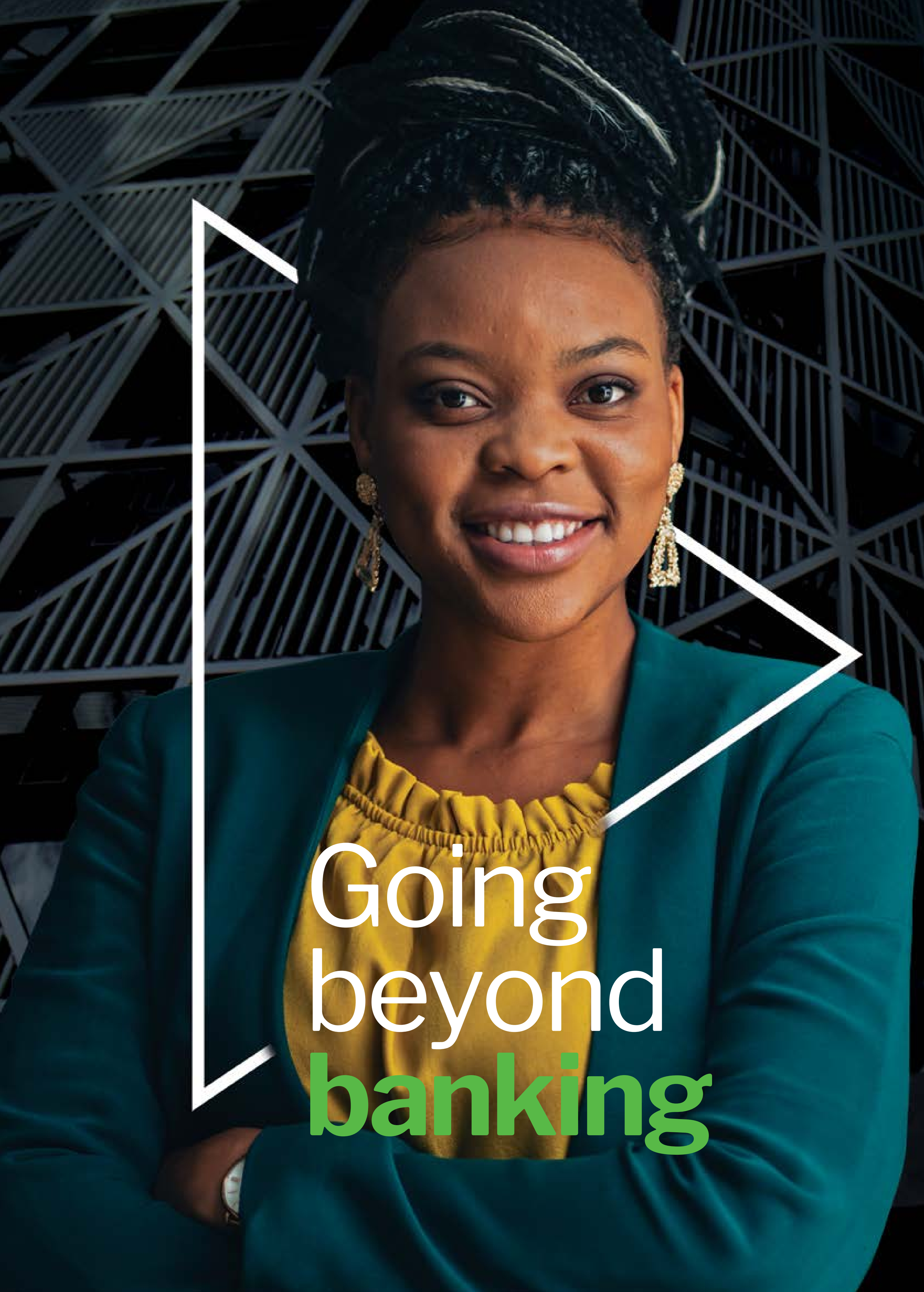
NedNamibia Holdings Limited

2022

Integrated Report

Driven by purpose

NEDBANK



Going beyond banking

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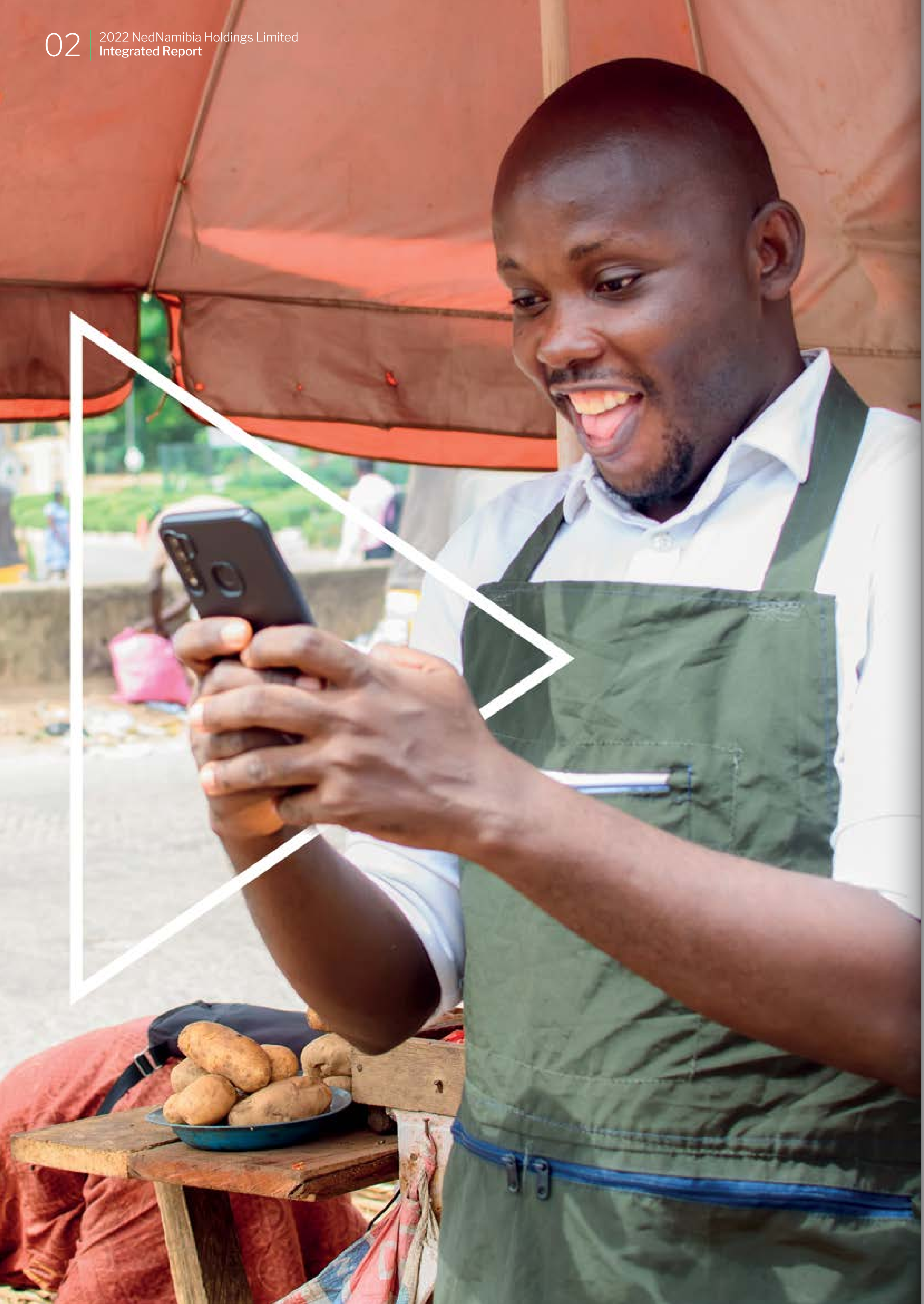


NNH GROUP PROFILE

Money experts **who do good**

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 NNH Group has total assets of N$22,1 billion (2021: N$21,5 billion).

The principal subsidiary, Nedbank Namibia Limited, is a registered Namibian bank with assets of N$21,4 billion (2021: N$20,7 billion). Its purpose is to use its financial expertise to do good for individuals, families, businesses and communities. Delivery on this purpose 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 head office in Windhoek. Nedbank Namibia is an agile and resilient institution, buoyed by a strong balance sheet.

NedNamibia Life Assurance Company Limited provides life cover for clients, notably for their credit and overdraft commitments. NedPlan Insurance Brokers Namibia (Proprietary) Limited provides insurance brokerage services. NedCapital Namibia (Proprietary) Limited is the specialist non-banking financial services unit within NedNamibia Holdings. It 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.

Forging a better future for all

HIGHLIGHTS

THE YEAR IN BRIEF

NNH Group financial performance improves further as Namibian economic revival continues

More optimistic outlook but many Namibians in financial distress

Concerning increase in non-performing loans amid meagre appetite for credit

Automation of processes and digitalising the business advances

Drive launched to transform culture and to entrench positioning as a great place to work
NNH Group renews commitment to supporting entire renewable energy value chain

OTHER INDICATORS

HEADLINE EARNINGS
35% ▲

RETURN ON EQUITY
12% ▲

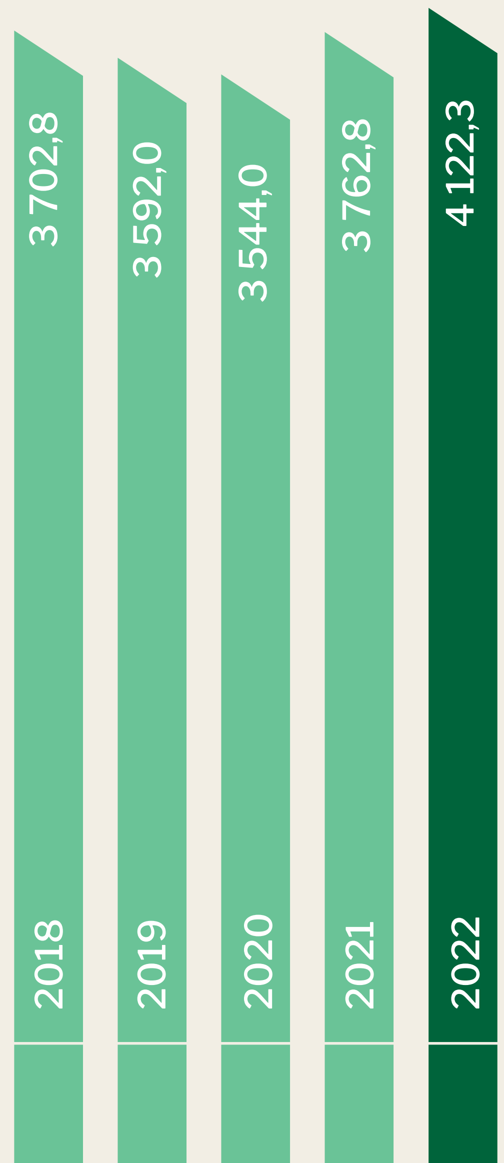
COST TO INCOME RATIO
66% ▼

INTEREST INCOME
17% ▲

NON-INTEREST INCOME
28% ▲

CUSTOMER GROWTH
8% ▲

NET ASSET VALUE PER SHARE (CENTS)



RETAIL BRANCH NETWORK

Delivering our purpose promise

CENTRAL REGION

01 NEDBANK NEW CAMPUS (HEAD OFFICE)
02 WERNHIL/MAIN
03 WINDHOEK SOUTH
04 INDEPENDENCE AVENUE
05 KATUTURA
06 MAERUA MALL, WINDHOEK
07 THE GROVE MALL, WINDHOEK
08 GOBABIS
09 OKAHANDJA
10 REHOBOTH

COASTAL REGION

11 WALVIS BAY
12 DUNES MALL, WALVIS BAY
13 SWAKOPMUND
14 KEETMANSHOOP
15 LÜDERITZ

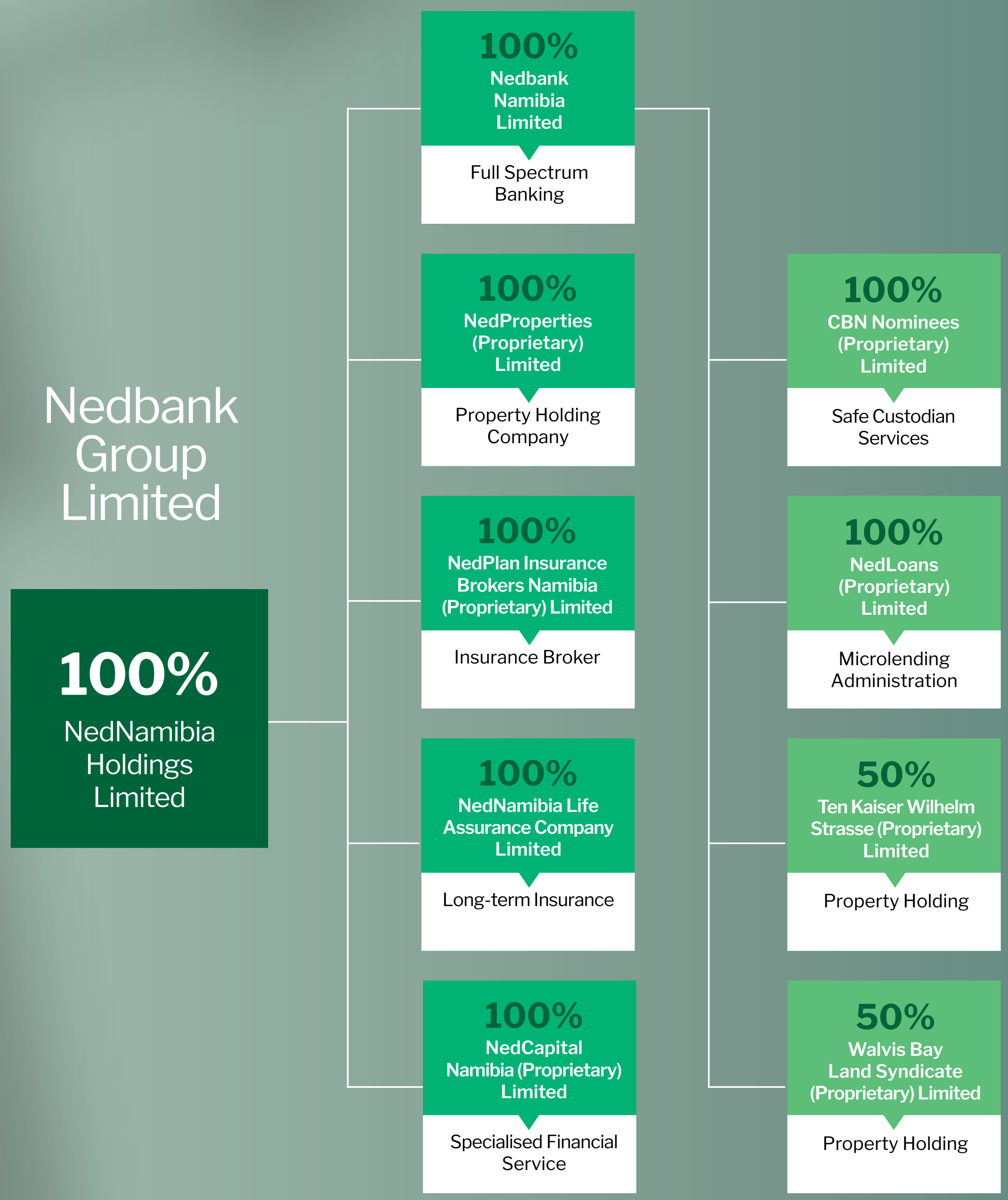
NORTHERN REGION

16 OSHAKATI
17 ONDANGWA
18 OSHIKANGO
19 EENHANA
20 KATIMA MULILO
21 GROOTFONTEIN
22 OUTAPI
23 RUNDU
24 OSHANA MALL, ONGWEDIVA
25 TSUMEB
26 OTJIWARONGO

AGENCY

27 OMUTHIYA

GROUP STRUCTURE



OUR STRATEGY

Purposeful impact, lasting value

Our strategy is delivered through five strategic value unlocks:

- delivering innovative market-leading client solutions;
- ongoing disruptive market activities (underpinned by digital leadership);
- focusing on areas that create value;
- driving efficient execution; and
- creating positive impacts, including delivering on our purpose of using our financial expertise to do good for individuals, families, society and business.

OUR VISION

To be the **most admired financial services provider** by our employees, clients, shareholders, regulators and society.

OUR PURPOSE

To **use our financial expertise to do good** for individuals, families, businesses and society.

OUR VALUES

Integrity
Respect
Accountability
People-Centered
Client-driven

HE HEADLINE EARNINGS
N$512 MIL

ROE RETURN ON EQUITY
14,3 %

C:I COST-TO-INCOME
47,3 %

Our vision, purpose and values remain central to who we are and what we do to remain relevant. Our long-term targets have been set at growing headline earnings to N$512 million by the year ended 2025. We also aim to achieve a return on equity of 14,3% and reducing our cost to income ratio to below 50%.

Our strategy gives us a clear view on where we want to focus as a purpose-led organisation and what we strive to achieve.

2022 – 2024 NNH GROUP STRATEGIC CHOICES

GROWTH

Focus on high-growth economic sectors and customer segments.

CLIENT

Streamline, centralise and automate key client-facing processes.

TRANSFORMATION

Operating model review and enhancement between frontline & support.

DATA & ANALYTICS ACCELERATION

Data driven sales and customer service.

RISK & CAPITAL MANAGEMENT

Embed three lines of defence and move to pro-active risk management.

Align growth ambitions and credit appetite and practices.

PEOPLE TRANSFORMATION, CULTURE & VALUES

People Promise rollout.

Improved performance measurement and management.

CHAIRPERSON'S REPORT

The year gone by was seen as one in which the Namibian economy turned a corner – and that after years of negative growth were followed by the pandemic-induced worst contraction in history.

Revised forecasts according to the Bank of Namibia for growth of 3,9% and higher in 2022 compared with the 2,7% in 2021. While our GDP growth expectations were lower, NNH Group financial performance showed further improvement. The economy's growth was largely driven by a stellar contribution from the mining industry, supported by improved activity in agriculture, transport, communication and tourism. The tourism industry reported increased international arrivals and higher room occupancies as more airlines – both foreign and regional – stepped up services. Further momentum was lent by uranium mines increasing production to take advantage of rising prices.

Boosting this positive sentiment were the announcements of major oil discoveries and progress in implementation of the green hydrogen development near Luderitz. The total investment in the two phases of this development is said to be about the equivalent of Namibia's current annual GDP.

The announcements surrounding the development allowed our Group to renew its commitment to financing and supporting the entire renewable energy value chain, from power infrastructure developers to contractors and original equipment manufacturers. Such support in the green hydrogen project would add to our wider Group's record in the development of renewable energy, having financed projects across Africa, including 42 in South Africa.

The potentially immense prospects of green hydrogen sharpened board focus on the ESG (environmental, social and governance) arena, and a dedicated committee was formed to examine and address relevant issues, not least the threat of climate change and animal disease outbreaks to agriculture, on which many Namibians depend directly or indirectly for their livelihoods.

While recognising the years-long lag between resource discovery and commercialisation, policy makers reacted to the challenge of working to ensure that these discovered resources optimally benefit Namibia and contribute to broad-based development that results in employment creation and reduction of poverty and inequality.

CHAIRPERSON'S REPORT

Beyond development of policy were measures to address the imbalance in our society and unemployment. In line with the theme of a better future for youth, the 2022/2023 national budget allocated a major share to programmes targeted at young Namibians, nearly half of whom have no jobs. The corner marking economic recovery did not turn for them and for many, many Namibians who lost their jobs and had to contend with a higher cost of living and faced a new year with costs of borrowing now at levels not seen since July 2019 as well as even greater fuel and food prices.

While a pandemic-driven relief programme for consumers and businesses continued, for our part we stepped up NNH Group efforts to help secure Namibia's economy and the jobs it supports. We did this by investing more in local infrastructure development and social investment programmes, providing inclusive banking solutions, creating employment for Namibians and paying tax.

The economic distress of many Namibians emphasised the need to understand what kind of public-private collaboration can work to support our country and to build a co-ordinated effort to create a better tomorrow for all. To that end a leadership team including the chairperson of the Nedbank Group Ltd, fellow directors and executives engaged with governors of Namibian regions in a round table discussion. The governors gave an overview of economic activities in their respective regions which could potentially develop into working relations with Nedbank. That was followed by meetings with Cabinet ministers and other leaders in the public and private sectors.

Enhanced relationships with the country's leadership were accompanied by constructive engagements with the Bank of Namibia and supervisory authorities. This was particularly important given a constant roll-out of new regulatory requirements and greater pressure on compliance and risk management.

We benefitted from closer collaboration with our parent Nedbank Group in advancing automation of processes and digitalising the business. This contributed to making the NNH Group a better place to work. An even greater contribution to that goal and efficient performance came from housing operations under one roof in the new head office campus. The move was supported by a drive to transform culture led by a closely aligned leadership.

In 2023

Despite risks to global trade, the effects of the Russia/Ukraine war and threats of recession amid high inflation in some countries, there are encouraging signs for further economic growth in Namibia in 2023. Beyond the potential from energy sources, mining, tourism, agriculture and fishing are expected to contribute substantially to growth. The Walvis Bay Corridor Group, the public-partnership of transport and logistic stakeholders, reported increased interest, including from Botswana. The Namibian Ports Authority has announced the preferred bidder to run the N$4 billion container terminal and increase throughput of containers and transhipment volumes through Walvis Bay.

These advances though will not lift the cloud of economic distress hanging over many Namibians. Corporate social investment initiatives to help relieve that distress need to be supported by efforts to improve the skill set particularly of young Namibians so that they can be better equipped to be absorbed into the economy and so secure a brighter future.

Like many sectors our NNH Group has to contend with capacity constraints and challenges in recruitment of specialist skills. Accordingly, our leadership will continue to enable new mind sets and capabilities required to thrive in an agile, digital and disruptive environment.

Thanks

Our improved financial performance in 2022 was built on drives to deliver great client experience, efficiency, better performance and transformation of culture. My Board colleagues and I acknowledge the commitment and dedication of employees and management with sincere appreciation. We are also grateful for the loyal support of our clients, for the contributions made by our suppliers and business partners and for the engaging relationships we enjoy with regulatory authorities.

I also thank my fellow directors for their work in ensuring robust governance and the relevance and sustainability of our business model.

Sebby Kankondi
CHAIRPERSON

The value of shared vision

BOARD OF DIRECTORS

Sebulon I Kankondi 58

CHAIRPERSON
INDEPENDENT NON-EXECUTIVE DIRECTOR

Business Administration degree (post-graduate; Unisa)

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

Martha Murorua 50

MANAGING DIRECTOR

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

Martha is a dynamic leader, who is passionate about Namibia and growing its economy. She is an MBA graduate with over 28 years of experience, predominantly in financial services. She previously held the position of Executive Officer: Consumer Banking at one of Namibia's largest commercial banks. Prior to that, she spent 10 years with Old Mutual Namibia in various roles, including Finance and Operations Manager: Retail Mass Market, Retail Mass Executive Manager and Head of Lending: Business and Strategic Initiative Executive. Her early career years were spent in the audit profession with PwC and TransNamib Limited.

Trophimus T Hiwilepo 58

INFORMATION AND COMMUNICATIONS TECHNOLOGY COUNCIL 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.

BOARD OF DIRECTORS

Talita B Horn 53

AUDIT COMMITTEE CHAIRPERSON
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Prior to her partnership in a 'big 4' firm, Talita gained extensive auditing experience at leading firms in South Africa, the UK, and Namibia. This exposure occurred across a wide range of industries in the technology, information and entertainment sectors and, most notably, in financial services, where she was responsible for managing the audits of banks and insurance companies. By the time she withdrew from partnership to focus on supporting the Namibian economy by being more involved in the public sector, she had gained many years of experience in internal audit, governance and risk. She then took up a position as Chief Financial Officer of a state-owned enterprise in the hospitality sector and is also the audit committee chairperson of a Namibian listed entity.

Haroldt H Urib 65

CREDIT COMMITTEE CHAIRPERSON
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Haroldt is an entrepreneur and former senior executive who has developed and built numerous businesses from the ground up. In the process, he has 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 significant increases in trade and investments. He is recognised for his 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 40

CHIEF FINANCIAL OFFICER
EXECUTIVE DIRECTOR

BAcc (Hons), CA (Nam)

JG joined the NNH Group as Chief Financial Officer in July 2018 from Ernst & Young (EY), where he was a partner in the Namibian and African firms. In this role, he led the advisory practice and financial services sector business in Namibia. He has a BAcc (Hons) degree from the University of Stellenbosch (SA) and is a registered chartered accountant with the Institute of Chartered Accountants of Namibia and Public Accountants' 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 Rössing Uranium as Finance Manager in 2012. He returned to EY in 2015 and has gained extensive experience in financial services as well as in the commercial sector with major Namibian corporates.

Florentia Amuenje 54

REMUNERATION COMMITTEE CHAIRPERSON
INDEPENDENT NON-EXECUTIVE DIRECTOR

MBA (Stellenbosch University), Master's Degree Research Psychology (Rhodes University), BA Hons. Industrial Psychology (UNAM), Nat Dip Nursing Science

Florentia is a professional coach and human resources expert with extensive experience in the fields of professional coaching and human resources transformation and strategy implementation. She is the founder of Transfo Coaching and Consulting, which she established in 2014. Prior to this, Florentia served in various human resources roles at PricewaterhouseCoopers, the Motor Vehicle Accident Fund and First National Bank Namibia. As the FNB Namibia Executive: Group Human Resources from 2007 to 2014, she was responsible for strategic, transformational and general human resources functions. Florentia has served on boards in various industries, including hospitality, petroleum, mining and financial services.

Dr Terence G Sibiya 54

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)

Terence was appointed Nedbank Managing Executive: Nedbank Africa Regions in April 2018. 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, maximising contributions to the Nedbank 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.

Hendrik C Thessner 63

RISK AND CAPITAL MANAGEMENT COMMITTEE CHAIRPERSON
INDEPENDENT NON-EXECUTIVE DIRECTOR

MBA (Oxford Brookes University, London, United Kingdom), Certified Compliance Professional (Compliance Institute of SA)

Hendrik was appointed as an Independent Non-Executive Director in July 2021. He holds an MBA from the Oxford Brookes University in the United Kingdom and is professionally designated as a Compliance Professional by the Compliance Institute of Southern Africa. He is also a fellow, and past President, of the Institute of Risk Management of South Africa. Hendrik gained extensive experience in banking from various roles he held at Standard Bank, ABSA and Citibank. Prior to his retirement in 2020, Hendrik was Assistant General Manager in the Corporate Banking Division of Nedbank Limited South Africa.

BOARD STRUCTURE AND MANDATE

Blending expertise for **maximum impact**

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 NNH 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. 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 2023 the group will continue to enhance its governance quality.

The focus will be on:

Growth
Be a trusted advisor and partner to business by assisting all business units in understanding the implications of new and existing legislation and regulation and how to operate advantageously within these frameworks.

Engagement with legislators and regulators offering an advantage to the group as part of enabling business unit strategies.

Client
Champion compliant and ethical behavior in customer engagement and perform meaningful and accurate reporting that helps NNH Group hold itself accountable for treating customers (internal and external) fairly and accurately reflect state of compliance with set goals.

Digital and Automation
Enhance and automate compliance processes as far as possible through the adoption of the NNH group compliance toolset as well as other regulation technology ("regtech") that can assist us in measuring and improving our compliance levels.

Transformation
Establish a center of compliance excellence with subject matter experts from within and outside business to assist on compliance matters in areas that require deep domain knowledge.

Risk
Drive compliance monitoring and reporting within the broader risk management frameworks and processes to ensure that the required attention and support is provided to manage our compliance levels.

People transformation, culture and values
Drive and champion the compliance and ethics culture within the group through embedding the Ethics, Market Conduct & Privacy programs and Roll out Talent Mobility for NNH Group compliance team.

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.

BOARD STRUCTURE AND MANDATE

NNH Group's governance is established by the tone set at the top through purpose-driven leadership by the board and management, and the values and behaviours expected from all employees in the organisation. Our top leadership continues to drive and enable new leadership mindsets and capabilities required to manage and thrive in an agile, digital, and disruptive environment. The board and group executive strive to create maximum shared value by delivering on our purpose of using our financial expertise to do good and through our strategic growth drivers. We ensure relevance and sustainability of our business model by monitoring the macro environment, the availability and quality of capital inputs, and stakeholder needs, all of which inform the strategy of the bank.

COMPLIANCE WITH THE NAMCODE

NNH Group is under a statutory duty in terms of the Companies Act, NamCode and King IV to comply with regulation, and proactively monitor and assess regulatory developments to determine their applicability and impact on the NNH Group. This proactive approach to regulatory developments demonstrates NNH Group's commitment to implementing appropriate controls to ensure compliance with the ever-expanding regulatory landscape, thereby gaining stakeholder confidence, trust and satisfaction and also ensuring actions are taken to mitigate exposure to reputational, financial and other regulatory risks. Regulatory developments and the state of compliance are reported on and monitored by the Directors' Affairs Committee (DAC), being one of the board committees established in terms of the Banking Institutions Act.

