

THIS IS NAMIBIA

Integrated
Report
2014

NedNamibia
Holdings Limited

GROUP PROFILE

Introducing the colours of
Nedbank Namibia.
A bank with history.
A bank for all. A bank that
invests in the country.

A bank that works on
growing the economy.
A bank that cares about
the environment.

INTRODUCING THE COLOURS OF NEDBANK NAMIBIA

*The Namib Desert is known as the world's oldest desert,
at over 43 million years old.*

NedNamibia Holdings Limited is the holding company for subsidiaries engaged in financial services, including commercial banking, corporate and specialised finance, personal lending, wealth management, life assurance, property and asset finance, foreign exchange and securities trading.

The principal subsidiary, Nedbank Namibia Limited, is a registered Namibian bank with assets of N\$11,5 billion (2013: N\$9,7 billion). It provides a full range of domestic and global services to individual, corporate and international clients through a widespread branch network and a business centre and headoffice in Windhoek. An innovative approach to providing financial services, coupled with in-depth knowledge of the Namibian market, a commitment to Namibian development, strong support from its shareholders and adherence to international best practice in risk management has enabled the bank to grow.

NedNamibia Life Assurance Company Limited provides funeral and life cover for clients, notably for their credit and overdraft commitments. NedPlan Insurance Brokers Namibia (Proprietary) Limited provides insurance and assurance cover for individual and corporate clients.

NedCapital Namibia, the specialist non-banking financial services unit within NedNamibia Holdings, offers specialised finance, syndication and advisory services to corporates, state-owned enterprises and empowerment entities.

The group has total
assets of N\$11,9 Billion
(2013: N\$10 Billion).



NEDNAMIBIA HOLDINGS INTEGRATED REPORT

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AN INSPIRING 2014

Delivering impressive results.



2014 HIGHLIGHTS

Net asset value per share increased to 2 345,5 cents from 1 922,9 cents

Total assets increased by 18,7%

Growth in loans and advances to clients of 19,8%

Capital adequacy ratio of 16,26%

Group after tax profit increased by 22,9%

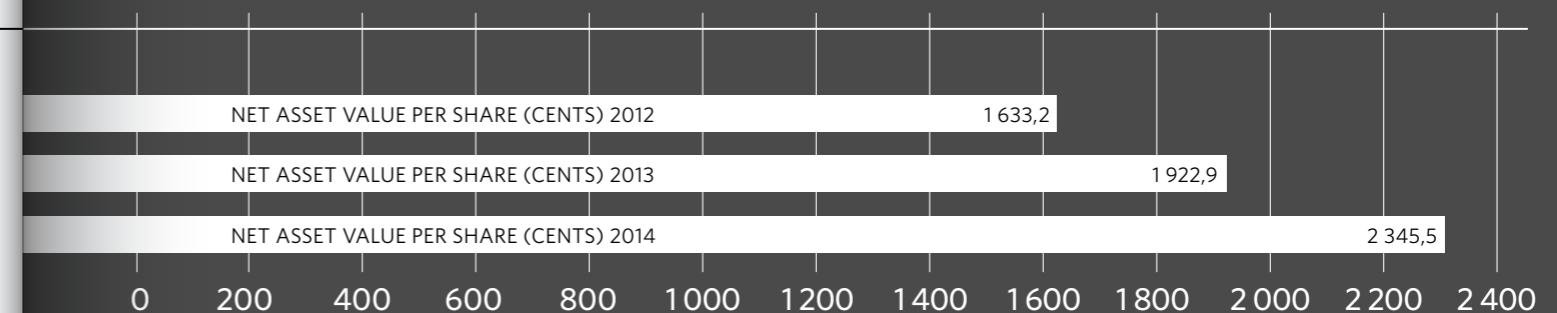
Net interest income improved by 15,5%

Impairment of advances decreased by 64,4%

Increase in operating expenses of only 8,7%

Expenses to total income is 58,8%

Since 1838 Namibia has held the record for the most extensive known meteorite shower - the Gibeon meteorite shower.



RETAIL BRANCH NETWORK

DELIVERING CLIENT-CENTRIC SERVICES



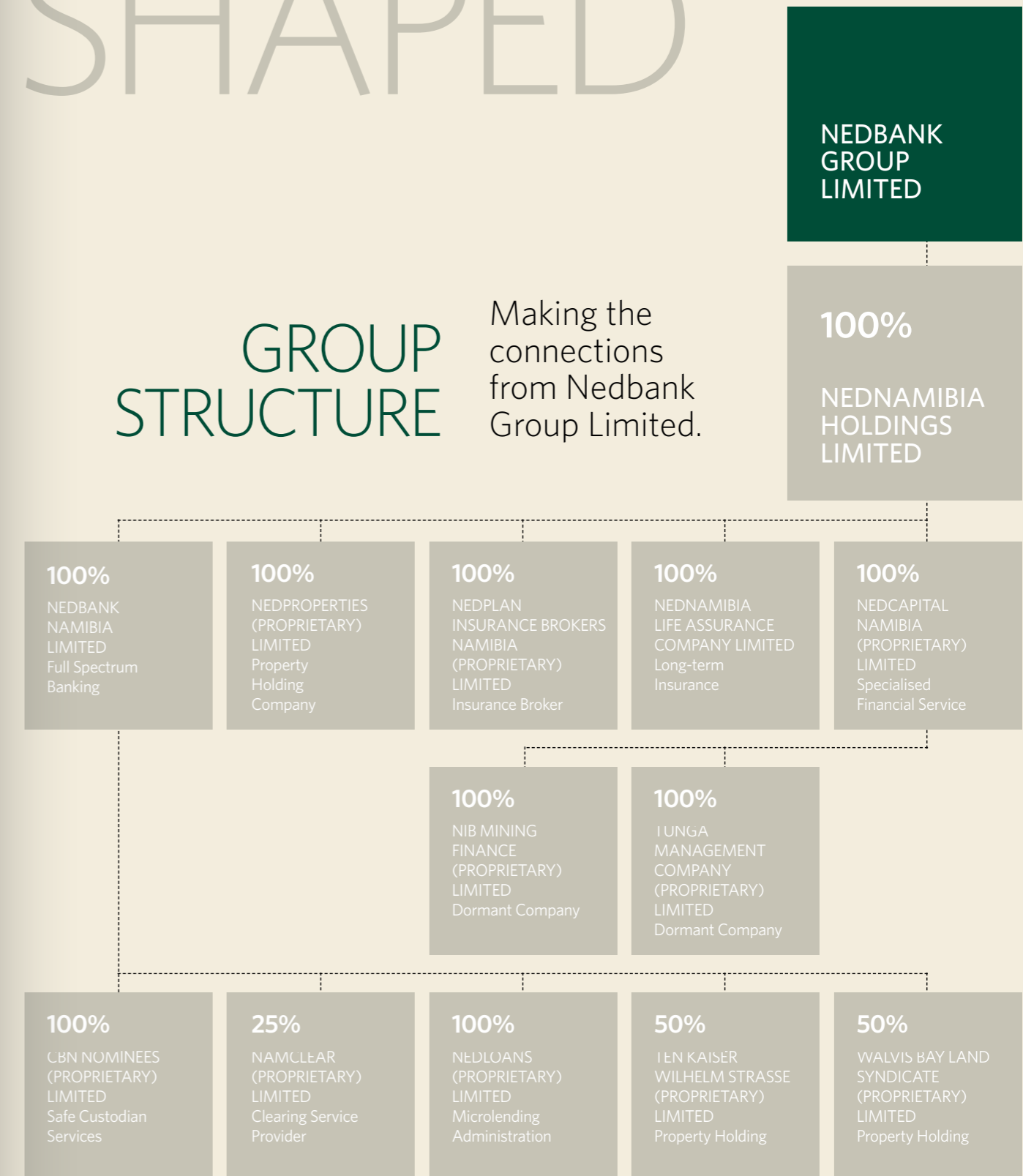
An innovative approach to providing domestic and global financial services to individual, corporate and international clients through a widespread branch network.

- | | | | |
|-----------------|-----------------|----------------|--------------|
| 1 KATIMA MULILO | 6 OSHAKATI | 11 SWAKOPMUND | 16 ONGWEDIVA |
| 2 RUNDU | 7 ONDANGWA | 12 WALVIS BAY | 17 REHOBOTH |
| 3 GROOTFONTEIN | 8 OUTAPI | 13 LÜDERITZ | |
| 4 EENHANA | 9 WINDHOEK | 14 OTJIWARONGO | |
| 5 OSHIKANGO | 10 KEETMANSHOOP | 15 OKAHANDJA | |

OPTIMALLY SHAPED

GROUP STRUCTURE

Making the connections from Nedbank Group Limited.



A diverse leadership to complement Nedbank Namibia's many layers.

ALL ABOUT THE BANK

BOARD OF DIRECTORS

Spoken languages include Oshiwambo, English, Rukwangari, Silozi, Otjiherero, Afrikaans, Damara, Nama, Khisan, German and Setswana.

BOARD OF DIRECTORS | as at 31 December 2014

THEO J FRANK (SC)
Chairman | Independent non-executive director

BA Law, LLB, Dip Bus Man, Cert Tax Law

Senior counsel and former judge of the High Court of Namibia.
Chairperson of NedNamibia Holdings and Nedbank Namibia.
Chairperson of Free Press of Namibia.



RICHARD P NIDDRIE
Independent non-executive director

BCom, Bacc, CA (SA), CA (Namibia)

Former audit partner of Namibian practice of Ernst & Young with 31 years' experience as a chartered accountant.



JAN ADRIAAN DU PLESSIS
Non-executive director

BCom, BCompt (Hons), CA (SA), Cert Theory of Accountancy, HDip Company Law, AMP (Duke University, USA)

A seasoned banker with extensive experience in financial management (including specialised and structured finance products), mergers and acquisitions and corporate banking.



TROPHIMUS T HIWILEPO
Independent non-executive director

BSc (University of the Western Cape, SA)

Information technology professional with extensive experience in leading, management and planning as well as operational and technical expertise in information technology and services, infrastructure and business systems.



BOARD OF DIRECTORS | as at
31 December 2014



LIONEL J MATTHEWS
Managing Director

BCompt (Hons), CA (Namibia), Executive MBA, CA (SA)

Former Chief Executive Officer of Old Mutual Investment Group Namibia with 11 years' experience in the banking industry. Managing Director of both NedNamibia Holdings and Nedbank Namibia since 1 November 2013.

LIINA M MUATUNGA
Independent non-executive director

Nat Dip HR Management (Peninsula Technicon CT, SA), Masters Dip HR Management (RAU), Btech (UNISA), MBA (Maastricht, Netherlands), EDP (UCT Graduate Business School, SA), SMP (GIBBS)

General Manager at Mpact Corrugated with extensive experience in human resources management, training and development, employee relations, performance management, operational management and labour law.



RICHARD W R BUCHHOLZ
Non-executive director

BCom CA (SA), Cert Theory of Accountancy

Former lead partner in the Financial Services Group of KPMG. He has extensive experience in banking and credit and risk management.

BOARD OF DIRECTORS | as at
31 December 2014



CHRISTOPHER J PEARCE
Independent non-executive director

BCom, CA(SA), AMP (Harvard)

Over 30 years' experience in the banking industry and a former managing director of Nedcor Investment Bank Limited.



ROLF H PETERS
Independent non-executive director

BCom, BCompt (Hons), CA (SA), CA (Namibia)

For 30 years he has been the managing partner of Grant Thornton Neuhaus, with many years experience in the auditing profession across all sectors of the Namibian economy. He is a past president of the Public Accountants and Auditors Board of Namibia and of the Institute of Chartered Accountants of Namibia. He is currently a consultant at Grant Thornton Neuhaus.



AFRA R SCHIMMING-CHASE
Independent non-executive director

LLB, LLM, PGrad Dipl International Law (France), Certified Financial Planner (Member of FPI (SA))

Consultant and owner of Chase & Associates CC with 12 years' experience in financial services and five years' experience in executive management. She is a certified Franklin Covey facilitator in leadership and productivity solutions. She is also a customer service expert, seasoned public speaker and dynamic facilitator.



Focus, determination
and dedication to
Nedbank Namibia's
vision and goals.

EXECUTIVE COMMITTEE

OUR PEOPLE MAKING IT HAPPEN

*The San of the Kalahari Desert are
considered Namibia's first people.*

EXECUTIVE COMMITTEE



LIONEL MATTHEWS

Managing Director

Lionel, who was appointed managing director of NedNamibia Holdings and Nedbank Namibia from 1 November 2013, is a chartered accountant by profession, with a BCompt (Hons), CA (Namibia), CA (South Africa) and an executive MBA from the Graduate School of Business at the University of Cape Town. He has more than 20 years' experience in finance, banking, investments and strategic planning, and has held various executive roles.



KARL-STEFAN ALTMANN

Chief Financial Officer

A graduate of the University of Stellenbosch and honours graduate in accounting from the University of South Africa, Karl-Stefan is a member of both the SA Institute of Chartered Accountants and the Institute of Chartered Accountants of Namibia. His career in banking began after a five-year spell as an audit manager with Deloitte and Touche, whose clients included Nedbank Namibia. It has covered appointments as financial manager and senior financial manager at Nedbank Namibia and head of finance at ABSA Namibia as well as short-term assignments in Tanzania and Zambia.



NEVILLE BECKMANN

Executive: Treasury

Neville oversees Nedbank Namibia's Treasury activities, supporting the sales team to optimise financing solutions for clients. In a 26-year career, Neville has distinguished himself in treasury management, structured and project finance, asset and liability management, custodial and trusteeship and foreign exchange. He is a certified associate of the Institute of Bankers in SA and a BCom (UNISA) graduate.



BERTUS MATTHEE

Executive: Retail

With 37 years' experience in the banking industry, Bertus drives the overall sales campaign in the Retail division. Appointed as Executive: Retail on 1 November 2013, he has vast experience in every facet of the retail banking business, having started in a junior clerical position at Nedbank Namibia some 29 years ago. His positions in the bank have included branch controller, branch manager, regional manager and operations manager. His responsibilities span the entire branch network, Private Banking, External Sales, Conformance, NedPlan, Card issuing and Personal Loans divisions in Nedbank Namibia.



DIANA MOKHATU

Executive: Human Resources

Diana's career in human resources practice has covered a variety of environments in the Namibian business sector. The holder of an MSc in human resource management and development from the University of Manchester in the United Kingdom and a master's diploma in HR management from the Randse Afrikaans University, she joined the bank from Shell/Vivo Energy Namibia where she was HR manager. She previously provided HR services to the Roads Construction Company and developed training material for NamPost. Her earlier experience in executive HR practice includes seven years at the Namibia Diamond Trading Company and eleven years at the Rössing Foundation.



DR ANDREAS MWOOMBOLA

Executive: Strategy, Transformation, Marketing and Communications

Andreas holds a doctorate in management and an MSc in human resources management from the Swiss Management Centre University. He is an MBA graduate of the University of the Free State. A boardmember of the Namibian Standard Assessment and Certification Council, he joined the Group in July 2014 after positions in executive and human resource management at Skorpio Zinc Mine, FNB Namibia Holdings Ltd, Namibian Wildlife Resorts Ltd, Namibia Airports Company Ltd and the Ministry of Health and Social Services. He is responsible for strategies for transformation, client value propositions, marketing, internal and external communications, and social investment and sponsorships.



INGO SCHNEIDER

Executive: Corporate and Business Banking

Before heading up Corporate and Business Banking, Ingo was executive director of NedCapital Namibia, the Group's specialist non-banking financial services unit. He joined the Group from Capricorn Capital, where he was a director and advisor to specialised financial deals within Bank Windhoek. He was previously head of corporate audit services at Capricorn Investment Holdings and had worked for Deloitte and Touche in auditing and consulting in Luxembourg. A member of the Institute of Chartered Accountants of Namibia, Ingo is a BAcc (Hons) graduate of the University of Stellenbosch and an MBA graduate of the University of Cape Town. He is treasurer of the Economic Association of Namibia and a member of the audit committee of the Namibian Statistics Agency. He serves on the board of Project Hope Namibia, a welfare organisation delivering primary health care.



ANNETTE STAFFORD-EVANS

Chief Risk Officer

Following a celebrated career at Nedbank since her appointment in September 2007 as Head: Credit, Annette was confirmed as a member of the Executive Committee when she was appointed as Chief Risk Officer on 1 November 2013. Annette is a chartered accountant CA(SA) and CA(NAM). She also holds a post-graduate qualification as a certified risk analyst (CRA) and is registered with the International Academy of Business and Financial Management (IABFM). In her capacity as CRO, Annette is responsible for enterprisewide risk management, primarily in the fields of credit and operational risk.



STEPHEN VAN RHYN

Executive: Operations and Technology

A graduate of management programmes at the University of Stellenbosch Business School, the University of South Africa and the Management College of South Africa, Stephen has 20 years' experience developing and executing strategies in alignment with corporate objectives. He has overall responsibility for the shared services environment of Nedbank Namibia. This includes electronic business, information technology, centralised banking operations, internal support, contact centre and customer support, local core banking, and infrastructure: technical support. Key responsibilities include the implementation of a new core banking system for Nedbank Namibia. He was previously an executive at First National Bank of Namibia Holdings Ltd, where he was successively chief information officer, head of information technology and Manager: Information Technology Business Development.



ADVOCATE SUMARI VON KÜNOW

Executive: Legal, Governance and Compliance

Sumari has extensive experience as a legal practitioner, having practised law at renowned legal firms in Stellenbosch, South Africa, and Namibia since 2003. She holds LLB and BA (Law) degrees from the University of Stellenbosch and passed the qualifying examinations for legal practitioners in Namibia in 2005. In addition, Sumari has completed a range of courses in compliance management, money laundering and board governance to date. Her first stint at Nedbank Namibia Limited was as Compliance Officer in 2005, before joining the Society of Advocates in Namibia in 2010. In 2012 she was appointed as Head: Compliance at Standard Bank Namibia. She rejoined Nedbank Namibia Limited in April 2013 as Head: Legal and was appointed as Executive: Legal, Governance and Compliance on 1 March 2014.

Against the backdrop of further expansion in the Namibian economy, the Group performed strongly in 2014.

CHAIRMAN'S REPORT

WORDS FROM THE MIND'S EYE

Namibia is the second least densely populated country on earth, with just over two million people living in a country that is half the size of Alaska.

Against the backdrop of further expansion in the Namibian economy, the Group performed strongly in 2014. A new leadership team lent considerable momentum to performance, transformation and implementation of operational initiatives, thus placing the Group on a sustainable trajectory to achieve specific long-term targets. Namibians endorsed a platform of 'peace, stability and prosperity' in presidential and legislative elections. A smooth transition and continuing political stability is thus anticipated in the wake of the elections, which should lend further impetus to our Group's progress.

These came at the end of a year in which the Namibian economy expanded by an estimated 5,3%. That was underpinned by robust construction activity related to mines and public works programmes, some recovery in agriculture after the 2013 drought and sustained growth in the wholesale and retail sector. While diamond mining delivered better than expected growth, the uranium sector saw a further contraction in production to its lowest level since before 2010, primarily as a result of the persistently depressed uranium spot price.

The recovery in agriculture was driven by increased crop production; in contrast, livestock output dropped in the wake of South African veterinary restrictions. The fishing industry recorded some growth.

The sustained growth in wholesale and retail trade reflected robust consumer spending. This was at levels which drew the concern of the Bank of Namibia. (It forcibly expressed this concern early in 2015, even in the face of lower inflation, by increasing the bank rate to contain what was described as persistently high growth in household credit.)

Notwithstanding the growth in advances and loans, the Group's main subsidiary, Nedbank Namibia, maintained its credit loss ratio within targeted levels. The Group's capital adequacy and liquidity positions remained strong.

In line with recognition of the fact that the Group's progress is dependent on a team of skilled, committed and well-rewarded personnel, the bank strengthened its risk management capability with the appointment of specially trained managers to ensure a mature risk environment in business units. In addition, an independent assessment was undertaken to enhance controls and functionality within Treasury.

In executing the Genesis programme of change, and heightening vigilance as threats of cybercrime increased, the bank also sharpened focus on operational risk and security of technology. This was in advance of the launch of the new core banking system in 2015 - a change that will result in more integrated operations and better IT capability - which will enable the business to reduce cost and improve clients' experiences. The scope of the business continuity and disaster recovery plan was conveyed across the bank.

For our boards at NedNamibia Holdings Ltd and its subsidiaries, and for boards at other institutions and companies across Namibia, a singular event in 2014 was the introduction of the NamCode, the corporate governance code for Namibia. The principles of the code are based on King III, which sets out recommendations on corporate practice and conduct.

The year also saw further initiatives to manage ever-increasing regulatory requirements and enhance legal risk management. Nedbank Namibia restructured, and added resources to, the legal, governance and compliance teams.

During the year the bank successfully executed a project to enhance its anti-money laundering, combating of terrorism financing and sanctions compliance regime through the implementation of information technology systems. These gave effect to requirements of the Financial Intelligence Act and of Nedbank Group Limited. Measures included:

- Implementation of an automated suspicious activity and transactions detection system.
- Documentation of formal anti-money laundering, combating of terrorism financing and sanctions compliance risk assessment.
- Implementation of an automated client risk-profiling system.

This will serve as the foundation from which the bank can demonstrate the adequacy of its programme and prioritise resources, investments and implementation schedules. It will also enable risk-based differentiation with respect to due diligence, training and procedures content.



