 802
Net interest income	11	8 370	13 802
Non-interest income	12	162 602	293 015
Net income		170 972	306 817
Operating expenditure	13	(1 177)	(1 205)
Profit before taxation		169 795	305 612
Taxation	14	258	(1 082)
Total profit after taxation		170 053	304 530
Other comprehensive income		–	–
Total comprehensive income		170 053	304 530

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COMPANY STATEMENT OF CHANGES IN EQUITY

As at 31 December 2020

	Share capital N$'000	Share premium N$'000	Retained income N$'000	Total shareholder's interest N$'000
Balance at 1 January 2019	17 595	99 536	336 177	453 308
Total comprehensive income for the year	–	–	304 530	304 530
Dividend paid	–	–	(400 000)	(400 000)
Balance at 31 December 2019	17 595	99 536	240 707	357 838
Total comprehensive income for the year	–	–	170 053	170 053
Dividend paid	–	–	(132 000)	(132 000)
Balance at 31 December 2020	17 595	99 536	278 760	395 891
Note:	9	9		

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 N$'000	2019 N$'000
Cash generated from operating activities	15,1	164 863	468 875
Cash received from customers	15,2	3 133	13 817
Cash paid to employees and suppliers	13	(1 177)	(1 205)
Dividends received	12	162 602	293 000
Taxation received/(paid)	15,1	88	(1 117)
Cash movements in advances and other accounts	15,1	213	164 379
Cash movements in operating liabilities	15,1	4	1
Cash utilised in financing activities		(132 000)	(400 000)
Dividends paid	15,5	(132 000)	(400 000)
Cash utilised in investing activities		(14 369)	(68 511)
Increase in investment in subsidiary	8	(9 433)	(44 758)
Purchase of intangible asset	15,4	0	(500)
Amortisation of intangible asset	15,4	100	75
Increase in subsidiary loan	6	(5 036)	(23 328)
Net increase in cash and cash equivalents		18 494	364
Cash and short-term funds at beginning of the year		378	14
Cash and short-term funds at end of the year		18 872	378

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. BASIS OF PREPARATION

Refer to the notes to the consolidated annual financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS

Refer to the notes to the consolidated annual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Refer to the notes to the consolidated annual financial statements.

	2020 N$'000	2019 N$'000
4. DUE FROM OTHER BANKS		
Placements with other banks (note 16)	18 872	378
5. OTHER SHORT-TERM SECURITIES		
Corporate fund – Old Mutual	52 593	59 832
6. OTHER ASSETS	67 946	50 647
Shareholder's loan*	60 923	50 647
Other loan - StayToday Bookings Namibia (Pty) Ltd	7 000	–
Sundry debtors and other accounts	23	–

* NedNamibia Holding Limited extended a draw down shareholder's loan to NedProperties (Proprietary) Limited at zero percent.

Each disbursement is treated as a compound financial instrument. The disbursement is therefore split into investment in NedProperties (Proprietary) Limited and a shareholder's Loan. The fair value of the shareholder's loan element of the disbursement is calculated by discounting the contractual cashflows of the disbursement at the discount rate.

The discount rate used is the incremental borrowing rate of NedProperties (Proprietary) Limited. The discount rate used is 9.75% and this was arrived at as a significant judgement by management.

The residual of the difference between the disbursement and the fair value of the shareholder's loan element of the disbursement is then recognized as investment in NedProperties (Proprietary) Limited.

The discounting period is the difference between the date of the day the loan becomes repayable which is 30 September 2031 and the day the disbursement is made by NedNamibia Holdings Limited. A significant judgement by management was made that the loan must be discounted to 30 September 2031 as it becomes repayable from this date.

	2020 N$'000	2019 N$'000
7. DEFERRED TAXATION		
The movement on the deferred income taxation account is as follows:		
Balance at beginning of year	17	–
Movement:		
Provision for expenses	258	17
Balance at end of year	275	17
8. INVESTMENT IN SUBSIDIARIES		
Investment in subsidiaries	255 946	246 513
– Cost (shares)	133 642	133 642
– Capital investment (note 6)	122 304	112 871
Market valuation	255 946	246 513

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Subsidiary companies	Nature of business	Issued ordinary share capital 2020 '000	Issued ordinary share capital 2019 '000	Proportion held 2020 %	Proportion held 2019 %	Shares at cost 2020 N$'000	Shares at cost 2019 N$'000	Aggregate profits/(losses) after tax of subsidiary/joint venture 2020 N$'000	Aggregate profits/(losses) after tax of subsidiary/joint venture 2019 N$'000
NedProperties (Proprietary) Limited	Property company	–	–	100	100	4 000	4 000	2 993	6 102
NedNamibia Life Assurance Company Limited	Insurance company	4 000	4 000	100	100	4 000	4 000	46 864	76 671
Nedbank Namibia Limited	Banking company	67 759	67 759	100	100	125 634	125 634	69 433	229 782
NedCapital Namibia (Proprietary) Limited	Financing company	8	8	100	100	8	8	4 161	4 576
Nedplan Insurance Brokers Namibia (Proprietary) Limited	Insurance broker	–	–	100	100	–	–	2 845	5 888