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

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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.

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 monitor, 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 COMPOSITION

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

Name	Date	Nationality	Age	Current Status
Independent non-executive directors				
Kankondi Sebulon I (Chairperson)	17 July 2020	Namibian	58	No change
Hiwilepo Trophimus T	22 August 2014	Namibian	58	No change
Horn Talita B	16 April 2019	Namibian	53	No change
Urib Haroldt H	9 November 2020	Namibian	65	No change
Amuenje Florentia	31 May 2021	Namibian	54	Appointed
Thessner Hendrik C	23 June 2021	South African	63	Appointed
Non-executive directors				
Sibiya Terence G	18 September 2018	South African	54	No change
Executive directors				
Murorua Martha (Managing Director)	13 July 2020	Namibian	50	No change
Van Graan Johannes G (Chief Financial Officer)	3 June 2019	Namibian	40	No change

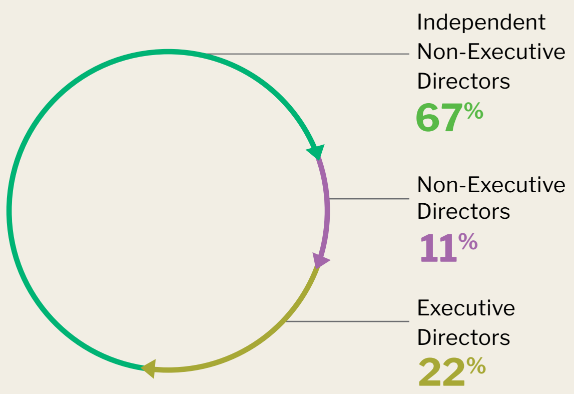
NNH board diversity and demographic mix versus Namibian Financial Sector Charter (NFSC) targets			
Category	**NFSC target by 2020**	**Current achievement**	**Outcome**
Black board members as a percentage of all board members	40%	67%	Exceeded
Black women board members as a percentage of all board members	20%	22%	Compliant
Board members with Namibian nationality	40%	78%	Exceeded

BOARD STRUCTURE AND MANDATE

INDEPENDENCE

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

MIX OF DIRECTORS



BOARD KEY FOCUS AREAS IN 2022 AND BEYOND

Key focus areas for 2022 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;
- 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; and
- driving current strategic themes of growth, digital and automation, client, transformation, risk and people and culture.

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.

SKILLS, KNOWLEDGE, EXPERIENCE AND ATTRIBUTES OF DIRECTORS

Banks and financial services companies need a broad range of skills to ensure and create value in the interests of all stakeholders. The board determines the required composition of skills in response to the rapidly changing environment and shifts in the NNH group's own long-term strategy. Having the appropriate mix of skills and experience ensures that the board as a collective is well equipped to guide and drive the NNH Group's strategy into the future and thereby create value.

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.

BOARD STRUCTURE AND MANDATES

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, employed 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.

LEADERSHIP THROUGH ETHICS AND HUMAN RIGHTS

Governance of ethics

As a purpose-led and values-driven organisation, we are committed to do business responsibly and ethically. Our ethics philosophy envisages a relationship of trust with our internal and external stakeholders, and the required trust and conduct that underpins our ethics philosophy is established by, among other things, having a collaborative approach to ethical leadership, a commonly accepted and lived set of values, effective governance, effective risk and compliance management, and transparent and timeous communication with all stakeholders, including regulators and investors.

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 employees 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 towards ethical misconduct.

BOARD STRUCTURE AND MANDATE

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

Code of Ethics and Conduct Policy

The previous NNH Code of Ethics and Code of Conduct has been combined into one Policy by Nedbank Group and accordingly customised for NNH Group. In addition NNH Group also aligned to Nedbank Group and approved standalone Policies dealing in more detail with rules applicable to Gifts received and given by NNH Employees as well as Outside Interest held. At the core of the Code of Ethics are the group's values of integrity, accountability, respect, being people-centered and client driven, which must be used to guide and direct the way we do business. The Code of Ethics and Conduct Policy ('The Code'), Gift – and Outside/Conflict of Interest Policies are accessible to all NNH Group employees. Being responsible is at the heart of our approach to business. This commitment is encapsulated in the group's Code of Ethics and Conduct Policy, to which all employees (including contractors and temporary employees) must adhere. Aforementioned Policies are available on the group's intranet and are reviewed annually to ensure they stay relevant in a changing business environment.

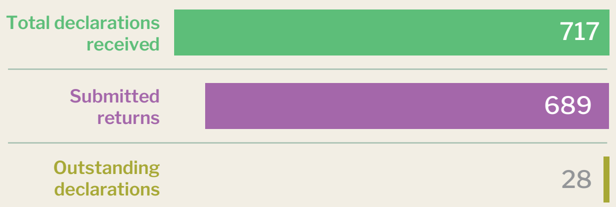
Ethics programme

The Compliance and Ethics team has developed an E-Course on Ethics and Code of Conduct rules for the Digital Learning Platform (DLP). NNH Employees were invited to complete training (accompanied by an assessment to measure understanding) by end of February 2023 . In addition, the Ethics Awareness Interactive Learning slides available on DLP to all NNH employees are also socialized during monthly inductions of new employees.

Declarations of outside interest 2022

The tracking and recording of annual declarations are a manual process performed by the group's Compliance and Ethics function. From a total of 717 employees, 689 declarations were submitted, thus a 96% submission rate was attained. Directors are required to disclose their outside interest at quarterly board meetings.

DECLARATIONS:
Outside Interest Declarations – 2022



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

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.

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. JG van Graan, are not members of board committees, but attend board committee meetings by invitation. Other standing invitees who attend the NNH Group Audit Committee (GAC) and NNH Group Risk and Capital Management Committee (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.

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 enterprise-wide 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, Transformation, Social and Ethics 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.
NBN Board Credit Committee	The NBN Board Credit Committee is a subcommittee of the NBN Board and responsible for the approval of all third party risks excluding foreign and counterparty risks.
NNH Group Information and Communication Technology Committee (GICTC)	The GICTC is responsible to oversee the effectiveness and efficiency of information systems from a risk and strategic alignment perspective. The committee also monitor the adequacy, efficiency and effectiveness of all the Group systems relevant to information technology, both operational and strategic.

Frequency of meetings

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

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.

BOARD STRUCTURE AND MANDATE

The following attendances of board and board committee meetings have been recorded for 2022:

NNH board attendance 2022							
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	NNH Group Board ICT Committee	NBN Credit Committee
Meetings held:	**4**	**4**	**4**	**4**	**4**	**4**	**12**

Attendance:

NNH board attendance 2022							
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	NNH Group Board IT Committee	NNH Group Board Credit Committee
Meetings held:	**4**	**4**	**4**	**4**	**4**	**4**	**12**
Kankondi SI	4#	–	4	4	4#	–	–
Van Graan JG	4	4*	4*	–	–	4	–
Hiwilepo TT	4	4	4	–	–	4#	–
Urib HH	4	4	4	4	–	4	12#
Sibiya TG	4	4	4	4	4	4	12
Horn TB	4	4#	4	4	–	4	–
Murorua M	4	4*	4*	4*	4*	4	12
Amuenje F	4	4	4	3#	–	2	6
Thessner H	4	4	4#	–	–	2	6

* Attended board committee meetings by invitation.
# Chairperson of the committee

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.

ONGOING EVALUATION

Board and board committees' 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.

The 2023 Board and Exco Evaluation Process and Peer-to-Peer evaluations commenced in January 2023 and was concluded by end of February 2023. Management share the feedback received on the outcomes of the evaluations with the assistance of Trophimus Hiwilepo as the Lead Independent Non-Executive Director.

Overview of NNH / NBN Board Evaluation Results: 86% respondent responded in a positive narrative.

Overview of Risk, Audit and Compliance Evaluation Results: 70% respondent responded in a positive narrative.

Key observations included the following:

- Nedbank Namibia has a professional board that functioned well in challenging circumstances.
- From a board composition and operation perspective, the board is described as effective, with independent behaviour, focused on the health and success of Nedbank. The board fully discharges its duties and has a strong focus on and adherence to proper governance and ethics. The board is well balanced in terms of gender, culture, and demographics. The board has been stress-tested through a series of challenges including the Covid-19 pandemic.
- From a board leadership and structure perspective, the Chairperson is highly respected and experienced and manages the board meetings well, displaying strong skills in extracting the necessary contributions from board members. The Chairperson has brought the board together as a team , having achieved a highly collaborative board culture.
- A strong relationship exists between the Chairperson and the Managing Director, and the relationship between the board and NNH Exco is effective and appropriate. The Managing Director has built a culture of transparency and displays good leadership in executing on the strategy as agreed with the board.
- The board is comfortable with the number of committees and composition of members appointed to these committees. The committees are all effective and members display strong commitment to their roles. The committee reporting is at a high level with the right attention to detail for the board.
- Although the board meeting packs are still voluminous, they have improved in analysis and presentation, with an open and transparent approach adopted. Further improvements will assist the board in their preparation and understanding. The committee packs are still evolving and continuously improving, especially Group Risk and Capital Management.
- The virtual meetings held have been effective due to the high level of trust among board members. All critical issues were dealt with effectively during the first two years of the Covid-19 pandemic; although there was a strong preference for physical meetings, the board was able to fully discharge its duties during this period.
- The board has a well-balanced set of leadership skills available to conduct its work. The board was clear that issues around succession, strategy shaping, and execution were top of mind.

The board 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.

DIRECTORS' REMUNERATION

NedNamibia Holdings Limited Fees paid for 2022 financial year to individual directors	
Names of directors	**N$ paid per annum**
Non-executive directors	
Kankondi SI (Chairperson)	N$230 459
Hiwilepo TT	N$315 880
Urib HH	N$367 720
Horn TB	N$367 720
Amuenje F	N$392 000
Thessner H	N$372 000
Sibiya GT	NIL
Executive directors	
Remuneration	N$4 901 520
Performance bonus	N$3 100 000
Retention bonus and share options	N$182 569

BOARD STRUCTURE AND MANDATE

BOARD OVERSIGHT – ENSURING AND PROTECTING VALUE

NNH Group audit committee

Key focus areas and pertinent matters addressed by the NNH GAC in 2022

- Approved the external auditors' 2022 annual plan and related scope of work.
- Approved the plan to appoint a new external auditor for the 2024 audit, replacing Deloitte.
- Reviewed the findings and recommendations of the external auditors and confirmed that there were no material unresolved findings.
- Monitored the effectiveness of the internal audit function in terms of its scope, execution of its plan, coverage, resources, independence, skills, employment, overall performance and standing within the group.
- Monitored and challenged appropriate actions taken by management regarding adverse internal-audit findings.
- Reviewed the financial statements for the financial year ended 31 December 2022 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.
- Approved the group annual financial statements and recommended them to the board for approval.
- Assessed and confirmed the appropriateness of the going concern assumption.

Focus for 2023 and beyond

- Ensure that the group's financial systems, processes and controls are operating effectively, are consistent with the group's complexity and are responsive to changes in the environment and industry.

NNH Group risk and capital management committee

Key focus areas and pertinent matters addressed in 2022

- Ensured a sound risk culture was maintained with a robust Enterprise-wide Risk Management Framework (ERMF).
- Reviewed and recommended to the board for approval the annual internal capital adequacy assessment processes (ICAAP), and associated stress and scenario testing.
- Continued to closely monitor cyberrisk to ensure the group remained cyberresilient, while also overseeing financial crime risk management more broadly.
- Monitoring the broader risks of information technology, Flexcube and monitoring the stabilisation and ongoing enhancement of the group's core banking system and AML technology;
- Continued to monitor macroeconomic conditions and to monitor the implementation of liquidity and capital requirements as required by Basel III and BID-6;
- Monitored AML compliance
- Monitored all aspects of credit management, including the quality of the bank's loan portfolio and ensuring adequate provisioning for potential loss exposures;
- Continued to monitor and determine credit and concentration risk appetite and the impact thereof on origination strategies; Performed risk management of distressed portfolios, key watchlist clients and industry specific concentration risk; and
- Monitored legal and compliance risks.

Focus for 2023 and beyond

- Ensure a sound risk culture was maintained with a robust Enterprise-wide Risk Management Framework (ERMF).
- Review and recommend to the board for approval the annual internal capital adequacy assessment processes (ICAAP), and associated stress and scenario testing.
- Continue to monitor cyber risk.
- Continue to monitor macroeconomic conditions and to monitor implementation and compliance with BoN regulations and IFRS developments.
- Monitor AML compliance.
- Monitor all aspects of credit management.
- Continue to monitor and determine credit and concentration risk appetite.
- Monitoring of legal and compliance risks.
- Continue to monitor financial performance and quality of financial reporting.

NNH Group Remuneration, Human Resources, Transformation, Social and Ethics committee

Key focus areas and pertinent matters addressed by the committee in 2022

- EXCO succession management has been reviewed on a quarterly basis.
- Bi-annual performance reviews, after the check & challenge session with Exco.
- Feedback sessions of the Employee Pulse surveys have been provided.
- Organisation of formal Recognition and Long Service awards.
- Training initiatives concluded.

- People Promise – Implementation and embedding of the customised People Promise was rolled out to the group.

Focus for 2023 and beyond

- Monitoring the execution of the human resources strategy and continued focus on ensuring that the Group REMCO fulfill 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.
- Reviewing succession and development plans for executive and their successors in the group.

NNH Group directors affairs committee

Key focus areas and pertinent matters addressed by the committee in 2022

- Conducting board evaluations.
- Ensuring that balanced board structures are established and maintained in the group to ensure the proper and effective functioning of the board and board 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.

Focus for 2023 and beyond

- Conducting board evaluations.
- Review and monitor board structures.
- Ensure proper board succession planning.
- Monitor compliance with legislation.

Group Information Communication and Technology committee

Key focus areas and pertinent matters addressed by the NNH GICTC in 2022

- Oversaw the implementation of OFFICE 365: This project has been launched during 2021 and it was successfully completed in 2022.
- Implementation of PCI – DSS: this project aimed to deliver compliance with payment card industry data security standards.
- Data Center Move: this project was successfully completed and entailed the upgrading of data center equipment and the relocation of the data center.

Focus for 2023 and beyond

- To ensure continued focus on the digitisation and delivery of the ICT Operations projects for 2023.
- IT system stability and availability.
- Cyberresilience.
- Scaling digital platforms.

NBN Board credit committee

Key focus areas and pertinent matters addressed by the NBN Board Credit Committee 2022

- Approved the adequacy of impairments to ensure that the portfolio was always appropriately conservative.
- Approved the review and adjustments of credit models to ensure that they were fit for purpose for the prevailing environment.
- Oversaw effective credit risk mitigation strategies, including early identification of distressed portfolios and proactive management of watch list clients.
- Review and approved large deals.

Focus for 2023 and beyond

- To continue to support the NBN Board in delivering their strategies by fulfill its mandate.
- To provide strategic guidance to the credit executive in terms of its mandate.

MANAGING DIRECTOR'S REPORT

Namibia's slow economic recovery from a prolonged downturn and the severe fallout from the Covid 19 pandemic continued from 2021 into 2022. The effect of that growth, driven mainly by diamond and gold mining, with an uptick also in agriculture, tourism and the wholesale and retail trade sector, was seen in a rebound in the performance of financial institutions. We achieved encouraging year-on-year growth across financial metrics; these are detailed in the following report by our chief financial officer.

A more optimistic outlook, bolstered by the exciting prospects emanating from oil and gas discoveries and green hydrogen initiatives, was tempered by the reality of the challenges posed to beleaguered consumers by rising interest rates and inflation, notably in higher food and fuel prices. Inflation, energy shortages and price hikes, shifts in monetary policies, talent shortages and post-pandemic changes in workers' attitudes are of course some of the new global issues confronting risk management. While some of these are playing out in Namibia and many nations across the world, local conditions present their own risks to business strategy and operations, not least an evolving regulatory environment, and the effect of pressure on consumers.

As reported by our chief risk officer on the following pages, the regulatory environment meant more supervisory interactions and inspections and potentially more audit findings and the prospect of penalties in the event of findings of transgressions. The pressure on consumers was seen in a concerning increase in non-performing loans and demanded a carefully considered response.

There was also a meagre appetite for loans and advances. A marginal improvement in private sector credit extension across Namibia was driven by business, with requests for proposals amounting to N$6 billion in the corporate and investment banking sector. Our Corporate and Investment Banking business welcomed the post-pandemic increase in opportunities to submit proposals on asset deals as well as transactional banking and had limited success in a highly competitive arena ruled by pricing, terms and conditions.

The drive on loans and advances, along with a focus on mining, energy, health, retail and property and collaboration with colleagues in the wider Nedbank group, yielded a N$500 million deal in mining.

This focus was but one component of the group's business plan. This seeks to build on strategic value drivers aimed at:

- Delivering a great client experience and gaining market share in prioritised market segments.
- Driving efficiency, better performance and investment in talent development.
- Optimising risk and return trade-offs with a focus on credit risk and capital management.

An important step in gaining operational efficiencies and in fostering co-operation and quicker decision making came from our move into our new campus in Windhoek where we centralised operations; in one case, this meant housing employees from five locations in one.

Further progress was reflected in an 8% increase in Nedbank clients, growth in primary banked clients and in delivering market leading client solutions. We also saw a growth in our private wealth accounts with our stock broking service and international offering gaining traction. We enhanced the value proposition of our Young Professionals offering with encouraging results.

Our insurance businesses, NedNamibia Life Assurance and NedPlan Insurance Brokers reported performance in line with the recovery in the economy. Life policy lapses,

MANAGING DIRECTOR'S REPORT

policy cancellations and claims were down on last year and new business was gained through an increase in our agents – from 40 to 58 – and our outreach programme bringing representation and service to outlying areas. The funeral policy segment again enjoyed increasing consumer support.

NedPlan achieved increases in premium income and in turn commissions. An upskilling of in-house brokers helped capture more business. However, the credit life business which is dependent on the banking book was affected by the drop in credit extension to the consumers. The Nedloans business was also down as a result of strict application of affordability criteria framed by market conduct principles.

Our insurance businesses benefited from the introduction of a lead generation tool and the offering of insurance products on the Money App, as part of 30 initiatives targeting revenue uplift and cost reduction in our drive for digital automation. This streamlining of client-facing processes also included enabling fixed deposit applications on the Money App, arrear notifications and home loan account management. We saw growth in the use of our Cashout service, with a partnership with Spar adding to points of presence and in our Sendmoney facility. We also refined our Wallet products.

Overall, the Nedbank Money App continued to enjoy high ratings at the Apple and Google App stores. There was a 30% increase in total digital transaction volumes with App users growing by more than 37% and App transaction volumes by 35%. Nedbank was ranked as a top two brand in brand sentiments score.

We used digitisation to enhance employee opportunities. In addition to our SAPTalent@work programme which focuses on automating performance management, learning and development and recruitment processes, we launched a digital learning platform. This uses artificial intelligence to generate tailored made content and learning paths based on self-captured interests and development goals. The platform offers employees the opportunity to improve their skill set in leadership, financial services, business support and digital capabilities.

It is a key component of our People Promise, our initiative to transform employees' experience and to engage them around five themes. The first two themes – making a purpose-driven impact and service excellence – were rolled out and the remaining three – high performance, growth and development and diversity inclusion will involve further in-depth engagements in 2023.

> Allied to these themes is our drive to improve bench strength and talent pipelines within our group. This embraces talent board sessions, our leadership development programme, for which 12 candidates were selected, a graduate programme providing work experience, with a first candidate spending 24 months in Treasury and the award of bursaries for further education. The graduate programme was launched in partnership with the University of Stellenbosch Business School.

Ahead of the introduction of People Promise, we held induction sessions for our change ambassadors who are drawn from each branch or department within the NNH Group to provide guidance to colleagues and give feedback to the change project.

We noted an improvement in the response rate for our employee climate survey, the Employee Insight Pulse Check, with 87% participation in October against 79% in March. There was also an improvement in the employee rating of the group as a great place to work when compared with the November 2021 check.

Looking ahead

The Namibian economy is expected to grow again in 2023. With this anticipated continuation of economic revival we will look to further improvements in Group performance by providing compelling transacting, lending, investment and insurance value propositions to high growth economic sectors and high potential client segments through streamed digitalised processes and skilled, motivated employee members. They have welcomed initiatives for

further development, moves to improve communication and interaction across the organisation and the collaborative atmosphere in our head office campus.

We will expand our efforts to transform values with the further roll out of themes in People Promise and look to extend the improved results in our employee survey.

We will accelerate digitisation of the business and will bring projects to fruition in 2023 to improve efficiencies and revenue. We will launch AVO, a one stop super app enabling clients to buy essential products and services online and have them delivered to their home, with seamless secure payments and credit enabled by the Avo Digital Wallet at Nedbank. We will introduce a new insurance product system and enhance integrated payment systems.

While ensuring robust risk and capital management, we will look to regain market share in lending under new leadership and through a review of the credit value chain. Having built a solid pipeline, our CIB unit, although wary of the impact of the latest interest rate increase, is looking to successful implementation of the outcome of this review. It is also looking to gain from an enhancement of the electronic banking platform for its clients.

Despite a positive view as we enter 2023, we are particularly mindful of the challenges we face in adding to the value we bring to businesses, families, communities and to broader society. One is the need to address a social climate where rising inflation and interest rates are placing even heavier burdens on many consumers and impacting levels of unemployment. We will step up our social investment initiatives to lend further momentum to our purpose of using our financial expertise to create a positive impact.

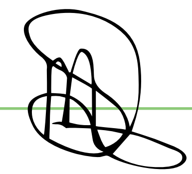
Thanks

In March this year we acknowledged employee efforts at our Top Achievers Award ceremony. This was themed around "let's put a man on the moon", a reference to a call by our Chairperson to land a profit of N$500 million by 2024. In the 1960s space race, the moon landing was achieved not merely by engineering, science and technology but by the efforts of an army of people. In similar vein our people have contributed to our 2022 performance and our drive to return to pre- pandemic levels of earnings with the qualities that put men on the moon – focus, resilience, problem solving, tenacity and resolute willingness. My colleagues on Exco and I thank you for your dedication, hard work and service excellence.

My thanks go too to our Chairperson and our board for their decisive and constructive engagement and counsel in helping us to execute strategy and deal with challenges posed by a rapidly changing landscape.

Our achievements in 2022 would not have been possible without the support of our suppliers and providers of services, which we gratefully acknowledge.

Making our group the go-to financial institution is dependent on our ability to provide tailored solutions and innovative approaches to our clients and to help them to achieve their goals and expand their opportunities. That ability is being shaped and honed by the support we have won from our clients. We are deeply appreciative of that support and the partnerships we enjoy in working to build Namibia. Thank you.



Martha Murorua
MANAGING DIRECTOR

EXECUTIVE COMMITTEE

Leading on purpose

Martha Murorua

MANAGING DIRECTOR

Martha is an MBA graduate with over 28 years of experience, mainly in financial services. She was appointed Managing Director: NNH Group in July 2020, after serving as 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 the Ministry of Trade and Industry. In addition to her MBA from the University of Stellenbosch, she has a Bachelor of Accounting degree from the University of Namibia, and a National Diploma in Commerce, from the Polytechnic of Namibia.

JG van Graan

CHIEF FINANCIAL OFFICER AND ACTING EXECUTIVE: RETAIL AND BUSINESS BANKING

JG joined the group as Chief Financial Officer in July 2018 from Ernst & Young (EY), where he was a partner in the Namibian and African firms. In this role, he led the advisory practice and financial services sector business in Namibia. He has a BAcc (Hons) degree from the University of Stellenbosch (SA) and is a registered chartered accountant with the Institute of Chartered Accountants of Namibia and Public Accountants 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 Rössing Uranium as Finance Manager in 2012. He returned to EY in 2015 and has gained extensive experience in financial services as well as in the commercial sector with major Namibian corporates.

Faith Cloete

ACTING HEAD HUMAN CAPITAL

Faith joined the bank in 2006. Faith completed her BTech Degree in Human Resources Management from Polytechnic of Namibia and completed the Senior Management Programme at GIBS. She was promoted to Senior Manager Human Capital in 2018 and has been acting as Head Human Capital during 2022.

EXECUTIVE COMMITTEE

Annette Stafford-Evans

CHIEF RISK OFFICER

Annette joined the group in 2007 and served as Head: Credit at Nedbank Namibia and as Executive: Credit and Market Risk before becoming Chief Risk Officer. She is a chartered accountant (CA (SA)) and 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).

Victor Ashikoto

CHIEF OPERATING OFFICER

Victor was appointed Chief Operating Officer of NNH Group in June 2020. He has two decades of working experience in senior roles across the banking, telecommunications, transport and energy sectors. He helps guide the alignment of NNH Group's strategy to key national initiatives, including the establishment 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.

Chriszelda Gontes

HEAD: COMPLIANCE, GOVERNANCE AND COMPANY SECRETARY

Chriszelda is an experienced legal professional, whose career spans over 10 years across the fields of legal research, policy review, risk, and compliance. She holds a Bachelor's Degree in Law from the University of Namibia, as well as a Master's Degree in Law from the Bucerius Law School & WHU School of Management in Germany. Chriszelda joined Nedbank in February 2022 from Letshego Namibia where she held the position of Head of Governance and Legal. Prior to that she held the position of Chief Risk Officer at the same bank.

Darren Norris

EXECUTIVE: CREDIT AND MARKET RISK

Darren is a seasoned financial service professional, whose career spans over 17 years across the fields of accounting, financial analysis, credit operations, and business implementation. He holds numerous qualifications which include a BCTA in Accounting Theory, from Rand Afrikaans University in South Africa. Darren is registered and an Associate General Accountant (AGA SA) with the South African Institute of Chartered Accountants. Darren joined Nedbank in October 2022 from from FNB South Africa, Broader Africa Division, where he held the position of the Regional Credit Head of Corporate and Commercial Banking.

Tjivingurura Mbuende

EXECUTIVE: CORPORATE INVESTMENT BANKING

Tjivingurura joined Nedbank Namibia in 2021, having gained more than a decade's experience in economic research, banking and investment management. Educated in Namibia, Australia, Malaysia, and the United States, he holds a Master of Arts (Economics) degree from the New School in New York City and a Bachelor of Business degree from the University of Technology in Sydney, Australia. He has served as Head: Public Sector at Standard Bank, Head: Distribution at Stanlib Namibia, Executive Director and Head: Retail Business at Namibia Unit Trust Managers Ltd, and Chief Operating Officer at Alexander Forbes Investment Namibia.

Gernot de Klerk

HEAD MARKETING AND COMMUNICATIONS

Gernot joined Nedbank Namibia in February 2007 as Manager: Communications and Sponsorships and was appointed as Head: Marketing and Communications in December 2015. Before entering the world of corporate communications, he was manager of the Afrikaans radio service at the Namibian Broadcasting Corporation (NBC). He has also worked in the mining and civil engineering sectors. Gernot studied at the Universities of Stellenbosch and Warwick, England, and has completed development programmes in Namibia and South Africa. Gernot is a certified media practitioner, a qualification endorsed by the Namibia University of Science and Technology and Elizabethtown College, Pennsylvania (USA).