Theo Frank | Chairman

The expanded legal, governance and compliance teams completed a documented compliance risk management framework and increased efforts to improve regulatory relationships. Other measures were an overhauling and introduction of robust systems of contracts management, a review of legal and credit documentation, and administration of the NedNamibia Holdings Limited panel of attorneys.

The rapid development and rollout of regulatory legislation, and the fact that valuable comments by affected parties were ignored, continued to be of concern. This was compounded by levels of uncertainty arising from publication of legislation while practical implementation involving a variety of stakeholders (and not merely banking institutions) was still lacking.

The dedicated effort to address compliance and governance challenges, despite the pressure on resources, was mirrored in the submission, ahead of deadline, of the Group's first report in respect of the Namibian Financial Services Sector Charter. This detailed progress with regard to development, black economic empowerment and ownership, procurement, employment equity and corporate social investment. Group executives engaged regularly with our black economic empowerment shareholders in the development of additional business, both in banking and in insurance.

LOOKING AHEAD

In contrast to the muted outlook in many developed economies, notably the Eurozone, and indeed in neighbouring countries, Namibian growth prospects are encouragingly positive. Real GDP growth ahead of 2014 levels is expected as the country continues to invest in infrastructure and a buoyant wholesale and retail sector benefits from the boost to disposable incomes from lower oil prices.

Downside risks are posed, among others, by low international commodity prices and the threat of another severe drought affecting agricultural enterprises contending with increased interest rates. Further concerns are high levels of unemployment, particularly among our youth, and growing unease over limited access to property.

As shown by past year results, the Group has built a solid foundation on which to expand its business and to achieve its goals. The commitment and dedication with which the leadership team and staff are executing strategies, coupled with the smooth implementation of technological investments, allows the board to confidently expect another period of sound growth. As a leading player in the private sector, the Group looks forward to helping address challenges facing the economy and the country by increasing our contribution to sustainable development, health and education initiatives.

THANKS

We are grateful to our clients for their support and for allowing us to contribute to their individual, family and business wellbeing. We also thank those Namibians who help guide our sustainable development initiatives and our suppliers and business partners for helping to ensure the success of our operations. These have been driven by an energetic leadership team and clearly focused staff; their commitment and their achievements are sincerely acknowledged.

We appreciate the role and the professional approach of the regulatory authorities and look forward to continue with the cordial although businesslike relationships.

My thanks go to my board colleagues for their insights and careful consideration of the affairs of the Group.

Theo Frank
Chairman

REACHING NEW

The Group met the challenges of an increasingly competitive market to post a strong performance in 2014.

MANAGING DIRECTOR'S REVIEW

The Sossusvlei dunes are said to be the highest sand dunes in the world.

MANAGING DIRECTOR'S REVIEW

HEIGHTS

The Group met the challenges of an increasingly competitive market to post a strong performance in 2014. Group profit after tax increased by 22,9% to N\$246,7 million from N\$200,8 million. Contributions from non-banking subsidiaries again exceeded expectations, with NedNamibia Life Assurance Company growing net profit after tax by 36,2% to N\$48,4 million.

The increase in Group operating expenses was limited to 8,7%, notwithstanding the expansion of the retail network of Nedbank Namibia through the opening of four branches and the addition of seven ATMs.

Rated as the best service bank in 2014, Nedbank Namibia increased its market share in home loans and asset-based finance through well-received campaigns – campaigns which were mimicked by competitors. The bank's retail division exceeded asset targets as it realised growth opportunities and successfully introduced new products, including a Young Professional offering in Private Banking. Superior client service and quick turnarounds on applications continued to help differentiate the bank from competitors. However, the retail division did not achieve liability, account growth and non-interest revenue targets.

The growth in the retail loan book boosted the performance of the life assurance company, which offers products for vehicle financing, home loans, personal loans and overdraft facilities. The life company, which introduced funeral products to its range, grew premium income through good client relationships and service, cross-selling and leveraging price competitiveness. Cost efficiencies were maintained through a small staff structure, simplified and effective internal processes coupled with a healthy claims ratio.

In contrast to its performance in 2013, when it lagged the market, Corporate and Business Banking concluded a series of funding transactions to boost its book and contribution to bank results. These were concluded through a great deal of footwork by the division's team of specialists collaborating across units and with our parent's Rest of Africa operations and through improved internal

processes to reduce turnaround times. The division built a solid pipeline which augurs well for the future.

Closer collaboration with Nedbank Capital in South Africa was also developed by our Treasury, NedCapital, our specialised non-banking financial services unit, and Corporate and Business Banking to explore opportunities for our clients from a global markets perspective.

In Information Technology and Operations (formerly Shared Services), further progress was made on the Genesis programme initiative to establish an integrated platform enabling innovation and an optimised operating model, a fundamental of which is improved system reliability and efficiency. The business was readied for the implementation of the new core banking system within the first half of 2015 – a move to be followed by the launch of a mobile platform to expand reach to customers in a cost efficient manner.

In response to the whole new range of payment solutions prompted by the increased penetration of smartphones and tablets, mobile payment acceptance will be targeted through Nedbank Pocket POS™. This device, for which Operations support is in training, accepts both debit and credit cards. It is the first EMV (Europay-Mastercard-Visa) certified mobile point-of-sale device (POS) in Africa and requires only a cell signal or WiFi as a data connection. The worth of this innovation lies in reduction of cash handling and in being a cheaper alternative to traditional POS solutions. The wider use of POS devices across Namibia was illustrated by a memorandum of understanding signed with the Ministry of Finance to install POS technology in Ministry offices and at border posts.

Harnessing of technology and having engaged and committed employees who deliver superior client service under strong leadership are some of the cornerstones of the three-year-plan completed by management in 2014. Having solid incumbents in place for all the key roles in Nedbank Namibia was pivotal to completion of this plan and to readying the business units to tackle strategic activities into the future. Equally important was the implementation of a monitoring tool to track performance against operational targets.



Lionel Matthews | Managing Director

MANAGING DIRECTOR'S REVIEW

At the end of what was my first full year as Managing Director, I undertook a nationwide roadshow to introduce key strategic focus areas to staff. I was heartened by the response, notably in Oshakati, where staff showed their passion and enthusiasm for the journey ahead by singing a Nedbank song they had composed. It was an encouraging step in our drive to be an employer of choice and in building a high performance culture as a critical enabler of successful strategy execution.

As part of the road show, staff were invited to make a Genesis pledge – 'to listen, understand and put client needs first; to empower myself and others to succeed in their work; and to become worldclass at execution'. Staff will be encouraged to maintain the pledge through a host of initiatives ranging across leadership, mentorship and skills development programmes. An important step to attract young talent and to build the talent pool was taken with the decision to establish a banking academy for qualifying young people.

OUTLOOK

Optimistic prospects for the Namibian economy are well founded. Government has ambitious plans to modernise the economy and to provide an enabling environment through various measures, including a projected N\$200 billion infrastructure programme. While some sectors will continue to be vulnerable to external shocks, other drivers such as construction, tourism and fishing are expected to show real growth.

Our new executive team is determined to up our game and successfully execute the strategies to propel us on our growth path. The smooth implementation of our new core banking system and technological innovations to follow this will, we believe, help us to leapfrog competitors. We are solidly structured to make further gains in market share, in our client base and in profitability.

APPRECIATION

We have phenomenal support from our shareholders and invaluable guidance from our board, for which I am deeply grateful. This, along with hard work, loyalty and commitment by our people to superior client service and innovation, equips us well for the road ahead. The times will be challenging but our goals will be in reach if we continue to honour the trust our clients have placed in us for their banking and insurance needs.

To all my Group colleagues, thank you for your efforts in putting us firmly on a growth path. To our clients, thank you for your support.

Lionel Matthews
Managing Director

A BLOSSOMING LEGACY

SUSTAINABILITY REPORT

Significant investment to leave an indelible impression on the Namibian economic, social and environmental landscape.

2014 will arguably be remembered as the year of significant investments into the development of cycling for Nedbank Namibia. Following on from the solid brand equity created over close to three decades of hosting the annual Nedbank Cycle Challenge, the bank dominated the cycling scene in 2014 with targeted investments made to grow the sport at grassroots level. Additionally, Nedbank's cycling ambassador, Dan Craven, blazed a trail for aspiring young cyclists for generations to come by becoming the first-ever Namibian to cycle in a Grand Tour, the Vuelta a España.

The Welwitschia Mirabilis, a fossil plant found in the Namib Desert, has a lifespan that can reach 2 000 years.

SUSTAINABILITY REPORT

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THE NEDBANK CYCLE CHALLENGE

There is an oft-quoted phrase from the Hollywood blockbuster, Field of Dreams: 'If you build it, they will come'. For the 2014 edition of the Nedbank Cycle Challenge, however, it was a matter of hosting it for them to come. And they arrived in droves – over a thousand cycling enthusiasts!

While the overarching aim was to host the 'Greenest Cycle Challenge Ever', this year's event has now been described as the 'Best Cycle Challenge Ever'. From the opening routine, where a perfectly choreographed flashmob – already being touted as Namibia's biggest ever – wowed both cyclists and a bevy of onlookers alike, it was clear that a special event was in the making. As always, the Nedbank Cycle Challenge brought the city centre to a complete standstill. In fact, even construction workers building the corporate headoffice of a competitor bank across the road 'downed' tools for a while to cheer on the throng of cyclists!

Around the tables at the celebratory breakfast, attended by the Minister of Foreign Affairs, Honourable Netumbo Nandi-Ndaitwah, and the former Mayor of the City of Windhoek, Her Worship Agnes Kafula, the accolades flew thick and fast for the sheer spectacle and electric atmosphere that we have come to associate with the

country's premier cycling event! And out on the road, the snaking peloton of cyclists was followed by a convoy of media vehicles, while the chopping sounds of a hovering media helicopter's rotor blades added further Hollywood lustre to the 2014 Nedbank Cycle Challenge.

In the end, it was probably written in the stars that Namibia's fastest rising cycling idol, Costa Seibeb, stormed home to be crowned the elite Nedbank Cycle Challenge men's champion for the third successive year. Lotto Petrus just pipped the youngster, Pascal Marggraf, in the race for the runner-up medal. Irene Steyn underlined her class as one of the top female cyclists in the country to scoop her first winner's medal for the Nedbank Cycle Challenge. Michelle Vorster secured the silver medal, and Heletje van Staden took home bronze.

Nedbank Namibia's volunteers took over the show, however, with their energetic encouragement of cyclists at waterpoints and were on hand at the finish line to give each cyclist a finisher's medal and a welcome cold drink. Managing Director Lionel Matthews made special mention of the awesome team spirit among the Nedbank volunteers during his official closing remarks.

Our Nedbank volunteers deserve praise for the fantastic spirit that they have demonstrated throughout this special day', said Lionel to rapturous applause. 'Our vision is to build Namibia's most admired bank, and hearing the compliments from cyclists today, I can say with full confidence that Nedbank Namibia has shown that we are the most admired bank in our country!'

DAN CRAVEN, NEDBANK'S CYCLING AMBASSADOR

Nedbank Namibia's wide-ranging support of cycling development in Namibia received profound global endorsement with the news that Dan Craven, our own cycling ambassador, had been invited to join the ranks of one of the world's top professional cycling outfits, Europcar. With only 18 professional teams in the world competing at World Tour level, Dan's achievement made him one of only four African riders currently competing at that prestigious level and the first Namibian ever to compete in the World Tour. And as Dan himself acknowledges, none of this would have been possible were it not for Nedbank Namibia's massive support of cycling.

The invitation to join Europcar was made possible thanks to Nedbank, who has been supporting my efforts since 2009 to raise the competitive level of cycling in our country.

For the first time ever, a national cycling team received financial support to participate in the African Continental Road Cycling Championships in Egypt in December 2013, where a great team effort helped me achieve a silver medal. These achievements were evident for everyone to see and secured the team a special invitation to the Tropicale Amissa Bongo in January 2014. Again Nedbank Namibia provided financial assistance to the team, and because I was able to showcase my talents in Gabon, a relationship with the Team Europcar manager was rekindled and provided the catalyst for my invitation', said an ecstatic Dan. Ingo Schneider, Executive: Corporate & Business Banking, made the official announcement of Nedbank Namibia's support for the development of the sport and highlighted the following: 'With Nedbank Namibia's past involvement in Dan Craven's cycling development camps in Omaruru, we have come to appreciate the value of Dan in inspiring youngsters like Vera Adrian, Costa Seibeb, Herbert Peters and Till Drobisch, to name a few, to follow in his footsteps and carve out a cycling legacy of their own. If we are to inspire young Namibians to reach their fullest potential and unite our country in celebration of outstanding achievements, it makes sense that we look at creating partnerships with the Namibian Cycling Federation and devoted athletes of the calibre of Dan Craven'. Dan Craven subsequently went on to achieve cult status on the World Tour and is still plying his trade as an established member of Team Europcar.





THE NEDBANK/WINDHOEK PEDAL POWER & NEDBANK/ROCK&RUT CROSS-COUNTRY MOUNTAIN BIKE SERIES

In an extension to the overall objective of owning the cycling landscape in Namibia, Nedbank joined forces with two of the biggest cycling clubs in the country, Windhoek Pedal Power (WPP) and Rock&Rut MTB Club. While the former focuses exclusively on road racing and is the principal organiser of most of the country's biggest cycling races, the latter has a firm focus on off-road cycling events. Rock&Rut has been a partner in the Nedbank Cycle Challenge for the past few years with the introduction of the Nedbank MTB Challenge as an intrinsic feature of the race. Becoming the title sponsor of the two series provided Nedbank Namibia with immense brand visibility potential and was an essential extension of the objective of having a year-round presence on the local cycling scene. The Nedbank/WPP races proved as popular as ever, whilst the ever-increasing popularity of mountain biking as a family-oriented attraction is continuing unabated.

With the financial backing of Nedbank, two of the six races in the Nedbank/WPP series were taken out of the capital city, Windhoek, for the first time, as races were hosted at Ongwediva, in the north of the country, and Rehoboth, just south of Windhoek.

After a very successful season for road cycling, Nedbank and WPP held a prizegiving ceremony where the best performers in each category were rewarded for consistent achievements. The top four individual performances during the six-race series are considered to decide final log placements, and the elite winners were Gerhard Mans Junior and Irene Steyn in the men's and women's categories respectively.

The Nedbank/R&R cross-country (XC) series proved just as popular and underlined why off-road cycling is virtually bursting at the seam to accommodate the interest. The third race of the series, which included the Nedbank Coastal Marathon, proved to be the most memorable race of the series. The XC Series event, particularly, was blessed with fantastic weather and even when the wind started picking up from 13:00, it was a westerly breeze which helped to cool down the ambient temperatures.

Over a hundred cyclists turned up, and everyone had a fantastic time around the stunning track built by the Coastal Cycling Club. The A-route, over 6,2 km, was quite technical and provided the avid mountain bikers with more than enough challenges to test their skills. The B-route was 5,5 km long and although less technical, it still proved to be the perfect layout for those wanting to experience the thrills of off-road cycling. The 143 entrants for the Nedbank Coastal Marathon were less fortunate as far as weather conditions

were concerned. The strong headwinds meant that the cyclists had to endure fierce onslaughts over most of the 69-km distance, but the fact that many new faces turned up to participate does point to the consistent growth of the popularity of the sport. Irene Steyn underlined her reputation as one of the country's top female cyclists by clinching the ladies' category, while the young Herbert Peters beat a strong field in the male category to win in a time of three hours, twenty-two minutes and twenty-four seconds.

Ian Grassow of the Rock&Rut Mountain Bike Club thanked the Coastal Cycling Club organising committee for all their efforts in making the Nedbank Coastal Cycling weekend such an unforgettable experience. 'A massive thank you also goes to Nedbank Namibia for your fantastic support and amazing belief in our sport', said Ian.



NEDBANK COASTAL CYCLE CHALLENGE

The first-ever Nedbank Coastal Cycle Challenge was hosted just behind the dune belt during the Easter weekend and proved an arduous race on account of the extreme heat conditions at the coast.

In the end, Costa Seibeb, riding in the colours of Nedbank, underlined his sheer class with a comfortable victory, while Michael Pretorius just managed to pip the Nedbank/PAY elite cyclist, Jo-Joe Hamunyela, into second position with a breathtaking wheel-to-wheel sprint to the finish line.



NEDBANK NORTHERN CYCLE CHALLENGE

The Oshana Mall was turned into a hive of activity just a day after the official opening of the Nedbank branch in the shopping centre, when the Nedbank cycling juggernaut rolled into town to host the inaugural Nedbank Northern Cycle Challenge. In a bid to give cycling development in the area a welcome boost, the people of Ongwediva were treated to a cycling spectacle of note when some of our country's premier cyclists roared through the streets at astonishing speeds. Thanks to fantastic support from the Namibian police, the safety of the cyclists was always guaranteed, while traffic was exceptionally well regulated to ensure a minimal impact on other road users.

In the end, the experience of the fast-rising and talented Xavier Papo proved the deciding factor in a sprint to the finish line that saw the first five cyclists being separated by less than two seconds! Spurred on by a strong contingent from the Nedbank/PAY elite men's cycling team, PJ Hamukosho raced home in second place, while Jerneil Barth pipped another Nedbank/PAY team member, Jo-Joe Hamunyela, to take third place by a mere two-hundreds of a second. Xavier received a cash prize of N\$3 000 for his efforts, and said that he felt he was going to win the race the entire week leading up to the event. 'I felt strong throughout, but the Nedbank/

PAY riders were such strong contenders that I had to give everything in the end to take the winner's medal', said a delighted Xavier after the race. PJ scooped an equally handy cash prize of N\$2 000 for his second place finish, and Jerneil was awarded with N\$1 000.

The biggest cheer of the day, however, was reserved for the 57-year-old Meme Angelina Mbangula, one of only three female cyclists to enter for the Nedbank Northern Cycle Challenge. For her efforts and determination, a brand-new mountain bike was donated to Meme Mbangula as encouragement to keep cycling.

NEDBANK/PHYSICALLY ACTIVE YOUTH ELITE MEN'S CYCLING TEAM



Realising that entry into competitive cycling may be prohibitively expensive for young, aspiring champion cyclists from marginalised areas, Nedbank Namibia devoted the bulk of the funds earmarked for cycling development to the Nedbank/PAY elite men's cycling team. With this financial support, members of the team were able to show their class in becoming regular features when national teams are being selected these days.

The success of the programme has come much faster than originally forecast, with the initial projection to have the young cyclists vie for national team honours only after three to four years. Riding quality bicycles for the first time, and spurred on by growing support from their fellow Katutura residents, the young Nedbank/PAY cyclists have immersed themselves in tough training regimes and have now become a force to be reckoned with at all national cycling events.

GROWING IN LEAPS AND BOUNDS

Being the largest supporter of Namibian development is where we're headed.

The largest non-subglacial in the world lies inside Dragon's Breath cave, located in Hariseb.

ONGWEDIVA TRADE FAIR

From humble beginnings, the Ongwediva Annual Trade Fair has become one of the country's largest trade fairs and always ensures bustling trade and big turnouts. This year was certainly no different, and Nedbank Namibia committed N\$100 000 to become one of the principal sponsors of this year's event.



LÜDERITZ SOUP KITCHEN

Nedbank Namibia stepped up to help feed orphans and vulnerable children who rely on the Red Ribbon Club Soup Kitchen, in Lüderitz, for a meal by virtue of a N\$32 000 donation.

The Red Ribbon Club Soup Kitchen is an initiative of the Lüderitz Junior Secondary School and feeds about 350 learners. The kitchen feeds the learners thus enhancing learners' productive learning and participation in all school activities.

'This grant from Nedbank Namibia will ensure that our learners would be fed every day, which will have snowballing effects like higher motivation and higher concentration levels, as well as active participation in school activities by our learners. It will also enhance and create awareness and a culture of care amongst our learners, teachers as well as community members', said Crystal Jantjies, life skills teacher at the school. Many of the learners at the school do not have a proper meal, and this influences their motivation and productiveness. The kitchen serves soup three times a week, fish twice per week, as well as bread that is served daily.

The cleaners at the school, who volunteer to cook the meals daily, man the kitchen; teachers donate soup and other ingredients; and local fishing companies donate fish on a weekly basis. The Red Ribbon Club was established in 2003.



ELEPHANT ENERGY IN CONJUNCTION WITH THE WORLD WIDE FUND FOR NATURE

Joining in the celebration of Earth Hour globally, Nedbank Namibia supported the provision of solar lights to schools in the Zambezi Region. It all started in Sydney, Australia, in 2007, when 2.2 million residents participated by turning off non-essential lights for an hour in the evening. All at once the city was dark. Everybody could see the wonder of the night sky, and think for an hour about just how much electricity we use, and the coal and nuclear power stations needed to produce it. In 2008 more countries took part, and by 2013 most of the world was switching off for an hour for the sake of the environment.

Now if you live in Ngonga, a tiny village in Zambezi Region, and somebody asks you to turn off the lights for an hour, you might look a bit confused. There is no electricity in Ngonga. In fact, over 75% of Namibians do not have access to electricity. So instead of switching off the lights for an hour, it is worth thinking about how to bring light to rural Namibia without using power stations.

When night falls, many people light up a candle. But every candle costs three or four dollars, and every year many homes are burnt down due to accidents. The fumes from candles and paraffin lamps are also unpleasant.