	2020 N$'000	2019 N$'000
9. SHARE CAPITAL AND SHARE PREMIUM		
Ordinary shares	17 595	17 595
Share premium	99 536	99 536
	117 131	117 131

The total number of authorised shares at year end was: 80 000 000 (2019: 80 000 000) ordinary shares of 25 cents each
The total number of issued shares at year end was: 70 381 644 (2019: 70 381 644) ordinary shares of 25 cents each
All issued shares are fully paid. Subject to the restrictions of the Companies Act, the unissued shares are under the control of the directors until the forthcoming annual general meeting.

	2020 N$'000	2019 N$'000
10. OTHER LIABILITIES		
Other payables	83	79
11. NET INTEREST INCOME		
Interest and similar income		
Other short-term securities	8 370	13 802
	8 370	13 802
12. NON-INTEREST INCOME		
Dividend received	162 602	293 000
Other income	–	15
	162 602	293 015

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2020

	2020 N$'000	2019 N$'000
13. PROFIT BEFORE TAX		
Profit before tax was arrived at after deducting the following expenses, which are separately disclosable:		
Auditor's remuneration	83	104
Directors' fees	818	796
Other expenses	276	305
	1 177	1 205
14. TAXATION		
Normal taxation – current year	–	(1 099)
Deferred Tax	258	17
	258	(1 082)
14.1 Reconciliation of rate of taxation	%	%
Namibian normal rate of taxation	32,0	32,0
Reduction in rate for the year:	(32,0)	(31,6)
– Non taxable income	(32,0)	(31,6)
Effective rate of taxation	–	0,4
15. CASH FLOW INFORMATION		
15.1 Reconciliation of profit before taxation to cash generated by operating activities		
Profit before taxation	169 895	305 612
Adjustments:		
– Accrued interest	(5 237)	–
– Amortisation	(100)	–
– Taxation received/(paid)	88	(1 117)
Movement in operating assets	217	164 380
– Deposit, current and other accounts	4	1
– Advances and other accounts	213	164 379
Cash flow from operating activities	164 863	468 875
15.2 Cash received from customers		
Other income	–	15
Interest received	3 133	13 802
	3 133	13 817
15.3 Taxation received/(paid)		
Amounts prepaid – beginning of year	105	87
Charge to statement of profit or loss and other comprehensive income	–	(1 099)
Amounts prepaid – end of year	(17)	(105)
	88	(1 117)

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	2020 N$'000	2019 N$'000
15.4 Intangible asset		
Carrying amount – beginning of year	425	–
– At cost	500	–
– Amortisation of intangible asset	(75)	–
Additions at cost	–	500
Depreciation for the year	(100)	(75)
Carrying amount – end of year	325	425
– At cost	500	500
– Amortisation of intangible asset	(175)	(75)
15.5 Dividends paid		
Amounts outstanding – beginning of year	–	–
Dividend declared and paid	(132 000)	(400 000)
Amounts outstanding – end of year	–	–
16. RELATED PARTY TRANSACTIONS		
16.1 Related party balances		
Loans to related parties		
Nedbank Namibia Limited (subsidiary) *(Call account)*	18 838	362
Nedbank Namibia Limited (subsidiary) *(Current account)*	34	16
NedProperties (Proprietary) Limited (subsidiary) *(Shareholder's Loan)*	60 923	50 649
16.2 Related party transactions		
NedProperties (Proprietary) Limited (subsidiary) *(Shareholder's Loan Interest Income)*	5 238	3 493
Nedbank Namibia Limited (subsidiary) *(Interest Income)*	3 133	10 309
Nedbank Namibia Limited (subsidiary) *(Management Fee paid)*	(172)	(172)
Nedbank Group Limited (holding company) *(Dividends paid)*	(132 000)	(400 000)

17. LIQUIDITY, CREDIT AND MARKET RISK INFORMATION

The assets and liabilities of the company consist of accounts receivables, investments and creditors and accruals. The company only enters into investments with institutions of high credit standing and/or related parties. As a result, the company's exposure to liquidity, credit and market risks is insignificant. Accounts receivables, investments and creditors and accruals are repayable on demand or short notice.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2020

18. STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS

	Notes	Financial assets/ financial liabilities at amortised cost	Non financial assets, liabilities and equity	Total
2020				
Assets				
Current Assets				
Due from other banks	4	18 872	–	18 872
Other short-term securities	5	52 593	–	52 593
Current tax receivable	15,3	–	17	17
Other assets	6	67 946	–	67 946
Non-Current Assets				
Deferred taxation	7	–	275	275
Investment in subsidiaries	8	–	255 946	255 946
Intangible assets		–	325	325
Total assets		139 736	256 238	395 974
Equity and Liabilities				
Capital and reserves				
Share capital	9	–	17 595	17 595
Share premium	9	–	99 536	99 536
Retained income		–	278 760	278 760
Current Liabilities				
Other liabilities	10	–	83	83
Total equity and liabilities		–	395 974	395 974

	Notes	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
2019				
Assets				
Current Assets				
Due from other banks	4	378	–	378
Other short-term securities	5	59 832	–	59 832
Current tax receivable	15,3	–	105	105
Other assets	6	50 647	–	50 647
Non-Current Assets				
Deferred taxation	7	–	17	17
Investment in subsidiaries	8	–	246 513	246 513
Intangible assets		–	425	425
Total assets		111 282	246 635	357 917
Equity and Liabilities				
Capital and reserves				
Share capital	9	–	17 595	17 595
Share premium	9	–	99 536	99 536
Retained income		–	240 707	240 707
Current Liabilities				
Other liabilities	10	–	79	79
Total equity and liabilities		–	357 917	357 917

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BRANCH DETAILS

WINDHOEK

AM Weinberg
AM Weinberg
West Wing Ist Floor, Erf 1944
13 Jan Jonker Ave, Klein Windhoek
Tel (061) 295 2203

Independence Avenue
Carl List Building
Independence Avenue, Windhoek
Tel (061) 295 2185

Katutura
C/O Rabbi Street &
Independence Avenue, Katutura
Tel (061) 295 2777

Wernhil/Main
Shop M01, Wernhil Park
Phase 4, Windhoek
Tel (061) 295 2075

Maerua Mall, Windhoek
Shop 38 & 39, Maerua Mall
Windhoek
Tel (061) 295 2680

Business Centre
55 Rehobother Road
Snyman Circle, Windhoek
Tel (061) 295 2244

The Grove Mall, Windhoek
Shop 254, The Grove Mall
Chasie Street
Kleine Kuppe, Windhoek
Tel (061) 295 2776

Windhoek South
Garthanri Park, Shop 13
C/O Voigts & Kelvin Streets
Windhoek
Tel (061) 295 2422

FAR NORTH

Oshakati
Game Centre
Okatana Road
Oshakati
Tel (065) 220 062

Oshikango
Shop 23/24, Oshikango Mall
Namakunde Road, Oshikango
Tel (065) 265 091

Eenhana
C/O Sam Nujoma & Dr. Dimo Hamaambo
Streets, Eenhana
Tel (065) 263 016

Ondangwa
Gwashamba Mall, Erf 2338
Main Road, Ondangwa
Tel (065) 241 796

Outapi
Uutapi Tsandi Centre
Main Road, Outapi
Tel (065) 251 950

Oshana Mall, Ongwediva
Shop 62/64, Erf 6315
Main Road, Ongwediva
Tel (065) 235 400

Rundu
Rundu Mall, Shop GF028
Erf 1078, Eugene Kakukuru Street
Tel (066) 266 900

Katima Mulilo
Shop 6B & 7
Zambesi Shopping Centre
Katima Mulilo
Tel (066) 252 507

SOUTH

Rehoboth
Shop 25, Erf 825
Sparrow Street, Rehoboth
Tel (062) 521 300

Keetmanshoop
C/O 5th Avenue & Mittel Street
Keetmanshoop
Tel (063) 223 354/5

Luderitz
Bismarck Street
Luderitz
Tel (063) 202 577

Gobabis
C/O Church Street &
Quito Quanavale Avenue
Gobabis
Tel (062) 577 200

COAST

Swakopmund
Sam Nujoma Avenue
Swakopmund
Tel (064) 414 311

Walvis Bay
C/O Sam Nujoma Avenue
& 11th Road
Walvis Bay
Tel (064) 216 111

Dunes Mall Walvis Bay
Shop 65, Erf 5433
C/O M36 & 18th Road
Dunes Mall
Walvis Bay
Tel (064) 283 700

NORTH-CENTRAL

Okahandja
Shop 26, Erf 3164
West Street
Okahandja
Tel (062) 507 000

Otjiwarongo
Erf 28
Hage Geingob Avenue
Otjiwarongo
Tel (067) 314 800

Grootfontein
C/O Okavango Road &
Hage Geingob Avenue
Grootfontein
Tel (067) 240 730

Tsumeb
Unit 7, OMEG Stadt Platz
Erf 103
Hage Geingob Drive
Tsumeb
Tel (067) 225 050

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