Biniam Ghirmatsion

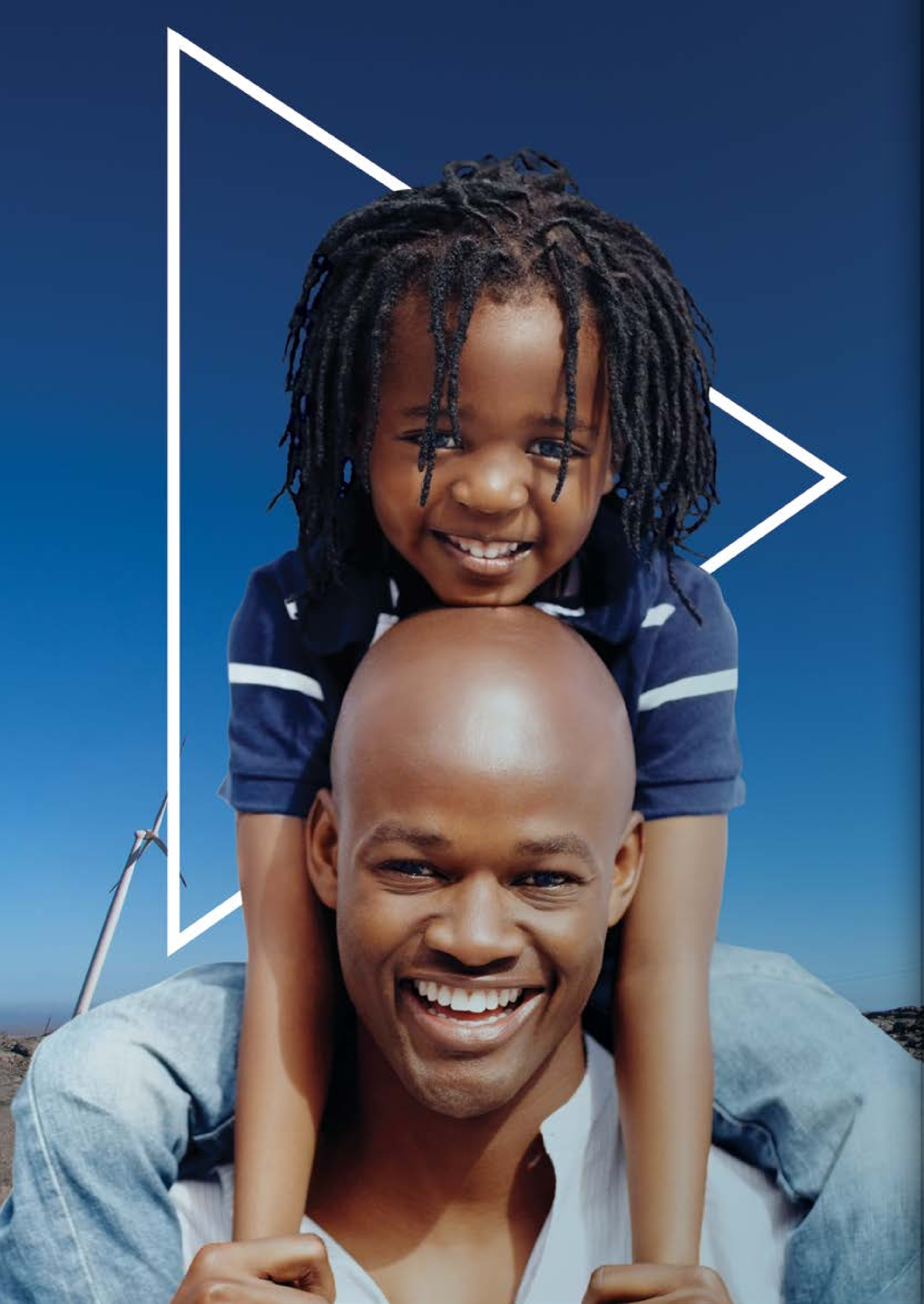
EXECUTIVE: WEALTH MANAGEMENT AND BANCASSURANCE

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.

Stuart Main

EXECUTIVE: TREASURY

A BCom graduate in finance and economics from the University of Cape Town, Stuart has headed up the treasury funding capability at Nedbank Namibia since 2016. His responsibilities include management of the bank's liquidity, cost of funding, excess liquid assets and regulatory and bank limits. He began his career as a fixed income professional in research and trading at IJG Securities in 2008 before being appointed Head of Foreign Exchange and Fixed Income Trading at First National Bank Namibia in 2011. He returned to IJG Securities in 2013 as a bond and equity trader. Since joining Nedbank, he has won Top Achiever, Top Sales Team and Managing Director's Awards. In addition to his university education, he has completed a programme in financial analysis and portfolio management from the University of South Africa and passed the first level for qualification as a chartered financial analyst.



SUSTAINABILITY REPORT

Changing the world for good

SUSTAINABILITY REPORT

DELIVERING VALUE BY DELIVERING ON OUR PURPOSE

Our success depends on the degree to which we deliver value to society and it is therefore important to understand our role in society and how society can be different and better because NNH Group is a part of it. Banks play a crucial role in facilitating economic activity and enabling sustainable growth and development by moving capital from where it is to where it is required. A deep understanding of one's purpose guides strategy and decision-making in this regard and should rest in an optimal balance between long-term value creation and short-term outcomes.

NNH GROUP

A strong and profitable business enables continued investment in our employees and operations, which in turn creates value for our clients, shareholders and society at large. Trust is core to our relationships and to creating and preserving value.

EMPLOYEES

Our employees are key to making NNH Group a great place to bank and work. Motivated and skilled employees, together with efficient, innovative and value-creating solutions, services and operations, offer value to our clients. Employees, as part of society, contribute materially to the communities in which they live and work.

Value is created and preserved through...

- employment opportunities in the countries in which we operate;
- rewarding employees for the value they add;
- encouraging our employees to embrace technological changes, further their careers and improve our services and products; and
- contributing to the transformation towards a more inclusive society through employment equity and gender equality.

CLIENTS

Our clients are our largest source of deposits, which enable us to fund lending activities. Gaining more clients and deepening existing relationships result in great revenue growth, while responsible banking practices and world-class risk management mitigate value destruction.

Value is created and preserved through...

- safeguarding deposits, investments and wealth, while growing returns;
- providing credit in a responsible manner that enables wealth creating, sustainable development and job creation in line with the SDGs;
- facilitating transactions that are the backbone of economic value exchange;
- enabling financial inclusion by offering unbanked clients access to affordable products;
- providing financial education and advice; and
- developing innovative solutions that meet our clients' specific needs.

SHAREHOLDERS

The financial capital we source from our equity and debt investors and our retained earnings enable business continuity and growth, including strategic investments.

Value is created and preserved through...

- increasing NAV and dividends;
- maintaining a strong balance sheet to protect against downside risk;
- investing in and growing our client franchises and our people sustainably;
- following good ESG practices that ensure sustainable business for the long term; and
- operating within our risk appetite.

GOVERNMENT

The tax we pay and investments in government and public sector bonds are imperative for the economic and social development of Namibia.

Value is created and preserved through...

- contributing meaningfully to government budgets through out own corporate taxes and employees paying personal taxes; and
- investing in government and public sector bonds, thereby partially supporting the funding needs of government.

REGULATORS

Regulation reduces systemic risk and promotes the healthy functioning of an economy in which all stakeholders prosper. Good governance and compliance support client and investor confidence in NNH Group. We have a responsibility to comply fully with the regulations of the countries in which we operate.

Value is created and preserved through...

- embracing sustainable banking practices and regulatory compliance, which enable a safe and stable banking system and a thriving society; and
- working closely with regulators during times of crisis.

SOCIETY

We embrace our role in society as an active contributor to building a thriving society and can do this only with engaged communities that have the same values.

Value is created and preserved through...

- transforming economies, the environment and society positively through our lending and investment activities, which are aligned with the SDGs;
- playing a meaningful role in the broader society as a procurer and consumer of goods and services; and
- making a difference through our partnerships and corporate social investment (CSI) activities.

SUSTAINABILITY REPORT

BEING THE DIFFERENCE

We began the year, with Namibia having encountered a fourth wave of the COVID-19 infection with the Omicron variant, acutely mindful of the need to extend our focus on health and safety of staff and clients. We continued to apply the necessary measures to prevent further spread of the pandemic and augmented these with mental health information and wellness days in partnership with the Namibia Health Plan (NHP) for Nedbankers to receive free blood pressure, glucose, and cholesterol testing.

The stark realisation at a general level that was prompted by the state of the world reignited the bank's understanding of the role that it stands to play in supporting the quest for a flourishing economy, contribute towards making a meaningful contribution towards uplifting our society and show diligent care for our environment, none more so than a deliberate focus to advance the causes outlined in the United Nations Sustainable Development Goals (SDGs).

Since the pandemic underscored the importance of maintaining a robust healthcare system in both the public and private domains, Nedbank Namibia sponsored the annual congress of the Medical Association of Namibia to provide a platform for healthcare experts to convene and exchange information on the latest progress in the medical field.

Above and below: NHP Wellness Day at the Nedbank Campus Sky Garden.

From left to right: Ngaipahue Muhenje, Sylvia Kapundja, Pejarukani Meroro, Nozipho Mehlomakhulu, Zeupare Karutjaiva and Mazvita Matipira are medical interns who Nedbank Namibia sponsored to attend the 41st Annual Medical Congress in Windhoek.

Attendees at the 41st Annual Medical Congress.

Attendees posing at the 41st Annual Medical Congress.

SUSTAINABILITY REPORT

Nedbank Change Ambassadors closing off the People Promise Launch event.

Nedbank Namibia Head of Operations, Derick Klein (left) and Nedbank Namibia Chief Risk Officer, Annette Stafford Evans (right).

People Promise Launch event host and Nedbank Namibia Compliance Manager, Zarene Mtambanengwe (left), with Nedbank Namibia Managing Director, Martha Murorua (right).

We saw our continued focus on health and safety of staff and clients as fundamental to entrenching Nedbank as a great place to work and then lent new impetus to that positioning and our purpose of being financial experts who do good with the mid-year launch of our People Promise.

In underpinning the drive to make a greater impact on the countless lives we touch in helping to build Namibia, the promise – a mutual pledge between Nedbank and staff – aims at transforming employees' experience and their engaging with one another around five themes. These are: purpose led, service excellence, high performance, growth and development, and diversity and inclusion. Initiatives and activities are driving home the message of each theme and assisting in igniting a shift in our culture.

The programme was undertaken to:

- Shift employee culture;
- Change mindsets and behaviours;
- Improve the workforce experience;
- Embed a human-centred leadership philosophy

The People Promise launch followed two significant events firstly, celebrating high performance, and secondly marking further investment in people and their growth and development through bursary awards.

The Top Achievers awards ceremony honoured exceptional Nedbankers who went above and beyond in 2021, to make sure their yearly goals were met and exceeded, and who demonstrated high levels of dedication to our bank's mission. Patronella Gideon was named as the Namibian African Region Top Achiever and joined other Nedbank Top Achievers for further recognition.

In an extension of the bank's bursary programme, bursaries amounting to N$ 190 000 were awarded to seven students – six employees and an external candidate – for formal educational qualifications that will facilitate their development and the implementation of the strategy of the bank. The Nedbank Namibia staff members who received bursaries are Mercy David, Hermanus Louw, Maiya Mapele, Nollyda Goases, Varneah Hartung, and Elizabeth Haitamba. Their fields of study include accounting, business administration, chartered accountancy, and commerce in law. David Apollos, the external candidate, is studying towards a bachelor's degree in computer science at the Namibia University of Science and Technology.

Significant investments were made into the 2022 leadership development programme, which saw 12 Nedbankers enrolled into some of the best leadership development programmes on the continent.

Namibian graduate Vino Tjombonde was selected to work in the bank's Treasury Department as part of the bank's 24-month graduate programme, which aims to develop

Nedbank Namibia Executive for Corporate and Investment Banking, Tjivingurura Mbuende (left), with Nedbank Namibia Finance Manager, Lizette Kotze (right), at the 2021 Nedbank Top Achiever's Award Ceremony.

Nedbank Namibia Overall Top Team awarded at the Nedbank Top Achievers Award Ceremony.

Nedbank Namibia Mobile Consultant, Patronella Gideon (left), and Nedbank Namibia Managing Director, Martha Murorua (right), at the Nedbank 2021 Top Achievers Award Ceremony.

SUSTAINABILITY REPORT

2022 Bursary recipients receive their bursary letters from Nedbank Namibia Senior Manager for Human Capital Operations, Faith Cloete.

Graduate Trainee in the Treasury Department, Vino Tjombonde.

Nedbank employees posing for a photo after completing the Fill a Jar Team Challenge.

young talent for possible future leadership roles across Nedbank Africa Regions and provide opportunities for graduates to launch their careers without the need for previous experience. In addition to this, the programme intends to equip graduates with sense-making abilities to enable the type of mindset shifts required to navigate the world of work.

Financial experts doing good

A description of Nedbankers as financial experts who do good demands substance. That was delivered by staff members across the group who demonstrated through our ongoing team challenge how internal partnerships and collaboration can impact the communities we serve.

The Finance Department challenged Nedbankers to form teams and fill as many jars containing nonperishable food as possible, for donation to charity organisations. The challenge saw 12 teams, from the Windhoek Campus and from branches, fill a total of 1 671 jars. The Queen Bee team from Grootfontein branch won the challenge, with the highest people/filled jars ratio.

Our Swakopmund branch team together with Good Food Namibia, which aims to empower Namibians to implement sustainable backyard gardens, visited the Faith Pre-Primary Day Care and undertook a range of activities - planting trees, painting the walls of the day care, making a garden, making seedlings, having a soup kitchen, and coming up with water-wise systems on how to save water.

Nedbankers helped residents of the Uuvudhiya Constituency, 90 km southwest of Oshakati, and an area prone to floods, to rehabilitate a road bridge there. The Oshakati branch team combined their efforts and dug into their own pockets to raise funds to buy cement bags for the renovation of the bridge. Apart from this initiative, the branch pledged a donation to the Women and Men Network, an initiative established by the Namibian Police in 2015, to uplift and inspire women in uniform, and assist vulnerable children.

Nedbank Namibia Swakopmud Branch Team at Faith Pre-Primary Day Care in the DRC location doing their Team Challenge activities.

Nedbank Namibia Oshakati Branch Manager, Beatha Hilundwa (left), with Uuvudhiya Regional Councilor, Timoteus Shivute (right).

SUSTAINABILITY REPORT

Nedbank Namibia Managing Director, Martha Murorua, at the Go Green Fund event which took place at the Nedbank Campus Sky Garden.

Partnering to conserve our natural resources

Nedbank's further commitment to support the environment and nature conservation in Namibia, reflected in 2022 grants by the Go Green Fund, was hailed as a powerful demonstration of how businesses and the government can work together to conserve our natural resources.

Speaking at the announcement of the grants, the Minister of Environment and Tourism, Hon. Pohamba Shifeta, commended Nedbank for its continued support, especially when the business environment has been hugely impacted by COVID-19. 'The Go Green Fund is unique in that it brings together a business partner, Nedbank Namibia, and a non-governmental organisation (NGO), the Namibia Nature Foundation, to work together to maintain our natural environment and ensure that future generations can enjoy Namibia's resources,' he said.

In terms of the 2022 Go Green Fund grants, seven projects shared funding of N$ 747 745. Grants were also provided to support urgent work with elephants, the brown hyena, giraffes, the African wild dog, dolphins, and a range of carnivores, as well as human-wildlife conflict and poaching.

The Namibia University of Science and Technology (NUST), through its project Kaokoflora, received N$149 500, and the National Botanical Research Institute (NBRI), which is administered by the Ministry of Environment, Forestry and Tourism, received N$220 000 for two projects. The first project, which was granted N$120 000, entails identifying and delimiting important plant areas (IPA) in Namibia.

Under the second project, the National Botanical Research Institute will be exploring and conserving plant diversity in the Kunene Region of Namibia through botanical collections. The Go Green Fund allocated N$100 000 to this project.

A N$119 000 grant was allocated to Stellenbosch University for its project on species diversity and geographic distribution of termites and their symbiotic fungi in Namibia. A biodiversity inventory of the central Namib inselbergs project by Gobabeb-Namib Research received N$98 445.

The National Museum of Namibia, Windhoek (NMNW) received N$106 000 for its project, discovering Namibia's cryptic diversity through a national faunal DNA collection. Another N$54 800 was allocated to the Kwando Carnivore Project for its Baseline Survey of Cheetahs and African Wild Dogs in the Mudumu Landscape.

Since its establishment in 2001, the Nedbank Namibia Go Green Fund, in partnership with the Namibia Nature Foundation, has been the go-to non-profit fund to support individuals and organisations working towards a sustainable future for Namibians, endemic species and habitats.

The fund also supports environmental research projects into lichen fields, oxpeckers, baobab trees, Nile crocodiles, Cape ground squirrels, and community fishing projects. With its partners, the fund is working to combat poaching and to find solutions to address the challenges of communities living amongst valuable wildlife that threatens their livelihoods and lives.

Addressing the lives, health and education of young Namibians

In line with the 2022/23 national Budget theme of 'Reimagining, a better future for the youth,' new social investment initiatives by the Group sought to address the lives, health and education of young Namibians.

On the day Nedbank Namibia handed over chairmanship of the Bankers' Association of Namibia – a role that circulates among member banks – selected schools received N$ 85 000 in stationeries, a collective contribution by the banks. Our Human Capital team facilitated the handover to the school principals.

Nedbank Namibia supported the introduction of a new mathematics guide called 'Map Mathematics' to 22 senior secondary (grades 10 and 11) mathematics teachers representing different schools in the Zambezi educational region. Developed by the Namibian Mathematics Institute, it is a hands-on teaching guide that covers a range of mathematics topics, using maps of Namibia and Africa.

From left to right: Bank of Namibia Deputy Governor, Leonie Dunn; Standard Bank Chief Executive Officer, Mercia Geises; Chief Executive Officer of the Bankers Association of Namibia, Brian Katjaerua; Bank Windhoek Managing Director, Baronice Hans, Nedbank Namibia Managing Director, Martha Murorua; and Letshego Chief Executive Officer, Ester Kali.

SUSTAINABILITY REPORT

Nedbank Namibia sponsorship for Map Mathematics Project.

From left to right: Nedbank Namibia Private Wealth and Bancassurance Executive, Biniam Ghirmatsion; Nedbank Namibia Managing Director, Martha Murorua; Autism Association Director, Petra Dillmann; and DZ Golf Event Coordinator, Dan Zwiebel.

Golfers at the Nedbank for Autism Series Final at Omeya Golf Club.

The launch workshop at Katima Mulilo covered various topics like distance, speed, duration, ratios, rates, bearings, vectors and trigonometry, using this practical approach to ensure that learners appreciate the need for mathematics in everyday life. Each teacher received 60 of these map mathematics sets to share with fellow educators and implement at their respective schools.

According to the National Institute for Education Development (NIED), the teaching of mathematics in Namibia has been a challenge since independence in 1990, with unimpressive performance in mathematics at senior secondary schools' level. The government has since developed the Education and Training Sector Improvement Programme (ETSIP), which addresses a wide range of issues, with key interventions in subjects such as mathematics, science and English.

In further support for young Namibians, over the year the Nedbank Autism Series raised more than N$350 000 in pledges and donations for autism through golf days in nine towns in Namibia. Currently, the Autism Association is preparing to facilitate an online training course for 30 people in various schools or centres with autistic children. A YouTube channel will also provide the opportunity for subscribers to take a course on autism and disability.

Young Namibians also benefited from sponsorship of the first Nedbank Volley 1st Tournament. The event in Ongwediva, involving 20 teams, was an initiative between Connect People To People (CPTP) and the Namibia Volleyball Federation (NVF). Its aim was to increase the sport's popularity in the northern regions.

Nedbank Volley 1st event in Ongwediva.

Nedbank Kapana Cook-Off Competition.

Supporting small and micro businesses

Small-to-medium enterprises (SMEs) play an important economic role in many countries, with the Namibian SME sector making a growing contribution to gross domestic product. This was confirmed by a March 2022 National Statistics Agency census of business establishment report, based on a pilot study of 61 502 establishments, most of them micro enterprises, between October 2019 and April 2021. Promoting that role of an economic engine and encouraging the SME sector as a source of innovation was the focus of two initiatives.

One, the Nedbank Namibia Kapana Cook off competition, a flagship event that supports small businesses and celebrates true Namibian cuisine, reached a significant milestone in its eight-year history in 2022. Total investment in the event since its inception topped N$3 million, having empowered winners down the years to become business owners and employers in their own right.

This year's event, hosted in partnership with Bakpro, the Namibian Chefs' Association and Agra Namibia, was won by Ebben-Ezer Amuyagele, from Ilambo village in

SUSTAINABILITY REPORT

From left to right: OMDis, Nedbank Namibia, and Uconomy Namibia principals with economist, Dr John Steytler (centre, standing). Fltr: Aunie Gideon and Tony Bessinger (OMDis), Dr Steytler and Martha Murorua (Nedbank Namibia), Lionel Matthews and Jason Kasuto (Uconomy Namibia).

the Okahao circuit in the Omusati region. His prize was a mobile kitchen, a Nedbank account with N$10 000 and a Bakpro Vetkoek voucher worth N$5 000. Second and third prize winners won respectively Nedbank accounts with N$7 000 and N$5 000 and Bakpro Vetkoek vouchers worth N$3 000 and N$2 000.

In the second initiative, Nedbank Namibia, together with OMDis and Uconomy Namibia, the development agency, completed an economic development pilot project aimed at diversifying the economic activities of Oranjemund. The project, involving some 53 SMEs across 16 industries, delivered an online marketplace, business listings and profiles, blog functionality, a labour desk, a ticketing system, project- and task-tracking, and a member login access level. It will also provide automated governance and registration guidance as an overwhelming need for accounting and tax support was found.

The initiative further aims to bridge the expertise gap by providing SMEs with an opportunity to access a network of local suppliers and clients. They will also be linked to various membership platforms that provide access to development support. Evidence delivered by the pilot may lead to its implementation in other regions of Namibia.

Celebrating a 36-year association with cycling

As the longest-standing corporate supporter of cycling in Namibia, Nedbank Namibia celebrated its 36-year association with the sport by sponsoring events providing local and international cyclists with the opportunity to gain global ranking points.

Nedbank Namibia was official sponsor of Africa's most prestigious mountain biking event of the year in the Cross Country Olympic (XCO) discipline. Hosted by the Namibian Cycling Federation (NCF), the event drew competitors in categories ranging from Under 12 to Elite men and women, from over 10 African countries for the title of 2022 African Continental Champion. The event was held under licence of the Confederation of African Cycling (CAC), and the cycling governing body, the Union Cycliste Internationale (UCI).

Another event providing local and international cyclists with the opportunity to gain UCI ranking points, key determinants for cyclists to compete in international events like the Olympics, was the 2022 Nedbank Rock & Rut XC1 UCI C1 and UCI Junior Series XCO.UCI categories for the event were for junior and Under 23, and elite cyclists only.

Cyclists at the 2022 African Continental Championships.

SUSTAINABILITY REPORT

Cyclists taking part in the Nedbank Desert Dash 2022.

Nedbank Managing Director, Martha Murorua (left) and Road Fund Administration Chief Executive Officer, Ali Ipinge (right).

The Namibian Cycling Federation believes the investment by Nedbank has helped Namibian cyclists gain confidence at international competitions. Namibian cycling is regarded as the only Namibian sports code that has participated in all the Olympics for the last 20 years. Namibian cyclists received podium finishes at the 2022 Commonwealth Games in Birmingham, England.

The Nedbank Desert Dash, the premier event involving a 393km ride through the Khomas-Hochland Mountains and the Namib Desert, attracted a field of more than 1 000, many of them international riders, and built on earlier events to provide yet another significant boost – estimated at N$25 million -for the economy through travel and hospitality expenditure by the cyclists, their support teams, families and cycling fans.

Promoting sustainable mobility in the capital

Nedbank Namibia partnered with a coalition consisting of Namibia Road Safety Forum (NRSF), Ebikes4Africa, the Namibian Cycling Federation (NCF), the City of Windhoek and Physically Active Youth (P.A.Y.), sponsored by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to fund 34 young cyclists to compete in the Nedbank Cycling Challenge. This was the 36th Nedbank Cycle Challenge, and more than 600 cyclists competed in the 20km, 30km, 60km, and 100km categories.

The participation of the 34, students from the University of Namibia (UNAM), the Namibia University of Science and Technology (NUST), and the International University of Management (IUM), in the Nedbank Cycle Challenge was part of the Student Cycling Project sponsored by GIZ as part of a drive to promote sustainable mobility in Windhoek. This has included the construction of cycle lanes on specified routes to provide students with safe, convenient, and comfortable transportation to and from the three tertiary institutions.

In addition to the coalition partners, the Windhoek City Police, the NAMPOL Traffic Police, the National Road Safety Council, the Motor Vehicle Accident Fund, and the Automobile Association of Namibia also support the project.

For continuity in the promotion of the use of bicycles, participants and any interested members of the public are invited to engage in a monthly Fun Day at the P.A.Y. premises, under the banner of the Windhoek On Bike platform. At these fun-filled events beginners engage with the P.A.Y. trainers to learn basic cycling skills, while the more advanced riders do a fun ride along a planned route.

SUSTAINABILITY REPORT

From left to right: Beatrice's Grandmother, Kamwi Elizabeth Muwaye; Herman Davin; Justice Hausiku; Beatrice Masilingi; Christine Mboma; Leevi Hungamo, and JG van Graan.

Helping Olympians on their road to greatness

Nedbank Namibia and MTC handed over houses to two Namibian Olympians, Christine Mboma, and Beatrice Masilingi. The housing project was initiated in 2020 by Nedbank Namibia when representatives from the bank attended a dinner hosted by the Janine & Suzelle Davin Sport Trust, which aims to nurture and develop young sport stars.

At the 2020 event, athletics coach, Henk Botha, sketched Masilingi's background and asked for contributions to help her become one of the country's greatest athletes.

That night Nedbank Namibia pledged to construct a house for Masilingi, who was staying with her grandmother in an informal settlement in the town of Rundu, situated in the Kavango East Region.

After Masilingi and Christine Mboma scooped international accolades at the 2020 Tokyo Olympics, MTC collaborated with Nedbank Namibia in the construction of Masilingi's house and added Mboma as a beneficiary.

Addressing housing and the road infrastructure of our country

Nedbank Namibia is committed to the financing of projects that bring economic development to the country, and roads are an important catalyst for the economic development of Namibia. Namibia has a road network of approximately 49,000 km, valued at N$ 101 billion, of which about 90% is unpaved. Since inception, more than N$ 20 billion has already been invested in road infrastructure. Namibia ranked number one in Africa and 21 in the world in terms of quality of road infrastructure.

To this end, Nedbank Namibia has advanced a loan of N$350 million to one of the country's premier parastatals to finance the Low Volume Road Seal Strategy (LVRSS), an alternative maintenance strategy to optimise the available funding by doing more road maintenance work with limited financial resources. The main objective of the LVRSS is to improve the level of service on gravel roads to the road users, resulting in reduced vehicle operating cost and time saving. The overall maintenance demand is also reduced, leading to cost savings in a number of routine maintenance activities.

The Ongos Valley development continues to gain traction, and more than 25 - 30% of the development is also dedicated to public and conservation open areas. As at the end of 2022, the project has commenced with 371 units under construction and 146 units completed.

NNH GROUP SUSTAINABLE DEVELOPMENT FRAMEWORK

How we contribute to the SDGs:

SDG 4 Quality Education
- Donations and support to schools
- Internal and external bursaries provided
- Graduate program and internships offered

SDG 6 Clean water and sanitation
- Offering financial solutions to the public sector as well as participants in the mining, commercial, industrial and agricultural sectors

SDG 7 Affordable and clean energy
- Facilitation of renewable energy solutions to our clients
- Solar partnership offering with MegaTech

SDG 8 Decent work and economic growth
- MobiMoney and PayToday enabling easy access to banking services for our clients
- Financial solutions offered to SME's and small businesses
- Medical banking offering

SDG 9 Industry, innovation and infrastructure
- Infrastructure funding
- Home loan solutions

SDG 13 Climate Action
- Climate training provided to employees
- Our head office
- Financing of renewable energy, energy efficiency and other related technologies

SDG 10 reduced inequalities
- Enabling inclusive banking and acceleration of our digital journey
- Physical footprint expansion
- Affordable housing offering for first time buyers

SDG 11 Sustainable cities and communities
- Home loans granted
- Lower income affordable housing offering
- Financing road infrastructure projects

SDG 15 Life on land
- Offering financial solutions to the agricultural sector
- The Go Green Fund supporting the environment and nature conservation

CHIEF RISK OFFICER'S REPORT

With volatility, uncertainty and complexity commanding a geopolitically unstable landscape, and surging inflation and multiple interest rate hikes affecting economies across the hemispheres, rankings of risks facing Namibia and Group operations shifted in 2022.

The year began with renewed concern over the impact on Namibian health of the Omicron variant of Covid-19 and a hesitancy to vaccinate. Within the Group, continued measures to ensure safety of employees and clients were supported by a drive for vaccination and resulted in a drop in infections.

While Covid-19 and its impact lingered, the outbreak of another disease – Ebola virus disease – in Uganda and fatalities there in the last quarter was monitored within our risk universe. It was noted that the importation of cases was considered unlikely by health authorities.

The severe effect of the pandemic on people's lives and livelihoods continued to take its toll and credit risk, along with financial crime, dominated the risk universe. Given rising inflation and interest rates, and even though loans and advances at Nedbank contracted, credit risk is expected to remain high for the foreseeable future. Over the year, the repo rate increased in multiple consecutive hikes from an historic low of 3,75% to 6,75%, with some quarters anticipating a further hike in the first quarter of 2023. These increases, coupled with the consumer price index rising to 7,1%, piled more pressure on consumers, despite a continuing debt relief programme instituted by the Bank of Namibia in 2020, and revised in November to provide more scope for economic activity. The banking sector, in turn, was under pressure not to increase rates and non-interest revenue streams and associated costs came under official scrutiny.

The number of non-performing loans for property and asset-based finance was flagged as concerning and a strategy to address this issue was implemented. Loan restructuring and other efforts to assist clients limited the number of house repossessions, but the broad picture of economic distress, growing unemployment and rising inflation and their effects on the social climate resulted in social unrest being ranked as a top five risk.

With reports indicating global cybercrime costs were expected to grow by 15% a year to reach US$10,5 trillion by 2025, measures to combat financial crime were intensified. We launched new initiatives to address the threat, improve risk culture and protect client data. To ensure all employees are equipped with the knowledge to bring about greater compliance with local legislation and alignment to Group standards, we introduced interactive e-learning and assessments on our digital learning platform. This is assisting in managing our anti-money laundering (AML), combating financing of terrorism (CFT) and sanctions risk exposure at the heart of our risk management and compliance programme.