That's where Earth Hour comes in. This year Nedbank's Go Green Fund has donated N\$45 000 to provide solar lighting to schools in the north of Namibia as an Earth Hour initiative. Lying on the floor of her mother Anna Mulisa's hut is Nyazo Mushekwa. She's in Grade 3 at Ngonga Primary. The solar-powered light provides all the light she needs to do homework. Her mother loves it too - she can find things at night, including scorpions. The light is distributed by Elephant Energy, a non-profit organisation that is rolling out solar-powered lights, starting with four schools in Zambezi in March and more throughout the year across other areas of Namibia without access to power. For Earth Hour, Nampower has promised to match Nedbank's funding to bring solar lighting to Namibian schools. If a candle lasts three hours and costs N\$3, over five years candlelight would cost more than N\$5 000. A light powered by the sun, costing just N\$250, can give clean, safe light for five hours every evening. Elephant Energy plans to sell lights almost at cost to households across Namibia, but many people cannot afford N\$250 at one go for a solar lamp.

But for every problem there is a solution. Organisations like the Shack Dwellers can save together and give credit to members, and Elephant Energy sells 'Divi-Lights' that take two kinds of charge: one from the sun and a cash recharge rather like telephone credit. Once the credit is paid off the light is 'freed' for use, needing only the sun to charge it. Access to cheap, off-grid electricity is going to change things for rural Namibians, who will be able to read at night, charge phones and run computers where there are no power lines. That's a bonus for Earth Hour.

Sustainable investment for the progress of Namibian people.

BUILDING THE FUTURE

Averaging 2 500, the free-roaming cheetah population of Namibia is the largest in the world.



POLYTECHNIC OF NAMIBIA

The Polytechnic of Namibia held their 18th annual HIV/AIDS awareness campaign, under the theme 'We can stop Gender Based Violence (GBV) and HIV'.

The objectives of the 18th HIV/AIDS Awareness Campaign were to:

- raise awareness on HIV/AIDS and GBV;
- reduce concurrency of risky sexual behavior and violent relationships amongst students;
- empower women to negotiate for safer sexual practices and break free from relationships coupled with violence; and
- increase consistent condom use and access to VCT.

As always, the campaign proved to be pervasive and influential by virtue of the fact that:

- 3 000 students were reached through all intervention/programme activities.
- 630 secondary school pupils were reached through the campaign as an outreach initiative.
- 10 condom dispensers were installed on the campus, and about 3 000 condoms were distributed during the campaign on campus.
- IEC material on HIV/AIDS and GBV was sourced and distributed.



MAKING A SAFER WINDHOEK HAPPEN

The Windhoek City Police bicycle squad has become quite a feature in the city centre, with police officers patrolling the streets in an effort to curb criminal activities. With the City of Windhoek planning to increase the number of officers in the bicycle patrol unit over the next few months, Nedbank Namibia stepped to the plate by donating 15 quality bicycles to the value of N\$150 000 to the City Police. Speaking on behalf of Nedbank Namibia, Dr Andreas Mwoombola, Executive: Strategy, Transformation, Marketing & Communications, said the Bank sees this donation as a contribution to Make a Safer Windhoek Happen for everyone who walks our city's streets. We also see this as an opportunity to do our bit in equipping our City Police with some of the tools they require to do their commendable job as efficiently as possible.

'The current Mayor of the City of Windhoek, His Worship Muesee Kazapua, said the bicycle sponsorship could not have come at a better time, as Windhoek faces safety and security challenges, especially during the traditional holiday seasons. 'We have been advocating that through partnership we shall overcome all the financial burdens associated with our policing operations. The Municipal Police Service has embarked upon operational activities aimed at containing the crime situation in Windhoek, and the introduction of the bicycle squad in the Central Business District has been one of those successful operational programmes, which enabled us to contain the crime situation', said the Mayor.

THE MANAGEMENT AND LEADERSHIP TALENT SEARCH STUDENTS' ORGANISATION

The University of Namibia MALTAS Club is a premier student club that caters for those young students who do not only excel in their academic career but also in other spheres of their lives, such as community work.

Maltas is an academic club of choice for most students and staffmembers at the University of Namibia, not only at the Main Campus but across all twelve campuses of UNAM. Life in Maltas starts for most young students at UNAM as a possible avenue to unleash their entrepreneurial potential. During this period their lives are touched and shaped as they devote their time not only to excel academically but also care for those in need across all regions of Namibia. Maltas is about continuously improving the lives of young students and instilling a strong sense of discipline and leadership in them. In 2014, the Unam Maltas Club members joined forces with Nedbank Namibia to empower young learners in Grade 7 at the Stampriet Primary School, in the Hardap Region, by conducting entrepreneurship initiatives and life-skills training.

Supporting the safeguarding of Namibia's pristine landscape for future generations.

A PREMIER CONSERVATION FUND

The Nedbank Go Green Fund, Namibia's premier corporate conservation fund, continues to support projects aimed at safeguarding the country's pristine environment for future generations. In 2014, the Go Green Fund supported the following projects financially:

The Constitution of Namibia is the first constitution to include a provision for environmental protection.



NILE CROCODILE (CROCODYLUS NILOTICUS) GENETIC DIVERSITY AND POPULATION STRUCTURE WITHIN KUNENE AND KAVANGO RIVERS OF NORTHERN NAMIBIA

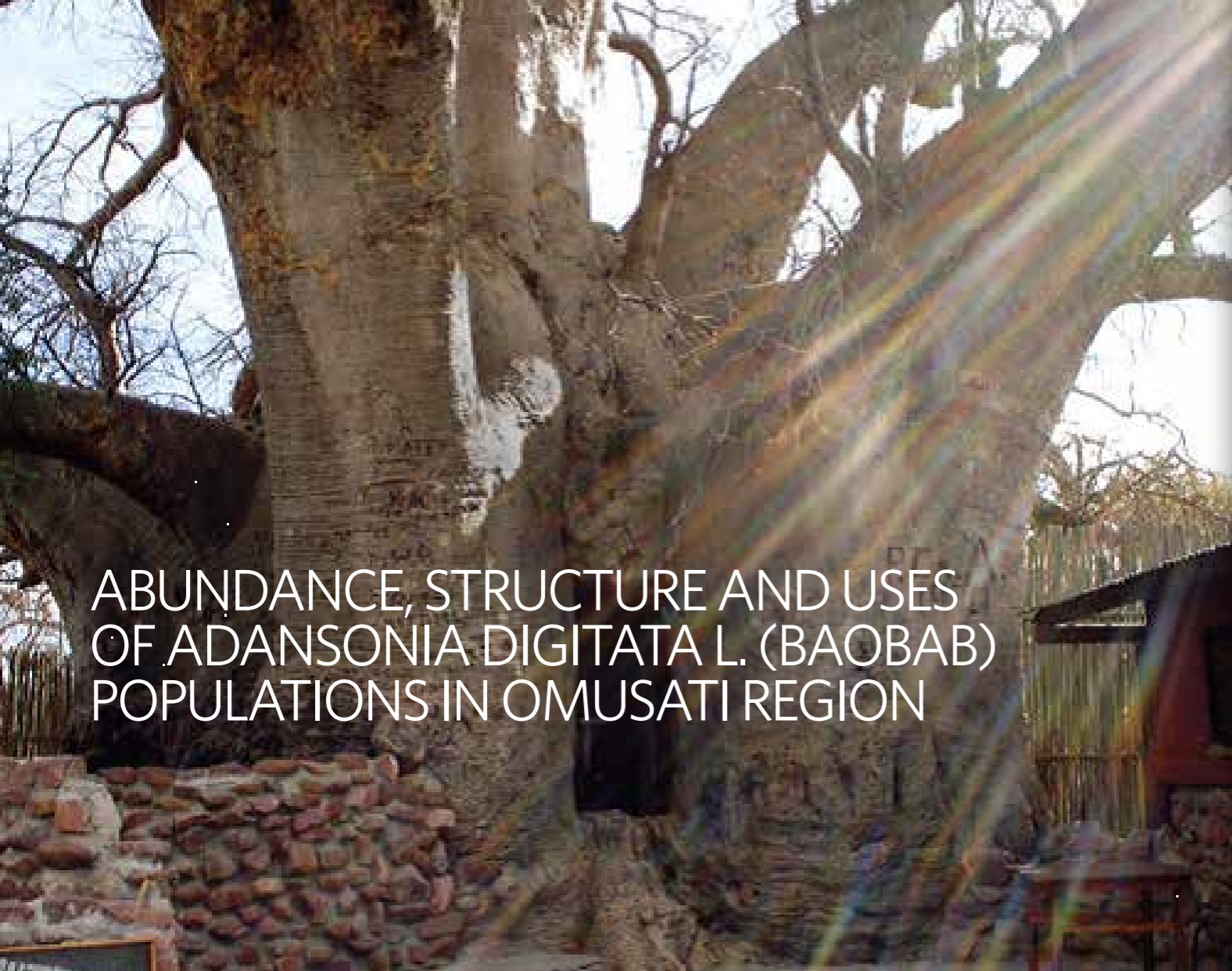
The first phase of the fieldwork for this project of significant ecological value has been completed, with the second phase expected to follow soon. As an intrinsic approach to ensure the overall success of the project, collaborations with various institutions and individuals have been established, namely with Ministry of Environment and Tourism (MET), Wilderness Safari, UNAM and the Polytechnic of Namibia. The fieldwork was conducted along the Kavango from 7 April to 24 April 2014 and Kunene River from 7 May to 17 May 2014 in collaboration with MET.

The sampling process, which was followed, consisted of the following methodology:

- Blood and scute samples are collected from each crocodile; faecal tissue samples are also collected from the cloaca by flushing the cloaca with distilled water. These tissue samples will be used for Meta barcoding in identifying the diet of the Nile crocodile.
- A total of 14 samples have been collected from the Kavango River System and 12 samples from the Kunene River System.
- Each crocodile captured was tagged with a microchip to allow unique identification. The crocodiles were also tagged with cattle tags for sex and number identification.

Planning for the next field data collection is underway, and the project team is engaging with the Otjiwarongo Crocodile Ranch to obtain additional genetic material.

The output produced from this first phase of the project will be used to publish an article based on the work conducted in the short term. The scientific article is entitled 'Estimating True Abundance of Nile crocodile population using a binominal mixture model from replicated counts: A case study in the Kunene River System, Namibia'.



ABUNDANCE, STRUCTURE AND USES OF ADANSONIA DIGITATA L. (BAOBAB) POPULATIONS IN OMUSATI REGION

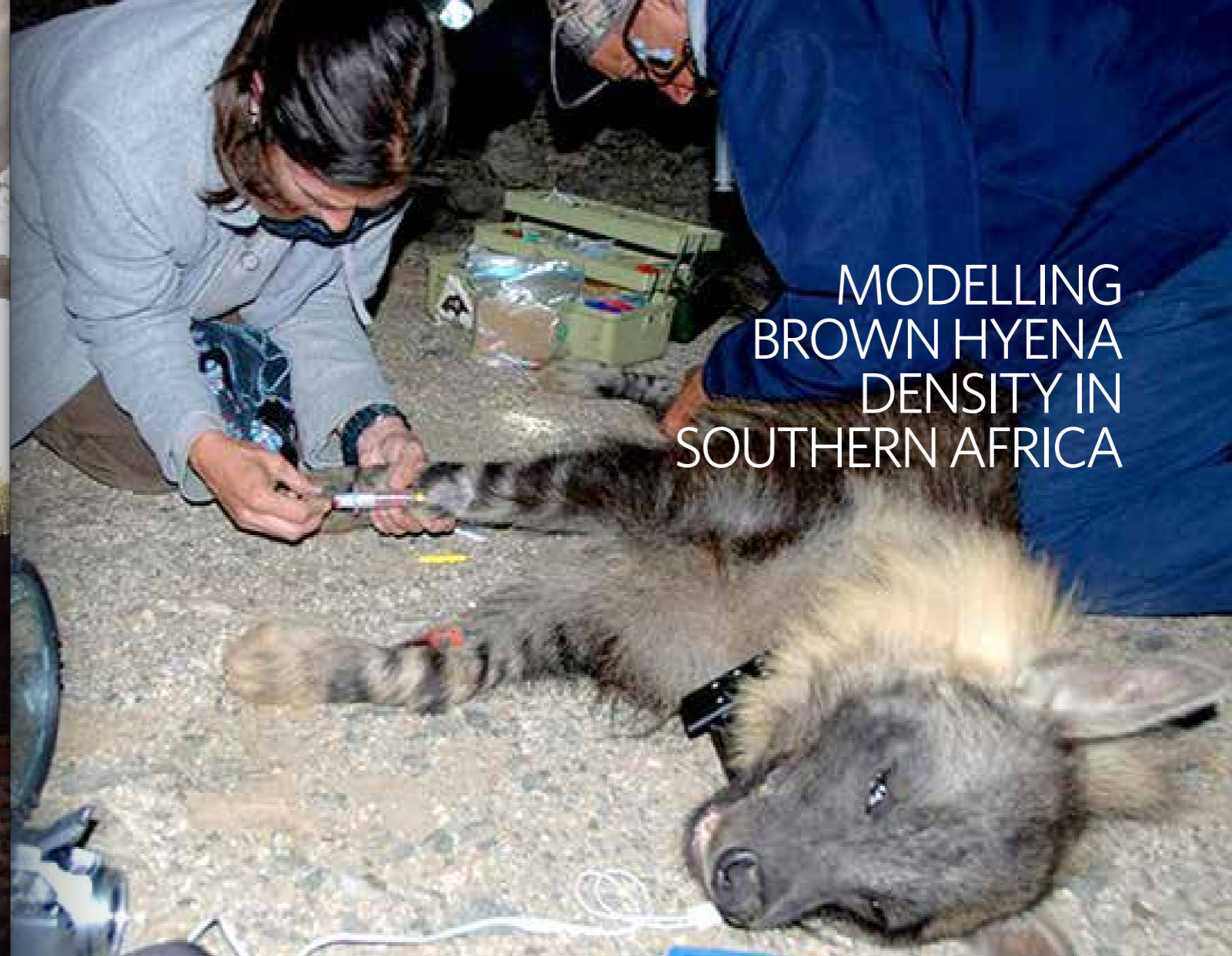
The study of Indigenous Natural Resources, including benefits to communities and sustainable management, drew Faith Munyebvu-Chambara, a Master of Science student from UNAM, to begin her study on the abundance, structure and uses of the baobab.

With funding from the Nedbank Go Green Fund, Faith's work is centered in two constituencies in the Omusati region, Outapi and Onesi, where significant populations of wild baobabs occur. During the course of her year-long study, the ecological information gained will be useful to monitor any physical characteristics changes to the trees and to evaluate the potential to commercialise the sustainable harvesting of their resources. Communities will also gain a greater understanding of the species and its potential for product development, which could ultimately improve the livelihoods of local people.

Considering the smaller baobab populations in Namibia compared to other countries in southern Africa, there is a need to determine how viable it is to commercialise the resource either on a national or international scale, and importantly, to see if the local communities will really benefit from it. On its enormous branches and spindly limbs, the baobab tree carries potential to improve human livelihoods if

the baobab products are fully but sustainably used in areas where it occurs. Clearly, a study to understand the biology of the resource is warranted, and thankfully, Faith Munyebvu-Chambara is on the case.

The study showed that some measured variables displayed significant differences between Onesi and Outapi constituencies such as baobab size structure, stem conditions, and land use types and use of baobabs. The varying edaphic, environmental and anthropogenic factors among others could explain such significant differences. In general the study findings revealed that the local people in Omusati region have not fully explored the various nutritive and medicinal values of baobab products, which are the vital uses of the tree. Other variables such as baobab densities, stem conditions and size-classes and fruit production showed no significant differences between the two study sites which concludes that any commercialisation and management efforts on both sites could be replicated.



MODELLING BROWN HYENA DENSITY IN SOUTHERN AFRICA

This project aims to determine the distribution and density of brown hyenas in Namibia and to develop a density model that is applicable throughout the brown hyena's range. The combination of camera trapping and GPS telemetry will be the major tool used for this study, but density results obtained through this method will be compared with data obtained through other monitoring techniques. Brown hyena paste marks, hair and faecal samples will be collected in the main study area as well as other areas of the National Park to determine population size through genetic analysis. Several existing camera trap survey data sets from different parts of Namibia, data from collaborating camera trap owners of all Namibian regions and data available through the Environmental Information System (EIS) will also be analysed.

The workplan for year 1 of the study was as follows:

- Order and set up camera traps.
- Participate in LCMAN meeting to establish collaborations.
- Fit GPS collars to brown hyenas.
- Set up camera traps at Tswalu Kalahari Reserve.
- Start contact I&APs and promote EIS and EIS related data collection.
- Continue to monitor camera traps in the Tsau//Khaib (Sperrgebiet) National Park.
- Collect hair, faeces and paste mark samples for genetic analysis.

The main study area lies between Lüderitz and Pomona, a distance of approximately 50 km between 10 and 20 km off the coast. Two brown hyena clans, the Atlas Bay Clan and the EBay Clan, inhabit the area. All camera traps were set up by 11 June 2014. Since then camera traps that were specifically set up for the modelling study recorded 695 independent brown hyena events over 4 181 trap nights. Results from phase one of this project provided an interesting insight into the behaviour ecology of brown hyenas living in the Sperregbiet National Park and its surroundings. The team found that home range sizes varied greatly from several hundred to several thousand square kilometers, with no significant difference in overlapping areas between male/male, female/female and male/female. However, overlaps were significantly greater for brown hyenas belonging to the same clan than between non-clan members. Brown hyenas mark their territory/home range boundaries with paste marks and latrines. The team calculated that paste marks were on average deposited every 221 metres. By considering the past marking frequency, average clan size and the longevity of the odour, it was determined that a home range only becomes indefensible for one individual brown hyena once it exceeds a size of 2 559 km². However, brown hyena clan sizes range from an individual animal to 10 adult animals in a clan, so that larger home ranges become defensible for clan-living brown hyenas.

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CORPORATE GOVERNANCE AND COMPLIANCE REPORT

This governance and compliance report covers mainly the governance and compliance structures/functions of Nedbank Namibia Limited ("the Bank" or "Nedbank Namibia") being the main operational entity within NedNamibia Holdings Limited ("the Group" or "NedNamibia Holdings").

CORPORATE GOVERNANCE STRATEGY

The NedNamibia Holdings Group, as part of Nedbank Group, is committed to good governance and compliance with recognised best-practice codes and legislation. We believe that our conduct should be underscored by sound governance practices that include transparency and accountability to all stakeholders, which include staff, clients, regulators, shareholders and communities.

The NedNamibia Holdings Group applies the Corporate Governance Code for Namibia, called "The NamCode", which became effective in Namibia on 1 January 2014. The NamCode, is based on the principles contained in King III and other international best practices, but adapted to suit the Namibian legislative landscape and is based on an "apply or explain" basis. This is in line with the aspirations of our parent company, Nedbank Group Limited, which applies the principles of King III.

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 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 Directors' Affairs Committee monitors corporate governance quarterly to ensure that it complies with the regulatory- and legal-requirements as well as the corporate governance principles stipulated in the NamCode.

BOARD OF DIRECTORS

Based on the consolidated supervision and the corporate governance requirements that were cascaded down from Nedbank Group to the subsidiaries, the composition of the NedNamibia Holdings Limited Board has been revised to mirror the composition of the Nedbank Namibia board, to enable directors to remain members of board sub-committees that have been converted from Bank- into NedNamibia Holdings board sub-committees. Both boards presently comprise 1 executive, 2 non-executive and 7 independent non-executive directors. The board's diversity and demographic mix comprise five white and five black directors. During the year and to the date of this report, the Board comprised the following members, classified in terms of the NamCode definition around independence:

Independent Non-Executive Directors (7)

- Frank, Theo J (Chairman)
- Hiwilepo, Trophimus T
- Muatunga, Liina M

- Niddrie, Richard P
- Pearce, Christopher J
- Peters, Rolf H
- Schimming-Chase, Afra R

Non-Executive Directors (2)

- Buchholz, Richard WR
- Du Plessis, J Adriaan

Executive Director (1)

- Matthews, Lionel J

The profiles of the members of the NedNamibia Holdings Board can be found on page 7 of this annual report.

The composition of the Board does not comply with the provisions of the NamCode in terms of which a minimum of two executive directors should be appointed to the board, being the Chief Executive Officer and the director responsible for the finance function. The Chief Financial Officer currently attends board meetings in order to report on the financials of the Bank and the NedNamibia Holdings Group. The Board is satisfied that this area of non-compliance does not impair the integrity of governance in the Bank and the NedNamibia Holdings Group.

In terms of Nedbank Group policy, non-executive directors and independent non-executive directors who have served on any board within the Nedbank Group for a period longer than nine years should ideally not be reappointed when their term as directors expire.

In terms of the Company's Articles of Association one third of the directors are required to retire at each NedNamibia Holdings annual general meeting and may offer themselves for election or re-election. At the annual general meeting that was held in terms of Section 187 (9) of the Companies Act, Act 28 of 2004, on 2 July 2014, Mr Rolf Peters retired by rotation and was eligible for re-election. Due to the substantial changes that have taken place in the Executive team of the Group and for consistency reasons, Mr Peters, who has been a director of the Company for more than 9 years, was reappointed as director until the next (2015) annual general meeting.

The changes that occurred to the NedNamibia Holdings Board during the period under review are reported in the Directors' Report on page 68 of this annual report.

The directors come from diverse backgrounds and bring to the Boards a wide range of experience in commerce, industry and banking.

Both Boards are chaired by the same independent non-executive director. There is a clear distinction between the roles of the Chairperson of the Board, Mr Theo Frank, and the Managing Director, Mr Lionel Matthews, who is in charge of day-to-day operations and executive management. At the same time the Board and executive management work closely together in determining the strategic

CORPORATE GOVERNANCE AND COMPLIANCE REPORT

objectives of the Group. 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.

A board continuity programme is in place that addresses the skills, experience and other qualities required for the effective functioning of the Board, processes around the selection and appointment of directors, induction and ongoing training of directors, evaluation of directors' performance and directors' succession planning.

BOARD CHARTER AND RESPONSIBILITY

The Board has its own charter, which is subordinate to the Articles of Association and any governing legislation. It is designed to serve as a guide to the performance by the directors of their duties within the governing legislation and the Articles of Association and in accordance with principles of good corporate governance.

The Board is responsible to the shareholder for setting the direction of the Group through the establishment of objectives, strategies and key policies which are then cascaded throughout the organisation. It monitors the implementation of its strategies and policies through a structured reporting approach, approves the annual budget, accepts accountability and recognises its responsibility for relationships with various stakeholders. It ensures that an effective enterprise-wide risk management framework is established in the Group to properly manage, control and mitigate risks. The directors have a fiduciary duty to act in good faith, with due diligence and care and in the best interests of the Group and its stakeholders.

Progress against strategic objectives is tracked through the performance-scorecard methodology.

BOARD APPOINTMENTS

In appointing directors, emphasis is placed on retaining the balance of skills, knowledge and expertise and that the Board comprises the requisite independence and appropriate demographic representation. Board appointments are conducted in a formal and transparent manner by the Board as a whole, assisted by the Directors' Affairs Committee. New Board members will only hold office until the next annual general meeting at which they will retire and become available for election.

In general, directors are given no fixed term of appointment. With the exception of the Managing Director, who is subject to short-term notice periods, as defined in the terms and conditions of his contract of employment, all directors retire on a rotational basis and, where available for re-election, are evaluated and assessed against predetermined criteria that serve as a benchmark for assessment, prior to submission of their names for election at the annual general

meeting. The retirement age of a non-executive director is 70. The Managing Director's retirement is subject to the terms and conditions of his contract of employment.

BOARD EFFECTIVENESS

An appraisal of the Board and Board committees was undertaken in 2014. The appraisal included an evaluation of the effectiveness of the Board and Board committees, the Chairman and individual Board members. The Board evaluation was conducted electronically, using the internet and e-mail as a medium. The Board committee, chairman and peer evaluations were conducted by way of an evaluation questionnaire. The Board achieved an average "satisfactory" score. Overall, the questionnaire results revealed that the Board members were satisfied that good governance was generally practiced and that the Board functions well in its oversight and support role. The succession planning processes for both the Board and the rest of the organisation remained an area requiring ongoing attention. Board committees were ranked as "functioning effectively" and "achieving their objectives". The Chairman's performance and facilitation of Board meetings was rated as "consistently good" and directors were individually informed by the Chairman of their own evaluation results, which were treated as confidential.

The Managing Director's performance is assessed bi-annually by the Managing Executive of Nedbank Rest of Africa by way of a performance scorecard.

DEVELOPMENT OF DIRECTORS

A formal, ongoing director development programme focuses on keeping all members of the Board and Board committees up to date with local and international industry developments, technology issues, risk management and corporate governance best practice. The annual one-day Board training took place on 20 August 2014. Due to the substantial changes that took place in the Executive team of the Group, the training focused on the introduction of the new Executive members and their respective functions and strategic objectives.

Directors were also trained on the Group's risk frameworks and methodologies as well as Corporate and Board Governance. Individual training was given by the Chief Financial Officer to those directors who required training on the Group's financial statements. Mr Adriaan du Plessis and Mr Richard Buchholz have attended a three-day board leadership training course offered by the Gordon Institute of Business Science ("GIBS"), which was attended during 2013 by Mr Lionel Matthews, Mr Trophimus Hiwilepo and Ms Afra Schimming-Chase. Induction training is given to newly appointed directors by the Company Secretary.

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

COMPANY SECRETARY

The Board appoints the Company Secretary who provides support and guidance to the Board and companies within the Group on matters relating to governance, ethics and statutory practices across the Group. The Company Secretary assists the Board as a whole and directors individually with detailed guidance on how to discharge their responsibilities in the best interest of the Group. All directors have access to the advice and services of the Company Secretary.

The Company Secretary plays a vital role in the assessment process of the Board and Board Committees as well as Board training. New directors are informed of their duties and responsibilities by way of an induction course that is run by the Company Secretary and each newly appointed director is provided with an induction pack containing essential documentation and background material aimed at deepening their understanding of the business of the Group and in particular the business of the Bank as the main operational entity within the NedNamibia Holdings Group.

The Company Secretary is responsible for corporate governance on Board, Board committee and Executive Committee level, while business governance resorts under the responsibility of the Executive Legal, Governance and Compliance.

The Board assessed the competency, skills and expertise of the Company Secretary and was satisfied that, with the necessary skills appropriate to her function, the Company Secretary executes her functions in a highly efficient and competent manner.

ATTENDANCE OF BOARD AND BOARD COMMITTEE MEETINGS

For the financial year ended 31 December 2014

Directors' attendance of Board and Board committee meetings is monitored by the Directors' Affairs Committee quarterly. Irregular attendances of meetings are dealt with by the Chairperson of the Board.

The following attendances of Board and Board Committee meetings have been recorded for 2014:

NEDNAMIBIA HOLDINGS LIMITED					
Board of Directors	Board	Audit Committee	Risk & Capital Management Committee	Remuneration, Nomination, Employment Equity and Skills Retention Committee ("REMCO")	Directors' Affairs Committee
Meetings held:	4	5	4	4	4
Attendance:					
Frank TJ	4#		4	4	4#
Beyers SH (1)	1	2			
Buchholz RWR (2)	2	2	2		
Du Plessis JA (3)	2			2*+2	3*+1
Hiwilepo TT (4)	2	1			
Matthews LJ	4	5*	4*	4*	4*
Muatunga LM (Mrs) (5)	1			4#	4
Niddrie RP (6)	1	1			
Pearce CJ	4	5	4#		
Peters RH	4	5#	4		
Schimming-Chase AR (7)	2		1		

Chairperson

* Attended board committee meetings by invitation.

- (1) Resigned as director, effective 28/2/2014;
- (2) Appointed as director and member of the NNH Group Audit- as well as NNH Group Risk and Capital Management Committees, effective 19/08/2014;
- (3) Appointed as director and member of the NNH Group Remuneration, Nomination, Employment Equity and Skills Retention Committee, effective 19/8/2014. Appointed as member of the NNH Directors' Affairs Committee, effective 19/8/2014;
- (4) Appointed as director and member of the NNH Group Audit Committee, effective 22/8/2014;
- (5) Appointed as director and member of the NNH Group Remuneration, Nomination, Employment Equity and Skills Retention Committee as well as the NNH Group Directors' Affairs Committee, effective 22/8/2014;
- (6) Appointed as director and member of the NNH Group Audit Committee, effective 6/11/2014;
- (7) Appointed as director and member of the NNH Group Risk and Capital Management Committees, effective 22/8/2014.

CORPORATE GOVERNANCE
AND COMPLIANCE REPORT

DIRECTORS' FEES

Directors' and Board Committee fees are paid quarterly and rounded up to the nearest N\$500.

NEDNAMIBIA HOLDING LIMITED

The following directors' fees were paid for the 2014 financial year: Chairman N\$46 000 per annum Members N\$24 000 per annum

NEDNAMIBIA HOLDINGS LIMITED	
Director's fees paid for 2014 financial year to individual directors	
Name of director	N\$ paid per annum
Frank TJ (Chairperson)	46 000
Beyers SH	4 000
Buchholz RWR	NIL
Du Plessis JA	NIL
Hiwilepo TT	6 000
Matthews LJ (Managing Director)	NIL
Muatunga LM	6 000
Niddrie RP	2 000
Pearce CJ	24 000
Peters RH	24 000
Schimming-Chase AR	6 000

NEDBANK NAMIBIA LIMITED

The following Directors' and Board Committee fees were paid for the financial year 2014:

NEDBANK NAMIBIA LIMITED		
Annual Directors' and Board Committee remuneration		
	Chairperson (fees per annum)	Members (fees per annum)
Directors' fees	N\$175 000	N\$87 500
Audit Committee	N\$107 000	N\$53 500
Risk and Capital Management Committee	N\$107 000	N\$53 500
Remuneration, Nomination, Employment Equity and Skills Retention Committee	N\$60 000	N\$30 000
Directors' Affairs Committee	N\$20 000	N\$10 000
Fees for time spent by directors on Bank related matters that fall outside the normal course of Board/Board committee business/preparation	N\$1 700 per hour	

NEDBANK NAMIBIA LIMITED

Directors Fees paid for 2014 financial year to individual directors

Name of director	N\$ paid per annum
Frank TJ (Chairperson)	280 000
Beyers SH	39 500
Buchholz RWR	NIL
Du Plessis JA	NIL
Gebhardt ATM	64 000
Hillie GM	NIL
Hiwilepo TT	142 000
Matthews LJ (Managing Director)	NIL
Muatunga LM	167 350
Niddrie RP	12 000
Pearce CJ	248 000
Peters RH	261 600
Schimming-Chase AR	142 000
Sorgdrager AM	NIL
Whitfield K	NIL

DIRECTORS' QUALIFICATIONS

Individuals that were Board members of NedNamibia Holdings- and the Bank as at the end of the year have the following academic qualifications:

DIRECTORS' QUALIFICATIONS	
Names	Academic Qualifications
Frank TJ	BA Law; LLB; Dip. Bus. Man.; Cert. Tax Law
Buchholz RWR	B Com; Bcompt (Hons); CA (SA)
Du Plessis JA	B Com; Bcompt (Hons); CA (SA); Certificate in the Theory of Accountancy; Higher Dipl. in Company Law
Hiwilepo TT	B.Sc (University of Western Cape)
Matthews LJ	BCompt (Hons); CA (SA); CA (Namibia); MBA
Muatunga LM	Nat. Dip. HR Management (Peninsula Technicon CT); Masters Dip. in HR Management (RAU); B.Tech (UNISA); MBA (Maastricht, Netherlands); EDP (University of Cape Town); SMP - GIBBS (University of Pretoria)
Niddrie RP	B Com; B Acc; CA (SA); CA (Namibia)
Pearce CJ	B Com; CA (SA); AMP (Harvard)
Peters RH	B Com; BCompt (Hons); CA (SA); CA (Namibia)
Schimming-Chase AR	LLB; LLM; Post Graduate Diploma in International and European Law; (University of Mont Saint Aignan, Rouen, France); Certified Financial Planner (CFP) (Financial Planning Institute of SA)

CORPORATE GOVERNANCE AND COMPLIANCE REPORT

DECLARATION OF OUTSIDE INTERESTS

Directors disclose their outside interest on a quarterly basis to the Board. The Chairperson of the Board addresses directors' conflicts of interest when these arise.

A policy for conflicts of interest has been introduced in the Group and all staff and directors have disclosed their outside interests. All staff have signed a declaration, confirming that they have read and understood the contents of the policy and that they agree to be bound by the terms thereof. A structured process is in place for the consideration and approval of staff's outside interests.

The Board is not aware of any conflicts of interest presently existing with respect to directors.

A register of directors' outside interests is kept at the Group's registered address.

BOARD COMMITTEES

The Board approved the refinement of the NedNamibia Holdings Group corporate governance structure. Consequently all Board sub-committees were converted from Bank Board sub-committees into NedNamibia Holdings Group Board sub-committees, reporting into the NedNamibia Holdings Board. Bank specific matters are also reported into the Bank's Board.

The Board Committee structure is designed to assist the Board in the discharge of its duties and responsibilities. Each Board Committee has formal written terms of reference.

The current NedNamibia Holdings Group Board committees are:

- Audit Committee;
- Risk and Capital Management Committee;
- Remuneration, Nomination, Employment Equity and Skills Retention Committee; and
- Directors' Affairs Committee

The NedNamibia Holdings Board is responsible for the appointment of Board Committee members. All members retire after two years from appointment, but will be eligible for re-appointment. 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.

Executive directors are not members of Board Committees, but attend all meetings by invitation. Other invitees who attend the Audit- and Risk and Capital Management Committee meetings are the members of the Executive Committee, the Chief Internal Auditor and the External Auditors (who only attend Audit Committee meetings). Other members of management and representatives of Nedbank Group (SA) attend board committee meetings as invitees when necessary. All Board committees meet quarterly.

REMUNERATION, NOMINATION, EMPLOYMENT EQUITY AND SKILLS RETENTION COMMITTEE ("REMCO")

The committee operates in terms of a mandate approved by the Board and its primary objectives are to ensure that:

- an environment is created and a human resources philosophy maintained to attract, retain, motivate and reward staff to successfully implement the Group's strategy and achieve the Group's objectives; and
- a competitive human resources strategy is developed and implemented, to comply with the guidelines provided by the equity commissioner as well as affirmative action initiatives, to support superior business performance.

The Committee has no decision-making powers, but makes recommendations to the Board for approval. It comprises three non-executive directors, one of whom is the Chairperson. The Chairperson of the Board is not the Chairperson of REMCO. The members of REMCO are:

NedNamibia Holdings Group REMCO members	Appointment date
*Muatunga LM (Chairperson) Du Plessis JA *Frank TJ <small>*independent members</small>	Appointed: 19/8/2014

DIRECTORS' AFFAIRS COMMITTEE

The primary objectives of the Committee are to consider, monitor and report to the Board on compliance with the NamCode, which is based on King III, and the regulations and corporate governance provisions of the Banking Institutions Act, to act as Nominations Committee for Board appointments and to make recommendations to the Board on all matters relating to directors' affairs, i.e. directors' fees, Board/Board committee evaluation, Board training, directors' outside interests, etc. The Committee has no decision-making powers, but makes recommendations to the Board for approval. It comprises one non-executive and two independent non-executive directors. The chairperson of the Board is also the chairperson of the Directors' Affairs Committee. The Committee members are:

NedNamibia Holdings Group Directors' Affairs Committee members	Appointment date
*Frank TJ (Chairperson) Du Plessis JA *Muatunga LM <small>*independent members</small>	Appointed: 19/8/2014

AUDIT COMMITTEE

The Audit Committee's primary objective is to assist the Board in its evaluation and review of the adequacy and efficiency of the internal control system, accounting practices, information systems and auditing processes applied within the day-to-day management of the business within the Group and to introduce measures to enhance the credibility and objectivity of financial statements and reports prepared with reference to the affairs of the Group. The Audit Committee oversees and attends to the affairs of the entire NedNamibia Holdings Group.

The key functions and responsibilities of the Audit Committee are to:

- assist the board of directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within the group in the day-to-day management of its business;
- facilitate and promote communication on issues that are the responsibility of the committee between the board, management, the external auditors and the Chief Internal Auditor;
- introduce such measures that in the committee's opinion may serve to enhance the credibility and objectivity of financial statements and reports prepared with reference to the affairs of the group;
- nominate for appointment as external auditors of the Group, registered auditors who, in the opinion of the committee, are independent of the Group;
- determine the fees to be paid to the external auditors and the auditors' terms of engagement;
- determine the nature and extent of any non-audit services to the Group;
- ensure that the appointment of the external auditors complies with legislative and regulatory requirements relating to the appointment of auditors;
- receive and deal appropriately with any complaints (whether from within or outside the Group) relating either to the accounting practices and internal audit of the Group or to the contents or auditing of its financial statements, or any other related matters thereto;
- monitor the adequacy and reliability of management information and the efficiency of management information systems and effectiveness of information security.
- perform such further functions as may be prescribed.

The Audit Committee comprises five non-executive directors, four of whom are independent. The Committee is chaired by an independent non-executive director who is not the Chairperson of the Board. The composition of the Audit Committee is not compliant with the NamCode, since not all the members are independent. The non-independent member, Mr Richard Buchholz, represents the controlling shareholder, Nedbank Group, and the Board is satisfied that, given the number of Audit Committee members, this area of non-compliance does not impair the governance in the Audit Committee or the Group.

The Audit Committee members are:

NedNamibia Holdings Group Audit Committee members	Appointment date
*Peters RH (Chairman) Beyers SH Buchholz RWR *Hiwilepo TT *Niddrie RP *Pearce CJ <small>*independent members</small>	Resigned: 28/2/2014 Appointed: 19/8/2014 Appointed: 22/8/2014 Appointed: 6/11/2014

The internal and external auditors have unrestricted access to the Chairperson of the Audit Committee.

External Auditors

The Group's external auditors are Deloitte & Touche.

The report of the independent auditors on page 64 sets out the responsibilities of the external auditors with regard to reviewing the financial statements and the Group's compliance with both statutory and accounting standard requirements.

The external audit is structured to provide sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. The audit also considers the external auditors' support of the directors' statements on the Group as a going concern and adequacy of the internal control environment.

The external auditors provide non-audit services to the Group. Fees paid to the external auditors are disclosed in note 31 to the annual financial statements.

Internal Audit

Internal Audit is an independent assurance function, the purpose, authority and responsibility of which is formally defined in a charter approved by the Board. The objective of the internal audit function is to determine whether the Group's systems of internal control, risk management and governance, as designed and operated by management, are adequate and effective. To provide for the independence of the Group's Internal Audit, the Chief Internal Auditor has a direct reporting line to the Audit Committee Chairperson and functional reporting lines to the Managing Director and the Chief Internal Auditor Corporate & Africa Nedbank SA and has unrestricted access to the Chairperson of the Board. The Chief Internal Auditor of Nedbank Group Limited has an oversight over the internal audit function. By virtue of its mandate any material or significant control weakness is brought to the attention of the Chief Risk Officer, the Managing Director and the Audit Committee for consideration and the necessary remedial action.

CORPORATE GOVERNANCE
AND COMPLIANCE REPORTBOARD COMMITTEES (continued)
AUDIT COMMITTEE (continued)**Internal control**

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

As part of the systems of internal control, the Internal Audit function conducts operational, financial, and specific audits and coordinates audit coverage with the external auditors.

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

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

RISK AND CAPITAL MANAGEMENT COMMITTEE

The Risk and Capital Management Committee is a supporting committee of the Board and is required to assist the Board of directors with the following:

- evaluating the adequacy and efficiency of risk policies, procedures, practices and controls;
- identifying the build-up and concentration of risk;
- developing risk mitigation strategies;
- ensuring formal risk assessment;
- ensuring adequate provisioning for potential loss exposures;
- identifying and monitoring key risks;
- facilitating and promoting communication through reporting structures;
- ensuring the establishment of an independent risk management function and other related functions;
- overseeing policies and procedures to ensure compliance with Basel II and the NamCode;
- ensuring the establishment and maintenance of an Internal Capital Adequacy Assessment Process ("ICAAP");

- monitoring all aspects of credit management, including the quality of the Bank's loan portfolio;
- monitoring the adequacy of the asset and liability ("ALCO") management, capital management processes, market trading risks, derivatives and investments;
- monitoring compliance with regulatory and statutory requirements; and
- monitoring any other risks brought to the attention of the committee.

The Risk and Capital Management Committee members are:

NedNamibia Holdings Group RCM Committee	Appointment date
*Pearce CJ (Chairman)	
Beyers SH	Resigned: 28/2/2014
Buchholz RWR	Appointed: 19/8/2014
*Frank TJ	
*Peters RH	
*Schimming-Chase AR	Appointed: 22/8/2014
<i>*independent members</i>	

RISK MANAGEMENT

Risk management in the financial services industry is a fundamentally important process in ensuring profitability, growth and long-term sustainability. The Board acknowledges its responsibility for the entire process of risk management and for evaluating the effectiveness thereof. Management is accountable to the Board for designing, implementing and monitoring the process of risk management and integrating it with day-to-day business operations. The Risk and Capital Management Committee assists the Board in reviewing the risk management process and any significant risks facing the NedNamibia Holdings Group. The Board, supported by the Risk and Capital Management Committee, sets the risk strategy, decides on the Company's tolerance for risk and makes use of generally recognised risk management and internal control models and frameworks.

The risk management function is embedded in the Enterprise-wide Risk Management Framework ("ERMF") that sets out the major risk classifications. The ERMF forms the basis of risk governance and is underpinned by the 3 lines of defence that are now deeply entrenched in the organisation. Risk management is embedded in business processes and committees operate effectively. The risk management function monitors compliance with the ERMF. The Group Risk division is independent of the operational business units. A Key Issue Control Log has been developed as a tool to assist in achieving good governance. It represents a holistic, yet focused, view of any issues that require attention, raising concerns around these and the actions taken to address them.

In the normal course of business operations, the Group, and in particular the Bank, is primarily exposed to the following risks:

- accounting and taxation risk;
- capital risk;
- compliance risk;
- credit risk;
- information technology risk;
- insurance and assurance risk;
- market risk in the trading book;
- market risk in the banking book;
- investment risk;
- liquidity risk;
- new business risk;
- operational risk;
- people risk;
- reputational risk;
- strategic risk;
- social and environmental risk; and
- transformation risk.

These risks are managed through the comprehensive ERMF, encompassing infrastructure, policies and methods that support active and effective control.