Findings from an intense and comprehensive risk-based inspection by the supervisory authorities of shortcomings in measures related to due diligence, and loans and transaction monitoring were addressed. Administrative fines are being considered by the Financial Intelligence Centre and the Banking Supervisor.

We extended our Financial Intelligence Centre Act implementation project, launched in 2021, to enhance our control environment through processes, technologies and training. New standards were introduced for how we onboard new clients and how we go about managing existing clients in relation to AML, CFT and sanctions risks.

CHIEF RISK OFFICER'S REPORT

Along with fellow members of the Bankers' Association of Namibia, and because of Namibia's membership of the common monetary area, Nedbank focused on potential spillover effects on the banking sector from a possible greylisting of South Africa by the Financial Action Task Force. The association presented the Bank of Namibia with a consolidated impact assessment as a step towards developing a national strategy to counter any negative effect on capital flows and access to international trade and financial systems and also to demonstrate to the international community Namibia's strengthened controls against money laundering, terrorist financing and sanctions exposure.

We declared September as fraud awareness month and reminded employees of the platforms for reporting any fraudulent or suspicious activities to management or to our internal reporting line.

In the fight against tax evasion, we made significant changes in addressing the requirements of the Foreign Accounts Tax Compliance Act (FATCA) and the Common Reporting Standard which aims to prevent tax evasion and to achieve global tax transparency. To meet FATCA requirements, the NNH Group is required to report information on financial accounts held directly or indirectly by US persons. Under the Common Reporting Standard, we are required to identify clients who appear to either have tax obligations, tax liabilities or tax residencies outside the country of onboarding where they hold their accounts or products. Apart from changing the client onboarding processes, as well as the onboarding systems, we provided training on the legal requirements.

An addition to compliance risk came with the introduction by the Bank of Namibia of a determination (BID34) which sets out the requirements that a banking institution must observe in assessing and managing risks relating to outsourcing relationships, including cloud computing arrangements. Ahead of implementation, the Bankers' Association submitted concerns. Compliance with the determination is regarded as being key for delivery of strategic projects, and an internal steering committee was established to ensure inclusion of all regulatory requirements in the compliance impact and risk assessments as well as policy, processes and controls.

A further determination under examination by the industry concerns conduct of electronic funds transfer in the National Payment System and is due for implementation from April 14, 2023. Comments have been submitted on a draft determination on operations and cyber security standards in the National Payment System.

An impact assessment and compliance risk management plans were in place for the implementation of the Financial Institutions and Markets Act (FIMA). Its effective date was postponed from October to a date to be announced. An external expert was appointed to analyse plans and identify any gaps for attention.

FIMA aims to foster: the financial soundness of financial institutions and financial intermediaries; the stability of the financial institutions and markets sector; the highest standards of conduct of business by financial institutions and financial intermediaries; the fairness, efficiency, and orderliness of the financial institutions and markets sector; the protection of consumers of financial services; the promotion of public awareness and understanding of financial institutions and financial intermediaries; and the reduction and deterrence of financial crime.

With FIMA taking a wider approach not only to address prudential matters but to advocate for issues of market conduct and governance, the Namibian Financial Institutions Supervisory Authority will shift from compliance or rule-based supervision to risk-based supervision, allowing it to focus its resources on the areas that pose the greatest risk to meeting regulatory objectives.

We elevated reputational risk after the Namibian Competition Commission initiated investigations into alleged uncompetitive practices within the banking sector. A response to submissions to the commissions is awaited. In addition, the Namibian Revenue Agency uncovered a scam involving payments of value added tax refunds to 122 taxpayers, including 34 Nedbank employees. A forensic investigation was launched and the agency appointed NNH Group to recover amounts due. Disciplinary proceedings are expected to affect operations in certain business units.

The high tempo flow of new regulatory and legislative requirements required pro-active management and preparing business for emerging risks. While preparation and implementation of compliance programmes and enhancement of control measures were one essential part of risk focus, another was the filling of key vacancies to mitigate business and operational risk and protect critical components of the business. These included appointments to management and strengthening of forensic services, compliance monitoring and legal resources.

We continued our risk exploration across a host of themes, including the environmental, social and governance arena, as well as climate, drawing on interactions across the business. We view wide-ranging communication as an integral part of that exploration and will strive for increased interactions to help minimize risk. This will include engagement with the newly launched Financial Industry Cybersecurity Council which aims to provide a productive forum for the banking and non-banking financial sector to foster conversations, share knowledge and develop tactical strategies to combat cyberfraud within the industry.

Annette Stafford-Evans
CHIEF RISK OFFICER

MANAGING RISKS STRATEGICALLY: ENTERPRISEWIDE RISK MANAGEMENT FRAMEWORK ('ERMF')

PREAMBLE: As the NNH Group is a subsidiary of Nedbank Limited, this Framework must be considered in the context of:

- The Group Operating Manual (GOM) and Annexure 2, which documents the management processes in place for Nedbank Group Clusters to provide oversight over their subsidiaries.
- Compliance with the more stringent requirement between Host-and-Home Regulator.

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 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 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 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: H Thessner* * Independent Non-Executive Director	NNH Group Remco Chairperson: F Amuenje* * Independent Non-Executive Director	NNH Group Directors' Affairs Chairperson: SI Kankondi* * Independent Non-Executive Director
	Nedbank Namibia Credit Committee Chairperson: H Urib* * Independent Non-Executive Director	NNH Group Information and Communication Technology Committee. Chairperson: TT Hiwilepo* * 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')	Bursary and Internship 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 and Reputational Risk Committee
	Head Count Committee					
Forums	ATM Forum	Attorney's Panel Forum	Employee Equity Forum	Coordinated Assurance Forum	Distribution and Revamp Forum	Product and Pricing Forum
	Conduct Risk Forum					
Steercos	Human Capital Change Management Steerco	Campus Project Steerco	Payment Steerco	Project Management Steerco	PayToday Steerco	Business Continuity Management Steerco
	AML 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 Services	Compliance and Ethics	Enterprise Risk Management / Operational Risk Management	Financial Crime: AML/CFT/SANCTIONS and Forensic Services
2A – Business level – Micro (client facing units)		Divisional Risk Managers / Divisional Risk Analysts					

3rd Line of Defence – Internal Audit / External Audit / Regulators

Internal Audit	Group Internal Audit	**External Audit / Regulators**

RISK MANAGEMENT

TOP 10 RISKS

Our top risks are selected as top of mind risks and have been determined by considering the internal and external environments that we operate in.

1. Credit Risk

Credit has remained a top risk in the continued challenging macroeconomic environment. We experienced slow credit demand due to the ongoing uncertainty and slow economic growth in the market combined with the increases in the interest rates.

How we responded:

- Focus on Watch list and Retail trends (and vs. peers).
- Stress Testing & Scenario Analysis.
- Review Credit Loss Ratio (CLR) target ranges.
- Operating model for arrear management amended.
- Credit concentration risk refresh

2. Financial Crime (AML) Risk

An increased focus on executing agreed management actions, performing the business risk assessment and the transitioning towards the new AML Methodologies in alignment with Nedbank Group Standards.

How we responded:

- Second line reviews conducted
- Continued system enhancements
- Training provided on the new AML methodologies

3. Business Risk

While the Covid-19 pandemic have eased in the current year, the economic and financial outlook for the country remains low and uncertainty remains high.

How we responded:

- Group Business Plan (2023-2025).
- Ongoing review of strategic plan.
- Review of risk appetite.
- Carefully monitoring impact of credit defaults as well as opportunities in renewable energy (upside risks).
- Robust plan has been developed to respond to the external environment.

4. Cyber Risk

Cyber risk management remains at a mature level and cyber defences are operating effectively.

How we responded:

- Oversight by Nedbank Group (SA) by way of Nedbank
- Africa Regions Cyber Steering Committee

5. Information Technology Risk

Our IT systems remain critical for our delivery to customers. We strive to establish IT systems that are stable and resilient.

How we responded:

- Risk oversight
- Adequate governance and approval processes in place

6. Operational Risk

Our exposure to operational risk has remained one of our top 10 risks during 2022 considering the current Namibian external environment.

How we responded:

- Maintaining overdue internal audit findings within benchmark and on-time remediation.
- Strengthening the lines of defence.

7. Strategic Execution Risk

Execution against the group's strategy is taking place in the context of a complex and challenging operating environment.

How we responded:

- Implemented the Strategic Risk framework.
- Group Internal Audit Plan.
- Enhanced Coordinated Assurance - 2022/2023.
- Continuous tracking of Key Performance Indicators. Developing competitive value propositions and overall strategy with focus on digital.
- Strategy focus sessions being held.

8. People Risk

Employee well-being remains a key focus area.

How we responded:

- Change management and change culture journey.
- Maturing talent management and succession planning.
- Attraction and retention of skill.

9. Compliance Risk

We continue to focus on establishing 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.

How we responded:

- AML, CFT and Sanctions Programme.
- Regulatory Change Programme.

10. Conduct Risk

The risk of financial or reputational loss, arising from the inappropriate behaviour or culture or poor judgment of the Group or its employees in the execution of business activities or strategy which may result in poor / unfair outcomes for or detriment to, clients, stakeholders and the markets remains a relevant risk for the group.

How we responded:

- Continued awareness and training.

CHIEF FINANCIAL OFFICER'S REPORT

That financial institutions – banks in particular – need wider economic growth to drive revenue was again underlined by the state of Namibia's financial health in 2022 when activity picked up after a period of severe contraction.

The severity of the pandemic-driven impact on financial results and on Namibian businesses and livelihoods and the extent of the improvement can be gauged from a comparison of Group after tax profits, earnings per share and return on equity over the last three years.

After tax profit in 2022 totaled N$275 million, rising from N$204,8 million in 2021 and N$117,7 million in 2020. Earnings per share were 389,72 cents in 2022, against the 290,3 cents in 2021 and 166,4 cents in 2020. Return on equity grew to 12%, an increase of 60%, 7,99% in 2021 and 4,71% in 2020. These positive results, though ahead of budgets set against the reality of a tough environment, were still well short of those in pre-pandemic 2019.

The lingering effect of the fallout from the pandemic and years of economic distress, compounded by rising inflation and interest rates, was seen in another year of weak demand for credit and in an increase in non-performing loans. This led to a shortfall in Nedbank's loans and advances against budget.

Net interest income was marginally up at N$784,9 million from N$735,3 million. The return on Government stock and other securities was ahead of budget, as was the balance for these instruments. There was a positive trend in the mix of wholesale and retail deposits, the latter increasing markedly in response to an enhanced offering to clients. The liquid asset book was well positioned for the interest rate direction.

Impairment of advances declined to N$94,9 million from N$110,7 million. This approximated to pre-pandemic levels and was lower than anticipated, notwithstanding the increased pressure on consumers and businesses. The credit loss ratio was flat.

Strong transactional volumes, growth in primary banked clients and in foreign exchange related income lifted non-interest revenue to N$429,1 million, 28% better than the N$336,0 million in 2021. This increase was achieved despite a contraction in underwritten premium income in the Nedloans business where strict affordability criteria were applied in line with market conduct principles.

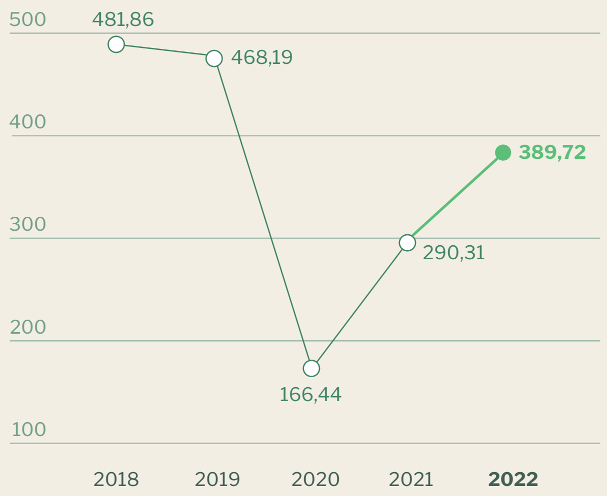
The cost to income ratio decreased to 66% from 68% in the prior year indicating effective cost management.

The Group maintained a strong financial and liquidity position and remained well capitalised with risk weighted capital ratio of 17,72% well above the regulatory required minimum.

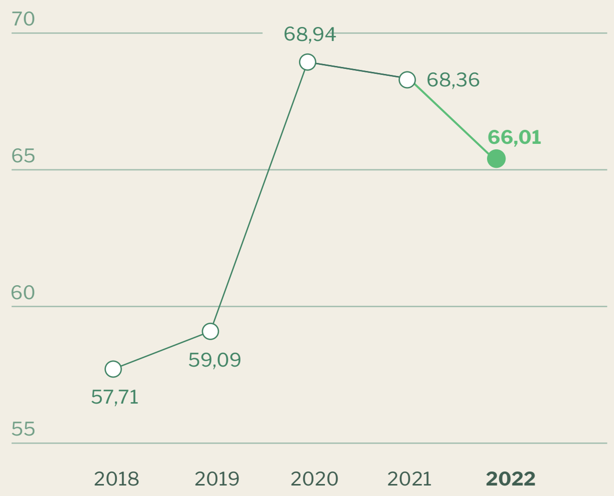
The finance team which was strengthened during the year with senior appointments, continued its programme of test scenarios to plot the impact on performance of economic growth and various potential circumstances. This included updating the group's recovery plan, liquidity simulation as required by a Bank of Namibia directive and further stress testing to support fit for purpose ambitions.

CHIEF FINANCIAL OFFICER'S REPORT

EARNINGS PER SHARE
Over 5 years (cents)



COST TO TOTAL INCOME
Over 5 years (%)



The conduct of stress tests is stipulated in the Basel III accord, the set of financial reforms developed to strengthen regulations, supervision and risk management in the banking industry. The finalised reforms take effect from January 1, 2023 and the finance team has taken the necessary steps to help ensure the Group meets capital requirements as well as requirements on liquid holdings and funding stability.

Ahead of the January implementation date, the Bank of Namibia invited comments on a draft determination on liquidity risk management; this introduces the requirements of the Basel III liquidity standards. These are the liquidity coverage ratio and the net stable funding ratio. The draft determination also stipulates additional liquidity risk management tools for compliance by domestic systemically important banks. The effective date of the proposed determination has been set as January 1, 2024 because of prevailing market conditions and the view that domestic economic activity may be suppressed beyond 2022.

The team also prepared for the application of IFRS 17, a reporting standard issued by the International Accounting Standards Board for accounting on insurance contracts, from an effective date of January 1, 2023.

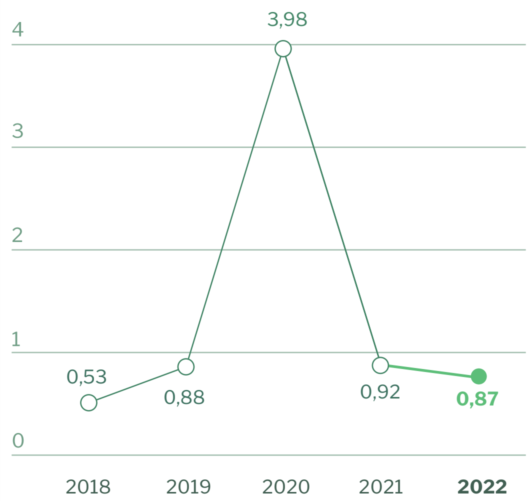
Looking ahead

Among significant developments in the last quarter requiring close examination by the finance team for their potential impact were announcements of tax reforms by the Minister of Finance in the mid-year Budget. These were:

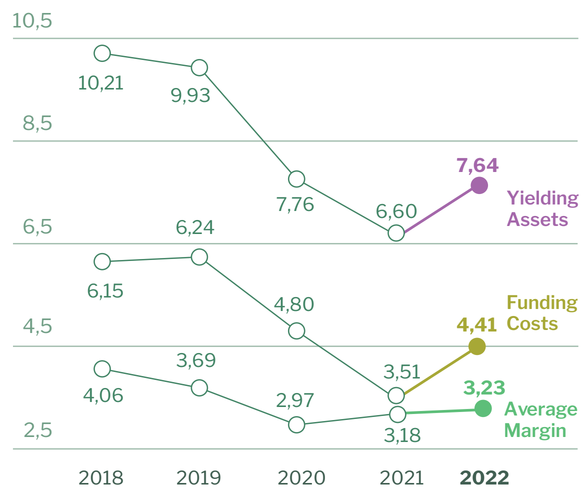
- To reduce the non-mining corporate income tax rate from 32% to 31% in 2024/2025 and to 30% in 2025/2026;
- To undertake an assessment to review the threshold for individual income tax from N$50 000 to N$100 000;
- To strengthen enforcement of withholding tax on services in which taxpayers will be required to provide proof of actual tax withheld from payments.
- That the Income Tax Amendment Bill to be tabled in this financial year includes an increase in the tax deductibility on pension, provident and retirement fund contributions and educational policy deductions to a maximum of N$150 000. The current aggregate deduction is limited to N$40 000. The Income Tax Amendment Bill further includes provisions relating to thin capitalisation.

The move to reduce corporate tax, currently one of the highest in the region, was welcomed by business and seen as a positive measure to encourage foreign direct investment.

CREDIT LOSS RATIO
Over 5 years (%)



MARGIN ANALYSIS
Over 5 years (%)

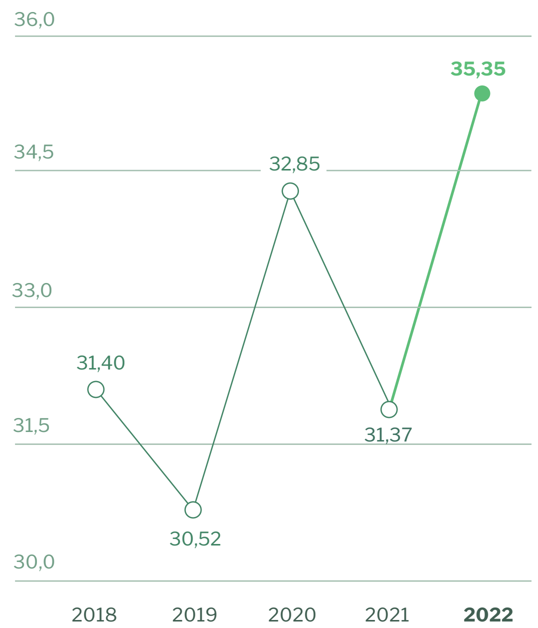


The Minister also announced the launch by the Development Bank of Namibia of a business rescue programme to assist SMEs. The DBN said the combination of prevalent unfavourable economic fundamentals had left many businesses at the point where they were barely able to operate.

At its last meeting of the year, the monetary policy committee of the Bank of Namibia increased the repo rate to 6,75%, a decision taken to contain inflationary pressure while being mindful of the need to support the economy and to narrow the current negative real policy interest rate.

While net interest income of financial institutions benefits from the direction of rate increases, these rises put more pressure on consumers. Their impact may also be felt in corporate and investment banking.

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



CHIEF FINANCIAL OFFICER'S REPORT

For the finance team in 2023, the task will be to help achieve sustainable growth through capital optimisation by an appropriately funded and agile business.

Thanks

Thank you to my fellow executives, board members, the hardworking finance team and our auditors and advisers for their support and for ensuring we maintain our high professional standards. Your dedication is much appreciated.

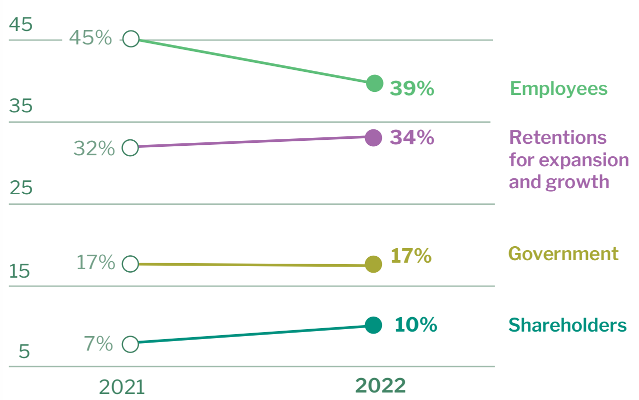
JG van Graan
CHIEF FINANCIAL OFFICER

VALUE ADDED STATEMENT

For the year ended 31 December 2022

	2022 N$'000	2022 %	2021 N$'000	2021 %
Value Added				
Value added is the wealth created by NNH Group through the provision of services to clients				
Interest income and non-interest revenue	2 077 217		1 744 509	
Interest paid and other expenditure	1 274 190		1 053 295	
	803 027		691 213	
Value Allocated				
Employees				
Salaries, wages and other benefits	318 396	39%	310 407	45%
Government				
Direct and Indirect Tax	136 550	17%	114 139	17%
Shareholders				
Dividends	78 140	10%	47 657	7%
Retentions for expansion and growth	269 941	34%	219 012	32%
Retained income	197 170		156 869	
Depreciation	72 175		62 143	
	803 027	100%	691 214	100%

VALUE ADDED



Passing on the benefits of **financial sustainability**

GROUP ANNUAL FINANCIAL STATEMENTS

CONTENTS

2022

DIRECTORS' RESPONSIBILITY

For the year ended 31 December 2022

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 166 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 78 and 79.

To the best of their knowledge and belief, based on the above, the directors are satisfied that 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 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.

The consolidated and separate annual financial statements of NedNamibia Holdings Limited were approved by the NedNamibia Holdings board of directors on 8 June 2023 and are signed on its behalf by:

S I Kankondi
CHAIRPERSON
INDEPENDENT NON-EXECUTIVE DIRECTOR

M Murorua
MANAGING DIRECTOR
INDEPENDENT NON-EXECUTIVE DIRECTOR

STATUTORY ACTUARY'S REPORT

For the year ended 31 December 2022

1. 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:

	Notes	2022 N$	2021 N$
Value of assets			
Total value of assets per statement of financial position	4	315 775 972	304 651 168
Less: Reinsurance asset		551 801	1 232 465
Value of assets on the published basis		315 224 171	303 418 703
Less liabilities:			
Actuarial value of policy liabilities	5	80 128 014	88 929 311
Current and other liabilities		3 693 233	3 635 764
Excess of assets over liabilities		231 402 924	210 853 627
Represented by:			
Share capital and premium		4 000 000	4 000 000
Accumulated surplus		227 402 924	206 853 627
Ordinary shareholder's interest		231 402 924	210 853 627

Actuarial balance sheet – statutory reporting basis

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

	Notes	2022 N$	2021 N$
Value of assets			
Total value of assets per statement of financial position	4	315 224 171	303 418 703
Less: Disallowed assets		4 179 162	4 814 363
Value of assets on the statutory basis		311 045 008	298 604 340
Less liabilities:			
Actuarial value of policy liabilities	5	80 128 014	88 929 311
Current and other liabilities		3 693 233	3 635 764
Excess of assets over liabilities		227 223 762	206 039 264
Capital adequacy requirement ('CAR')	6	57 130 245	11 914 896
Excess of assets over liabilities as a multiple of CAR		4 times	17 times

STATUTORY ACTUARY'S REPORT (CONTINUED)

For the year ended 31 December 2022

2. 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.

	Notes	2022 N$	2021 N$
Excess assets as at end of reporting period		231 402 924	210 853 627
Excess assets as at beginning of reporting period		210 853 627	174 364 267
Change in excess assets over the reporting period		20 549 297	36 489 360
This change in the excess is due to the following factors:			
Investment return generated			
Investment income plus capital gains		17 361 588	17 799 660
Total investment return		17 361 588	17 799 660
Operating profit		31 141 985	41 115 786
Changes in valuation methods and assumptions	3	(5 014 795)	(3 174 248)
Taxation		(845 337)	(505 838)
Total reported earnings per financial statements		42 643 441	55 235 360
Dividends paid		(22 094 144)	(18 746 000)
Total change in excess assets		20 549 297	36 489 360
Reconciliation to reported earnings:			
Total earnings as per above table		42 643 441	55 235 360
Reported earnings in the financial statements		42 643 441	55 235 360
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:

	2022 N$	2021 N$
Excess assets on Published Reporting Basis	231 402 924	210 853 627
Less: Disallowed Assets	4 179 162	4 814 363
Excess assets on Statutory Basis	227 223 762	206 039 264

3. CHANGES IN VALUATION METHODS AND ASSUMPTIONS

The value of the liabilities decreased by N$5 014 795 (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 higher overall investment return to discount future liability outgo. At the same time, the expense inflation assumption was increased.

– Non-economic assumptions and modelling changes
The expense assumption was reviewed in the light of recent experience and a revised approach to the allocation of expenses across product types. The result was an increase in per policy expense on Funeral business and a decrease in per policy expense on Nedloans. The expense assumption change increased reserves.

No changes were made to the mortality, morbidity, retrenchment and lapse assumptions – which overall was confirmed to be prudent.

4. 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.

5. 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.

Individual life liabilities were valued on a discounted cashflow method, plus an Incurred But Not Reported Reserve. 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 6.8% p.a.; and
- An assumed future investment return of 6.3% (gross of tax) per annum was used.

A reserve of N$1.8 million was held in respect of policies that were sold but not included in the valuation data as at the valuation date. In addition, the contingency reserve of N$3.3 million was retained to allow for general uncertainty.

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.

6. 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 Termination Capital Requirement ('TCR') exceeded the ORC valuation date, and thus the capital at the valuation date, and thus the capital adequacy requirements have been based on the TCR. This amounts to N$57.1 million.

The TCR increased compared to last year because pro-rata refunds on single premium credit life business are now categorised as surrenders (to align with NSAP104) and form part of the Surrender CAR. Previously pro-rata refunds were not identified as surrenders and did not impact Surrender CAR.

Namibian regulation requires that a Life Company with multiple products hold 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 4 times the capital adequacy requirement.

7. 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 2022, 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.

Craig Falconer

(FASSA)

STATUTORY ACTUARY FOR NEDNAMIBIA LIFE ASSURANCE COMPANY LIMITED

QED Actuaries & Consultants

8 February 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of NedNamibia Holdings Limited
For the year ended 31 December 2022

Opinion

We have audited the consolidated and separate financial statements of NedNamibia Holdings Limited ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated and separate statements of financial position as at 31 December 2022 and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory notes and the report of the directors as set out on pages 80 to 166.

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 2022 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 of the NNH 2022 Integrated Report:

- NNH Group Profile
- Highlights
- Retail branch network
- Group structure
- Our strategy
- Chairperson's report
- Board of directors
- Board structure and mandate
- Managing Director's report
- Executive committee
- Sustainability report
- Chief Risk Officer's report
- Managing risks strategically
- Chief Financial Officer's report
- Value added statement
- Branch details

which we obtained prior to the date of this auditor's report. 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 and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern.
  If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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)

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: RH Mc Donald (Partner)

Deloitte Building, Maerua Mall Complex,
Jan Jonker Road, Windhoek
PO Box 47, Windhoek
ICAN Practice Number 9407
Partners:
RH Mc Donald, J Cronje, H de Bruin, J Nghikevali, G Brand*, M Harrison*
* Director
Associate of Deloitte Africa, a member of Deloitte Touche Tohmatsu Limited.

8 June 2023

DIRECTOR'S REPORT

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 2022. 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 2022. 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. 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: Nedbank Campus, Freedom Plaza, c/o Fidel Castro & Rev Michael Scott 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

Ms Chriszelda Gontes has been appointed, in the capacity, Head: Compliance, Governance and Company Secretary. Ms. Anelda Harmse is the Assistant Company Secretary.

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.

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 financial statements.

Share Capital

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 27 June 2022 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

An ordinary dividend of N$78 140 000 (2021: N$47 657 000) was declared and paid during the year under review.

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.

Board of Directors

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

Name	Date	Nationality	Age	Current Status
Independent non-executive directors				
Kankondi Sebulon I (Chairperson)	17 July 2020	Namibian	58	No change
Hiwilepo Trophimus T	22 August 2014	Namibian	58	No change
Horn Talita B	16 April 2019	Namibian	53	No change
Urib Haroldt H	9 November 2020	Namibian	65	No change
Amuenje Florentia	31 May 2021	Namibian	54	Appointed
Thessner Hendrik C	23 June 2021	South African	63	Appointed
Non-executive directors				
Sibiya Terence G	18 September 2018	South African	54	No change
Executive directors				
Murorua Martha (Managing Director)	13 July 2020	Namibian	50	No change
Van Graan Johannes G (Chief Financial Officer)	3 June 2019	Namibian	40	No change

The profiles and qualifications of the members of the board are disclosed on pages 15 to 17 of this annual report.

Directors Emoluments

Directors' emoluments are disclosed on page 27 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 2022:

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%

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 2022

	Notes	2022 N$'000	2021 N$'000
Assets			
Cash and balances with central bank	4	754 660	651 007
Due from other banks	5	3 766 762	3 743 743
Other short-term securities	6	2 517 796	2 279 031
Derivative financial instruments	7	37 583	20 241
Government and other securities	8	3 408 805	3 026 418
Loans and advances to customers	9	10 360 040	10 731 333
Current tax receivable		30 010	25 544
Other assets	10	219 195	154 639
Non-current assets held for sale	12.3	29 000	–
Deferred taxation assets	23	5 225	3 935
Investment in subsidiaries, and listed investments	11	31 192	28 572
Investment property	12.2	51 200	–
Property and equipment	12.1	781 812	749 722
Computer software and development cost	13	94 692	77 000
Goodwill	14	29 125	29 125
Total assets		22 117 097	21 520 310
Equity and Liabilities			
Share capital	15	17 595	17 595
Share premium	15	99 536	99 536
General risk reserve	16	31 735	50 608
Revaluation reserve	17	124 757	63 077
Fair value reserve		(8 518)	(1 852)
Equity investment revaluation reserve	18	15 533	12 914
Retained income		2 610 155	2 393 628
Shareholder's interest		2 890 793	2 635 506
Non-controlling interest		10 594	12 804
Total shareholder's equity and non-controlling interest		2 901 387	2 648 310
Liabilities			
Derivative financial instruments	7	29 848	20 099
Due to other banks	19	870 488	906 498
Due to customers	20	13 259 407	12 954 666
Negotiable certificates of deposit	21	4 323 793	4 258 370
Other liabilities	22	149 774	174 207
Current tax payable		533	169
Policyholder liabilities under insurance contracts	24	80 128	88 929
Provision for post-retirement medical benefits	25	7 941	7 973
Long-term subordinated debt instruments	26	428 015	427 004
Lease liabilities	27	17 685	19 636
Deferred taxation liabilities	23	48 098	14 449
Total liabilities		19 215 710	18 872 000
Total equity and liabilities		22 117 097	21 520 310

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 N$'000	2021 N$'000
Interest and similar income		1 648 112	1 408 411
Interest expense and similar charges		(863 176)	(673 131)
Net interest income	28	784 936	735 280
Impairment of loans and advances	22 & 30	(94 933)	(110 680)
Income from lending activities		690 003	624 600
Non-interest income	29	429 105	336 098
Net income excluding impairments		1 214 041	1 071 378
Net income		1 119 108	960 698
Operating expenditure	31	(809 176)	(752 968)
Transfers to policyholder liabilities under insurance contracts	32	8 801	21 481
BEE transaction expenses	33	(360)	(922)
Profit before taxation	31	318 373	228 289
Taxation	34	(43 063)	(23 763)
Total profit after taxation		275 310	204 526
Other comprehensive income net of taxation			
Items that will not be reclassified subsequently to profit or loss:			
Gain/(Loss) on revaluation of property (nett of tax)		64 524	(4 523)
Release of revaluation reserve		(2 844)	(3 432)
Remeasurement of defined benefit liability		–	583
Items that may be reclassified subsequently to profit or loss:			
Equity investment revaluation reserve movement		2 619	6 944
Movement in fair value reserve (FVOCI debt instruments):			
Debt investments at FVOCI – net change in fair value		(6 666)	(4 809)
Total other comprehensive income net of taxation		57 633	(5 237)
Total comprehensive income for the year		332 943	199 289
Total profit after tax attributable to:			
Non-controlling interest		1 016	202
Owners of the parent		274 294	204 323
Total profit after taxation		275 310	204 526
Total comprehensive income attributable to:			
Non-controlling interest		1 016	202
Owners of the parent		331 927	199 086
Total comprehensive income for the year		332 943	199 289
Earnings per share (cents)	36	389.72	290.31
Diluted earnings per share (cents)	36	389.72	290.31

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2022

	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$'000	Total share-holder's interest N$'000	Non-controlling interest N$'000	Total N$'000
Balance at 1 January 2021	17 595	99 536	157 993	71 032	5 970	2 957	2 126 385	2 481 468	13 303	2 494 771
Total comprehensive income for the year	–	–	–	(4 523)	6 944	(4 809)	204 907	202 519	202	202 721
Profit for the year	–	–	–	–	–	–	204 324	204 324	202	204 526
Movement in fair value reserve (FVOCI debt instruments)	–	–	–	–	–	(4 809)	–	(4 809)	–	(4 809)
Movement in post retirement medical aid scheme	–	–	–	–	–	–	583	583	–	583
Other comprehensive income for the year	–	–	–	(4 523)	6 944	–	–	2 421	–	2 421
Non-controlling interest dividends	–	–	–	–	–	–	(825)	(825)	(701)	(1 525)
Unclaimed dividend written back	–	–	–	–	–	–	–	–	–	–
Transfers	–	–	–	(3 432)	–	–	3 432	–	–	–
General risk reserve	–	–	(107 385)	–	–	–	107 385	–	–	–
Dividends paid	–	–	–	–	–	–	(47 657)	(47 657)	–	(47 657)
Balance at 31 December 2021	17 595	99 536	50 608	63 077	12 914	(1 852)	2 393 628	2 635 506	12 804	2 648 310
Total comprehensive income for the year	–	–	–	64 524	2 619	(6 666)	271 675	332 152	1 016	333 168
Profit for the year	–	–	–	–	–	–	274 294	274 294	1 016	275 310
Movement in fair value reserve (FVOCI debt instruments)	–	–	–	–	–	(6 666)	–	(6 666)	–	(6 666)
Movement in post retirement medical aid scheme	–	–	–	–	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	64 524	2 619	–	(2 619)	64 524	–	64 524
Non-controlling interest dividends	–	–	–	–	–	–	–	–	(1951)	(1 951)
Unclaimed dividend written back	–	–	–	–	–	–	–	–	–	–
Transfers	–	–	–	(2 844)	–	–	2 844	–	–	–
General risk reserve	–	–	(18 873)	–	–	–	18 873	–	–	–
Dividends paid	–	–	–	–	–	–	(76 865)	(76 865)	(1 275)	(78 140)
Balance at 31 December 2022	17 595	99 536	31 735	124 757	15 533	(8 518)	2 610 155	2 890 793	10 594	2 901 387
Notes	15	15	16	17	19					

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 N$'000	2021 N$'000
Cash flows from operating activities	37.1	895 853	1 455 635
Cash received from customers	37.2	2 131 802	1 718 265
Cash paid to customers	37.3	(885 326)	(623 221)
Cash paid to employees and suppliers		(806 376)	(630 845)
Taxation paid	37.4	(43 889)	(14 205)
Recoveries of loans previously written off	30.1	19 507	11 385
Cash movements in advances and other accounts		123 071	1 384 298
Cash movements in operating liabilities	37.6	357 064	(390 042)
Cash flows from financing activities		(97 532)	88 998
Issue of long-term debt instruments		–	250 000
Redemption of long-term debt instruments		–	(150 000)
Cash repayments on lease liabilities	24	(19 392)	36 655
Dividends paid to ordinary shareholders	37.2	(78 140)	(47 657)
Cash flows from investment activities		(671 650)	(912 982)
Investment in property, equipment, computer software and development cost	12/13	(85 232)	(275 226)
Proceeds on sale of property and equipment		2 473	–
Purchase of non-dealing securities	37.7	(588 891)	(637 756)
Net increase in cash and cash equivalents		126 671	631 651
Cash and short-term funds at beginning of the year		4 394 750	3 763 099
Cash and short-term funds at end of the year	37.8	4 521 422	4 394 750

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. BASIS OF PREPARATION

The financial statements of NedNamibia Holdings (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 Namibian Dollar ('N$'), the functional currency, and are rounded to the nearest thousand Namibian 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.
- investment property

The consolidated and separate financial statements were authorised and approved for issue by the board of directors.

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 considers 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.

Previous order of liquidity	Current order of liquidity
Cash and balances with central bank	Cash and balances with central bank
Due from other banks	Due from other banks
Other short-term securities	Other short-term securities
Derivative financial instruments	Derivative financial instruments
Government and other securities	Government and other securities
Loans and advances to customers	Loans and advances to customers
Other assets	Current tax receivable
Investment in subsidiaries, associates and listed investments	Other assets
Current tax receivable	Non-current assets held for sale
Property and equipment	Deferred taxation assets
Computer software and development cost	Investment in subsidiaries, associates and listed investments
Goodwill	Investment property
Deferred taxation assets	Property and equipment
	Computer software and development cost
	Goodwill

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 considered, for example the business prospects for the client, the realisable 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

Certain of the group's financial instruments are carried at fair value through profit or loss ("FVTPL"), such as those held for trading, designated by management under the fair value option and non-cash flow hedging derivatives.

Other non-derivative financial assets may be designated as fair value through other comprehensive income ("FVTOCI"). FVTOCI financial investments are initially recognised at fair value and are subsequently held at fair value. Gains and losses arising from changes in fair value of such assets are included as a separate component of equity.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale. Financial instruments entered into as trading transactions, together with any associated hedging, are measured at fair value and the resultant profits and losses are included in net trading income, along with interest and dividends arising from long and short positions and funding costs relating to trading activities. Assets and liabilities resulting from gains and losses on financial instruments held for trading are reported gross in trading portfolio assets and liabilities or derivative financial instruments, reduced by the effects of netting agreements where there is an intention to settle net with counterparties.

Financial risk management

The 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 annual 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 75 to 77.

2. ADOPTION OF NEW AND REVISED STANDARDS

Standards and interpretations not 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:

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 labor 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 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.

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

There were no significant changes made to the financial statements as a result of the adoption of these standards.

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		Effective for annual periods beginning on or after
IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023
IAS 1	Disclosure of Accounting Policies - Ammendments to IAS 1 IFRS Practice Statement 2	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a single transaction - Ammendments to IAS 12	1 January 2023
IAS 8	Definition of Accounting Estimate	1 January 2023
IFRS 17	Insurance Contracts	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, directors anticipate that the adoption of the recent standards and interpretations will have no material impact on the annual financial statements in future periods, except for disclosure to the annual financial statements.

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 later.

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 have 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'.

IAS 8 – Definition of Accounting Estimate

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

The definition of accounting policies remains unchanged. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

IAS 1 – Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The Board has recently issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures.

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies.
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures.

The amendments are consistent with the refined definition of material:

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements."
The amendments are effective from 1 January 2023 but may be applied earlier.

IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

Currently, there is diversity in practice when accounting for deferred tax on transactions that involve recognising both an asset and a liability with a single tax treatment related to both.
For example, a company may be entitled to a tax deduction on a cash basis for a lease transaction that involves recognising a right-of-use (ROU) asset and a corresponding lease liability under IFRS 16 Leases. A temporary difference may then arise on initial recognition of the ROU asset and the lease liability. When applying the IRE to this temporary difference, a company may currently apply one of the following approaches:

- Apply the IRE separately to the ROU asset and lease liability. Recognise the tax impacts in profit or loss when they are incurred and therefore recognise no deferred tax on the lease.
- Assess the ROU asset and lease liability together as a single or 'integrally linked' transaction on a net basis. Recognise deferred tax on a net temporary difference that arises after the initial recognition and is not subject to the IRE.
- Choose not to apply the IRE. Recognise deferred tax.

The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences. The amendments apply for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

IFRS 17 – Insurance Contracts

IFRS 17 replaces IFRS 4 and is effective from 1 January 2023. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held. The standard aims to increase comparability and transparency about profitability across entities where insurance contracts are issued and held. The standard introduces a new comprehensive model (general measurement model) for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach (premium allocation approach) and modified approach (variable fee approach) for contracts with discretionary participation features.

The implementation of IFRS 17 will have financial and operational implications for the company, as well as changes required in the following areas:

- Liability measurement
- Data Requirements
- Operations and the underlying system

An IFRS 17 steering committee has been created, which includes members across the Nedbank Limited Group (South Africa) which includes NedNamibia Life as a subsidiary of the NNH Group, as well as invitees from internal and external stakeholders. The role of the committee is to promote, direct and oversee the successful implementation of IFRS 17 for the Nedbank Limited Group (South Africa) and its impacted subsidiaries. This involves formulating, coordinating, monitoring and reporting on the delivery of the fundamental project workstreams that cover the entirety of implementation. A review of insurance contracts, within NedNamibia Life has indicated that two measurement approaches will be applicable (i.e. premium allocation approach and general measurement model).

A technical committee has been established, as one of the subcommittees of the steering committee to determine key judgements in the interpretation of IFRS 17. The majority of the key judgements have been considered and the subcommittee has concluded on the judgements to be applied by the Nedbank Limited Group and impacted subsidiaries. This committee is cognisant of interpretation issues that the industry faces and are keeping abreast of the developments by attending industry forums.

The members of the NedNamibia Holdings and NedNamibia Life Boards, have had training sessions on IFRS 17, including the practical interpretation and application within the context of NedNamibia Life.

Transactional Impact

The impact on equity at transition is expected to be a decrease of between 8%-20% of reserves on an after-tax basis.

Initial application Impact

Whilst the company intends to apply the full retrospective transition method, this is only applied from 2018 to initial application and the fair value approach will be applied for periods earlier than 2018. The impact on opening equity for 2022 is currently being assessed. The following areas will continue to receive attention as the implementation of IFRS 17 progresses during the 2023 financial reporting period:

- Further refinement of the measurement models
- Finalisation of the reporting and disclosure
- Observing local and international industry trends with respect to IFRS 17 adoption

These estimates are based on accounting policies, assumptions, judgements, and estimation techniques, which will be regularly reviewed and assessed during the year in preparation for the financial statements for the year ending 31 December 2023.

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.

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

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.

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.

(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.

Immediately after initial recognition, an expected credit loss allowance is recognised for newly originated financial assets measured at amortised cost or fair value through other comprehensive income debt instruments.

(iii) Classification and measurement of financial instruments

Financial assets

Nedbank applies IFRS 9 and classifies its financial assets in the following measurement categories:
- FVTPL;
- 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'.

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For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (continued)

(iii) Classification and measurement of financial instruments (continued)

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.

(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.

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (continued)

(vii) Impairment of financial instruments (continued)

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 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 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.

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 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 lare 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 agains their obligation and are being closely monitored.
Unrated	Loans and advances in this category do not have assigned Advance 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.

Revolving products

A revolving credit facility ("RCF") may be seen as financial instrument that is either:

- one continuous instrument, with one origination date that could be many years in the past; or
- a series of one-year instruments, each of which would have a different origination date.

With respect to revolving credit facilities, the key consideration of whether the issuing of a new card, change in credit limit, or conducting a credit review results in derecognition of the loan or facility is the robustness of the process followed and the resulting impact on credit risk management. Where the process is not considered to be sufficiently robust, ie it is purely procedural in nature, the original RCF will not be derecognised and the date of origination will remain the date at which the facility was first contractually extended (or was subject to a robust process that resulted in derecognition). If the process is considered to be robust, the date of origination would be the date of derecognition of the previous facility or loan.

The group considers the following factors to determine whether a review (annual or otherwise) is robust, ie would result in derecognition:

- The effectiveness of the review in mitigating or managing credit risk until the next scheduled review;
- Evidence that specific action is taken as a result of the outcome of the review, for example:
  - Changes in facility limits;
  - Repricing of the facility;
  - Changes in required collateral or security;
  - Changes to the terms and conditions of the facility; or
  - Withdrawal of the facility.
- The review is performed at a facility or client level (or client group);
- The review takes place holistically taking into account the income derived from the facility and the other income generated from the client in comparison to the risk taken; or
- Increased monitoring or scrutiny of the facility, for example additional controls and/or approvals is put in place until the next review.

Derecognition other than a modification

The group derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when and only when:

- the contractual rights to the cashflows arising from the financial asset have expired; or
- the group transfers the financial asset, including substantially all the risks and rewards
- of ownership of the asset; or
- the group transfers the financial asset, neither retaining nor transferring substantially all
- the risks and rewards of ownership of the asset, but no longer retaining control of the asset.

The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (continued)

(vii) Impairment of financial instruments (continued)

consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in non-interest revenue for the period.

The group enters into transactions where it retains the contractual rights to receive cashflows from assets but assumes a contractual obligation to pay those cashflows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition when the group;

- has no obligation to make payments unless it collects equivalent amounts from the assets;
- is prohibited from selling or pledging the assets; and
- has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the group retains a subordinated residual interest.

Cash and cash equivalents

Cash and cash equivalents represents cash on hand and demand deposits and cash equivalents which are short-term (ie with a maturity of less than 90 days from acquisition), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value. Cash and cash equivalents therefore include cash and balances with central banks that can be withdrawn on demand (except where a specific minimum balance at the end of the day is required to be maintained), other eligible bills and amounts due from banks.

(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 49.4 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 (refer to note 8 to the annual financial statements).

(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.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the bank cannot separately identify the ECLs on the undrawn commitment component from those on the loan component, the ECLs on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, the ECLs are recognised as a provision.

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.

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 2022. 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 9.00% and 10% (2021: between 9.00% and 11.50%), rental income of between N$40 and N$185 (2021: N$40 and N$185) per m^2 and total expenditure being 35.0% (2021: 34.0%) 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognised 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.

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 Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under constructions for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised. Rental income from investment property is recognised in the statement of profit or loss.

3.6 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 recognised 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.

3.7 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.

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 is 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

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For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

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.

3.8 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.

3.8.1 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.

3.8.2 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 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.

3.9 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.

3.10 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.

3.11 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.

3.12 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 considered 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.

3.13 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.

3.14 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.

Interest expense is recognised in profit or loss using the effective interest method considering 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.

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For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Borrowing costs (continued)

3.15 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.

3.16 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 considering 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 3.7 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. 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.

3.17 Share-based payments

Equity-settled share-based payment transactions

The services received in an equity-settled share-based payment transaction with employees is 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 considered 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.

3.18 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.

3.19 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 unfavorable 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.

3.20 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Non-currents assets held for sale (continued)

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.

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.

3.21 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.

3.22 Policyholder insurance contracts

NedNamibia Life Assurance Company Limited is licensed 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.

		2022 N$'000	2021 N$'000
4.	CASH AND BALANCES WITH CENTRAL BANK		
	Bank notes and coins	178 618	158 983
	Balances with central bank - other than mandatory reserve deposit	385 621	299 685
	Cash and balances with central bank excluding mandatory reserve	564 239	458 668
	Mandatory reserve deposit with central bank	190 421	192 339
		754 660	651 007
	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.		
5.	DUE FROM OTHER BANKS		
5.1	Investment portfolio		
	Placements with other banks	3 727 392	3 718 278
	Foreign correspondents	39 370	25 465
		3 766 762	3 743 743
6.	OTHER SHORT-TERM SECURITIES		
6.1	Investment portfolio		
	Negotiable certificates of deposit	166 066	100 699
	Money market funds	2 351 730	2 178 332
		2 517 796	2 279 031
6.2	Expected maturity structure		
	One year or less	2 457 390	2 229 031
	Five years or less but over one year	60 406	50 000
		2 517 796	2 279 031
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 and 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 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

	2022 N$'000	2021 N$'000
7.1 Total carrying amount of derivative financial instruments		
Gross carrying amount of assets	37 583	20 241
Gross carrying amount of liabilities	(29 848)	(20 099)
Net carrying amount	7 735	142

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.

2022	N$'000 Assets Notional	N$'000 Fair value	N$'000 Liabilities Notional	N$'000 Fair value
Exchange rate derivatives				
Forwards	347 825	19 306	256 790	18 418
	347 825	19 306	256 790	18 418
Interest rate derivatives				
Interest rate swaps	317 000	18 277	711 380	11 430
	664 825	37 583	968 170	29 848

2021	N$'000 Assets Notional	N$'000 Fair value	N$'000 Liabilities Notional	N$'000 Fair value
Exchange rate derivatives				
Forwards	238 245	11 897	181 460	11 246
	238 245	11 897	181 460	11 246
Interest rate derivatives				
Interest rate swaps	635 000	8 344	608 380	8 853
	873 245	20 241	789 840	20 099

7.3 Carrying amount of derivative financial instruments

The amounts disclosed represent the value of all derivative instruments held at 31 December 2022. 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.

7.4 Analysis of derivative financial instruments

	Assets Notional N$'000	Fair value N$'000	Liabilities Notional N$'000	Fair value N$'000
Positive fair value of derivatives				
2022				
Maturity analysis				
Under one year	347 825	19 306	256 790	18 418
	347 825	19 306	256 790	18 418
2021				
Maturity analysis				
Under one year	238 245	11 897	181 460	11 246
	238 245	11 897	181 460	11 246
Negative fair value of derivatives				
2022				
Maturity analysis				
Under one year	50 000	3 453	168 000	917
One to five years	136 000	9 773	371 000	4 435
Over five years	131 000	5 051	172 380	6 078
	317 000	18 277	711 380	11 430
2021				
Maturity analysis				
Under one year	157 000	3 422	215 000	3 296
One to five years	458 000	4 779	270 000	1 946
Over five years	20 000	142	123 380	3 611
	635 000	8 343	608 380	8 853

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For the year ended 31 December 2022

		2022 N$'000	2021 N$'000
8.	**GOVERNMENT AND OTHER SECURITIES**		
8.1	**Investment portfolio**		
	Treasury bills	2 532 873	2 173 734
	Government registered stock	655 728	632 385
	Credit linked notes	220 610	220 529
		3 409 211	3 026 648
	Impairment of Government and other securities	(406)	(229)
		3 408 805	3 026 418
8.2	**Expected maturity structure**		
	One year or less	2 606 529	2 287 532
	Five years or less but over one year	706 580	524 846
	Over five years	96 102	214 269
	Non-determined	(406)	(229)
		3 408 805	3 026 418
8.3	**Valuation**		
	– Book value	2 890 150	2 883 143
	– Market valuation	3 408 805	3 026 418

Treasury bills with a nominal value of N$801 million (2021: N$710 million) and government registered stock or other public sector securities with a nominal value of N$13 million (2021: N$22 million) have been encumbered to secure the current account with Bank of Namibia in the event that it is in overdraft.

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).

		2022 N$'000	2021 N$'000
9.	**LOANS AND ADVANCES TO CUSTOMERS**		
9.1	**Category analysis**		
	Property loans	6 898 531	6 603 156
	Other loans and overdrafts	2 379 085	2 814 026
	Net leases and instalment debtors	849 198	871 818
	Leases and instalment debtors	849 198	871 818
	Less: Unearned finance charges on leases and instalment debtors	–	–
	Personal loans	808 124	1 004 275
		10 934 938	11 293 275
	Impairment of advances (note 30)	(574 898)	(561 942)
		10 360 040	10 731 333
9.2	**Sectoral analysis**		
	Individuals	6 214 686	6 590 998
	Manufacturing	328 378	325 043
	Retailers, catering and accommodation	255 772	291 811
	Agriculture, hunting, forestry and fishing	460 854	529 421
	Mining and quarrying	38 514	34 082
	Financial services, insurances and real estates	2 044 732	2 169 323
	Government and public sector	403 885	153 181
	Building and property development	626 386	606 223
	Transport, storage and communication	160 055	156 449
	Other services	401 676	436 744
		10 934 938	11 293 275

		2022 N$'000	2021 N$'000
9.3	**Expected maturity structure**		
	Less than three months but not repayable on demand or at short-term notice	734 136	1 421 058
	One year or less but over three months	1 069 179	1 167 892
	Five years or less but over one year	3 342 335	3 454 877
	Over five years	4 660 876	4 045 409
	Non-determined	1 128 412	1 204 039
		10 934 938	11 293 275
9.4	**Geographical analysis**		
	Namibia	10 934 938	11 293 275
9.5	**Non-performing advances**		
9.5.1	**Category analysis (included under note 9.1)**		
	Property loans	788 309	847 600
	Other loans and overdrafts	295 160	312 231
	Net leases and instalment debtors	37 250	65 383
	Personal loans	27 435	24 735
		1 148 154	1 249 949
9.5.2	**Sectoral analysis (included under note 9.2)**		
	Individuals	741,590	795 367
	Manufacturing	4 350	3 686
	Retailers, catering and accommodation	31 950	80 601
	Agriculture, hunting, forestry and fishing	8 951	9 143
	Mining and quarrying	19 645	18 681
	Financial services, insurances and real estates	207 977	208 044
	Government and public sector	5 848	4 375
	Building and property development	26 226	31 032
	Transport, storage and communication	14 772	24 015
	Other services	86 845	75 005
		1 148 154	1 249 949

9.6	**Credit quality of loans and advances**	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
	Loss allowance – Debt investment securities at amortised cost				
	2022				
	Beginning of the period	9 143 800	745 236	842 297	10 731 333
	New financial assets originated or purchased	1 839 802	–	–	1 839 802
	Financial assets derecognised (excl. write-offs)	(1 272 590)	(266 347)	(85 433)	(1 624 370)
	Financial assets that have been written off	–	–	–	–
	Repayments net of readvances & capitalised interest & fees	(1 095 414)	(78 623)	(17 215)	(1 191 252)
	Transfers to 12-month ECL	289 069	(195 340)	(93 729)	–
	Transfers to lifetime ECL (not credit impaired)	(147 536)	188 354	(40 818)	–
	Transfers to lifetime ECL (credit impaired)	(105 196)	(31 102)	136 298	–
	Foreign exchange and other	357 492	269 300	(22 265)	604 527
	End of the period	9 009 427	631 478	719 135	10 360 040
	Loss allowance – Debt investment securities at amortised cost				
	2021				
	Beginning of the period	10 169 690	1 246 687	792 740	12 209 117
	New financial assets originated or purchased	1 656 489	–	–	1 656 489
	Financial assets derecognised (excl. write-offs)	(908 369)	(297 178)	(52 557)	(1 258 104)
	Financial assets that have been written-off	–	–	–	–
	Repayments net of readvances & capitalised interest & fees	(2 183 116)	(59 830)	(50 906)	(2 293 852)
	Transfers to 12-month ECL	843 141	(370 391)	(472 750)	–
	Transfers to lifetime ECL (not credit impaired)	(202 603)	206 461	(3 858)	–
	Transfers to lifetime ECL (credit impaired)	(138 116)	(72 953)	211 069	–
	Foreign exchange and other	(93 316)	92 440	418 559	417 683
	End of the period	9 143 800	745 236	842 297	10 731 333

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9. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

9.6 Credit quality of loans and advances (continued)

	Total		NGR 1 – 12		NGR 13 – 20		NGR 21 – 25		Unrated	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000
Neither past due nor impaired	9 095 548	9 234 003	296 502	196 696	839 343	1 931 463	7 552	30 066	7 952 151	7 075 778
Property loans	5 809 236	5 591 242	277 280	3 387	242 779	306 727	–	500	5 289 177	5 280 628
Net leases and instalment debtors	718 695	772 240	9 611	–	–	77 634	–	12 371	709 084	682 235
Other loans and overdrafts	1 799 783	1 902 927	9 611	193 309	596 564	1 547 102	7 552	17 195	1 186 056	145 321
Personal loans	767 973	967 594	–	–	–	–	–	–	767 973	967 594
Past due but not impaired	692 791	809 323	990	–	43 041	85 657	36 381	467 108	612 379	256 558
Property loans	300 986	164 314	–	–	–	3 004	–	1 905	300 986	159 405
Net leases and instalment debtors	93 253	34 195	990	–	–	10 281	–	2 797	92 263	21 117
Other loans and overdrafts	285 836	598 868	–	–	43 041	72 372	36 381	462 406	206 414	64 090
Personal loans	12 716	11 946	–	–	–	–	–	–	12 716	11 946
Defaulted	1 146 460	1 249 949	–	–	–	–	–	–	1 146 460	1 249 949
Property loans	788 309	847 600	–	–	–	–	–	–	788 309	847 600
Net leases and instalment debtors	37 250	65 383	–	–	–	–	–	–	37 250	65 383
Other loans and overdrafts	293 466	312 231	–	–	–	–	–	–	293 466	312 231
Personal loans	27 435	24 735	–	–	–	–	–	–	27 435	24 735
Total	10 934 938	11 293 275	297 492	196 696	882 384	2 017 120	43 933	497 174	9 711 129	8 582 285

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

	2022 N$'000	2021 N$'000
Financial assets classification: Financial assets at amortised cost	204 060	132 262
Remittances in transit	144 279	75 655
Sundry debtors and other accounts	59 781	56 607
Non - financial instruments	15 135	22 377
Unlisted investments	–	13 000
Prepayments	15 135	9 377
	219 195	154 639

11. INVESTMENT IN SUBSIDIARIES AND LISTED INVESTMENTS

	2022 N$'000	2021 N$'000
Listed investments	31 192	28 572
Market valuation	31 192	28 572

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11. INVESTMENT IN SUBSIDIARIES, AND LISTED INVESTMENTS (CONTINUED)

		Issued ordinary share capital		Proportion held		Shares at cost		Aggregate profits tax of subsidiary	
		2022 '000	2021 '000	2022 %	2021 %	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000
Indirect Subsidiary Companies of the Group	Nature of business								
CBN Nominees (Proprietary) Limited	Safe custody company	–	–	100	100	–	–	550	485
NedLoans (Proprietary) Limited	Administration company	–	–	100	100	4 250	4 250	3 140	1 623
Ten Kaiser Wilhelm Strasse (Proprietary) Limited	Property company	582	582	50	50	291	291	1 278	1 101
Walvis Bay Land Syndicate (Proprietary) Limited	Property company	3 000	3 000	50	50	1 500	1 500	1 022	953

The directors valued the investments in the subsidiary companies at net asset value.