CHIEF RISK OFFICER

The risk management function is headed by the Chief Risk Officer, Mrs Annette Stafford-Evans, who is a member of the Bank's Executive Committee (EXCO) and has a dual reporting line to the Managing director of the Bank and the Chief Risk Officer of Nedbank Rest of Africa, respectively. The Chief Risk Officer has unrestricted access to the Chairpersons of both, the Audit- and the Risk and Capital Management Committees.

Financial risk management

The most significant financial risks for the Group are credit risk, liquidity risk and market risk. Market risk includes interest rate and foreign exchange risk.

The Group's policies are designed to identify the risks, to set appropriate risk limits and controls and to continuously monitor these risks and limits through effective information systems.

High level risk policies for managing financial risks are formulated and updated regularly at Nedbank Group Limited level. The financial risk policies of the Group form part of Nedbank Group Limited's overall financial risk policies and fall within the parameters of these policies. Those policies are then aligned with local operations and circumstances and implemented locally.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Credit risk management**Objectives in managing risk**

The long-term credit strategy is to maintain the necessary balance between capital preservation and capital optimisation. The Group's pursuit is for quality facilities, soundly based, with good income returns for the Group.

Exposure to risk and how it arises

The Group is exposed to credit risk through granting of credit to clients, which can take the form of one of many products offered by the Group, including overdrafts, installment sale facilities, home loans, commercial loans, letters of guarantee and certain foreign exchange products such as letters of credit and foreign exchange contracts.

As a result, credit risk is managed within the overall risk management framework of the Group, due to the importance thereof.

Concentration of credit

The Group seeks to avoid significant exposures in areas (of whatever nature), which are inherently fraught with risk or very sensitive to for example changes in economy, politics, legislation, demographics, climate, etc. Internal limits are set to limit the Group's exposure to concentration risk. As a benchmark the exposure to any one specific industry should not exceed 20% of the total lending book and in line with Bank of Namibia regulations exposure to a single client or a group of associated companies should not exceed 30% of the Group's qualifying capital and the aggregate of all large exposures (i.e. an exposure which individually equals or exceeds 10% of the Group's qualifying capital) shall not exceed 80% of the Group's qualifying capital.

Methods used to measure risk

Credit risk is measured during the credit granting process by risk rating the potential client in terms of the Group's risk rating criteria to enable the identification of a realistic risk level at all times. The Group's policy requires that all obligors are rated at inception, and re-rated at least once annually thereafter. The existing risk rating model is based on the Nedbank Group rating, utilising the middle market rating model and the corporate rating model.

Mandates and authority levels

A mandate structure is in place with delegated levels of lending authority. All facilities, irrespective of amount, fall under the control of the Bank Credit Committee. Maximum levels of lending authority have been set for the credit department and the Bank Credit Committee. Applications in excess of lending authorities are referred to the next higher level for approval, with excesses of the Bank Credit Committee being referred to the Africa Credit Management Committee of Nedbank Limited ("AFCRAM") for approval.

CORPORATE GOVERNANCE
AND COMPLIANCE REPORT**RISK MANAGEMENT (continued)****Financial Risk Management (continued)****Credit Risk (continued)****Credit Risk Management (continued)****Monitoring**

The Group has adequate systems of controls in place for the monitoring of facilities. Diary systems, which are monitored at a suitable senior level, are in place in order to manage the expiry of limits, revaluation of collateral, continual review of risk categories, periodic review of the terms and conditions of approval, identification of any irregularities in conduct of the account or utilisation of the facility, monitoring systems of daily usage and any other key events requiring monitoring. Regular internal audits are carried out to ensure the application of sound lending principles as well as the adequate administration of security documents and key credit information.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk management

The liquidity of the Group is subject to the mix and liquidity preferences of both borrowers and depositors as well as the structure of the market in which the Group operates. In most instances a bank acts as a liquidity transformer between the liquidity needs of the borrowers and depositors.

The final responsibility for the management of liquidity risk rests with the Board of directors who has delegated the day-to-day accountability to the Asset and Liability Committee ("ALCO"). ALCO is responsible for ensuring that the necessary policies, frameworks and processes and procedures to manage liquidity risk within the Group are developed and implemented. It is also responsible for monitoring the Group's compliance with the policy as well as the agreed risk limits. ALCO reports to the EXCO and through the Risk and Capital Management Committee to the Board. The Board's responsibility with regard to adequate liquidity management includes the development and implementation of a liquidity management policy that clearly establishes the responsibilities for managing liquidity, includes a comprehensive set of liquidity limits that define acceptable levels of cash outflow, includes a liquidity contingency plan and complies with local legislation and liquidity requirements.

Liquidity risk is measured using liquidity risk gaps. A liquidity risk gap is generated using the contractual cash in- and outflows for each balance sheet item and placing these flows into designated time buckets. The contractual cash flows are then subjected to behavioural adjustments dependant on the liquidity risk scenario being modeled. The liquidity risk gap is calculated by deducting cash outflows from cash inflows in each bucket and then calculating the cumulative cash outflow. For liquidity risk management purposes the liquidity gaps are calculated using a sight to one week bucket and monthly buckets from 1 to 12 months.

The Group's liquidity risk management is based on the following principals:

- management of cash flows, especially in the sight to three month horizon;
- diversification of the depositor base; and
- maintaining a stock of surplus liquefiable assets.

Liquidity risk limits are approved by ALCO and submitted to the Board for ratification. By monitoring the maturity profile of the current balance sheet as well as its expected future structure ALCO is proactively monitoring this risk and is able to manage any potential mismatches in accordance with best banking practice.

The Group manages its liquidity by managing the liquidity of those components of the statement of financial position over which it has direct control. The controllable components consist of:

In the shorter term:

- the size and composition of the liquid asset and prudential asset portfolios;
- the size and maturity structure of the professional funding portfolio; and
- maintaining an effective liquidity buffer consisting of high quality liquefiable money market instruments.

In the medium term:

- by encouraging business units to broaden the depositor base (especially retail type deposits) and to increase the Group's share of transactional banking balances (current and savings accounts).

In the longer term:

- the management of its operations generally to ensure that there are no unexpected large losses which could give rise to liquidity stress;
- ongoing management of relationships with major sources of liquidity;
- only accepting a prudent level of risk and neutralising all excess risks in all portfolios where possible;
- diversification of the depositor base wherever possible; and
- developing the Group's franchise to improve both its reputation and customer spread.

A comprehensive liquidity risk management reporting system is in place, which includes:

- daily reporting to executive and senior management of the Bank's liquidity risk position as well as reasons for any significant changes in the liquidity risk position;
- ongoing monthly reporting of the liquidity risk and funding structure of the Bank including significant shifts in the liquidity risk and explanations thereof; and
- analysis of the long-term changes in the liquidity risk and funding structure of the Bank with explanations and plans to rectify any adverse change in the composition of deposits.

The Group furthermore reports to Nedbank Group Limited ALCO on a monthly basis the liquidity risk limit utilisation and an assessment of the liquidity risk conditions.

The Bank of Namibia requires the Bank to maintain a statutory liquidity based on liabilities to the public reduced by monies on lent to other Namibian banks. A portion of this buffer takes the form of an interest free deposit with the Bank of Namibia. To accommodate daily liquidity flows and in order to participate at the Bank of Namibia repurchase window, a surplus buffer stock position of Namibian government gilts is held. This also supports the intra-day clearing requirements of the National Payment System.

The Bank also holds an additional liquidity buffer at all times. This buffer may take the form of any combination of the following:

- surplus liquid assets in excess of those needed for normal intra-day and statutory requirements;
- loans to other clearing banks in Namibia;
- any other immediately liquefiable instrument with the approval of ALCO; and
- the liquidity buffer will be reviewed and confirmed at monthly ALCO meetings.

A liquidity risk contingency plan is in place, which includes procedures to be followed and communication required when the plan is triggered.

Market risk in the trading book

Market risk in the trading book is the risk of loss as a result of unfavorable changes in market prices such as foreign exchange rates, interest rates, equity prices, credit spreads and commodity prices. There is a trading market risk within the NedNamibia Holdings Group's proprietary trading activities (trading on the NedNamibia Holdings Group's own account). Concentration risk is a sub-risk of market risk.

Market risk in the banking book

Market risk in the banking book is the risk of loss in the banking book as a result of unfavorable changes in foreign exchange rates and interest rates.

The sub risks of market risk in the banking book are:

- Interest rate risk in the banking book;
- Foreign exchange translation risk;
- Foreign exchange transaction risk in the banking book;
- Equity (investment) risk; and
- Property risk.

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 rates.

Interest Rate Risk Management

The Group has identified the following four sources of interest rate risk to which the Group is exposed:

Change in the level of interest rates

This is the risk associated with a general decline or increase in the level of interest rates. All interest rates will move by approximately the same amount – the so-called "parallel shift" in interest rates.

Change in the slope of the yield curve

Under this risk there is a change in a certain class of interest rates. For example all short-term rates might change without any change to long-term rates.

Basis or margin risk

This is the risk that interest rates with the same or similar tenors do not move by the same amount. An example would be a change in short-term interest rates, but no change in the prime rate.

Embedded customer options in products

Under this risk the customer may have an early termination option on a fixed rate contract. The Group may be unable to recover any penalty or the penalty is small compared to the loss suffered should the option be exercised.

Interest rate risk is measured using the following methodologies:

Interest rate re-pricing gap

All assets, liabilities and off-balance sheet items at the measurement date are analysed into predefined time buckets. The bucket selected is the earlier of the maturity or next re-pricing date for each item. A net re-pricing balance ("gap") for each bucket is calculated as well as cumulative re-pricing balances ("cumulative gap"). Limits on the quantum of mismatch in a bucket are set to manage the interest rate risk of the balance sheet, in particular a cumulative limit for the 0 to 3 month bucket.

Sensitivity of forecast earnings to interest rate shocks

Earnings for the next twelve months are projected using a 'base case' interest rate scenario. The earnings for the same period are recalculated, but with all interest rates shocked by a standard 100 basis point parallel decrease in the yield curve and all other rates. The difference between the earnings figures of the 'base case' and each shock scenario is the earnings sensitivity to the selected interest rate shock.

Interest rate risk management entails identifying and quantifying the sensitivity of the Group's income to each of these sources of risk. After the interest rate risks have been quantified, strategies to manage or immunise the Group from these risks are implemented.

The final responsibility for the management of interest rate risk rests with the Board of directors who have delegated the day-to-day accountability to the ALCO. ALCO is responsible for ensuring that the necessary policies, frameworks and processes and procedures to manage interest rate risk within the Bank are developed and implemented. It is also responsible for monitoring the Bank's compliance with the policy as well as the agreed risk limits. ALCO reports to the Executive Committee and via the Risk and Capital Management Committee to the Board regarding the Bank's interest rate risk management. The reporting includes current exposure to interest rate changes, high-level strategies adopted to hedge interest rate risk, major assumptions used to derive the interest rate risk and major process and or policy issues or shortcomings and plans for their elimination.

CORPORATE GOVERNANCE AND COMPLIANCE REPORT

RISK MANAGEMENT (continued) Financial Risk Management (continued) Interest Rate Risk (continued) Interest Rate Risk Management (continued)

ALCO is responsible for implementing this framework throughout Nedbank Namibia and for ensuring compliance by all operating units with the limits and other provisions of this framework.

Interest rate risk is assessed through the use of traditional gap analysis techniques. Gap analysis measures the volumes of assets and liabilities subject to re-pricing within a given period. For this purpose assets and liabilities are classified according to their contractual re-pricing 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.

Net Interest Margin ("NIM") is split into the following components, each of which should be separately managed and reported:

- Lending spread comprising the difference between the incremental cost of funds and the interest rate earned on interest paying balances;
- Funding spread comprising the difference between the interest rates paid on liability balances and the incremental cost of funds;
- Endowment spread comprising the net interest paid or received at the incremental cost of funds rate on the net assets or liabilities not earning or paying interest; and
- Mismatch spread being the difference between the incremental cost of funds on lending transactions and the incremental cost of funds on deposits raised and adjusted for strategies that have been implemented.

The business units responsible for originating transactions manage the lending, funding and endowment spread. Staff having the required skills and access to the necessary resources analyse, report and manage mismatch spread. All new products launched by the Group are subject to an approval process in order to ensure that the interest rate risk has been correctly identified and is being properly managed. No fixed rate lending is performed unless it is fully hedged.

Maximum exposures to interest rate risk are monitored by setting interest rate risk limits, within which the Group must operate. Limits are set for the net interest income impact of parallel changes in interest rates and for mismatches and are periodically reviewed.

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.

Currency risk management

The Bank undertakes a wide variety of transactions denominated in foreign currency resulting in exposure to exchange rate fluctuations.

Transactions that result in currency risk include among others foreign exchange cash dealing, transactions with foreign banks, transactions on customer accounts denominated in foreign currency and forward exchange contracts. The revaluation of asset or liability balances denominated in foreign currencies at day end (referred to as the net open position) also results in exposure to changes in foreign exchange rate. The main currencies to which the Bank is exposed are US Dollar, Euro and British Pound.

Exposure to currency risk is measured as follows:

- Intraday position, being the foreign exchange risk exposure, in either single currency or as a sum of all currencies, which the Bank incurs between the opening and closing of business on the same day; and
- Net open position, being the net balance between assets and liabilities held in a foreign currency at close of business each day.

The final responsibility for the management of currency risk rests with the Board of Directors who has delegated the accountability to the ALCO. ALCO has in turn delegated the day-to-day accountability to the Treasury department. ALCO is responsible for ensuring that the necessary policies, frameworks, processes and procedures to manage currency risk within the Bank are developed and implemented and that the Bank complies with local legislation and regulations. It is also responsible for monitoring the Bank's compliance with the policy as well as the agreed risk limits.

Exposure to currency risk is managed through the setting of exposure limits and monitoring of compliance to the set exposure limits. These limits include:

■ Aggregate net open position limits

The aggregate net open spot position is managed and monitored not to exceed internal limits that are significantly lower than statutory limits set by Bank of Namibia regulations. Statutory limits are set not to expose the Bank to single currency risk in major currencies (US Dollar, Euro and British Pound) exceeding 10% of capital and reserves, single currency risk on other currencies in excess of 5% of capital and reserves and for overall foreign exchange exposure, not to exceed 20% of the Bank's capital and reserves.

■ Limits on aggregate dealings with counterparties

A limit has been set per counterparty and dealers monitor exposures daily to ensure that aggregate deals with a counterparty do not exceed the set limit.

■ Limits on single day delivery by counterparty

A limit is set and monitored for the aggregate limit per counterparty, which may be utilised for a single day delivery.

■ Trading limits for dealers

The Executive: Treasury assigns a limit for trading to each dealer authorised to deal in foreign exchange. Dealers are only allowed to trade with approved counter party banks and in amounts not exceeding the limits set per counter party and per currency.

■ Stop Loss Limits

Dealers leave a stop loss order for any open position exceeding a set limit, thereby limiting the potential losses from foreign exchange rate fluctuations. Stop loss limits are set for both the net open position at close of business each and for any intra-day open position.

Dealers are only allowed to trade with approved counterparty banks and in amounts not exceeding the limits set per counterparty and per currency.

DEFINITIONS OF OTHER SIGNIFICANT RISKS

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Effective operational risk management enhances and protects shareholder value, specifically against unexpected or unwanted events. The management of operational risk is based on a system of internal controls. This system includes a documented organisational structure, with policies, procedures and reasonable segregation of duties that are communicated throughout the Group.

The corporate governance framework for operational risk management includes monitoring bodies such as the Group's Audit- and Risk and Capital Management Committees, the Internal Audit department as well as the Enterprise-wide Risk Committee ("ERCO"). Operational risk is reported to the Board of Directors via the Risk and Capital Management Committee. Line management is responsible for the day-to-day management of individual operational risks and holds collective responsibility for all aspects of risk management, including operational risk.

The internal controls in place are designed to provide assurance that transactions, records and management information are complete, valid and accurate, and that business objectives will be achieved.

Internal Audit independently and continuously monitors the adequacy, appropriateness and effectiveness of these internal controls and reports its findings to management and the Audit Committee.

Information technology risk

Information Technology risk is the risk resulting from system malfunction and unavailability, security breaches and inadequate systems investment, development, implementation, support and capacity.

The risk associated with information technology has strategic and operational components. Information technology risk encompasses the strategic component, while the operational component is included in operational risk.

Information technology risk is managed through the Information Technology Committee, assisted by Group Technology at Nedbank Group Limited. The Information Technology Committee reports to EXCO.

Accounting and taxation risk

Accounting risk

Accounting risk is the risk that:

- inappropriate accounting information causes suboptimal decisions to be made, due to inappropriate policy, faulty interpretation of policy or plain error.
- the financial statements and other statutory and regulatory reporting do not accord with International Financial Standards (IFRS) and/or relevant statutory requirements, e.g. Tax Act, are not based on appropriate accounting policies and do not incorporate required disclosures (Business risk component); and
- internal financial and operational controls of accounting and administration do not provide reasonable assurance that transactions are executed and recorded in accordance with generally accepted business practices and the Group's policies and procedures and assets are safeguarded.

Taxation risk

Taxation risk is the risk that effective tax planning, co-ordination and strategy, compliance with tax laws and regulations, proactive identification and management of taxation risks are not enforced or a poor relationship with revenue authorities exist, resulting in financial loss due to excessive tax liabilities, penalties or reputational damage to the Group.

In building a Taxation Risk profile, the following two key elements are considered:

- A tax "risk" refers to a future uncertainty relating to tax that has the potential for adverse consequences or may lead to missed opportunities. Such adverse consequences would usually be monetary, in the form of tax, interest and penalties, but they may also include risks such as the damage to reputation, for example with revenue authorities, investors, shareholders or the general public.
- A tax "issue" refers to a past event that has the potential for adverse consequences or may lead to missed opportunities. Such adverse consequences would usually be monetary, in the form of tax, interest and penalties, but they may also include risks such as the damage to reputation, for example with revenue authorities, investors, shareholders or the general public.

Tax compliance is monitored by the Audit Committee on a quarterly basis.

People risk

The risk associated with people has a strategic and operational component. People risk encompasses the strategic component while the operational component is included in operational risk. People risk is the risk associated with inadequacies in human capital and the management of human resources, policies and processes resulting in the inability to attract, manage, motivate, develop and retain competent resources, at the same time having a negative impact on the achievement of strategic objectives.

CORPORATE GOVERNANCE AND COMPLIANCE REPORT

DEFINITIONS OF OTHER SIGNIFICANT RISKS (continued)

People risk (continued)

Policies for the development of human capital are in place to ensure that the required skills and experience are developed, consistently and methodically retained and enhanced to create value for the Group. Staff surveys are completed by staff annually and shortcomings identified in the surveys are addressed by way of action plans that are put in place.

Reputational risk

Reputational risk can be defined as the risk impairment of the Group's image in the community or the long-term trust placed in the Group by its stakeholders as a result of a variety of factors, such as the Group's performance, strategy execution, brand positioning and competitiveness, ability to create shareholder value, or any activity, action or stance taken by the Group. This may result in loss of business and/or legal action.

Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation the Group may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its business activity.

The Group is committed and requires all its employees to display the highest standards of integrity, professionalism and ethical behaviour and to comply with all relevant laws, rules and standards when conducting the business of the Group.

The Group's Compliance function identifies, evaluates, advises, monitors and reports on the Group's compliance risk and ensures that all new legislation and other regulatory prescripts are analysed and implemented in a uniform and effective manner throughout the organisation. The approach ensures that policies and procedures are formulated and monitored at the centre, while implementation takes place within the businesses. The Group's compliance methodology is adapted from the guidelines of the Compliance Institute of South Africa as well as international best practices.

The Group follows a policy of constructive engagement with regulators. Its relationships with regulators are of paramount importance, specifically the relationship with the Bank supervision department of the Bank of Namibia, the South African Reserve Bank and with Namibia Financial Institutions Supervisory Authority ("NAMFISA").

The Group manages compliance risk through the following key activities:

- Creating awareness through the training of employees and other affected stakeholders on the impact and responsibilities related to legislative requirements;
- Monitoring and reporting on the level of compliance with legislative requirements;

- Providing assurance that the risks relating to regulatory requirements are identified, understood and effectively managed; and
- Consulting with the business units and providing compliance opinions with regard to new business ventures and processes.

Strategic risk

Strategic risk is the risk of an adverse impact on capital and earnings, due to business policy decisions (made or not made), changes in the economic environment, deficient or insufficient implementation of decisions, or a failure to adapt to changes in the environment.

Strategic risk is either the failure to do the right thing, doing the right thing poorly, or doing the wrong thing. Strategic risk includes:

- the risk associated with the deployment of large chunks of capital into strategic investments that subsequently fail to meet stakeholders expectations;
- the risk that the strategic processes to perform the environmental scan, align various strategies, formulation of vision, strategies, goals, objectives and the allocation of resources for achieving, implementing, monitoring and measuring the strategic objectives are not properly in place or are defective; and
- failure to adequately review and understand the environment in which the Group operates leading to underperformance against its strategic and business objectives (specific environmental components include: industry, political, economic, government, competitive and regulatory factors).

Brand positioning is a sub-risk of strategic risk.