The Group has control over financial and operational decisions in both Ten Kaiser Wilhelm Strasse (Proprietary) Limited and Walvis Bay 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 for details of direct subsidiaries.

	Nature of business	Issued ordinary share capital		Proportion held		Shares at cost		Fair value of shares	
		2022 '000	2021 '000	2022 %	2021 %	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000
Listed investments									
Nedbank Group Limited	Banking	163	163	0.02	0.02	15 326	15 326	31 192	28 572

The shares in Nedbank Group Limited are held by the BEE trusts which are consolidated on Group level.

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12.1 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
2022							
Carrying amount at 1 January 2022	94 047	489 068	17 817	91 227	32 314	25 249	749 722
– at cost/revaluation	94 047	512 096	78 228	91 227	163 201	81 525	1 020 325
– accumulated depreciation	–	(23 029)	(60 412)	–	(130 887)	(56 276)	(270 603)
Additions at cost	–	–	153	35 353	10 362	21 597	67 465
Transfer to investment property	(21 195)	(25 186)	–	–	–	–	(46 381)
Transfer to non-current assets held for sale	(4 930)	(24 070)	–	–	–	–	(29 000)
Adjustments and lease modifications	–	(27 240)	16 964	–	31 190	–	20 914
Revaluation	(2 570)	80 932	–	–	–	–	78 362
Disposals at net book value	–	1 406	–	–	(1 793)	–	(387)
Disposals at cost	–	(18 789)	–	–	(12 104)	(2 647)	(33 540)
Accumulated depreciation of disposals	–	20 195	–	–	10 311	2 647	33 153
Depreciation for the year	–	(13 018)	(17 442)	–	(14 042)	(14 382)	(58 883)
Carrying amount at 31 December 2022	65 352	481 892	17 492	126 580	58 031	32 464	781 812
– at cost/revaluation	65 352	524 984	95 346	126 580	161 459	100 475	1074195
– accumulated depreciation	–	(43 092)	(77 854)	–	(103 428)	(68 011)	(292 384)
2021							
Carrying amount at 1 January 2021	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)
Additions at cost	–	244 308	8 535	–	12 512	6 904	272 259
Fair value adjustments	–	923	–	–	–	–	923
Transfer to completed buildings	–	167 931	–	(167 931)	–	–	–
Loss on revaluation	(1 111)	(20 953)		–	–	–	(22 065)
Cost	(1 111)	(14 349)	–	–	–	–	(15 461)
Accumulated depreciation eliminated on revaluation	(1 111)	(20 953)	–	–	–	–	(20 064)
Disposals at net book value	–	–	–	–	(299)	(2)	(302)
Disposals at cost	–	–	–	–	(25 907)	(19 291)	(45 198)
Accumulated depreciation of disposals	–	–	–	–	25 608	19 289	44 896
Depreciation for the year	–	(6 670)	(16 614)	–	(13 330)	(11 641)	(48 255)
Carrying amount at 31 December 2021	94 047	489 068	17 817	91 227	32 314	25 249	749 722
– at cost/revaluation	94 047	512 096	78 228	91 227	163 201	81 525	1 020 325
– accumulated depreciation	–	(23 029)	(60 412)	–	(130 887)	(56 276)	(270 603)

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.

12.2 Investment Property

	Land N$	Building N$	Total N$
2022			
Carrying amount at 1 January			
- at cost/revaluation	–	–	–
- accumulated depreciation	–	–	–
Transfer from Property, Plant & Equipment*	–	–	–
	21 195	23 780	44 975
Cost	21 195	25 186	46 381
Accumulated depreciation	–	(1 406)	(1 406)
Revaluation	–	6 225	6 225
Carrying amount at 31 December 2022	21 195	30 005	51 200
- at revaluation	21 195	30 005	51 200

* The property that is classified as Investment Properties is: Erf 8399, 14 Guthernberg Street, Windhoek. As of the 01 October 2022 the property has been rented out to Total Energies at an amount of N$480 000 per month (exclusive of VAT). Thus the property has been reclassified from Property, Plant & Equipment to Investment Properties.

The total amount of rentals received which is included in other income as per note 29 is N$1 440 000 (exclusive of VAT)

If land and buildings were carried under the cost and not the revaluation model, the carrying amount would have been N$533 million (2021: N$301 million).

12.3 Property held for sale

In December 2022 management committed to a plan to sell the property at 12 Frans Indongo street. Accordingly this property is presented as held of sale. Efforts to sell the property have started and the sale is expected to be concluded before December 2023.

At 31 December 2022 the property was stated at fair value less costs to sell and comprise the following:

	2022 N$'000	2021 N$'000
Property, plant and equipment	29 000	–

12.4 Valuation

2022

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 2022.

The revaluation of properties has been done, where appropriate for the specific property being valued, with reference to one of:
– the income capitalisation method using a capitalisation rate of 9% - 10%; and
– the insurance value calculation method.

The property at 12 Frans Indongo street has been written down to the forced sale value as determined by the independent valuator, as management has committed to a plan to sell the property during December 2022. This property is subsequently reclassified as Held-for-sale in accordance with IFRS 5 (note 12.3).

The valuation conforms to International Valuation Standards.

2021

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 2021.

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 9.0% - 11.5%; and
– the replacement cost method.

The valuations conforms to International Valuation Standards.

				Land		Buildings	
Type of Property	Valuation Method	Significant Inputs	Parameters	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000
Commercial property	Income capitalisation and depreciated replacement cost method	Income capitalisation rates	–	87 735	59 265	688 185	539 875
Total Land and Buildings				87 735	59 265	688 185	539 875

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$533 million (2021: N$301 million).

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13. COMPUTER SOFTWARE AND DEVELOPMENT COST

	Development cost N$'000	Computer software N$'000	Customer Relationships N$'000	Trademark N$'000	Total N$'000
2022					
Carrying amount at 1 January 2022	37 599	39 176	–	225	77 000
– at cost	37 599	150 651	–	500	188 750
– accumulated amortisation	–	(111 475)	–	(275)	(111 750)
Additions at cost	–	3 147	14 160	460	17 767
Development cost incurred	13 113	699	–	–	13 812
Transfer of development cost	(34 292)	34 292	–	–	–
Amortisation for the year	–	(13 787)	–	(100)	(13 887)
Carrying amount at 31 December 2022	16 420	63 527	14 160	585	94 692
– at cost	16 420	188 789	14 160	960	220 329
– accumulated amortisation	–	(125 262)	–	(375)	(125637)
2021					
Carrying amount at 1 January 2021	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)
Development cost incurred	15 573	–	–	–	15 573
Transfer of development cost	(16 766)	16 766	–	–	–
Amortisation for the year	–	(13 862)	–	(100)	(13 962)
Carrying amount at 31 December 2021	37 599	39 176	–	225	77 000
– at cost	37 599	150 651	1 568	500	190 318
– accumulated amortisation	–	(111 475)	(1 568)	(275)	(113 318)

14. GOODWILL

	2022 N$'000	2021 N$'000
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

15. SHARE CAPITAL AND SHARE PREMIUM

	2022 N$'000	2021 N$'000
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 (2021: 80 000 000) ordinary shares of 25 cents each.
The total number of issued shares at year end was: 70 381 644 (2021: 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.

16. GENERAL RISK RESERVE

	2022 N$'000	2021 N$'000
Balance at the beginning of the year	50 608	157 993
Movement during the year	(18 873)	(107 385)
Balance at the end of the year	31 735	50 608

The general risk reserve is created to comply with the requirements of BID-2 of the Bank of Namibia regarding the general risk provision.

17. REVALUATION RESERVE

	2022 N$'000	2021 N$'000
Balance at the beginning of the year	63 077	71 032
Release of revaluation reserve	(2 844)	(3 432)
Revaluation of land and buildings (nett of tax)	64 524	(4 523)
Balance at the end of the year	124 757	63 077

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 comprehensive income. As revalued buildings are depreciated, the depreciation related to the property's revaluation reserve is also transferred directly to other comprehensive income.

18. EQUITY INVESTMENT REVALUATION RESERVE

	2022 N$'000	2021 N$'000
Balance at the beginning of the year	12 914	5 970
Movement during the year	2 619	6 944
Balance at the end of the year	15 533	12 914

The Equity investment revaluation reserve arises on revaluation of listed shares in Nedbank Group Limited through the BEE scheme.

19. DUE TO OTHER BANKS

	2022 N$'000	2021 N$'000
Deposits and borrowings from other banks	870 488	906 498
Balance at the end of the year	870 488	906 498

20. DUE TO CUSTOMERS

20.1 Category analysis

	2022 N$'000	2021 N$'000
Current accounts	1 984 572	1 912 046
Savings accounts	387 717	388 096
Other deposits and loan accounts	10 538 596	10 315 850
Foreign currency liabilities	348 521	338 674
	13 259 407	12 954 666

20.2 Sectoral analysis

	2022 N$'000	2021 N$'000
Government and quasi government	1 321 964	1 727 829
Insurance and pension funds	6 755 564	5 611 247
Companies and close corporations	3 019 709	3 580 943
Individuals and other	2 162 170	2 034 647
	13 259 407	12 954 666

20.3 Geographical analysis

	2022 N$'000	2021 N$'000
Namibia	13 259 407	12 954 666

21. NEGOTIABLE CERTIFICATES OF DEPOSIT

	2022 N$'000	2021 N$'000
Negotiable certificates of deposit	3 817 285	3 754 920
Promissory notes	506 508	503 450
	4 323 793	4 258 370

22. OTHER LIABILITIES

	2022 N$'000	2021 N$'000
Financial liabilities	98 949	123 800
Creditors and other accounts	88 210	106 126
Managerial fees - Nedbank Group Limited	10 740	17 674
Provision for impairments off balance sheet		
Balance at beginning of the year	10 739	12 059
Stage 1 ECL allowance	(904)	(3 257)
Stage 2 ECL allowance	(562)	1 783
Amounts written off against the impairment/other transfers	(177)	(17)
Balance at end of the year	8 925	10 568
Non-financial instruments	41 900	39 839
Deferred revenue	4 542	4 542
Bonus accrual	18 227	13 443
Leave pay accrual	19 131	21 854
	149 774	174 207

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23. DEFERRED TAXATION LIABILITIES

	2022 N$'000	2021 N$'000
The movement on the deferred taxation account is as follows:		
Balance at beginning of the year	10 514	27 163
– Temporary differences recognised in the statement of comprehensive income	(7 339)	(19 550)
Capital allowances	(2 640)	24 102
Credit impairments	2 404	3 810
Debentures	(566)	(491)
Prepaid expenses	1 652	(909)
Suspensive sales	(5 497)	(9 911)
Financial Instruments	6 923	(7 330)
Provision for expenses	(3 093)	3 402
Other income and expense items	830	828
Assessed loss	(7 344)	(33 051)
– Recognised directly in equity	39 698	2 901
Revaluation of property – movement through revaluation reserve	39 698	2 901
Balance at end of the year	42 872	10 514
The balance comprises:		
Capital allowances	60 043	62 690
Credit impairments	(37 217)	(39 621)
Debentures	8 561	9 127
Prepaid expenses	4 976	3 324
Suspensive sales	8 913	11 687
Financial Instruments	2 872	(4 051)
Provision for expenses	(9 720)	(6 626)
Other income and expense items	606	(224)
Assessed loss	(33 135)	(25 791)
Total assets	(5 225)	(3 935)
Total liabilities	48 098	14 449
Net deferred tax liabilities	42 873	10 514

The group has a tax loss of N$ 102.3 million (2021: N$ 79.3 million) available for set off against future taxable profits.

24. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS

	2022 N$'000	2021 N$'000
Balance at beginning of the year	88 929	110 409
Amounts recognised in statement of comprehensive income	(8 801)	(21 481)
Balance at the end of the year	80 128	88 929

An actuarial valuation was performed on the policyholders' liability, as at 31 December 2022, in February 2023 (2021: February 2022) by QED Actuaries and Consultants.

Changes in valuation methods or assumptions

The value of the liabilities decreased by N$5 014 795 (before tax) (2021: N$837 192) 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 higher overall investment return to discount future liability outgo. At the same time, the expense inflation assumption was increased.

Non-Economic Assumptions and Modelling Changes

The expense assumption was reviewed in the light of recent experience and a revised approach to the allocation of expenses across product types. The result was an increase in per policy expense on Funeral business and a decrease in per policy expense on Nedloans. The expense assumption change increased reserves.

No changes were made to the mortality, morbidity, retrenchment and lapse assumptions - which overall was confirmed to be prudent.

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.

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. 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 6.8% p.a.; and
- An assumed future investment return of 6.3% (gross of tax) per annum was used.

A reserve of N$1.8 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 before 31 January 2002. The subsidy does not apply to any employees who joined the Bank on or after 1 February 2002. 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 2021 performed by Strategic Actuarial Partners Namibia.

The most significant assumptions used are:	2022	2021
Valuation interest rate	9.90%	9.90%
Medical aid contribution inflation	7.20%	7.20%
Net sensitivity (real rate)	2.70%	2.70%
Average longevity at retirement age for current pensioners (years)*	22.0	22.0
Average longevity at retirement age for current employees (Future pensioners) (years)*	6.0	6.0

* 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)

	2022 N$'000	2021 N$'000
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.		
Movement in accrued liability if the real rate increased with 1%	739	739
Movement in accrued liability if the real rate decreased with 1%	(623)	(623)
Movement in accrued liability if the life expectancy increased by 2 years	618	618
Movement in accrued liability if the life expectancy decreased by 2 years	(667)	(667)
Reconciliation of net liability in the statement of financial position:		
Balance at beginning of the year	7 973	8 521
Movements during the year	(32)	(548)
Interest cost	751	736
Current service cost	32	46
Benefits paid	(815)	(747)
Actuarial loss	–	(583)
Balance at end of the year	7 941	7 973

26. LONG-TERM SUBORDINATED DEBT INSTRUMENTS

	Interest rate	Final maturity date	Notes	2022 N$'000	2021 N$'000
Unsecured subordinated debt instruments					
Subordinated debentures	17.00%	15 Sep 2030	(i)	13 248	11 477
NEDNAM01 fixed rate notes	10.82%	1 Aug 2029	(ii)	100 000	100 000
NEDX2030 fixed rate notes	10.21%	28 Feb 2030	(iii)	50 000	50 000
NEDX2032 fixed rate notes	9.50%	27 Jan 2032	(iv)	150 000	150 000
NEDJ2031 Jibar linked	6.43%	27 Oct 2031	(v)	100 000	100 000
Accrued interest				14 767	15 527
Total				428 015	427 004

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 bank on 1 August 2029. Interest is paid semi-annually in arrears.
(iii) The NEDX2030 floating rate notes may be redeemed in full at the option of the bank on 28 February 2030. Interest is paid quarterly in arrears.
(iv) The NEDX2032 fixed rate notes may be redeemed in full at the option of the bank on 27 January 2032. Interest is paid semi-annually in arrears.
(v) The NEDJ2031 floating rate notes may be redeemed in full at the option of the bank on 27 October 2031. 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 company's registered office.

27. LEASE LIABILITIES

	2022 N$'000	2021 N$'000
Lease liabilities reconciliation		
Balance at initial recognition	19 636	(16 106)
Interest expense	1 697	1 557
Acquisitions	153	843
Derecognition	–	–
Lease modifications	13 894	52 696
Lease payments	(17 695)	(19 354)
Balance at end of the year	17 685	19 636
Current and non-current lease liabilities		
Current lease liabilities	9 485	12 176
Non-current lease liabilities	8 201	7 460
	17 685	19 636
Amounts recognised in the statement of cashflows		
Cash repayments on lease liabilities (capital)	17 695	35 097
Cash repayments on lease liabilities (interest)	1 697	1 557
Total cash flow repayments on lease liabilities	19 392	36 655

28. NET INTEREST INCOME

	2022 N$'000	2021 N$'000
Interest and similar income		
Due from other banks	292 673	180 589
Home loans	600 817	502 792
Other loans and overdrafts	324 102	315 653
Sundry interest	4 382	17 423
Lease and instalment debtors	80 069	82 111
Personal loans	118 829	136 351
Government and other securities	218 454	164 563
Short-term funds and securities	8 788	8 930
Total interest and similar income	1 648 112	1 408 411
Interest and similar income may be analysed as follows:		
– Interest and similar income from financial instruments not at FVTPL	1 598 737	1 348 707
– Interest and similar income from financial instruments at FVTPL	49 375	59 704
Total interest and similar income	1 648 112	1 408 411
Interest expense and similar charges		
Deposit and loan accounts	498 605	406 976
Current and savings accounts	60 001	37 791
Negotiable certificates of deposit	240 247	188 617
Other liabilities	25 959	10 752
Long-term debt instruments	38 363	28 995
Total interest expense and similar charges	863 176	673 131
Interest expense and similar charges may be analysed as follows:		
– Interest expense and similar charges from financial instruments not at FVTPL	839 096	623 026
– Interest expense and similar charges from financial instruments at FVTPL	24 080	50 105
Total interest expense and similar charges	863 176	673 131
Net interest income	784 936	735 280

29. NET NON-INTEREST INCOME

	2022 N$'000	2021 N$'000
Commission and fee income	308 093	294 127
Commission and fee expense	(23 732)	(68 547)
Premiums received	56 310	41 845
Exchange earnings	69 586	58 737
– Exchange commission	17 309	15 769
– Foreign exchange profit	52 277	42 968
Loss on sale of property and equipment	(680)	(80)
Changes in fair value of Financial instruments designated as fair value through profit or loss – held for trading	(242)	(3 715)
– Financial assets and liabilities designated as fair value through profit or loss – held for trading	(242)	(3 715)
Other (loss)/income	19 769	13 731
	429 105	336 098

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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
2022					
Balance at beginning of the year	301 744	183 579	42 489	34 130	561 942
– Stage 3 allowance originated credit impaired	264 194	99 665	30 129	13 666	407 654
– Stage 1 ECL allowance	25 285	44 761	8 821	16 556	95 423
– Stage 2 ECL allowance	12 265	39 153	3 539	3 908	58 865
Amounts written off against the impairment/other transfers	(26 507)	(36 265)	(26 681)	(23 301)	(112 754)
Statement of comprehensive income charge net of recoveries	36 280	14 042	21 349	24 728	96 399
– Stage 3 allowance originated credit impaired	29 229	38 491	20 803	16 426	104 949
– Stage 1 ECL allowance	(7 389)	(4 330)	(1 596)	6 979	(6 336)
– Stage 2 ECL allowance	14 440	(20 119)	2 142	1 323	(2 214)
– Debts recovered	3 295	6 369	6 313	3 530	19 507
– Interest in suspense	5 765	8 495	(2 460)	(1 994)	9 806
Balance at end of the year (note 9)	320 576	176 218	41 011	37 093	574 898
– Stage 3 allowance originated credit impaired	275 974	116 754	28 105	8327	429 160
– Stage 1 ECL allowance	17 897	40 431	7 226	23 535	89 089
– Stage 2 ECL allowance	26 705	19 033	5 680	5 231	56 649
2021					
Balance at beginning of the year	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
Amounts written off against the impairment/other transfers	(8 950)	(6 887)	(9 190)	(11 647)	(36 674)
Statement of comprehensive income charge net of recoveries	55 566	23 334	9 682	23 258	111 840
– Stage 3 allowance originated credit impaired	55 874	30 761	15 890	23 717	126 242
– Stage 1 ECL allowance	3 420	(7 500)	(2 528)	(336)	(6 944)
– Stage 2 ECL allowance	(3 728)	73	(3 680)	(123)	(7 458)
– Debts recovered	2 366	1 599	5 383	2 037	11 385
– Interest in suspense	11 911	14 785	(19 781)	(19 655)	(12 740)
Balance at end of the year (note 9)	301 744	183 579	42 489	34 130	561 942
– Stage 3 allowance originated credit impaired	264 194	99 665	30 129	13 666	407 654
– Stage 1 ECL allowance	25 285	44 761	8 821	16 556	95 423
– Stage 2 ECL allowance	12 265	39 153	3 539	3 908	58 865

Included under the Stage 3 balance is interest in suspense amounting to N$152 million (2020: N$89.5 million).

30.2 Sectoral analysis

	Stage 1: 12-month ECL allowance 2022 N$'000	Stage 2: Lifetime ECL allowance (not credit-impaired) 2022 N$'000	Stage 3: Lifetime ECL allowance (credit-impaired) 2022 N$'000	Stage 1: 12-month ECL allowance 2021 N$'000	Stage 2: Lifetime ECL allowance (not credit-impaired) 2021 N$'000	Stage 3: Lifetime ECL allowance (credit-impaired) 2021 N$'000
Individuals	55 365	12 559	281 331	48 511	18 135	269 329
Manufacturing	2 986	3 323	846	4 220	1 348	178
Retailers, catering and accommodation	4 703	2 912	10 409	3 828	3 467	18 468
Agriculture, forestry and fishing	2 539	23 520	4 216	2 429	25 227	3 904
Mining and quarrying	359	21	12 283	1 879	-	6 899
Financial services, insurance and real estate	13 401	10 008	79 373	23 407	4 340	69 287
Government and public sector	983	98	2 226	658	357	1 488
Building and property development	3 810	2 921	12 003	5 384	1 839	10 458
Transport, storage and communication	2 316	299	5 898	2 368	583	6 816
Other services	2 627	988	20 575	2 741	3 568	20 826
	89 089	56 649	429 160	95 425	58 864	407 653

30.3 Ratio of impairments

	2022 N$'000	2021 N$'000
Impairment of loans and advances at end of year	574 898	561 942
Total gross loans and advances	10 934 938	11 293 275
Ratio (%)	5.26%	4.98%

31. PROFIT BEFORE TAXATION

Profit before tax was arrived at after deducting the following expenses, which are separately disclosable:

	2022 N$'000	2021 N$'000
Auditors' remuneration	7 008	5 995
– Audit fees	6 917	5 883
– Other services	91	112
Post-retirement medical aid benefit	783	782
– Interest cost	751	736
– Current service cost	32	46
Depreciation	58 883	48 255
Amortisation and write off of computer software and development cost	13 887	13 888
Staff costs	364 626	353 698
Operating lease charges	46 244	10 766
– Other	46 244	10 766
Remuneration to Nedbank Group Limited:		
– Managerial services	116 350	101 222
Value-added tax charge in respect of current expenditure net of input credits	27 851	27 474
Directors' fees paid to non-executive directors	1 537	2 497
Key management	12 757	12 061
– Basic salary and other benefits	9 942	9 721
– Employer pension contribution	2 035	1 992
– Employer medical aid contribution	780	349
– Executive directors remuneration (included in key management)	6 649	8 636
Other expenses	127 086	167 693
	809 176	752 968

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	2022 N$'000	2021 N$'000
32. TRANSFER TO POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS		
Transfer to policyholder liabilities under insurance contracts	(8 801)	(21 481)
33. BEE TRANSACTION EXPENSES		
BEE share-based payment expenses	360	922
34. TAXATION		
34.1 Charge for the year		
Normal taxation – current year	39 789	4 213
Deferred taxation – current year	3 274	19 550
	43 063	23 763
	%	%
34.2 Reconciliation of rate of taxation		
Namibian normal rate of taxation	32.0	32.0
Reduction in rate for the year:	(18.5)	(21.6)
– Corporate funds	(6.6)	(7.2)
– Foreign income	(21.8)	(15.4)
– Prior period adjustment	–	(0.2)
– Non-deductible expenses	10.0	1.3
Effective rate of taxation	13.5	10.4
	N$'000	N$'000
35. DIVIDENDS		
Dividends declared and paid	78 140	47 657
	Cents per share	Cents per share
36. EARNINGS PER SHARE		
Basic earnings per share	389.72	290.31
Diluted earnings per share	389.72	290.31
Basic earnings per share	N$'000	N$'000
Earnings used in the calculation of basic earnings per share	274 294	204 323
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.

	2022 N$'000	2021 N$'000
37. CASH FLOW INFORMATION		
37.1 Reconciliation of profit before taxation to cash generated by operating activities		
Profit before taxation	318 373	228 603
Adjustments for non-cash items:	214 528	191 022
– Accrued interest	29 640	6 667
– Negotiable certificates of deposit	5 174	14 808
– Profit on disposal of property and equipment	680	80
– Fair value adjustment to financial instruments	242	3 715
– Impairment of advances	94 933	110 791
– Non-cash movement in accruals	16 318	11 979
– Non-cash movement in leave pay accrual	2 724	2 894
– Fair value movement in derivatives	(7 693)	(8 133)
– Non-cash movement in deferred staff compensation	–	(13 000)
– BEE share-based payment expense	(360)	(923)
– Depreciation	58 883	48 255
– Computer software amortisation (incl. impairment loss on development costs)	13 887	13 888
Movement in operating assets	363 548	1 018 252
– Deposit current and other accounts	293 936	(375 818)
– Advances and other accounts	69 017	1 394 070
Cash generated by operating activities	895 853	1 455 635
37.2 Cash received from customers		
Interest received	1 705 076	1 379 976
Commission and fees received	357 980	283 194
Other income received	68 746	55 095
	2 131 802	1 718 265
37.3 Cash paid to customers		
Interest paid on deposits	(885 326)	(623 221)
37.4 Taxation paid		
Amounts (outstanding)/prepaid – beginning of year	25 376	15 383
Charge to statement of comprehensive income	(39 789)	(4 213)
Amounts outstanding/(prepaid) - end of year	(29 477)	(25 376)
	(43 889)	(14 205)
37.5 Dividends paid		
Dividend declared	(78 140)	(47 657)
	(78 140)	(47 657)

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		2022 N$'000	2021 N$'000
37.6	**Cash movement in operating liabilities**		
	Due to other banks	(36 010)	(802 983)
	Current accounts	72 526	123 992
	Savings deposits	(379)	(656)
	Other deposits and loan accounts	230 340	518 714
	Foreign currency accounts	9 847	(82 282)
	Negotiable certificates of deposit	80 739	(146 828)
		357 064	(390 042)
37.7	**Sale/(Purchase) of non-dealing securities**		
	Other short-term securities	(555 062)	(528 023)
	Government and other securities	(33 829)	(109 733)
		(588 891)	(637 756)
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)	178 618	158 983
	Balances with central bank (note 4)	576 042	492 024
	Due from other banks (note 5)	3 766 762	3 743 743
		4 521 422	4 394 750
38.	**COMMITMENTS**		
38.1	**Capital expenditure**		
	Property and equipment		
	Contracted	–	62 076
	Not yet contracted	18 568	80 081
		18 568	142 157
	Funds to meet capital expenditure will be provided from internal resources.		
38.2	**Undrawn facilities**		
	Original term of maturity of one year or less	1 430 203	1 203 278

		2022 N$'000	2021 N$'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 2021 confirmed that the fund was financially sound.		
	The total value of contributions to the pension fund during the year amounted to:		
	Number of members	717	784
	Employer contributions	39 563	39 767
	Employee contributions	2 271	2 327
40.	**CONTINGENT LIABILITIES**		
	Confirmed letters of credit	319	1 455
	Liabilities under guarantees	385 861	426 990
	Legal actions against the Group	2 501	2 457
		388 681	430 902

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41. RELATED PARTY DISCLOSURE

41.1 Parent company

NedNamibia Holdings Limited's majority shareholder is Nedbank Group Limited (100%) (2021: 100%), which is incorporated in South Africa. The subsidiaries and associates of these companies are also seen as related companies.

41.2 Identity of related parties with whom transactions have occurred

Subsidiaries 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.

Key management refers to the executive management of the group.

Directors fees are paid by NedNamibia Holdings and Nedbank Namibia. Key management fees are paid by Nedbank Namibia and NedNamibia Life Company.