Insurance and assurance risk

Insurance and assurance risk comprises:

- the risk that the underwriting process permits clients to enter risk pools with a higher level of risk than priced for, resulting in a loss to the business unit or group.
- actuarial and statistical methodologies are used to price insurance risk (e.g. morbidity, mortality, theft, storm). Underwriters align clients with this pricing basis and respond to any anti-selection by placing clients in substandard risk pools and price these risks with an additional risk premium and/or exclude certain claims, events or causes, or exclude clients from entering pools at all.
- the failure to re-insure with other acceptable quality insurers, beyond the level of risk appetite (excessive risk) mandated by the Board of Directors, risks underwritten by the short-term insurance and/or life assurance activities of the Group, including catastrophe insurance (i.e. more than one insurance claim on the Group arising from the same event), leading to disproportionate losses to the Group (reinsurance risk); and
- the risk of no or inadequate insurance cover for insurable business risks (insurance risk).

New business risk

New business risk is the risk that new product- and business lines do not generate anticipated revenue or cost savings to the Group. This could be as a result of providing inappropriate products and business

lines to clients or potential clients which fail to meet their requirements or otherwise fail to impress, compete with competitors' products or provide the Group with a leading edge in product development and delivery. Management of this risk requires that new products and business development do not reach the client distribution channel without the appropriate signoff for compliance with the risk management requirements for all enterprise-wide-risk management framework risks.

Capital risk

Capital risk is the risk that the Group will become unable to absorb losses, maintain public confidence and support the competitive growth of the business. Capital risk includes failure of the Group's entities to maintain the minimum regulatory capital requirements laid down by the Bank of Namibia, the South African Reserve Bank and NAMFISA.

The management of capital risk is described in note 43 to the annual financial statements on page 121 of this report.

Social and environmental risk

Social and environmental risk is the risk of reputational impairment and ultimately loss of business and profitability as a result of non-achievement of a balanced and integrated social and environment performance, which together with economic performance are referred to as the 'triple bottom line'.

Investment risk

Investment risk can be defined as the risk of a decline in the net realisable value of investment assets arising from adverse movements in market prices or factors specific to the investment itself (e.g. reputation, quality of management). Market prices are independent variables, which include interest rates, property values, exchange rates, equity and commodity prices.

Investment risk has the following sub risks:

- equity risk in the banking book (also termed investment risk); and
- property risk.

Transformation risk

Transformation risk relates to the risk of failure by the Group to adequately, proactively and positively respond to and address transformation issues such as Black Economic Empowerment and uphold related law such as Employment Equity Act.

The Group is managing the transformation journey by conforming to various regulatory and best practice frameworks, including the Namibian Financial Sector Charter.

Transformation is regarded as a business and moral imperative at the Group. This is why we are committed to playing our part to overcome our country's socioeconomic challenges. More importantly, we believe that transformation goes beyond numbers and requires contribution and creativity from all committed stakeholders.

The Group is updating an approach to accelerated development with a specific focus on addressing our transformation challenges at senior management level – this includes knowledge transfer, mentoring and coaching and sponsorship.

The Group aspires to be at the forefront of transformation as part of its expressed strategic focus areas to achieve its vision. Our transformation vision is: 'To be a bank with an inclusive culture, relevant in the societies in which we operate and admired as a business that significantly advances the development of historically disadvantaged people across all our stakeholder groups'. To achieve such, the Group has developed an integrated transformation strategy that has an inclusive environment as a base. In executing this transformation strategy, the Group is currently exploring means to create a suitable inclusive environment that will drive transformation holistically to a point where all feel part of the organisation.

MANAGEMENT COMMITTEES

EXECUTIVE COMMITTEE ("EXCO")

As part of the refinement of the governance structures within the NedNamibia Holdings Group, the Executive Committee has been converted from a Bank EXCO to a Group EXCO. The EXCO is the highest ranking management Committee in the Group. The EXCO assists the Managing Director in managing the business of the Group, subject to regulatory and statutory limits, the Board's limitations on delegation of authority and the Board approved policies and authority levels of the Group. The Committee furthermore assists the Managing Director to guide and control the overall direction of the business of the Group and in particular the Bank and acts as a medium of communication and co-ordination between business units and the Board.

Responsibility for material management decision-making in the Bank is delegated by the Board to the EXCO, which in turn is accountable to the Board through the Managing Director, who is the Chairperson of EXCO and a member of the Board. EXCO members are, upon the recommendation of the REMCO and in conjunction with the Managing Director, appointed by the Group's Board.

The following structural changes were effected to the Group Executive Committee during the period under review:

- the Governance, Compliance and Legal functions were consolidated and the "Executive Governance and Compliance" position was converted into the position of "Executive: Legal, Governance, Compliance", reporting into the Chief Operating Officer;
- the positions "Executive: Marketing and Communication" and "Head of Transformation and Strategy" were consolidated into the position of "Executive: Transformation, Strategy, Marketing and Communication".

Substantial changes in the Executive team have taken place during the period under review as indicated in the table overleaf.

CORPORATE GOVERNANCE AND COMPLIANCE REPORT

MANAGEMENT COMMITTEES (continued) EXECUTIVE COMMITTEE ("EXCO") (continued)

The status of EXCO members during the year to date 31 December 2014 was:

EXECUTIVE COMMITTEE MEMBERS		
Name of Member	Occupation	Current Status
Matthews L	Managing Director	No change
McAdam W	Chief Operating Officer	No change
Stafford-Evans A	Chief Risk Officer	No change
Matthee H	Executive Retail	No change
Mokhatu D	Executive Human Resources	Appointed: 1/5/2014
Schneider I	Executive Corporate & Business Banking	Appointed: 1/5/2014
Miller M	Executive Corporate Governance and Compliance	Resigned: 31/3/2014
Von Kunow S	Executive Legal, Governance and Compliance	Appointed: 27/2/2014
Smit D	Chief Financial Officer	Resigned: 15/5/2014
Altmann K-S	Chief Financial Officer	Appointed: 1/5/2014
Goldridge G	Executive Shared Services	Returned to Nedbank Group SA 1/3/2014
Van Rhyn S	Executive Shared Services	Appointed: 1/4/2014
Beckman N	Executive Treasury	No change
Mutelo R	Executive Marketing & Communication	Early retirement: 30/9/2014
Mwoombola A	Executive: Transformation, Strategy, Marketing and Communication	Appointed: 1/4/2014

The Chief Operating Officer, Elaine Schlechter of NedNamibia Life Assurance Company and the Head of Projects, Claus Jensen are co-opted members to the EXCO.

EXCO meets formally on a monthly basis and informally on a weekly basis. Additional meetings may be held when necessary.

The EXCO is supported by the following management committees, which are governed by charters, incorporating standard principles of good business governance and which are all accountable to the EXCO:

ENTERPRISE-WIDE-RISK COMMITTEE ("ERCO")

The ERCO forms part of the Group's enterprise-wide-risk governance structure. The primary role of ERCO is to monitor the risks and implementation of the risk management frameworks in the Group. The Committee has a dual reporting line, one into the Risk and Capital Management Committee and the other one into the Nedbank Rest of Africa ERCO. The Managing Director is the Chairperson of ERCO.

NEDBANK NAMIBIA BANK CREDIT COMMITTEE ("NAMIBIA BCC")

The Namibia BCC is responsible for the approval of all third party risks, excluding sovereign and counter party risks, up to an authorised limit. Any facility in excess of such authorised limit has to be referred to the Nedbank Africa Credit Management Committee. The Nedbank Sovereign and Financial Institutions Risk Committee ("SIRC") approves

limits for sovereigns and financial institutions' and reviews these annually upon recommendation of the Namibia BCC.

CREDIT RISK AND MONITORING COMMITTEE ("MONITORING CRAM")

The monitoring CRAM supports the Risk and Capital Management Committee in executing its responsibility. The Committee affords the opportunity to monitor the efficiency of credit risk and operational issues impacting on credit risk on an in-depth level with reference to accounts and units contributing on the 80/20-contribution principle to credit risk. The Committee also serves as a forum to improve operational credit risk processes and procedures in the Bank. The monitoring CRAM is chaired by the Executive Head: Credit and Market Risk Management of Nedbank Rest of Africa and has a dual reporting line into the Nedbank Divisional Credit Committee and the Risk and Capital Management Committee, respectively.

ASSET AND LIABILITY COMMITTEE ("ALCO")

The primary objective of the ALCO is to ensure that the impact of the following risks, including the impact of changes in either or both the level of the market factors and/or the volatility of the market factors are being effectively managed in the Group and in particular in the Bank:

- liquidity risk;
- market risk;
- asset and liability risk, which includes interest rates and foreign exchange risk, including currency translation risk and residual foreign exchange risk;

- investment risk; and
- capital risk.

ALCO meets monthly, or more frequently if necessary. The committee is chaired by the Managing Director.

OPERATIONAL DISTRIBUTION COMMITTEE

The primary role of the Operational Distribution Committee is to ratify the 3-year business plans as they pertain to the distribution plan and to approve:

- amendments to the 3-year business plans pertaining to the distribution plan;
- new concepts that have a direct impact on the distribution plan; and
- the formation and mandate of the project team charged with delivery of distribution and infrastructure relating to specific channels.

PRICING COMMITTEE

The primary objective of the Pricing Committee is to assist the EXCO in discharging its responsibility to ensure that the Bank's pricing of the various components of non-interest revenue are set in an objective, disciplined and co-ordinated manner and that they are properly implemented in terms of systems changes, communication to clients, timing and appropriately aligned to the Bank's strategy and budget imperatives.

SOCIAL INVESTMENT COMMITTEE

The Social Investment Committee's primary objective is to manage the Group's corporate social investment initiatives aimed at building sustainable development in the fields of entrepreneurship, education and health. The Committee reports via the EXCO to the Board of Directors.

PRODUCT COMMITTEE

This Committee is responsible for the monitoring of the Bank's product strategies (including the execution thereof), product development, the Bank's competitive position in the local market as well as technology issues which have an impact on the Bank's products.

INFORMATION TECHNOLOGY COMMITTEE

The principle role of this Committee is to distil the views and priorities of the various Information Technology ("IT") stakeholders in order to arrive at a coherent IT strategy for the Group, which the Committee reviews annually. The Committee is also responsible for the stability and accuracy of the IT System, reviews developments in the market and amongst competitors, oversees the implementation of IT projects/upgrades and advises on the optimum allocation of IT resources.

HEALTH AND SAFETY COMMITTEE

The primary role of this Committee is to monitor the application of health and safety regulations in the Group to ensure compliance with the Labour Act 11 of 2007 and the Regulations relating to the health and safety of employees at work.

GO GREEN COMMITTEE

The role of this committee is to ensure that good governance principles are applied in the management of the Go Green Fund.

Through its Go Green Fund, Nedbank Namibia is helping to conserve and develop the natural resources of Namibia, and to support the country's fragile ecology. For every home loan funded, and for every vehicle financed above a predetermined amount, Nedbank Namibia donates to the Go Green Fund - at no cost to the client. Projects supported by the Go Green Fund in 2014 are disclosed in the Sustainability Report on page 37.

EMPLOYMENT EQUITY/AFFIRMATIVE ACTION COMMITTEE

This committee deals with employment equity and affirmative action matters and the employment equity status is monitored quarterly by the Remuneration, Nomination, Employment Equity and Skills Retention Committee ("REMCO"). The Group continuously strives to achieve employment equity in the workplace and to enhance competitiveness. It is a carefully planned, managed and monitored process, incorporating strategies aimed at transforming the employment environment within the Group. These mechanisms provide for the recruitment, development and promotion of competent individuals, especially those from previously disadvantaged groups, to allow them to gain access to opportunities based on their suitability, while ensuring the maintenance of core standards within the organisation.

INSURANCE RISK COMMITTEE

The role of the Committee is to determine the adequacy of insurance coverage arranged for NedNamibia Holdings Limited and its subsidiaries ("the NNH Group"), with the aim of aligning, where possible local policies and procedures to the Nedbank Group's operating philosophy, policies and standards on insurance risk management.

FORMAL RECOGNITION COMMITTEE

The role of the Committee is to define the recognition criteria; to educate employees and maintain awareness on the recognition process; to communicate regularly with employees regarding recognition criteria and the differences between informal (on-going) and formal recognition; and to communicate, coach and train staff where necessary on how to nominate.

PROCUREMENT COUNCIL COMMITTEE

The Council approves all procurement proposals tabled to the Council and the EXCO ratifies the decisions and presents to the Board of directors. EXCO shall be responsible for ensuring that the Council discharges its functions effectively.

THE BASEL CAPITAL ACCORD ("BASEL II")

The Group places significant focus on risk management in compliance with Basel II. The Bank applies the standardised approach for regulatory purposes in line with the rest of the industry.

CORPORATE GOVERNANCE AND COMPLIANCE REPORT

THE BASEL CAPITAL ACCORD (“BASEL II”) (continued)

For credit risk management purposes of corporate and business banking clients, the Bank makes use of rating models based on South African data. A summary of the ratings is submitted quarterly to the Divisional Credit Committee (“DCC”) of Nedbank Group Limited. The Bank complies with regulatory requirements in submitting its Internal Capital Adequacy Assessment Process (“ICAAP”) reporting to Bank of Namibia. The assumptions underlying ICAAP are continuously evaluated and reported to the Risk and Capital Management Committee.

SCHEDULE OF DELEGATED AUTHORITIES (“SODA”)

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

The Board subscribes to the ‘four eye’ principle of management, in terms of which no individual officer of the Group (including the Managing Director) acting alone, is empowered to bind the Group in relation to material matters.

CODE OF ETHICS

The Group is a value-driven organisation, which is committed to organisational integrity and high standards of ethical behaviour in its dealings with all the Group’s stakeholders. Its values of integrity, respect, accountability, pushing beyond boundaries and being people-centered have been enshrined in the Group’s “*Deep Green Aspirations*” and incorporated into a code of ethics as the foundation of the Group’s culture. Ethical and trustworthy employees are key to our continued success and the required level of ethical behavior is achieved through ongoing employees’ awareness and education efforts and a culture of zero tolerance for ethical misconduct.

With the assistance of the Ethics Officer of Nedbank Group, a four-day Governance Awareness Training program - focused to build and entrench an Ethics culture in the Group - was offered to staff in 2014. From 19 to 22 May 2014, seven training sessions of 3 hours each were conducted and attended by 122 employees who have not previously received this training. The training also covered the Code of Conduct, including values, ethics, outside interests and gift policies in an effort to raise the profile of ethics among the stakeholders with whom we interact. All employees (including contractors and temporary employees) are required to adhere to this code. In terms of the code, “*doing the right thing*” is at the heart of our approach to business. We maintain the highest ethical standards in carrying out our business activities and our core values inform our Code of Ethics to guide and direct all decisions and actions. Failure to maintain ethical standards may result in disciplinary action.

The Board of Directors is confident that high ethical standards are maintained in the Group and that business is conducted in a manner, which under all reasonable circumstances, is beyond reproach.

GOVERNANCE STRUCTURE WITHIN OTHER OPERATING SUBSIDIARIES

NedLoans (Proprietary) Limited (“NedLoans”)

As the Bank’s subsidiary, NedLoans’ internal control-, risk management- and compliance environments are monitored by the Group Audit- and Risk and Capital Management Committees, reporting into the Board of Directors.

NedCapital Namibia (Proprietary) Limited (“NedCapital”)

NedCapital, a 100% subsidiary of NedNamibia Holdings, has a dual reporting structure, whereby statutory reporting is done to the NedNamibia Holdings Board, while Nedbank Capital South Africa assumes responsibility for the technical risk and compliance functions. The Audit Committee monitors NedCapital’s internal control environment while the Risk and Capital Management Committee monitors the company’s capital management as well as its risk management-, information technology- and compliance environments. Both Committees report into the NedNamibia Holdings Board of Directors. NedCapital’s governance and control structures are constantly refined to follow new business developments.

In June 2014 the service offering of NedCapital was rolled in to Nedbank Namibia Limited. This move was to ensure that there was a consistent and seamless client experience under the overall Nedbank commitment to excellent service delivery. Both specialist support from NedCapital South Africa as well as the NedCapital Brand will be maintained under such joint service offering with the intention to wind down the remaining transactions in the underlying legal entities which are expected to terminate in 2015. This move is in line with the rest of the Nedbank Group where NedCapital is a division of Nedbank Limited.

The de-registration of Tunga Management Company (Proprietary) Limited, a 100% subsidiary of NedCapital Namibia, has been lodged with the Registrar of Companies and is presently work in progress.

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

These operating companies are 100% subsidiaries of NedNamibia Holdings. The companies’ internal control environments are monitored by the Audit Committee while the Risk and Capital Management Committee monitors the companies’ capital management as well as their risk management-, information technology and compliance environments. The Audit- as well as Risk and Capital Management Committees report into the NedNamibia Holdings Board.

ASSESSMENT OF CHIEF FINANCIAL OFFICER AND FINANCE DIVISION

The Audit Committee confirmed its confidence in the appropriateness of the expertise and experience of the Chief Financial Officer as well as the capabilities of the Finance team.

DIRECTORS’ DECLARATION

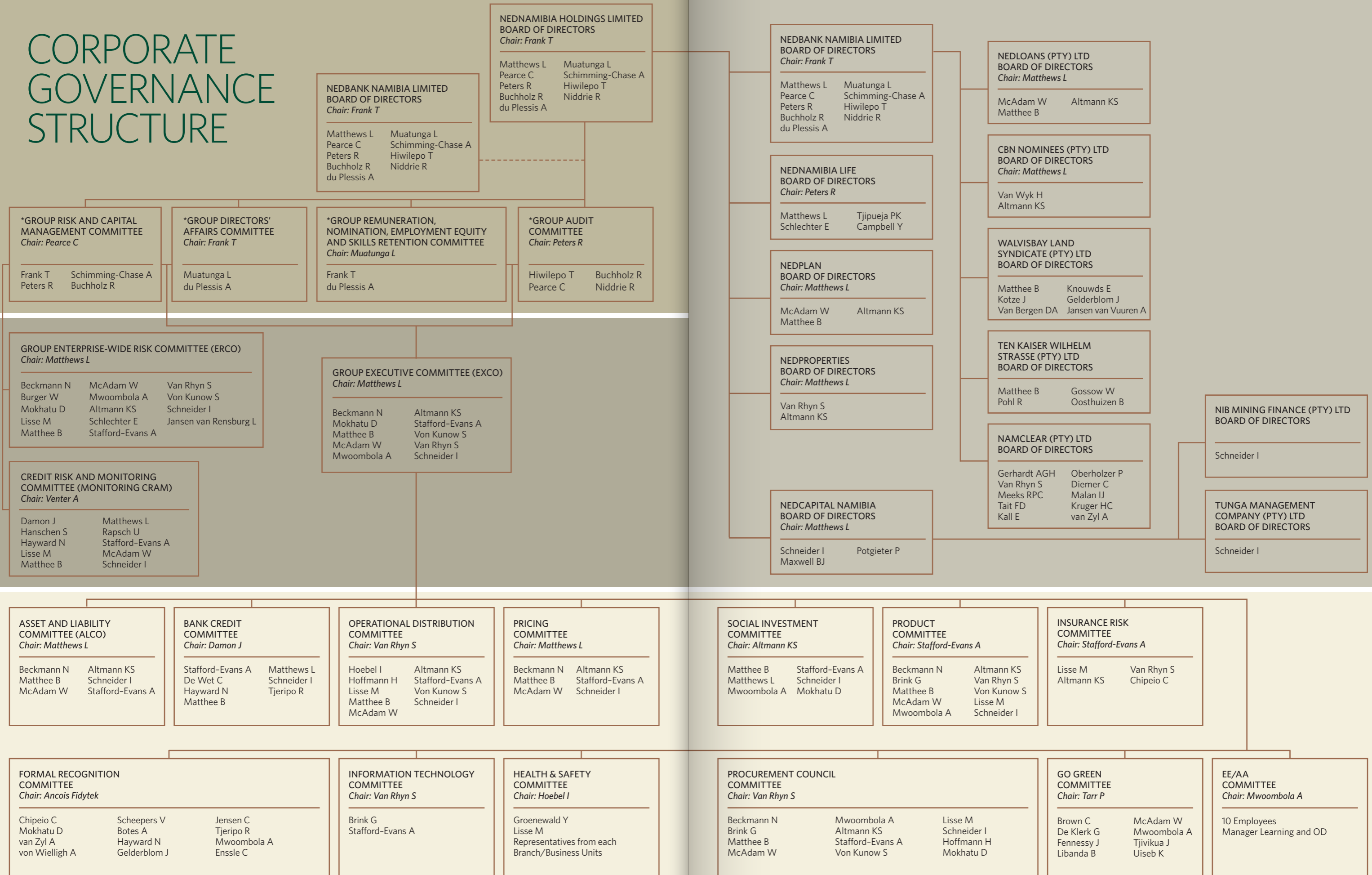
The directors of NedNamibia Holdings Group confirm and acknowledge that:

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

GOING CONCERN DECLARATION

The going-concern basis in preparing annual financial statements has been adopted. The directors have no reason to doubt that the Group or any of its subsidiaries has adequate resources to continue in operational existence for the foreseeable future.

CORPORATE GOVERNANCE STRUCTURE



DIRECTORS' RESPONSIBILITY

For the year ended
31 December 2014

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements and related information included in this annual report. The annual financial statements presented on pages 50 to 54 (section relating to financial risk management) and 68 to 150 have been prepared in accordance and compliance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the Namibian Companies Act and include amounts based on judgments and estimates made by management. The directors have also sanctioned the other information included in the annual report, since they are responsible for both its accuracy and consistency with the annual financial statements.

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 Audit- and Risk and Capital Management Committees 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

The annual financial statements were approved and authorised for issue by the Board of directors on 2 July 2015 and are signed on its behalf by:

TJ FRANK (SC)
Chairman

LJ MATTHEWS
Managing Director

generally accepted business practices and the Group's written policies and procedures. These controls are implemented by trained, skilled staff, with clearly defined lines of accountability and an appropriate segregation of duties. 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 conducts operational, financial and specific audits within the NedNamibia Holdings Group of companies and coordinates audit coverage with the external auditors.

The 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 page 64.

The going-concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Company or any other company within the Group will not be a going concern in the year ahead, based on forecasts and available cash resources. These annual financial statements support the viability of the Company and the Group.

INDEPENDENT AUDITOR'S REPORT

To the Members of
NedNamibia Holdings Limited

We have audited the group annual financial statements and company annual financial statements of NedNamibia Holdings Limited, which comprise the consolidated and separate statements of financial position as at 31 December 2014, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes and the report of the directors, as set out on pages 50 to 54 (section relating to financial risk management) and 68 to 150.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in Namibia, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these 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 2014 and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in Namibia.

Deloitte & Touche

Registered Accountants and Auditors
Chartered Accountants (Namibia)
ICAN practice number: 9407
PO Box 47, Windhoek, Namibia

PER J CRONJÉ – Partner

Windhoek
2 July 2015

Regional Executives: LL Bam (Chief Executive), A Swiegers (Chief Operating Officer), GM Pinnock

Resident Partners: E Tjipuka (Managing Partner) RH McDonald, H de Bruin, J Cronjé, A Akayombokwa, A Matenda

Director: G Brand

STATUTORY
ACTUARY'S REPORT

To the Members of NedNamibia Life
Assurance Company Limited

1. FINANCIAL SOUNDNESS

I have conducted an actuarial valuation of NedNamibia Life Assurance Company Limited 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.

The liability has been based on cash flow projections, on a per policy basis, using the assumptions contained in note 3 below.

Statement of Assets, Liabilities, Excess Assets and Capital Requirements

	2014 N\$	2013 N\$
Total value of assets as per statement of financial position	222 342 922	161 202 240
Value of liabilities	89 633 404	74 267 453
Current and other liabilities as per statement of financial position	3 568 134	6 291 891
Total value of liabilities	93 201 538	80 559 344
Excess assets	129 141 384	80 642 896
The values of the Assets, Liabilities and Excess Assets on the Published Reporting basis are identical to the Statutory Reporting basis.		
Analysis of Change in Excess Assets		
The excess of the value of the assets over the liabilities has changed as follows over the reporting period.		
Analysis of change in excess assets		
Excess assets as at end of reporting period	129 141 384	80 642 896
Excess assets as at beginning of reporting period	80 642 896	45 027 741
Change in excess assets over the reporting period	48 498 488	35 615 155
This change in excess assets is due to the following factors:		
Investment return	11 299 486	6 582 415
Total investment return	11 299 486	6 582 415
Operating profit	34 368 712	27 152 267
Changes in valuation methods and assumptions	4 313 770	2 749 351
Taxation	(1 483 480)	(868 879)
Total earnings	48 498 488	35 615 155
Capital raised	-	-
Dividends paid	-	-
Total change in excess assets	48 498 488	35 615 155
Reconciliation to reported earnings		
Total earnings as per above table	48 498 488	35 615 155
Reported earnings in the financial statements	48 498 488	35 615 155
Difference	-	-

The Excess Assets on the Statutory (and Published) Reporting basis increased to N\$ 129 141 384. This is an improvement from the previous year's Excess Assets of N\$ 80 642 896. The increase in Excess Assets is attributable primarily to good expense and claims experience.

2. CHANGES IN VALUATION METHODS OR ASSUMPTIONS

The assumption for death claims was dropped by 15% since the 2014 claims were lower than expectations. The claims experience will be monitored going forward.

The impact of the above changes was to decrease reserves by N\$4.3m.

3. VALUATION BASIS OF ASSETS

Assets are valued at the statement of financial position values i.e. at market or director's value as described in the Annual Financial Statements.

Valuation of policyholder liabilities

The valuation of the policy liabilities was conducted based on the assumptions below:

The assumptions are based on best estimates of the expected experience. The main assumptions, before allowing for prescribed margins, were as follows:

Investment return	7.3% per annum (gross of tax)
Mortality	57.375% x SA85/90 Heavy (ULT) + 37.5% of AIDS extra mortality (High Risk Group Males with 2 year progression)
Permanent disability	CSI Skilled Lives x 0.84375
Dread disease	CSI 1997 Dread Disease x 0.84375
Temporary disability	CMIR12 Inception Rates (4 week deferred period) x 0.3375, 6 months payment on average
Retrenchment	3.75% Inception Rate, 6 months payment on average
Withdrawals	Year 1 = 15%
	Year 2+ = 10%
	Year 3+ = 5%
NAMFISA levy	0.15% of Outstanding Liability
Renewal expenses	R204 per annum
Expense inflation	4.3% per annum
Taxation	40% Investment income is taxed at 33%. All investment income assumed to be taxable.

- No negative reserves were held.
- An Incurred But Not Reported (IBNR) reserve of 4/12ths of the annual expected claims was established.
- A reserve of N\$11.2m was held in respect of policies that were sold but not included in the valuation data as at the valuation date.

4. CAPITAL ADEQUACY REQUIREMENT

The capital adequacy requirement (CAR) is calculated, in accordance with PGN104, 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.

In line with changes to PGN104 guidelines, CAR now includes Operational Risk, Expense Fluctuation Risk and Credit Risk components.

For the purpose of grossing up the intermediate ordinary capital adequacy requirements (IOCAR) to determine the ordinary capital adequacy requirements (OCAR), 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 OCAR exceeded the termination capital adequacy requirement ("TCAR") at the valuation date, and thus the capital adequacy requirements have been based on the OCAR. This amounts to N\$4.9m.

However regulation requires that a Life Company with multiple products hold at least \$4m in capital. Therefore current CAR for NedNamibia Life Assurance is in excess of \$4m and sufficient as per regulations.

The surplus is 26 times the capital adequacy requirement.

STATUTORY
ACTUARY'S REPORT

To the Members of NedNamibia Life
Assurance Company Limited

CERTIFICATION OF STATUTORY FINANCIAL POSITION

I hereby certify that:

- The valuation on the Statutory basis of NedNamibia Life Assurance Company as at 31 December 2014 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, applicable Actuarial Society of South Africa professional Guidance Notes; and
- I have accepted that the annual financial statements comply with the requirements of the Namibian Companies Act and Long-Term Insurance Act in Namibia;
- This Statutory Actuary's Report, read together with the annual financial statements, fairly represents the financial position of the Company; and
- The company was 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.



SANDY GOVENDER

(FIA, FASSA)

Statutory Actuary for NedNamibia Life Assurance Company Limited
02 March 2015

REPORT OF THE DIRECTORS

For the year ended
31 December 2014

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 2014. The details of the financial results are set out in these annual financial statements, which have been prepared under the supervision of the NedNamibia Holdings Group Chief Financial Officer, Mr Karl-Stefan Altmann, in compliance with International Financial Reporting Standards, adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the Namibian Companies Act and include amounts based on judgments and estimates made by management.

INTEGRATED REPORT

The board of directors acknowledges its responsibility to ensure the integrity of the integrated report. The board has accordingly applied its mind to the integrated report and is of the opinion that the integrated report addresses all material issues and presents fairly the integrated performance of the organization and its impacts. The integrated report has been prepared in line with 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.

NATURE OF THE BUSINESS

NedNamibia Holdings is a registered holding company that, through its subsidiaries, provides a wide range of financial services, including corporate and retail banking, property and asset finance, private banking, micro lending, insurance and foreign exchange and securities trading. 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 is Nedbank Group Limited, a South African incorporated company, which holds 100% of the issued share capital of NedNamibia Holdings. Its ultimate controlling shareholder is Old Mutual plc, incorporated in England and Wales.

The NedNamibia Holdings Group Structure is set out on page 6 of this report.

FINANCIAL RESULTS FOR THE YEAR

Full details of the financial results are set out on pages 68 to 150 of these annual financial statements.

SHARE CAPITAL

NedNamibia Holdings has an authorised share capital of 80 000 000 ordinary shares of 25 cents each. The Company's issued share capital comprises 70 381 644 ordinary shares.

At the annual general meeting held 2 July 2014 the shareholder has placed the unissued share capital of 9 618 356 ordinary shares under the control of the directors until the next annual general meeting.

DIVIDENDS

No dividend was declared in the current financial year (2013: nil).

ACCOUNTING TREATMENT OF LOANS AND ADVANCES

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

BOARD OF DIRECTORS

To align the composition of the board with Nedbank Group policy and best practice, the controlling shareholder, Nedbank Group Limited, has resolved that the board be restructured. During the period under review, the NedNamibia Holdings Board has been restructured to mirror the Nedbank Namibia Board. Changes to the composition of the Board will be effected in a phased approach taking into account the Nedbank Group Policy that non-executive directors who have served for longer than nine years should ideally be replaced. The Chairman of the Board informs rotating directors in advance when they will not be re-appointed.

In terms of the Company's Articles of Association one third of the directors are required to retire at each NedNamibia Holdings annual general meeting and may offer themselves for election or re-election. At the annual general meeting that was held in terms of Section 187 (9) of the Companies Act, Act 28 of 2004, on 2 July 2014, Mr Rolf Peters has retired by rotation and was eligible for re-election. Due to the substantial changes that have taken place in the leadership team of the Bank and for consistency reasons, Mr Peters, who has been a director of the Company for more than 9 years, has been reappointed as director until the next (2015) annual general meeting.

REPORT OF THE DIRECTORS

For the year ended
31 December 2014

In terms of the Articles of Association, the Board has the right to fill any vacancies occurring on the Board, but any person so appointed shall retire at the next following Annual General Meeting and be eligible for re-election. At the annual general meeting that was held in terms of Section 187 (9) of the Companies Act, Act 28 of 2004, on 2 July 2014, the following newly appointed directors, who retired in terms of the Articles of Association, were appointed as directors to the Company:

Mr Lionel Matthews as Managing Director

Mr Adriaan du Plessis (*Subject to Bank of Namibia approval, obtained on 19/8/2014*)

Mr Richard Buchholz (*Subject to Bank of Namibia approval, obtained on 19/8/2014*)

During the period under review and up to the approval of the financial statements the following changes occurred to the NedNamibia Holdings board:

Resignations:

Messrs: Beyers, Stanley (Resigned: 28/2/2014)

New appointments:

Messrs: Du Plessis, J Adriaan (Appointed: 19/8/2014)
 Buchholz, Richard (Appointed: 19/8/2014)
 Hiwilepo, Trophimus (Appointed: 22/8/2014)
 Ms: Schimming-Chase, Afra (Appointed: 22/8/2014)
 Mrs: Muatunga, Liina (Appointed: 22/8/2014)
 Messrs: Niddrie, Richard (Appointed: 6/11/2014)

The Board conveys its appreciation to the resigning director for his dedicated service and constructive contributions to Board deliberations during his term of office and welcomes the newly appointed directors as members of the NedNamibia Holdings Board.

The NedNamibia Holdings Board presently comprises the following members:

Frank, Theo J (SC) (Chairman)	Independent non-executive director
Buchholz, Richard WR*	Non-executive director
Du Plessis, J Adriaan*	Non-executive director
Hiwilepo, Trophimus T	Independent non-executive director
Matthews, Lionel J	Executive director
Muatunga, Liina M	Independent non-executive director
Niddrie, Richard P	Independent non-executive director
Pearce, Christopher J*	Independent non-executive director
Peters, Rolf H**	Independent non-executive director
Schimming-Chase, Afra R	Independent non-executive director

* South African
 ** German

COMPANY SECRETARY AND REGISTERED OFFICE

The secretary of the Company is Mrs Mechthild Meiring, whose business address as well as that of the registered office is:

Physical address:

12-20 Dr Frans Indongo Street, Windhoek, NAMIBIA

Postal address:

P O Box 1, Windhoek, NAMIBIA

The Company's registration number is 91/075.

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, Namibia, P O Box 2401, Windhoek, Namibia.

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 BANK HAVE AN INTEREST

No contracts in which directors of the Company had an interest and that significantly affected the affairs of business of the Company or any of its subsidiaries were entered into during the year under review.

SUBSIDIARIES

As at 31 December 2014, NedNamibia Holdings had the following directly held subsidiaries:

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

More details on direct and indirect subsidiaries of the Group are set out in note 11 to these annual financial statements.

SPECIAL RESOLUTIONS

No special resolutions were passed by the Company or any of its subsidiaries during the year under review.

SUBSEQUENT EVENTS

The directors are not aware of any material subsequent events that have occurred between year-end and the date on which these financial statements were approved.

CONSOLIDATED STATEMENT
OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 N\$'000	2013 N\$'000
ASSETS			
Cash and balances with central bank	4	351 007	273 079
Due from other banks	5	870 749	1 130 037
Other short-term securities	6	897 401	304 248
Derivative financial instruments	7	10 787	18 609
Government and other securities	8	1 046 082	965 269
Loans and advances to customers	9	8 309 843	6 935 109
Other assets	10	70 039	125 579
Investment in subsidiaries, associates and listed investments	11	44 593	39 035
Property and equipment	12	213 791	150 236
Computer software and development cost	13	27 888	29 095
Goodwill	14	29 125	29 623
Total assets		11 871 305	9 999 919
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	17 595	17 595
Share premium	15	99 536	99 536
General risk reserve	16	65 169	51 146
Revaluation reserve	17	77 365	39 885
Share-based payment reserve	18	16 705	16 856
Available-for-sale reserve	19	25 817	19 928
Retained income		1 335 481	1 103 385
Shareholder's interest		1 637 668	1 348 331
Non-controlling interest		13 119	5 015
Total shareholder's equity and non-controlling interest		1 650 787	1 353 346
LIABILITIES			
Derivative financial instruments	7	10 206	18 267
Due to other banks	20	308 564	211 477
Due to customers	21	5 981 674	5 240 816
Negotiable certificates of deposit	22	3 527 996	2 883 261
Other liabilities	23	203 920	122 054
Deferred taxation liabilities	24	86 094	84 758
Policyholder liabilities under insurance contracts	25	89 639	74 267
Provision for post-retirement medical benefits	26	8 224	8 034
Long-term subordinated debt instruments	27	4 201	3 639
Total liabilities		10 220 518	8 646 573
Total equity and liabilities		11 871 305	9 999 919

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

For the year ended
31 December 2014

	Notes	2014 N\$'000	2013 N\$'000
Interest and similar income		861 309	692 853
Interest expense and similar charges		(386 224)	(281 370)
Net interest income	28	475 085	411 483
Impairment of loans and advances	30	(4 392)	(12 323)
Income from lending activities		470 693	399 160
Non-interest income	29	317 463	287 251
Share of profit/(loss) from associate	11	236	(442)
Net income excluding impairments		792 784	698 292
Net income		788 392	685 969
Operating expenditure	31	(446 620)	(410 769)
Transfers to policyholder liabilities under insurance contracts	32	(15 372)	(14 702)
BEE transaction expenses	33	(1 190)	(873)
Profit before taxation		325 210	259 625
Taxation	34	(78 443)	(58 795)
Total profit after taxation		246 767	200 830
Other comprehensive income net of taxation			
Items that may be reclassified subsequently to profit or loss:			
Gain on revaluation of property		45 093	4 309
Adjustment due to tax rate change		-	533
Deferred taxation effect of release of property revaluation reserve		-	(71)
Other movements affecting revaluation reserve		-	543
Items that may not be reclassified subsequently to profit or loss:			
Available-for-sale financial instrument reserve		5 889	217
Total other comprehensive income net of taxation		50 982	5 531
Total comprehensive income for the year		297 749	206 361
Total profit after tax attributable to:			
Non-controlling interest		1 363	577
Owners of the parent		245 404	200 253
Total profit after taxation		246 767	200 830
Total comprehensive income attributable to:			
Non-controlling interest		8 474	577
Owners of the parent		289 275	205 784
Total comprehensive income for the year		297 749	206 361
Earnings per share (cents)	36	347,7	283,70
Diluted earnings per share (cents)	36	347,7	283,70

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY

For the year ended
31 December 2014

	Share capital N\$'000	Share premium N\$'000	General risk reserve N\$'000	Revaluation reserve N\$'000	Share based payment reserve N\$'000	Available-for-sale-reserve N\$'000	Retained income N\$'000	Total shareholder's interest N\$'000	Non-controlling interest N\$'000	Total N\$'000
Balance at 1 January 2013	17 595	99 536	45 504	35 181	19 127	19 711	907 303	1 143 957	5 483	1 149 440
Total comprehensive income for the year	-	-	-	4 704	-	217	200 863	205 784	577	206 361
Profit for the year	-	-	-	-	-	-	200 253	200 253	577	200 830
Other comprehensive income for the year	-	-	-	4 704	-	217	610	5 531	-	5 531
Non-controlling interest dividends	-	-	-	-	-	-	-	-	(413)	(413)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(632)	(632)
General risk reserve	-	-	5 642	-	-	-	(5 642)	-	-	-
Share-based payments reserve movement	-	-	-	-	(2 271)	-	861	(1 410)	-	(1 410)
Balance at 31 December 2013	17 595	99 536	51 146	39 885	16 856	19 928	1 103 385	1 348 331	5 015	1 353 346
Total comprehensive income for the year	-	-	-	36 619	-	5 889	245 404	287 912	9 837	297 749
Profit for the year	-	-	-	-	-	-	245 404	245 404	1 363	246 767
Other comprehensive income for the year	-	-	-	36 619	-	5 889	-	42 508	8 474	50 982
Non-controlling interest dividends	-	-	-	-	-	-	174	174	(970)	(796)
Transfers	-	-	-	861	-	-	390	1 251	(763)	488
General risk reserve	-	-	14 023	-	-	-	(14 023)	-	-	-
Share-based payments reserve movement	-	-	-	-	(151)	-	151	-	-	-
Balance at 31 December 2014	17 595	99 536	65 169	77 365	16 705	25 817	1 335 481	1 637 668	13 119	1 650 787
Notes	15	15	16	17	18	19				

CONSOLIDATED STATEMENT
OF CASH FLOWS

For the year ended
31 December 2014

	Notes	2014 N\$'000	2013 N\$'000
Cash generated by operating activities	37.1	532 180	305 084
Cash received from customers	37.2	1 161 985	979 070
Cash paid to customers	37.3	(370 787)	(272 531)
Cash paid to employees and suppliers		(257 466)	(287 165)
Dividends received		2 718	2 220
Taxation paid	37.4	(81 095)	(72 378)
Recoveries of loans previously written off	30.1	8 300	9 020
Cash movements in advances and other accounts		(1 302 192)	(903 922)
Cash movements in operating liabilities	37.5	1 370 717	850 770
Cash flow from investment activities		(713 540)	2 068
Investment in property, equipment, computer software and development cost		(31 371)	(20 485)
Proceeds on sale of property and equipment		294	3 352
(Purchase)/Sale of non-dealing securities	37.6	(682 463)	19 201
Net (decrease)/increase in cash and cash equivalents		(181 360)	307 152
Cash and short-term funds at beginning of the year		1 403 116	1 095 964
Cash and short-term funds at end of the year	37.7	1 221 756	1 403 116

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended
31 December 2014

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 available-for-sale; and
- owner-occupied properties.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if a market participant would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements are determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, 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.

Other than the additional disclosures, the application of IFRS 13: Fair Value Measurement has not had any material impact on the amounts recognised in the financial statements during the current year.

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

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

Critical accounting judgements and key sources of estimation uncertainty

In the preparation of the annual financial statements the Group has recorded various assets and liabilities on the presumption that the Group is an ongoing 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 Bank 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 Bank makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cashflows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing loans is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These include early arrears and other indicators of potential default, such as changes in macroeconomic conditions and legislation affecting credit recovery. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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

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

For larger non-performing exposures impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cashflows are taken into account, for example the business prospects for the client, the realizable value of collateral, the Group's position relative to other claimants, the reliability of client information and the likely cost and duration of the workout process. The level of the impairment allowance is the difference between the value of the discounted expected future cashflows (discounted at the loan's original effective interest rate) and its carrying amount.

Subjective judgements are made in the calculation of future cashflows. Furthermore, judgements change with time as new information becomes available or as workout strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairments charge.

Fair value of financial instruments

Certain of the Group's financial instruments are carried at fair value through profit or loss, such as those held for trading, designated by management under the fair value option and non-cashflow hedging derivatives.

Other non-derivative financial assets may be designated as available for sale. Available-for-sale 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.

Details of the processes, procedures and assumptions used in the determination of fair value are discussed in note 44.3 to the financial statements.

Financial risk management

The group's risk management policies and procedures are disclosed in the corporate governance and compliance report on pages 50 to 54. These risk management procedures include, but are not limited to, credit risk, securitisation risk, liquidity risk, interest rate risk in the banking book and market risk.

Estimate of future benefit payments and premiums arising from insurance contracts

The Financial Soundness Valuation ("FSV") Method was used for valuing insurance contracts.

Estimates are made as to the expected and permanent incapacity claims, future mortality experience and the future rate at which policyholders will terminate their policies. These estimates were based on standard morbidity and mortality tables and experience since inception of the life product, and are adjusted for anticipated changes

in experience where appropriate. Provision was made for the potential adverse experience due to AIDS and other potential contingencies.