41.3 Related party balances

	2022 N$'000	2021 N$'000
Loans and placements from related parties		
Nedbank Limited (holding company)	297	670
Nedbank Limited (fellow subsidiary) (Fixed deposits)	608 938	668 953
Nedbank Group Limited (holding company) (Replica PNs)	305 921	303 115
Nedbank Limited (fellow subsidiary) (accrual for management fees)	10 851	17 674
Nedbank Limited (Derivative instruments included under note 7)	29 150	19 243
Nedbank Limited (fellow subsidiary)	33	106
Nedbank (Lesotho) Limited (fellow subsidiary)	245 943	232 850
Nedbank Namibia Pension Fund (pension fund)	–	1 512
Balances with directors	3 421	2 399
Balances with key management	12 327	10 129
Loans to and placements with related parties		
Nedbank Limited (fellow subsidiary) (Internal settlement account)	6 972	18 470
Nedbank Limited (fellow subsidiary) (Credit Linked Note)	220 610	220 529
Nedbank Limited (Derivative instruments included under note 7)	–	13
Black Management Scheme	649	649
Nedbank Limited: London Branch (fellow subsidiary) Placement	1 928 404	1 816 733
Nedbank Limited (fellow subsidiary)	1 746 994	1 811 412
Balances with directors	2 836	4 045
Balances with key management	5 340	5 877

41.4 Related party transactions

	Interest income 2022 N$'000	Interest income 2021 N$'000	Other income 2022 N$'000	Other income 2021 N$'000	Interest expense 2022 N$'000	Interest expense 2021 N$'000	Expenses and dividends paid 2022 N$'000	Expenses and dividends paid 2021 N$'000
Related party								
Nedbank Limited (*fellow subsidiary*)								
Interest on internal settlement account	2 519	1 463	–	–	3 883	3 794	–	–
Interest income on Nedbank London Branch placement	126 201	109 726	–	–	–	–	–	–
Interest expense on fixed deposits	–	–	–	–	32 203	36 800	–	–
Interest income on Step up deposit	99 064	60 115	–	–	–	–	–	–
Interest income on Credit Linked Note	18 428	19 614	–	–	–	–	–	–
Management fees	–	–	–	–	–	–	116 350	101 222
Interest expense on Replica Promissory Notes	–	–	–	–	23 757	9 836	–	–
NedCapital Investment Holdings (Namibia) (Proprietary) Limited (*fellow subsidiary*)								
Interest expense	–	–	–	–	1 183	907	–	–
Nedbank (Lesotho) Limited *(fellow subsidiary)*								
Interest expense	–	–	–	–	13 632	9 672	–	–
Transactions with directors								
Services as directors	–	–	–	–	–	–	1 537	2 497
Executive directors remuneration	–	–	–	–	–	–	6 649	8 636
Key management costs (including executive directors)	–	–	–	–	–	–	12 757	12 061
Nedbank Group Limited *(holding company)*								
Dividends	–	–	–	–	–	–	76 865	47 657

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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 ('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:

Tier 1 (core) capital
Tier 1 capitial includes permanent shareholders' equity (issued and fully paid-up ordinary shares and perpetual non-cumulative preference shares) plus disclosed reserves (additional paid-in share premium plus retained earnings/undistributed profits) plus minority interests in consolidated subsidiaries, less intangible assets (goodwill, equity funded through capitalisation of revaluation reserves).

Tier 2 (supplementary) capital
Tier 2 capital includes asset revaluation reserves; general loan loss provisions; subordinated debt; and hybrid (debt-equity) capital instruments.

Total Qualifying Capital
Total qualifying capital means the sum of Tier 1 capital and Tier 2 capital after the deduction of investments in and loans to unconsolidated financial subsidiaries; investments in the capital of other financial institutions; encumbered assets (assets acquired using capital funds but subsequently pledged to secure loans or that are no longer available to cover losses from operations); and reciprocal holdings of capital instruments of banks.

Capital measures

The ratios used for measuring capital adequacy are:

- Leverage (equity) capital ratio (i.e. 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 (i.e. Tier 1 capital divided by total risk-weighted assets); and
- Total risk-based capital ratio (i.e. 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.

	2022 N$'000	2020 N$'000
The Bank follows the minimum ratios as prescribed by the Act.		
Share capital and share premium	65 392	65 392
Retained earnings	2 028 108	1 845 658
Accumulated other comprehensive income and other disclosed reserves, excluding revaluation of surplus on land and building assets	(8 518)	(1 851)
Deduct: Goodwill and other intangibles (except mortgage servicing rights)	(76 972)	(61 456)
Total qualifying tier 1 capital	2 008 010	1 847 743
Subordinated debt	206 281	198 980
Asset revaluation reserves	20 858	22 152
Portfolio impairment	102 726	105 300
Total qualifying tier 2 capital	329 865	326 432
Total regulatory capital	2 337 875	2 174 175
Risk-weighted assets:		
Operational risk	1 459 844	1 402 923
Credit risk	11 719 800	11 649 840
Market risk	14 930	4 510
Total risk-weighted assets	13 194 574	13 057 273
Capital adequacy ratios:	%	%
Leverage capital	8.49	8.09
Tier 1 risk-based capital	15.22	14.15
Total risk-weighted capital	17.72	16.65

42.2 NedNamibia Life Assurance Company Limited

The current capital adequacy ratio for NedNamibia Life Assurance Company Limited is 4 times (2021: 17 times) in surplus of the regulatory requirements.

Refer to the Statutory Actuary's Report on page 75 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
2022								
Assets								
Cash and balances with central bank	4	–	–	–	–	754 660	–	754 660
Due from other banks	5	–	–	–	–	3 766 762	–	3 766 762
Other short-term securities	6	–	–	166 066	–	2 351 730	–	2 517 796
Derivative financial instruments	7	37 583	–	–	–	–	–	37 583
Government and other securities	8	–	220 610	3 188 195	–	–	–	3 408 805
Loans and advances to customers	9	–	–	–	–	10 360 040	–	10 360 040
Other assets	10	–	–	–	–	204 060	15 135	219 195
Investment in subsidiaries, associates and listed investments	11	–	–	–	31 192	–	–	31 192
Current tax receivable		–	–	–	–	–	30 010	30 010
Investment Property	12.4	–	–	–	–	–	–	51 200
Property and equipment	12.1	–	–	–	–	–	833 011	833 011
Computer software and development cost	13	–	–	–	–	–	94 692	94 692
Deferred taxation assets	24	–	–	–	–	–	5 225	5 225
Non-current assets held for sale	12	–	–	–	–	–	29 000	29 000
Goodwill	14	–	–	–	–	–	29 125	29 125
Total assets		37 583	220 610	3 354 261	31 192	17 437 253	1 036 199	22 117 097
Liabilities								
Derivative financial instruments	7	29 848	–	–	–	–	–	29 848
Due to other banks	20	–	–	–	–	870 488	–	870 488
Due to customers	21	–	–	–	–	13 259 407	–	13 259 407
Negotiable certificates of deposit	22	–	303 115	–	–	4 020 678	–	4 323 793
Other liabilities	23	–	–	–	–	98 950	50 825	149 774
Current tax payable		–	–	–	–	–	533	533
Policyholder liabilities under insurance contracts	25	–	–	–	–	–	80 128	80 128
Provision for post-retirement medical benefits	26	–	–	–	–	–	7 941	7 941
Long-term subordinated debt instruments	27	–	–	–	–	428 015	–	428 015
Lease liabilities	28	–	–	–	–	–	17 685	17 685
Deferred taxation liabilities	24	–	–	–	–	–	48 098	48 098
Total liabilities		29 848	303 115	–	–	18 677 538	205 209	19 215 710

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
2021								
Assets								
Cash and balances with central bank	4	–	–	–	–	651 007	–	651 007
Due from other banks	5	–	–	–	–	3 743 743	–	3 743 743
Other short-term securities	6	–	–	100 699	–	2 178 332	–	2 279 031
Derivative financial instruments	7	20 241	–	–	–	–	–	20 241
Government and other securities	8	–	220 529	2 805 889	–	–	–	3 026 418
Loans and advances to customers	9	–	–	–	–	10 731 333	–	10 731 333
Other assets	10	–	–	–	–	132 262	22 377	154 639
Investment in subsidiaries, associates and listed investments	11	–	–	–	28 572	–	–	28 572
Current tax receivable		–	–	–	–	–	25 544	25 544
Property and equipment	12.1	–	–	–	–	–	749 722	749 722
Computer software and development cost	13	–	–	–	–	–	77 000	77 000
Deferred taxation assets	24	–	–	–	–	–	3 935	3 935
Goodwill	14	–	–	–	–	–	29 125	29 125
Total assets		20 241	220 529	2 906 588	28 572	17 436 677	907 704	21 520 310
Liabilities								
Derivative financial instruments	7	20 099	–	–	–	–	–	20 099
Due to other banks	20	–	–	–	–	906 498	–	906 498
Due to customers	21	–	–	–	–	12 954 666	–	12 954 666
Negotiable certificates of deposit	22	–	303 115	–	–	3 955 255	–	4 258 370
Other liabilities	23	–	–	–	–	123 800	50 407	174 207
Current tax payable		–	–	–	–	–	169	169
Policyholder liabilities under insurance contracts	25	–	–	–	–	–	88 929	88 929
Provision for post-retirement medical benefits	26	–	–	–	–	–	7 973	7 973
Long-term subordinated debt instruments	27	–	–	–	–	427 004	–	427 004
Lease liabilities	28	–	–	–	–	–	19 636	19 636
Deferred taxation liabilities	24	–	–	–	–	–	14 449	14 449
Total liabilities		20 099	303 115	–	–	18 367 223	181 563	18 872 000

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43.2 Statement of financial position – fair value hierarchy of financial instruments

2022

	Notes	Level 1 N$'000	Level 2 N$'000	Financial assets/ financial liabilities at amortised cost N$'000	Non-financial assets and liabilities N$'000	Total N$'000
Assets						
Cash and balances with central bank	4	–	–	754 660	–	754 660
Due from other banks	5	–	–	3 766 762	–	3 766 762
Other short-term securities	6	–	166 066	2 351 730	–	2 517 796
Derivative financial instruments	7	–	37 583	–	–	37 583
Government and other securities	8	–	3 408 805	–	–	3 408 805
Loans and advances to customers	9	–	–	10 360 040	–	10 360 040
Other assets	10	–	–	204 060	15 135	219 195
Investment in subsidiaries, associates and listed investments	11	31 192	–	–	–	31 192
Current tax receivable		–	–	–	30 010	30 010
Investment Property	12.2	–	–	–	51 200	51 200
Property and equipment	12.1	–	–	–	781 812	781 812
Computer software and development cost	13	–	–	–	94 692	94 692
Deferred taxation assets	24	–	–	–	5 225	5 225
Non-current assets held for sale	12.3	–	–	–	29 000	29 000
Goodwill	14	–	–	–	29 125	29 125
Total assets		31 192	3 612 454	17 437 253	1 036 199	22 117 097
Liabilities						
Derivative financial instruments	7	–	29 848	–	–	29 848
Due to other banks	20	–	–	870 488	–	870 488
Due to customers	21	–	–	13 259 407	–	13 259 407
Negotiable certificates of deposit	22	–	303 115	4 020 678	–	4 323 793
Other liabilities	23	–	–	98 950	50 825	149 774
Current tax payable		–	–	–	533	533
Policyholder liabilities under insurance contracts	25	–	–	–	80 128	80128
Provision for post-retirement medical benefits	26	–	–	–	7 941	7 941
Long-term subordinated debt instruments	27	–	–	428 015	–	428 015
Lease liabilities	28	–	–	–	17 685	17 685
Deferred taxation liabilities	24	–	–	–	48 098	48 098
Total liabilities		–	332 963	18 677 538	205 209	19 215 710

43.2 Statement of financial position – fair value hierarchy of financial instruments

2021

	Notes	Level 1 N$'000	Level 2 N$'000	Financial assets/ financial liabilities at amortised cost N$'000	Non-financial assets liabilities and equity N$'000	Total N$'000
Assets						
Cash and balances with central bank	4	–	–	651 007	–	651 007
Due from other banks	5	–	–	3 743 743	–	3 743 743
Other short-term securities	6	–	100 699	2 178 332	–	2 279 031
Derivative financial instruments	7	–	20 241	–	–	20 241
Government and other securities	8	–	3 026 418	–	–	3 026 418
Loans and advances to customers	9	–	–	10 731 333	–	10 731 333
Other assets	10	–	–	132 262	22 377	154 639
Investment in subsidiaries, associates and listed investments	11	28 572	–	–	–	28 572
Current tax receivable		–	–	–	25 544	25 544
Property and equipment	12	–	–	–	749 722	749 722
Computer software and development cost	13	–	–	–	77 000	77 000
Deferred taxation assets	24	–	–	–	3 935	3 935
Goodwill	14	–	–	–	29 125	29 125
Total assets		28 572	3 147 358	17 436 677	907 704	21 520 310
Liabilities						
Derivative financial instruments	7	–	20 099	–	–	20 099
Due to other banks	20	–	–	906 498	–	906 498
Due to customers	21	–	–	12 954 666	–	12 954 666
Negotiable certificates of deposit	22	–	303 115	3 955 255	–	4 258 370
Other liabilities	23	–	–	123 800	50 407	174 207
Current tax payable		–	–	–	169	169
Policyholder liabilities under insurance contracts	25	–	–	–	88 929	88 929
Provision for post-retirement medical benefits	26	–	–	–	7 973	7 973
Long-term subordinated debt instruments	27	–	–	427 004	–	427 004
Lease liabilities	28	–	–	–	19 636	19 636
Deferred taxation liabilities	24	–	–	–	14 449	14 449
Total liabilities		–	323 214	18 367 223	181 563	18 872 000

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.

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.

Valuation Adjustments

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.

Loans and advances

Loans and advances include mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised 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 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.

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	Discount rates
	Black-Scholes model	Risk-free rate and volatilities
	Multiple valuation techniques	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	Discount rates
	Black-Scholes model	Risk-free rate and volatilities
	Multiple valuation techniques	Valuation multiples
Amounts owed to depositors	Discounted cashflow model	Discount rates
Long-term subordinated debt instruments	Discounted cashflow model	Discount rates

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.

	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
2022								
Assets								
Cash and balances with central bank	564 240	–	–	–	–	–	190 420	754 660
Due from other banks	46 343	1744355	347 370	875 072	753 622	–	–	3766762
Other short-term securities	–	2406572	817	50 000	60 407	–	–	2 517 796
Derivative financial instruments	–	16 286	3 019	3 453	9 552	5 273	–	37 583
Government and other sector	–	606 327	1 167 610	888 837	706 580	39 857	(407)	3408805
Loans and advances to customers	727 950	389 499	368 058	317 670	3342335	4 660 876	553 652	10 360 040
Other assets	144 279	–	–	–	–	–	74 916	219 195
Investment in subsidiaries, associates and listed investments	–	–	–	–	–	–	31 192	31 192
Current tax receivable	–	–	–	–	–	–	30 010	30 010
Non-current assets held for sale	–	–	–	–	–	–	29 000	29 000
Deferred taxation assets	–	–	–	–	–	–	5 225	5 225
Investment Property	–	–	–	–	–	–	51 200	51 200
Property and equipment	–	–	–	–	–	–	781 812	781 812
Computer software and development cost	–	–	–	–	–	–	94 692	94 692
Goodwill	–	–	–	–	–	–	29 125	29 125
	1 482 812	5163039	1 886 875	2 135 032	4 872 496	4 706 006	1 870 837	22 117 097
Liabilities and equity								
Total equity	–	–	–	–	–	–	2 901 387	2 901 387
Derivative financial instruments	4 265	15 551	2 866	917	170	6 079	–	29 848
Due to other banks	22 426	597 719	45 233	190 309	–	–	–	855 687
Due to customers	9 663 302	1 867 507	614 911	793 268	335 220	–	–	13274208
Negotiable certificates of deposit	–	688 091	884 206	1 804 937	946 559	–	–	4 323 793
Other liabilities	13 011	75 387	–	–	–	–	61 376	149 774
Current tax payable	–	–	–	–	–	–	533	533
Policyholder liabilities under insurance contracts	–	–	–	–	–	–	80 128	80 128
Provision for post-retirement medical benefits	–	–	–	–	–	–	7 941	7 941
Long-term subordinated debt instruments	–	7 861	2 538	496	304 363	112 757	–	428 015
Lease liability	3 887	7 867	11 662	21 332	80 537	–	(107 600)	17 685
Deferred taxation liabilities	–	–	–	–	–	–	48 098	48 098
	9 706 891	3259983	1 561 416	2 811 259	1 666 849	118 836	2 991 863	22 117 097
Net liquidity gap	(8224079)	1903056	325 459	(676 227)	3 205 647	4 587 170	(1 121 026)	–

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44. LIQUIDITY RISK (CONTINUED)

44.1 Liquidity GAP (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
2021								
Assets								
Cash and balances with central bank	458 668	–	–	–	–	–	192 339	651 007
Due from other banks	1 183 228	695 680	–	50 921	1 813 914	–	–	3 743 743
Other short-term securities	–	2 128 331	100 699	–	50 000	–	–	2 279 030
Derivative financial instruments	–	10 948	1 192	3 200	4 758	143	–	20 241
Government and other sector	–	829 265	821 974	685 532	524 846	165 030	(229)	3 026 419
Loans and advances to customers	1 368 466	369 123	156 349	695 015	3 454 876	4 045 408	642 098	10 731 335
Other assets	75 654	–	–	–	–	–	78 985	154 639
Investment in subsidiaries, associates and listed investments	–	–	–	–	–	–	28 572	28 572
Investment in listed investments	–	–	–	–	–	–	25 544	25 544
Property and equipment	–	–	–	–	–	–	749 722	749 722
Computer software and development cost	–	–	–	–	–	–	77 000	77 000
Deferred taxation assets	–	–	–	–	–	–	3 935	3 935
Goodwill	–	–	–	–	–	–	29 125	29 125
	3 086 016	4 033 348	1 080 214	1 434 668	5 848 394	4 210 581	1 827 092	21 520 310
Liabilities and equity								
Total equity	–	–	–	–	–	–	2 648 311	2 648 311
Derivative financial instruments	587	10 946	1 126	2 452	1 377	3 611	–	20 099
Due to other banks	4 843	651 389	98 780	151 486	–	–	–	906 498
Due to customers	9 502 746	1 835 094	893 796	544 521	144 844	33 665	–	12 954 666
Negotiable certificates of deposit	–	863 697	586 840	1 804 560	1 003 273	–	–	4 258 370
Other liabilities	21 520	62 971	–	–	–	–	89 716	174 207
Current tax payable	–	–	169	–	–	–	–	169
Deferred taxation liabilities	–	–	–	–	–	–	88 929	88 929
Policyholder liabilities under insurance contracts	–	–	–	–	–	–	7 973	7 973
Provision for post-retirement medical benefits	–	7 365	2 538	430	150 000	266 671	–	427 004
Long-term subordinated debt instruments	1 964	2 826	3 069	4 668	7 109	–	–	19 636
Lease liabilities	–	–	–	–	–	–	14 449	14 449
	9 531 660	3 434 288	1 586 318	2 508 117	1 306 603	303 947	2 849 378	21 520 310
Net liquidity gap	(6 445 644)	599 060	(506 103)	(1 073 449)	4 541 791	3 906 634	(1 022 287)	–

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.

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
2022								
Liabilities								
Derivative financial instruments	4 265	15 551	2 866	917	170	6 078	–	29 847
Due to other banks	22 426	604 203	47 700	211 582	–	–	–	885 911
Due to customers	9 649 260	1 883 562	628 221	846 052	363 795	–	–	13 370 890
Negotiable certificates of deposit	55	713 689	1 002 410	2 003 488	945 795	–	69 225	4 734 662
Other liabilities	13 011	75 386	–	–	–	–	61 377	149 774
Current tax payable	–	–	–	–	–	–	533	533
Policyholder liabilities under insurance contracts	–	–	–	–	–	–	80 128	80 128
Provision for post-retirement medical benefits	–	–	–	–	–	–	7 793	7 793
Long-term subordinated debt instruments	–	7 862	2 538	496	385 902	112 757	–	509 555
Lease liabilities	579	1 252	1 140	2 086	12 628	–	–	17 685
Deferred taxation liabilities	–	–	–	–	–	–	48 098	48 098
Total liabilities	9 689 595	3 301 505	1 684 875	3 064 621	1 708 290	118 835	267 333	19 835 056
Off statement of financial position								
Financial and other guarantees	–	7 480	6 217	38 940	253 842	67 426	56 997	430 902
Undrawn facilities	1 203 278	–	–	–	–	–	–	1 203 278
2021								
Liabilities								
Derivative financial instruments	587	10 945	1 126	2 453	1 377	3 611	–	20 099
Due to other banks	986	660 992	101 765	153 456	–	–	–	917 199
Due to customers	9 575 356	1 843 497	912 790	570 726	168 535	33 665	–	13 104 569
Negotiable certificates of deposit	–	867 577	596 475	1 878 304	1 116 483	3 357	–	4 462 196
Other liabilities	21 520	62 970	–	–	–	–	89 717	174 207
Current tax payable	–	–	–	–	–	–	169	169
Deferred taxation liabilities	–	–	–	–	–	–	88 929	88 929
Policyholder liabilities under insurance contracts	–	–	–	–	–	–	7 973	7 973
Provision for post-retirement medical benefits	–	7 365	2 538	430	240 836	175 835	–	427 004
Long-term subordinated debt instruments	1 964	2 751	3 069	4 667	7 185	–	–	19 636
Lease liabilities	–	–	–	–	–	–	14 449	14 449
Total liabilities	9 600 413	3 456 097	1 617 763	2 610 036	1 534 416	216 468	201 237	19 236 430
Off statement of financial position								
Financial and other guarantees	–	7 480	6 217	38 940	253 842	67 426	56 997	430 902
Undrawn facilities	1 203 278	–	–	–	–	–	–	1 203 278

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 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.

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
2022						
Assets						
Cash and balances with central bank	746 410	2 429	4 371	3	1 447	754 660
Due from other banks		2 255	3 191	389	3 760 926	3 766 761
Other short-term securities	1 939 956	–	577 840	–	–	2 517 796
Derivative financial instruments	37 583	–	–	–	–	37 583
Government and other securities	3 408 805	–	–	–	–	3 408 805
Loans and advances to customers	10 360 040	–	–	–	–	10 360 040
Other assets	219 195	–	–	–	–	219 195
Investment in subsidiaries, associates and listed investments	31 192	–	–	–	–	31 192
Current tax receivable	30 010	–	–	–	–	30 010
Investment property	51 200	–	–	–	–	51 200
Property and equipment	781 812	–	–	–	–	781 812
Computer software and development cost	94 692	–	–	–	–	94 692
Deferred taxation assets	5 225	–	–	–	–	5 225
Non-current assets held for sale	29 000	–	–	–	–	29 000
Goodwill	29 125	–	–	–	–	29 125
Total assets	17 764 246	4 684	585 402	392	3 762 373	22 117 097
Equity and Liabilities						
Capital and reserves						
Share capital	17 595	–	–	–	–	17 595
Share premium	99 536	–	–	–	–	99 536
General risk reserve	31 735	–	–	–	–	31 735
Revaluation reserve	124 757	–	–	–	–	124 757
Fair value reserve	(8 518)	–	–	–	–	(8 518)
Equity investment revaluation reserve	15 533	–	–	–	–	15 533
Retained income	2 610 157	–	–	–	–	2 610 157
Shareholder's interest	2 890 795	–	–	–	–	2 890 795
Non-controlling interest	10 593	–	–	–	–	10 593
Total shareholder's equity and non-controlling interest	2 901 388	–	–	–	–	2 901 388
Liabilities						
Derivative financial instruments	29 848	–	–	–	–	29 848
Due to other banks	180 900	14 807	255 068	–	404 912	855 687
Due to customers	12 910 882	102 882	227 656	149	32 639	13 274 208
Negotiable certificates of deposit	3 971 923	–	–	–	351 870	4 323 793
Other liabilities	149 774	–	–	–	–	149 774
Current tax payable	533	–	–	–	–	533
Policyholder liabilities under insurance contracts	80 128	–	–	–	–	80 128
Provision for post-retirement medical benefits	7 941	–	–	–	–	7 941
Long-term subordinated debt instruments	428 015	–	–	–	–	428 015
Lease liability	17 685	–	–	–	–	17 685
Deferred taxation liabilities	48 098	–	–	–	–	48 098
Total liabilities	17 825 727	117 689	482 724	149	789 421	19 215 710
Total equity and liabilities	20 727 114	117 689	482 724	149	789 421	22 117 097
Net balance sheet position	(2 962 868)	(113 005)	102 678	243	2 979 952	–
Off balance sheet net notional position	(6 227)	535	(696)	–	6 279	(109)
Rates of exchange as at 31 December 2022	–	18.00	16.90	20.40	–	–

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
2021						
Assets						
Cash and balances with central bank	642 002	5 184	1 955	161	1 705	651 007
Due from other banks	–	1 532	3 005	307	3 738 899	3 743 743
Other short-term securities	1 728 618	–	550 412	–	–	2 279 030
Derivative financial instruments	20 240	–	–	–	–	20 240
Government and other securities	3 026 418	–	–	–	–	3 026 418
Loans and advances to customers	10 731 334	–	–	–	–	10 731 334
Other assets	135 946	–	–	–	18 693	154 639
Investment in subsidiaries, associates and listed investments	28 572	–	–	–	–	28 572
Current tax receivable	25 544	–	–	–	–	25 544
Property and equipment	749 722	–	–	–	–	749 722
Computer software and development cost	77 000	–	–	–	–	77 000
Deferred taxation assets	3 935	–	–	–	–	3 935
Goodwill	29 125	–	–	–	–	29 125
Total assets	17 198 456	6 716	555 372	468	3 759 297	21 520 310
Equity and Liabilities						
Capital and reserves						
Share capital	17 595	–	–	–	–	17 595
Share premium	99 536	–	–	–	–	99 536
General risk reserve	50 608	–	–	–	–	50 608
Revaluation reserve	63 077	–	–	–	–	63 077
Fair value reserve	(1 852)	–	–	–	–	(1 852)
Equity investment revaluation reserve	12 914	–	–	–	–	12 914
Retained income	2 393 629	–	–	–	–	2 393 629
Shareholder's interest	2 635 507	–	–	–	–	2 635 507
Non-controlling interest	12 804	–	–	–	–	12 804
Total shareholder's equity and non-controlling interest	2 648 311	–	–	–	–	2 648 311
Liabilities						
Derivative financial instruments	20 099	–	–	–	–	20 099
Due to other banks	233 783	3 762	238 421	–	430 532	906 498
Due to customers	12 615 993	95 209	196 120	161	47 183	12 954 666
Negotiable certificates of deposit	3 724 083	–	–	–	534 287	4 258 370
Other liabilities	174 207	–	–	–	–	174 207
Current tax payable	169	–	–	–	–	169
Policyholder liabilities under insurance contracts	88 929	–	–	–	–	88 929
Provision for post-retirement medical benefits	7 973	–	–	–	–	7 973
Long-term subordinated debt instruments	427 004	–	–	–	–	427 004
Lease liability	19 636	–	–	–	–	19 636
Deferred taxation liabilities	14 449	–	–	–	–	14 449
Total liabilities	17 326 324	98 971	434 541	161	1 012 002	18 872 000
Total equity and liabilities	19 974 636	98 971	434 541	161	1 012 002	21 520 311
Net balance sheet position	(2 776 178)	(92 255)	120 831	307	2 747 295	–
Off balance sheet net notional position	–	–	–	–	–	–
Rates of exchange as at 31 December 2021	–	17.99	15.90	21.48	–	–

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46.3 Currency risk sensitivity analysis

2022

	Possible effect on the statement of comprehensive income* N$'000	Reasonable possible change (increase/decrease) EUR N$	US$ N$	GBP N$	ZAR and Other N$	Balance as at reporting date N$'000
Assets						
Cash and balances with central bank	93	1.03	0.96	1.07	1.00	754 660
Due from other banks	25	1.03	0.96	1.07	1.00	3 766 761
Other short-term securities	22 594	1.03	0.96	–	–	2 517 796
Derivative financial instruments	–	–	–	–	–	37 583
Government and other securities	–	–	–	–	–	3 408 805
Loans and advances to customers	–	–	–	–	–	10 360 040
Other assets	–	–	–	–	1.00	219 195
Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	31 192
Current tax receivable	–	–	–	–	–	30 010
Investment property	–	–	–	–	–	51 200
Property and equipment	–	–	–	–	–	781 812
Computer software and development cost	–	–	–	–	–	94 692
Deferred taxation assets	–	–	–	–	–	5 225
Non-current assets held for sale	–	–	–	–	–	29 000
Goodwill	–	–	–	–	–	29 125
Total assets	22 712					22 117 097
Liabilities						
Derivative financial instruments	–	–	–	–	–	29 848
Due to other banks	–	1.03	0.96	–	–	855 687
Due to customers	9 499	1.03	0.96	1.07	1.00	13 274 208
Negotiable certificates of deposits	5 599	–	–	–	1.00	4 323 793
Other liabilities	–	–	–	–	–	149 774
Current tax payable	–	–	–	–	–	533
Policyholder liabilities under insurance contracts	–	–	–	–	–	80 128
Provision for post-retirement medical benefits	–	–	–	–	–	7 941
Long-term subordinated debt instruments	–	–	–	–	–	428 015
Lease liability	–	–	–	–	–	17 685
Deferred taxation liabilities	–	–	–	–	–	48 098
Total liabilities	15 098					19 215 710

46.3 Currency risk sensitivity analysis

2021

	Possible effect on the statement of comprehensive income* N$'000	Reasonable possible change (increase/decrease) EUR N$	US$ N$	GBP N$	ZAR and Other N$	Balance as at reporting date N$'000
Assets						
Cash and balances with central bank	210	1.03	1.02	1.02	1.00	651 007
Due from other banks	119	1.03	1.02	1.02	1.00	3 743 743
Other short-term securities	11 779	1.03	1.02	–	–	2 279 030
Derivative financial instruments	–	–	–	–	–	20 240
Government and other securities	–	–	–	–	–	3 026 418
Loans and advances to customers	–	–	–	–	–	10 731 334
Other assets	–	–	–	–	1.00	154 639
Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	28 571
Current tax receivable	–	–	–	–	–	25 544
Property and equipment	–	–	–	–	–	749 722
Computer software and development cost	–	–	–	–	–	77 000
Deferred taxation assets	–	–	–	–	–	3 935
Goodwill	–	–	–	–	–	29 125
Total assets	12 108					21 520 310
Liabilities						
Derivative financial instruments	–	–	–	–	–	20 099
Due to other banks	–	1.03	1.02	–	–	906 498
Due to customers	5 223	1.03	1.02	1.02	1.00	12 954 666
Negotiable certificates of deposits	7 246	–	–	–	1.00	4 258 370
Other liabilities	–	–	–	–	–	174 207
Current tax payable	–	–	–	–	–	169
Policyholder liabilities under insurance contracts	–	–	–	–	–	88 929
Provision for post-retirement medical benefits	–	–	–	–	–	7 973
Long-term subordinated debt instruments	–	–	–	–	–	427 004
Lease liability	–	–	–	–	–	19 636
Deferred taxation liabilities	–	–	–	–	–	14 449
Total liabilities	12 469					18 872 000

* The possible effect on the statement of 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.

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	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
47.2 Interest rate risk analysis							
2022							
Assets							
Cash and balances with central bank	385 622	–	–	–	–	369 038	754 660
Due from other banks	3 661 033	50 000	–	–	–	55 728	3 766 761
Other short-term securities	2 444 589	–	–	60 000	–	13 207	2 517 796
Derivative financial instruments	–	–	–	–	–	37 583	37 583
Government and other securities	653 892	1 130 449	879 181	642 699	19 435	83 149	3 408 805
Loans and advances to customers	9 763 069	–	–	–	–	596 971	10 360 040
Other assets	–	–	–	–	–	219 195	219 195
Investment in subsidiaries associates and listed investments	–	–	–	–	–	31 192	31 192
Current tax receivable	–	–	–	–	–	30 010	30 010
Investment property	–	–	–	–	–	51 200	51 200
Property and equipment	–	–	–	–	–	781 812	781 812
Computer software and development cost	–	–	–	–	–	94 692	94 692
Deferred taxation assets	–	–	–	–	–	5 225	5 225
Non-current assets held for sale	–	–	–	–	–	29 000	29 000
Goodwill	–	–	–	–	–	29 125	29 125
Total assets	16 908 206	1 180 449	879 181	702 699	19 435	2 427 127	22 117 097
Equity and Liabilities							
Capital and reserves							
Share capital	–	–	–	–	–	17 595	17 595
Share premium	–	–	–	–	–	99 536	99 536
General risk reserve	–	–	–	–	–	31 735	31 735
Revaluation reserve	–	–	–	–	–	124 757	124 757
Fair value reserve	–	–	–	–	–	(8 518)	(8 518)
Equity investment revaluation reserve	–	–	–	–	–	15 533	15 533
Retained income	–	–	–	–	–	2 610 157	2 610 157
Shareholder's interest	–	–	–	–	–	2 890 795	2 890 795
Non-controlling interest	–	–	–	–	–	10 593	10 593
Total shareholder's equity and non-controlling interest	–	–	–	–	–	2 901 388	2 901 388
Liabilities							
Derivative financial instruments	–	–	–	–	–	29 848	29 848
Due to other banks	616 428	44 000	187 071	475	–	7 713	855 687
Due to customers	11 530 482	591 659	757 733	190 804	–	203 530	13 274 208
Negotiable certificates of deposit	2 616 230	678 000	613 130	339 570	–	76 863	4 323 793
Other liabilities	–	–	–	–	–	149 774	149 774
Current tax payable	–	–	–	–	–	533	533
Policyholder liabilities under insurance contracts	–	–	–	–	–	80 128	80 128
Provision for post-retirement medical benefits	–	–	–	–	–	7 941	7 941
Long-term subordinated debt instruments	100 000	–	–	304 363	12 757	10 895	428 015
Lease liabilities	–	–	–	–	–	17 685	17 685
Defered taxation liabilities	–	–	–	–	–	48 098	48 098
Total liabilities	14 863140	1 313 659	1 557 934	835 212	12 757	633 008	19 215 710
Total equity and liabilities	14 863140	1 313 659	1 557 934	835 212	12 757	3534 395	22 117 097
On balance sheet interest sensitivity gap	2 045 065	(133 210)	(678 753)	(132 513)	6 678	(1 107 128)	–
Cumulative on balance sheet interest sensitivity gap	2 045 066	1 911 856	1 233 103	1 100 590	1 107 268	–	–

	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
47.2 Interest rate risk analysis							
2021							
Assets							
Cash and balances with central bank	299 685	–	–	–	–	351 322	651 007
Due from other banks	3 657 392	–	50 000	–	–	36 351	3 743 743
Other short-term securities	2 173 249	100 000	–	–	–	5 782	2 279 031
Derivative financial instruments	–	–	–	–	–	20 241	20 241
Government and other securities	881 455	801 354	679 465	429 384	164 977	69 783	3 026 418
Loans and advances to customers	10 060 268	–	–	–	–	671 065	10 731 333
Other assets	–	–	–	–	–	154 639	154 639
Investment in subsidiaries, associates and listed investments	–	–	–	–	–	28 572	28 572
Current tax receivable	–	–	–	–	–	25 544	25 544
Property and equipment	–	–	–	–	–	749 722	749 722
Computer software and development cost	–	–	–	–	–	77 000	77 000
Deferred taxation assets	–	–	–	–	–	3 935	3 935
Goodwill	–	–	–	–	–	29 125	29 125
Total assets	17 072 049	901 354	729 465	429 384	164 977	2 223 082	21 520 311
Equity and Liabilities							
Capital and reserves							
Share capital	–	–	–	–	–	17 595	17 595
Share premium	–	–	–	–	–	99 536	99 536
General risk reserve	–	–	–	–	–	50 608	50 608
Revaluation reserve	–	–	–	–	–	63 077	63 077
Fair value reserve	–	–	–	–	–	(1 852)	(1 852)
Equity investment revaluation reserve	–	–	–	–	–	12 914	12 914
Retained income	–	–	–	–	–	2 393629	2 393 629
Shareholder's interest	–	–	–	–	–	2 635507	2 635 507
Non-controlling interest	–	–	–	–	–	12 801	12 801
Total shareholder's equity and non-controlling interest	–	–	–	–	–	2 648 311	2 648 311
Liabilities							
Derivative financial instruments	–	–	–	–	–	20 099	20 099
Due to other banks	651 468	107 430	140 358	–	–	7 242	906 498
Due to customers	11 422 490	860 392	526 510	10 013	–	135 261	12954666
Negotiable certificates of deposit	2382304	573500	1050330	195273	–	56963	4 258 370
Other liabilities	–	–	–	–	–	174 207	174 207
Current tax payable	–	–	–	–	–	169	169
Policyholder liabilities under insurance contracts	–	–	–	–	–	88 929	88 929
Provision for post-retirement medical benefits	–	–	–	–	–	7 973	7 973
Long-term subordinated debt instruments	100 000	–	–	150 000	166 671	10 333	427 004
Lease liabilities	–	–	–	–	–	19 636	19 636
Deferred taxation liabilities	–	–	–	–	–	14 449	14 449
Total liabilities	14 556 262	1 541 322	1 717 198	355 286	166 671	535 261	18872000
Total equity and liabilities	14 556 262	1 541 322	1 717 198	355 286	166 671	3 183 571	21 520 310
On balance sheet interest sensitivity gap	2 515 787	(639 968)	(987 733)	74 098	(1 694)	(960 491)	–
Cumulative on balance sheet interest sensitivity gap	2 515 787	1 875 819	888 086	962 184	960 490	–	–

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

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
2022							
Assets							
Cash and balances with central bank	3 856	1.0	385 622	369 038	–	385 622	754 660
Due from other banks	37 110	1.0	3 711 034	55 728	50 000	3 661 034	3 766 762
Other short-term securities	25 046	1.0	2 504 589	13 207	160 000	2 344 589	2 517 796
Derivative financial instruments	–	–	–	37 583	–	–	37 583
Government and other securities	33 257	1.0	3 325 656	83 149	3 189 410	136 246	3 408 805
Loans and advances to customers	97 631	1.0	9 763 069	596 971	–	9 763 069	10360040
Other assets	–	–	–	219 195	–	–	219 195
Investment in subsidiaries, associates and listed investments	–	–	–	31 192	–	–	31 192
Current tax receivable	–	–	–	30 010	–	–	30 010
Investment property	–	–	–	51 200	–	–	51 200
Property and equipment	–	–	–	781 812	–	–	781 812
Computer software and development cost	–	–	–	94 692	–	–	94 692
Deferred taxation assets	–	–	–	5 225	–	–	5 225
Non-current assets held for sale	–	–	–	29 000	–	–	29 000
Goodwill	–	–	–	29 125	–	–	29 125
Total assets	196 900		19 689 970	2 427 358	3 399 410	16 290 560	22 117 097
Liabilities							
Derivative financial instruments	–	–	–	29 848	–	–	29 848
Due to other banks	8 628	1.0	862 775	7 713	826 024	36 751	870 488
Due to customers	130 559	1.0	13 055 877	203 530	2 958 828	10 097 049	13 259 407
Negotiable certificates of deposit	42 469	1.0	4 246 930	76 863	1 922 800	2 324 130	4 323 793
Other liabilities	–	–	–	149 774	–	–	149 774
Current tax payable	–	–	–	533	–	–	533
Policyholder liabilities under insurance contracts	–	–	–	80 128	–	–	80 128
Provision for post-retirement medical benefits	–	–	–	7 941	–	–	7 941
Long-term subordinated debt instruments	4 171	1.0	417 120	10 895	317 120	100 000	428 015
Lease liabilities	–	–	–	17 685	–	–	17 685
Deferred taxation liabilities	–	–	–	48 098	–	–	48 098
Total liabilities	185 827		18 582 702	633 008	6 024 772	12 557 930	19 215 710

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
2021							
Assets							
Cash and balances with central bank	2 997	1.0	299 685	351 322	–	299 685	651 007
Due from other banks	37 074	1.0	3 707 392	36 351	70 000	3 637 392	3 743 743
Other short-term securities	22 732	1.0	2 273 249	5 782	100 000	2 173 249	2 279 031
Derivative financial instruments	–	–	–	20 241	–	–	20 241
Government and other securities	29 566	1.0	2 956 635	69 783	2876635	80000	3026418
Loans and advances to customers	100 603	1.0	10 060 268	671 065	–	10 060 268	10 731 333
Other assets	–	–	–	154 639	–	–	154 639
Investment in subsidiaries, associates and listed investments	–	–	–	28 572	–	–	28 572
Current tax receivable	–	–	–	25 544	–	–	25 544
Property and equipment	–	–	–	749 722	–	–	749 722
Computer software and development cost	–	–	–	77 000	–	–	77 000
Deferred taxation assets	–	–	–	3 935	–	–	3 935
Goodwill	–	–	–	29 125	–	–	29 125
Total assets	192 972		19 297 229	2 223 082	3046635	16 250 594	21 520 310
Liabilities							
Derivative financial instruments	–	–	–	20 099	–	–	20 099
Due to other banks	8 993	1.0	899 256	7 242	824 487	74 769	906 498
Due to customers	128 194	1.0	12 819 405	135 261	2 757 768	10 061 637	12 954 666
Negotiable certificates of deposit	42 014	1.0	4 201 407	56 963	2408406	1 793 001	4 258 370
Other liabilities	–	–	–	174 207	–	–	174 207
Current tax payable	–	–	–	169	–	–	169
Policyholder liabilities under insurance contracts	–	–	–	88 929	–	–	88 929
Provision for post-retirement medical benefits	–	–	–	7 973	–	–	7 973
Long-term subordinated debt instruments	4 167	1.0	416 671	10 333	316 671	100 000	427 004
Lease liabilities	–	–	–	19 636	–	–	19 636
Deferred taxation liabilities	–	–	–	14 449	–	–	14 449
Total liabilities	183 367		18 336 739	535 261	6307332	12 029 407	18 872 000

* The possible effect on the statement of 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

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.

See note 3.2 (vii) for an explanation of the credit ratings used.

48.2 Credit risk analysis

	Investment grade		Subinvestment grade		Not rated		Total	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000
Credit analysis of other short-term securities, and government and other securities								
Other short-term securities	2 517 796	2 279 031	–	–	–	–	2 517 796	2 279 031
Negotiable certificates of deposit	166 066	100 699	–	–	–	–	166 066	100 699
Money market funds	2 351 730	2 178 332	–	–	–	–	2 351 730	2 178 332
Government and other securities	3 409 211	3 026 648	–	–	–	–	3 409 211	3 026 648
Treasury bills	2 532 873	2 173 734	–	–	–	–	2 532 873	2 173 734
Government registered stock	655 728	632 385	–	–	–	–	655 728	632 385
Credit linked notes	220 610	220 529	–	–	–	–	220 610	220 529

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.

	2022 N$'000	2021 N$'000
Classification: Past due		
Loans and advances to customers	692 791	809 323
– Home loans	300 986	164 314
– Other loans and overdrafts	285 836	598 868
– Net leases and instalment debtors	93 253	34 195
– Personal loans	12 716	11 946
Impairment of advances (note 30)	(145 738)	(153 962)
– Home loans	(44 602)	(37 550)
– Other loans and overdrafts	(59 464)	(83 587)
– Net leases and instalment debtors	(12 906)	(12 361)
– Personal loans	(28 766)	(20 464)
	547 053	655 361
Classification: Impaired		
Loans and advances to customers	1 148 154	1 249 949
– Home loans	788 309	847 600
– Other loans and overdrafts	295 160	312 231
– Net leases and instalment debtors	37 250	65 383
– Personal loans	27 435	24 735
Impairment of advances (note 30)	(429 160)	(407 654)
– Home loans	(275 974)	(264 194)
– Other loans and overdrafts	(116 754)	(99 665)
– Net leases and instalment debtors	(28 105)	(30 129)
– Personal loans	(8 327)	(13 666)
	718 994	842 295

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

48.3 Credit risk: Maximum exposure

	2022 N$'000	2021 N$'000
Cash and balances with central bank	754 660	651 007
Due from other banks	3 766 762	3 743 743
Other short-term securities	2 517 796	2 279 031
Derivative financial instruments	37 583	20 241
Government and other securities	3 408 805	3 026 418
Loans and advances to customers	10 934 938	11 293 275
Other assets	219 195	154 639
	21 639 740	21 168 354

48.4 Credit risk: Collateral held in respect of 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, suretyship, 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, suretyship, 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.

	2022	2021
Loans and advances to customers		
– Home loans	5 518 825	5 823 983
– Other loans and overdrafts	1 173 850	1 181 456
– Net leases and instalment debtors	570 151	585 338
– Personal loans	255 307	531 579
	7 518 133	8 122 356

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.

49 Subsequent events

During January 2023 the Courtside Building has been transferred from assets under construction to investment property. The directors are not aware of any other material post-balance sheet events that have occurred between the balance sheet date and the date of this report.

AT NEDBANK NAMIBIA, WE BELIEVE THAT DOING GOOD IS MUCH MORE THAN JUST A STATEMENT OF PURPOSE; IT'S THE BACKBONE OF OUR STRATEGY AND OPERATIONS AND THE REASON WE STRIVE TO ACHIEVE OUTSTANDING FINANCIAL PERFORMANCE. OUR PURPOSE IS WHAT SETS IT APART FROM OUR COMPETITORS AND CONNECTS US TO OUR CLIENTS, COMMUNITIES, AND STAKEHOLDERS AND IT IS THE KEY THAT UNLOCKS FINANCIAL EXCELLENCE THAT ENHANCES OUR EFFECTIVENESS AS A CONTRIBUTOR TO NAMIBIA'S BRIGHT FUTURE.

COMPANY ANNUAL FINANCIAL STATEMENTS

Harnessing the power of money to do good

CONTENTS

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 N$'000	2021 N$'000
Assets			
Current assets			
Due from other banks	4	5 486	11 352
Other short-term securities	5	43 815	41 479
Other assets	6	79 619	77 527
Non-current assets			
Deferred taxation	7	–	276
Investments	8	264 328	272 328
Investments in subsidiaries		126	225
Assets held for sale	9	17 767	–
Total assets		411 141	403 187
Equity and Liabilities			
Capital and reserves			
Share capital	10	17 595	17 595
Share premium	10	99 536	99 536
Retained income		293 737	285 969
Shareholder's equity		410 868	403 100
Liabilities			
Other liabilities	11	273	87
Total equity and liabilities		411 141	403 187

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 N$'000	2021 N$'000
Interest and similar income	12	10 157	9 033
Non-interest income	13	76 866	47 657
Net income		87 023	56 690
Operating expenditure		(2 114)	(1 826)
Profit before taxation	14	84 909	54 864
Taxation	15	(276)	–
Total profit after taxation		84 633	–
Other comprehensive income		–	–
Total comprehensive income		84 633	54 866

COMPANY STATEMENT OF CHANGES IN EQUITY

As at 31 December 2022

	Share capital N$'000	Share premium N$'000	Retained income N$'000	Total shareholder's interest N$'000
Balance at 1 January 2021	17 595	99 536	278 760	395 891
Total comprehensive income for the year	–	–	54 866	54 866
Dividend paid	–	–	(47 657)	(47 657)
Balance at 31 December 2021	17 595	99 536	285 969	403 100
Total comprehensive income for the year	–	–	84 633	84 633
Dividend paid	–	–	(76 865)	(76 865)
Balance at 31 December 2022	17 595	99 536	293 737	410 868
Note:	10	10		

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 N$'000	2021 N$'000
Cash generated in operating activities	16.1	85 297	53 203
Cash from operations		(1 726)	405
Dividends received	13	76 866	47 657
Taxation received		–	18
Interest received	12	10 157	5 123
Cash flow from financing activities		(76 865)	(52 341)
Dividends paid		(76 865)	(47 657)
Movement in Long-term Debt	16.2	–	(4 684)
Cash flow from investing activities		(14 298)	(8 382)
Increase in investment in subsidiary		–	(8 382)
Increase in short term securities and other assets		(11 981)	–
Purchase of Intangible Asset		(2 317)	–
Net increase/(decrease) in cash and cash equivalents		(5 866)	(7 520)
Cash and short-term funds at beginning of the year		11 352	18 872
Cash and short-term funds at end of the year		5 486	11 352

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

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.

	2022 N$'000	2021 N$'000
4. DUE FROM OTHER BANKS		
Placements with other banks (note 17)	5 486	11 352
5. OTHER SHORT-TERM SECURITIES		
Corporate fund – Old Mutual	43 815	41 479
6. OTHER ASSETS	79 619	77 527
Shareholder's loan*	79 605	72 210
Other loan - StayToday Bookings Namibia (Pty) Ltd	–	5 298
Sundry debtors and other accounts	14	19

* NedNamibia Holdings 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 recognised 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.

7. DEFERRED TAXATION ASSET

	2022 N$'000	2021 N$'000
The movement on the deferred income taxation account is as follows:		
Balance at beginning of year	276	275
Movement:		
Provision for expenses	(276)	1
Balance at end of year	–	276

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxation profit will be available against which the company can use the benefits therefrom.

	2022 N$'000	2021 N$'000
Deductible temporary differences	398	–

8. INVESTMENTS

	2022 N$'000	2021 N$'000
Investments in subsidiaries	264 328	264 328
– Cost (shares)	133 642	133 642
– Capital investment (note 6)	130 686	130 686
Market valuation	264 328	264 328
Investments in unlisted equity – measured at FV through OCI	–	8 000
– Opening Balance	8 000	–
– Acquisition during the year	5 000	8 000
– Disposal during the year	(13 000)	–

The investment in unlisted equity measured at FV through OCI comprised shares held in the company StayToday Bookings Namibia (Pty) Ltd. On 13 December 2022 the company finalised a restructuring agreement with StayToday Bookings Namibia (Pty) Ltd and other shareholders of StayToday Bookings Namibia (Pty) Ltd whereby the shares held by NedNamibia Holdings were exchanged for the PayToday Business.

Subsidiary companies	Nature of business	Issued ordinary share capital 2022 '000	Issued ordinary share capital 2021 '000	Proportion held 2022 %	Proportion held 2021 %	Shares at cost 2022 N$'000	Shares at cost 2021 N$'000	Aggregate profits/(losses) after tax of subsidiary/joint venture 2022 N$'000	Aggregate profits/(losses) after tax of subsidiary/joint venture 2021 N$'000
NedProperties (Proprietary) Limited	Property company	–	–	100	100	4 000	4 000	2 869	5 252
NedNamibia Life Assurance Company Limited	Insurance company	4 000	4 000	100	100	4 000	4 000	43 064	55 245
Nedbank Namibia Limited	Banking company	67 759	67 759	100	100	125 634	125 634	214 947	135 541
NedCapital Namibia (Proprietary) Limited	Financing company	8	8	100	100	8	8	3 249	3 456
Nedplan Insurance Brokers Namibia (Proprietary) Limited	Insurance broker	–	–	100	100	–	–	2 519	1 388

9. ASSETS HELD FOR SALE

In December 2022 management committed to a plan to sell the PayToday Business, recognised as an intangible asset, and all related components to its subsidiary Nedbank Namibia Limited. Accordingly the asset is presented as held for sale in accordance with IFRS 5. Efforts to sell the PayToday business has started and the sale is expected to be concluded by June 2023.

	2022 N$'000	2021 N$'000
As at 31 December 2022 the asset was stated at fair value less costs to sell and comprise the following:		
Intangible asset: PayToday	17 767	–
– trademark	470	–
– client database	14 160	–
– software	3 147	–

The fair value measurement of the asset has been categorised as level 3 and has been determined based on the restructuring agreement as detailed in note 8 above

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

	2022 N$'000	2021 N$'000
10. 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 (2021: 80 000 000) ordinary sharesof 25 cents each. The total number of issues shares at year end was: 70 381 644 (2021: 70 381 644) ordinaryshares 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.

	2022 N$'000	2021 N$'000
11. OTHER LIABILITIES		
Other payables	273	87
12. NET INTEREST INCOME		
Interest and similar income		
Other short-term securities	2 763	2 430
Shareholder's Loan	7 394	6 603
	10 157	9 033
13. NON-INTEREST INCOME		
Dividend received	76 866	47 657
	76 866	47 657
14. PROFIT BEFORE TAX		
Profit before tax was arrived at after deducting the following expenses, which are separately disclosable:		
Auditor's remuneration	147	83
Directors' fees	1 508	1 311
Impairment on shareholders loan	103	–
Other expenses	356	432
	2 114	1 826
15. TAXATION		
Normal taxation – current year	–	1
Deferred tax	(276)	1
	(276)	2
15.1 Reconciliation of rate of taxation	%	%
Namibian normal rate of taxation	32.0	32.0
Reduction in rate for the year:		
– Non taxable income	(32.3)	(32.0)
Effective rate of taxation	(0.3)	–

	2022 N$'000	2021 N$'000
16. CASH FLOW INFORMATION		
16.1 Reconciliation of profit before taxation to cash generated by operating activities		
Profit before taxation	84 909	54 864
Adjustments:		
– Accrued interest	–	(6 902)
– Amortisation	99	100
– Intangible assets	(15 450)	18
– Sale of investment and other assets	15 553	18
– Taxation	–	18
Movement in operating assets	186	5 123
– Other liabilities	186	4
– Advances and other accounts	–	5 119
Cash flow from operating activities	85 297	53 203
16.2 Increase in subsidiary loan		
Amounts outstanding – beginning of year	72 210	60 923
Statement of profit or loss and other comprehensive income	7 394	6 604
Re-advance	(79 604)	(72 210)
Movement in subsidiary loan – end of year	–	(4 684)
17. RELATED PARTY TRANSACTIONS		
17.1 Related party balances		
Nedbank Namibia Limited (subsidiary) *(Call account)*	5 315	11 119
Nedbank Namibia Limited (subsidiary) *(Current account)*	171	233
NedProperties (Proprietary) Limited (subsidiary) *(shareholder's loan)*	79 606	72 210
17.2 Related party transactions		
NedProperties (Proprietary) Limited (subsidiary) *(shareholder's loan interest income)*	7 394	6 603
Nedbank Namibia Limited (subsidiary) *(Interest Income)*	427	2 131
Nedbank Namibia Limited (subsidiary) *(Management Fee paid)*	(172)	(172)

18. 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 2022

19. STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS

	Notes	At fair value through other comprehensive income	Financial assets/ financial liabilities at amortised cost	Non financial assets, liabilities and equity	Total N$'000
2022					
Assets					
Current Assets					
Due from other banks	4	–	5 486	–	5 486
Other short-term securities	5	–	43 815	–	43 815
Other assets	6	–	79 619	–	79 619
Non-Current Assets					
Investments	8	–	–	264 328	264 328
Intangible assets		–	–	126	126
Assets held for sale	9	–	–	17 767	17 767
Total assets		–	128 920	282 221	411 141
Equities and Liabilities					
Capital and reserves					
Share capital	9	–	–	17 595	17 595
Share premium	9	–	–	99 536	99 536
Retained income		–	–	293 737	293 734
Current Liabilities					
Other liabilities	10	–	–	273	273
Total equities and liabilities		–	–	411 141	411 141

	Notes	Loans and receivables	Financial assets/ financial liabilities at amortised cost	Non financial assets, liabilities and equity	Total N$'000
2021					
Assets					
Current Assets					
Due from other banks	4	–	11 352	–	11 352
Other short-term securities	5	–	41 479	–	41 479
Other assets	6	–	77 527	–	77 527
Non-Current Assets					
Deferred taxation	7	–	–	276	276
Investments	8	8 000	–	272 328	272 328
Intangible assets		–	–	225	225
Total assets		8 000	130 358	264 829	403 187
Equities and Liabilities					
Capital and reserves					
Share capital	9	–	–	17 595	17 595
Share premium	9	–	–	99 536	99 536
Retained income		–	–	285 969	285 969
Current Liabilities					
Other liabilities	10	–	–	87	87
Total equities and liabilities		–	–	403 187	403 187

BRANCH DETAILS

CENTRAL REGION

Nedbank New Campus/Head Office
Fidel Castro Street
(opposite City Zoo Park)
Windhoek
Tel (061) 295 2222

Wernhil/Main
Shop M01, Wernhil Park
Phase 4, Windhoek
Tel (061) 295 2586/4

Windhoek South
Garthanri Park, Shop 13
C/O Voigts & Kelvin Streets
Windhoek
Tel (061) 295 2422

Independence Avenue
Carl List Building
Independence Avenue, Windhoek
Tel (061) 295 2185

Katutura
C/O Rabbi Street &
Independence Avenue, Katutura
Tel (061) 295 2776

Maerua Mall, Windhoek
Shop 38/39, Maerua Mall
Windhoek
Tel (061) 295 2680

The Grove Mall, Windhoek
Shop 254, Chasie Street
Kleine Kuppe, Windhoek
Tel (061) 295 2776

Gobabis
C/O Church Street &
Quito Quanavale Avenue, Gobabis
Tel (062) 577 200

Okahandja
Shop 26, Erf 3164
West Street, Okahandja
Tel (062) 507 000

Rehoboth
Shop 25, Erf 825
Sparrow Street, Rehoboth
Tel (062) 521 300

COASTAL REGION

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

Swakopmund
10 Sam Nujoma Avenue
Swakopmund
Tel (064) 414 311

Keetmanshoop
C/O 5th Avenue &
Mittel Street
Keetmanshoop
Tel (063) 223 354/5

Lüderitz
240 Bismarck Street
Lüderitz
Tel (063) 202 577

NORTHERN REGION

Oshakati
Game Centre
Okatana Road
Oshakati
Tel (065) 220 062

Ondangwa
Gwashamba Mall
Erf 2338
Main Road
Ondangwa
Tel (065) 241 796

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

Katima Mulilo
Shop 6B & 7
Zambesi Shopping Centre
Katima Mulilo
Tel (066) 252 507

Grootfontein
C/O Okavango Road &
Hage Geingob Avenue
Grootfontein
Tel (067) 240 730

Outapi
Uutapi Tsandi Centre
Main Road
Outapi
Tel (065) 251 950

Rundu
Rundu Mall
Shop GF028, Erf 1078
Eugene Kakukuru Street
Tel (066) 266 900

Oshana Mall, Ongwediva
Shop 62/64, Erf 6315
Main Road
Ongwediva
Tel (065) 235 400

Tsumeb
Unit 7, OMEG Stadt Platz
Erf 103, Hage Geingob Drive
Tsumeb
Tel (067) 225 050

Otjiwarongo
Erf 28
Hage Geingob Avenue
Otjiwarongo
Tel (067) 314 808

AGENCY

Omuthiya
Okaale Lifestyle Complex,
Main Road, Omuthiya
Tel (065) 281 691

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