Estimates are made to the future level of maintenance expenses to be incurred in the administering the policies in force at the current year end. These costs are assumed to increase each year in line with an assumed inflation rate.

Estimates are made as to future investment income arising from the investments. These estimates are based on current market returns as well as expectations about future economic and financial developments.

For policyholder liabilities, the estimates are determined as the Statutory Actuaries best-estimates regarding the future plus further allowances to statutory contingency margins as required by Professional Guidance Note 104 of the Actuarial Society of South Africa (PGN104) and further margins as deemed necessary. Refer to note 25 for more detail on the assumptions used in valuing policyholder liabilities under insurance contracts.

Once a notified claim is received, a provision will be raised for a year. After 12 months the open claims will be re-assessed. In terms of the underlying policy if no response is received after 18 months the provision raised is released back to the statement of comprehensive income.

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.

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 26 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.

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2. ADOPTION OF NEW AND REVISED STANDARDS

Standards and interpretations effective in the current year

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

New/Revised International Financial Reporting Standards	Issued/ Revised	Effective for annual periods beginning on or after
IFRS 10 Consolidated Financial Statements – Amendments for investment entities	October 2012	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities – Amendments for investment entities	October 2012	1 January 2014
IAS 27 Consolidated and Separate Financial Statements	1 January 2013	1 January 2014
IAS 32 Financial instruments: Presentation – Amendments relating to the offsetting of assets and liabilities	December 2011	1 January 2014
IAS 36 Impairment of Assets – Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets	May 2013	1 January 2014
IAS 39 Financial Instruments: Recognition and measurement – Amendments for novations of derivatives	June 2013	1 January 2014
IFRIC 21 Levies	March 2013	1 January 2014

Description

IFRS 10, IFRS 12 and IAS 27: Investment entities – Revised standards

The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for that investment entity. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements.

The amendments did not have an effect on the Bank's annual financial statements.

IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities – Revised standard

The amendment to IAS 32 clarifies offsetting by explaining:

- when an entity currently has a legally enforceable right of setoff; and
- when gross settlement is equivalent to net settlement.

The adoption of the amendment did not have an impact on the Bank's annual financial statements.

IAS 36 Impairment of Assets – Recoverable Amounts Disclosures for Non-financial Assets – Revised standard

The amendment removes certain disclosures required in respect of the recoverable amount of declined-value cash generating units, which had previously been included in IAS 36 by the issue of IFRS 13 Fair Value Measurement.

The amendment did not have a material effect on the Bank's annual financial statements.

IAS 39 Financial Instruments: Recognition and Measurement – Amendments for novations of derivatives

The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. The amendment covers novations in the following circumstances:

- As a consequence of laws or regulations, or the introduction of laws or regulations.
- Where the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties.
- Where it did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception.

The amendment did not have an effect on the Bank's annual financial statements.

IFRIC 21 Levies – Interpretation adopted in the current year

International Financial Reporting Interpreting Committee (IFRIC) 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and considers how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements.

IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The amendment did not have a material effect on the Bank's annual financial statements.

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

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

New/Revised International Financial Reporting Standards	Issued/ Revised	Effective for annual periods beginning on or after
IFRS 2 Share-base Payment – Amendments resulting from Annual Improvements 2010-2012 Cycle (vesting conditions)	December 2013	1 July 2014
IFRS 3 Business Combinations – Amendments resulting from Annual Improvements 2010-2012 Cycle (contingent consideration)	December 2013	1 July 2014
IFRS 3 Business Combinations – Amendments resulting from Annual Improvements 2011-2013 Cycle (scope exception for joint ventures)	December 2013	1 July 2014
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from September 2014 Annual Improvements to IFRS's	September 2014	1 January 2016
IFRS 7 Financial Instruments: Disclosures – Amendments resulting from September 2014 Annual Improvements to IFRS's	September 2014	1 January 2016
IFRS 7 Financial Instruments: Disclosures – Additional hedge accounting disclosure	November 2013	1 January 2018
IFRS 8 Operating Segments – Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	December 2013	1 July 2014
IFRS 9 Financial Instruments – Classification and Measurement	November 2009	1 January 2018
IFRS 9 Financial Instruments – Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	December 2011	1 January 2018
IFRS 9 Financial Instruments – Accounting for financial liabilities and derecognition	October 2010	1 January 2018
IFRS 9 Financial Instruments – Accounting for hedge accounting	November 2013	1 January 2018
IFRS 10 Consolidated Financial Statements – Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	September 2014	1 January 2016
IFRS 11 Joint Arrangements – Amendments regarding the accounting for acquisitions of an interest in a joint operation	May 2014	1 January 2016
IFRS 13 Fair Value Measurement – Amendments resulting from Annual Improvements 2011 – 2013 Cycle	December 2013	1 July 2014
IFRS 14 Regulatory Deferral Accounts	January 2014	1 January 2016
IFRS 15 Revenue from Contracts with Customers	May 2014	1 January 2017
IAS 16 Property, Plant and Equipment – Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	December 2013	1 July 2014
IAS 16 Property, Plant and Equipment – Amendments regarding the clarification of acceptable methods of depreciation and amortisation	May 2014	1 January 2016
IAS 16 Property, Plant and Equipment – Amendments bringing bearer plants into the scope of IAS 16	June 2014	1 January 2016
IAS 19 Employee Benefits – Amended to clarify the requirement that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	November 2013	1 July 2014
IAS 19 Employee Benefits – Amendments resulting from September 2014 Annual Improvements to IFRS's	September 2014	1 January 2016
IAS 23 Borrowing Costs – Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	December 2013	1 July 2014

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2. ADOPTION OF NEW AND REVISED STANDARDS (continued)

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

New/Revised International Financial Reporting Standards	Issued/ Revised	Effective for annual periods beginning on or after
IAS 24 Related Party Disclosures – Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	December 2013	1 July 2014
IAS 27 Separate Financial Statements – Amendments for investment entities	October 2012	1 July 2014
IAS 27 Separate Financial Statements – Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	August 2014	1 January 2016
IAS 28 Investments in Associates and Joint Ventures – Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	September 2014	1 January 2016
IAS 34 Interim Financial Reporting – Amendments resulting from September 2014 Annual Improvements to IFRS's	September 2014	1 January 2014
IAS 38 Intangible Assets – Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	December 2013	1 July 2014
IAS 38 Intangible Assets – Amendments regarding the clarification of acceptable methods of depreciation and amortisation	May 2014	1 January 2014
IAS 39 Financial Instruments: Recognition and Measurement – Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge	November 2013	1 January 2018
IAS 40 Investment Property – Amendments resulting from Annual Improvements 2011-2013 Cycle (Interrelationship between IFRS 3 and IAS 40)	December 2013	1 July 2014

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.

Description

IFRS 9 – Issued and not yet effective

IFRS 9 was issued in its entirety in July 2014. The final version of the standard incorporates amendments to the classification and measurement guidance as well as the accounting requirements for the impairment of financial assets measured at amortised cost. These elements of the final standard are discussed in detail below:

- Financial assets are to be classified and measured based on the business model for managing the financial asset and the cashflow characteristics of the financial asset. There are two measurement approaches, namely fair value and amortised cost. The financial asset is carried at amortised cost if it is the business model of the Bank to hold that asset for the purpose of collecting contractual cashflows and if those cashflows comprise principal repayments and interest.
- For financial liabilities designated as at fair value through profit or loss a further requirement is that all changes in the fair value of financial liabilities attributable to credit risk be transferred to other comprehensive income with no recycling through profit or loss on disposal.

- Impairments in terms of IFRS 9 will be determined based on an expected-loss model that considers the significant changes to the asset's credit risk and the expected loss that will arise in the event of default.
- IFRS 9 allows financial liabilities not held for trading to be measured at either amortised cost or fair value. If fair value is elected, then changes in the fair value as a result of changes in own credit risk should be recognised in other comprehensive income.
- The hedge accounting requirements under IFRS 9 are closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Hedge effectiveness will now be proved based on management's risk management objectives rather than the 80% to 125% band that was previously stipulated. IFRS 9 also allows for rebalancing of the hedge and the deferral of hedging costs.

The Bank has initiated a process to determine the impact of the standard on the Group's statement of financial position and performance. Until the process has been completed the Bank is unable to quantify the expected impact.

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 non-current 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 at fair value less cost to sell.

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

shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

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

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

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

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consist 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

3.1.1 Investment in associates (continued)

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 3.2 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 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 as reflected on the statement of financial position, include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries and associate companies, employee benefit plans, property and equipment, provisions, deferred taxation, taxation payable/receivable, intangible assets and leases. Financial instruments are accounted for under IAS 32: Financial Instruments: Presentation, IAS 39: Financial Instruments: Recognition and Measurement, IFRS 7: Financial Instruments: Disclosures and IFRS 13: Fair Value Measurement.

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

(i) Initial recognition

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

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

(ii) Initial measurement

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

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

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

(iii) Subsequent measurement

Subsequent to initial measurement, financial instruments are either measured at fair value or amortised cost, depending on their classification and whether fair value can be measured reliably:

■ Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss consist of instruments that are held for trading and instruments that the Group has designated, at the initial recognition date, as at fair value through profit or loss.

The Group classifies instruments as held for trading if they have been acquired or incurred principally for the purpose of sale or repurchase in the near term, they are part of a portfolio of identified financial instruments for which there is evidence of a recent actual pattern of short-term profit taking or they are derivatives. The Group's derivative transactions include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps and currency and interest rate options (both written and purchased).

Financial instruments that the Group has elected, on initial recognition date, to designate as at fair value through profit or loss are those that meet any one of the following criteria:

- where the fair value through profit or loss designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from using different bases to measure and recognise the gains and losses on financial assets and financial liabilities; or
- the instrument forms part of a group of financial instruments that is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel, using a fair-value basis; or
- a contract contains one or more embedded derivatives that require separation from the host contract or a derivative that significantly modifies the cashflows of the host contract.

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, with fair value gains and losses (excluding impairment losses, interest income and interest expense calculated on the amortised cost basis relating to those interest-bearing instruments that have been designated as at fair value through profit or loss) reported in non-interest revenue as they arise. Impairment losses calculated on the amortised cost basis are recognised in the statement of comprehensive income in impairment losses on loans and advances. Interest income and interest expense calculated on the amortised cost basis are reported in interest income and expense.

■ Other financial liabilities

All financial liabilities, other than those at fair value through profit and loss, are classified as other financial liabilities and are measured at amortised cost. The carrying amounts are disclosed in the notes to the financial statements.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

Other financial liabilities (continued)

If the approximation of the fair value of other financial liabilities have proven to be reasonably close to the carrying value of such instruments then in terms of IFRS 7.29(a) the Group is not required to disclose the fair value of these instruments in the notes to the financial statements.

■ Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, other than those that meet the definition of loans and receivables or those that were designated as at fair value through profit or loss or available-for-sale. Held-to-maturity financial assets are measured at amortised cost, with interest income recognised in profit or loss.

■ Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those financial assets classified by the Group on initial recognition as at fair value through profit or loss, available-for-sale or loans and receivables that are held for trading.

Financial assets that are classified as loans and receivables are carried at amortised cost less any impairment, with interest income recognised in profit or loss. The majority of the Group's advances are included in the loans and receivables category. The carrying amounts are disclosed in the notes to the financial statements.

If the approximation of the fair value of loans and receivables have proven to be reasonably close to the carrying value of such instruments then in terms of IFRS 7.29(a) the Group is not required to disclose the fair value of these instruments in the notes to the financial statements.

■ Available-for-sale assets

Financial assets are classified as available-for-sale where the intention, origination and designation of the instrument do not fall within the ambit of the other financial asset classifications. Available-for-sale instruments are typically assets that are held for a longer period and in respect of which short-term fluctuations in value do not affect the Group's hold or sell decision.

Available-for-sale financial assets are measured at fair value, with fair value gains and losses recognised directly in other comprehensive income along with the associated deferred taxation.

Foreign currency translation gains or losses on monetary items, impairment losses and interest income calculated using the effective-interest-rate method, are recognised in profit or loss.

(iv) Embedded derivatives

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 IAS 39 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, cashflows 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 assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, enters a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

(vii) Impairment of financial assets (continued)

- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the Group; or
 - national or local economic conditions that correlate with defaults on the assets in the Group.

Loans that would otherwise be past due or impaired and whose terms have been renegotiated and display the characteristics of a performing loan are reset to performing status. Loans whose terms have been renegotiated continue to be monitored to determine whether they are considered to be impaired or past due.

▪ Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal may not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date on which the impairment is reversed. The amount of the reversal is recognised in profit or loss for the year.

▪ Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value, because its fair value cannot be reliably measured, or on a derivative asset that is linked to and has to be settled by delivery of such an unquoted equity instrument, the amount of the impairment

loss is measured at the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

▪ Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in other comprehensive income is removed from other comprehensive income and recognised in profit or loss.

The amount of the cumulative loss that is removed from other comprehensive and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit and loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss for the period.

▪ Maximum credit risk

Credit risk arises principally from loans and advances to clients, investment securities derivatives and irrevocable commitments to provide facilities. The maximum credit risk is typically the gross carrying amount, net of any amounts offset and impairment losses. The maximum credit exposure for loan commitments is the full amount of the commitment if the loan cannot be settled net in cash or using another financial asset.

▪ Renegotiated financial assets

Financial assets are deemed as renegotiated financial assets when the terms of financial assets that would otherwise be past due or impaired have been renegotiated and restructured in an effort to reduce the risk of the borrower defaulting and the Group ultimately incurring a loss. Restructuring is done by granting a concession to the borrower, such as restructuring the repayment terms or interest rate to improve the borrower's cash flow position, and then obtaining further or better security, subsequently reducing the risk of default. Renegotiation of asset based finance accounts are only done in exceptional circumstances and after the asset has been inspected and found to be in an acceptable condition.

An arrangement for repayment of arrears or legal collections matters, whether by means of an increased debit order against un-adjusted instalment, or by means of a borrower's transfer or deposit of additional funds into the account, does not constitute as a restructuring. Only short term arrangements (i.e. arrears to be rectified within two to three months) are accepted on active accounts in arrears.

▪ Credit ratings

The grades and the description of the grades utilised by the Group in grading the loans and advances are detailed in the table below:

Grade	Description	Description of rating quality
Performing		
NGR 0	No risk (political grade)	No risk
NGR 1 - 12	Investment grade	Extremely good creditworthiness
NGR 13	Transition: Investment to subinvestment	Satisfactory average creditworthiness
NGR 14 - 16	Subinvestment grade	Still satisfactory creditworthiness
NGR 17 - 18	Subinvestment grade	Generally still sufficient creditworthiness
NGR 19 - 20	Subinvestment grade	Increased risk
NGR 22 - 23	Watchlist	High risk
NGR 24	Watchlist	Default imminent
Unrated	Unrated	Retail book, unrated
Non-performing		
NGR 25	Default	Sub-standard to loss

(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 remeasured.

(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 annual 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

(xii) Financial guarantee contracts (continued)

Liability adequacy testing is performed to ensure that the carrying amount of the liability for issued financial guarantee contracts is sufficient. Any increase in the liability relating to guarantees is recognised in profit or loss.

3.3 Instalment transactions

Instalment credit agreements are regarded as financing transactions and the total instalments, less unearned finance charges, are included in advances and other accounts. Finance charges are computed at the commencement of the contractual periods and are recognised in income in proportion to the net cash investment capital balances outstanding. Unearned finance charges are carried forward as deferred income and deducted from advances.

3.4 Property and equipment

3.4.1 Initial recognition and subsequent expenditure

Items of property and equipment are initially recognised at cost if it is probable that any future economic benefits associated with the items will flow to the Group and it has a cost that can be measured reliably.

Subsequent expenditure is capitalised to the carrying amount of items of property and equipment if it is measurable and it is probable that it increases the future economic benefits associated with the asset. Expenditure incurred to replace a component of an item of property or equipment is capitalised to the cost of the item of property and equipment and the part replaced is derecognised. All other expenditure is recognised in profit or loss as an expense when incurred.

Certain items of property and equipment that had been revalued to fair value on 1 January 2004, the date of transition to IFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

3.4.2 Measurement after recognition

Equipment

Subsequent to initial recognition, equipment, consisting principally of computer equipment, motor vehicles, fixtures and furniture, are stated at cost less accumulated depreciation and impairment losses.

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 2014. 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 valuers under the income capitalisation method include capitalisation rates of between 9.50% and 11.50%, rental income of between N\$ 75 and N\$ 170 per m² and total expenditure being between 18.5% and 20% of rental income.

When an individual property is revalued, any increase in its carrying amount (as a result of the revaluation) is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease of the same property previously recognised as an expense in profit or loss, in which case the increase is credited to profit and loss to the extent of the decrease previously expensed.

When the value of an individual property is decreased as a result of a revaluation, the decrease is charged against any related credit balance in the revaluation reserve in respect of that property. However, to the extent that it exceeds any surplus, it is recognised as an expense in profit or loss.

3.4.3 Reclassifications of property and equipment

Where properties are reclassified during the year from property and equipment to investment properties any revaluation gain arising is initially recognised in profit or loss to the extent of previous charged impairment losses. Any residual excess is taken to the revaluation reserve. Revaluation deficits are recognised in the revaluation reserve to the extent of previously recognised gains and any residual deficit is accounted for in profit or loss.

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

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 other comprehensive income.

Compensation from third parties for items of property and equipment that were impaired, lost or given up is included in profit or loss when the compensation becomes receivable.

3.5 Impairment of assets

The Group assesses all assets, other than financial instruments, for indications of an impairment loss or the reversal of a previously recognised impairment at each reporting date.

Should there be indications of impairment, the assets' recoverable amounts are estimated. These impairments (where the carrying amount of an asset exceeds its recoverable amount) or the reversal of a previously recognised impairment are 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.

3.6 Leases

The Group as lessee

Leases where the lessor retains the risk and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

The Group as lessor

Rental income (net of any incentives given to lessees) from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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 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.

3.7 Taxation

Taxation expense, recognised in the statement of comprehensive income, comprises current and deferred taxation. Current or deferred taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it too is recognised in equity and to the extent that it relates to items recognised in other comprehensive income, in which case it too is recognised in other comprehensive income.

3.7.1 Deferred taxation

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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For the year ended
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Taxation (continued)

3.7.1 Deferred taxation (continued)

Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using taxation rates enacted or substantively enacted at the reporting date that are expected to be applied to temporary differences when they reverse.

Deferred taxation is recognised in profit or loss for the period, except to the extent that it relates to a transaction that is recognised directly in other comprehensive income. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to other comprehensive income.

Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred taxation is not recognised where the initial recognition of assets or liabilities in a transaction that is not a business combination affects neither accounting nor taxable profit.

A deferred taxation asset is recognised to the extent that it is probable that future taxable income will be available, against which the unutilised tax losses and deductible temporary differences can be used. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

Deferred taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities against current taxation assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxation entities, but they intend to settle current tax liabilities and assets on a net basis or their taxation assets and liabilities will be realised simultaneously.

Deferred taxation assets and liabilities are not discounted.

3.7.2 Direct and indirect taxation

Direct taxation is the expected taxation payable on the taxable income for the year, as adjusted for items which are not taxable or disallowed, using taxation rates enacted or substantively enacted in Namibia at the reporting date, and any adjustment to taxation payable in respect of previous years.

Indirect taxation includes Value Added Taxation 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.

3.8 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency by applying the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into the functional currency of the Group at spot rates of exchange ruling at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency of the Group at foreign exchange rates ruling at the date fair value is determined. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are converted into the functional currency of the Group at the rate of exchange ruling at the date of the initial recognition and are not subsequently retranslated.

Exchange gains and losses on the translation and settlement during the year of foreign currency monetary assets and liabilities are recognised in the statement of comprehensive income.

Exchange differences on non-monetary items, for example equity instruments, are recognised in equity when the changes in the fair value of the non-monetary item is recognised in other comprehensive income, and in profit or loss if the changes in fair value of the non-monetary item is recognised in profit or loss.

3.9 Properties in possession

Unsold properties in possession are stated at the lower of the net outstanding amount at date of purchase and net realisable value.

3.10 Employee benefits

Short-term employee benefits

Short-term employee benefits include salaries, accumulated leave payments, bonuses and non-monetary benefits such as medical aid contributions.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount to be paid under short-term cash bonus plans or accumulated leave if the Bank 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.

Contributions in respect of defined contribution pension schemes are recognised as an expense in profit or loss as incurred.

Post-retirement medical benefits

The Group provides post-retirement medical benefits to eligible employees. Non-pension post-retirement benefits are accounted for according to their nature, either as defined contribution or defined benefit plans. The expected costs of post-retirement benefits that are defined benefit plans are accounted for in accordance with IAS 19: Employee Benefits.

The projected unit credit method is used to determine the defined benefit obligations based on actuarial assessments, which incorporate not only the post-retirement benefit obligations known on the reporting date, but also information relevant to their expected future development. The expected costs of post-retirement benefits are accrued over the period of employment and are determined by independent qualified actuaries. Actuarial gains and losses and service costs are immediately realised in the profit and loss when incurred or received.

3.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur and where a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the reasonable estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of discounting is material, provisions are discounted. The discount rate reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Gains from the expected disposal of assets are not taken into account in measuring provisions. Provisions are reviewed at each reporting date and adjusted to reflect the current reasonable estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

3.12 Contingent liabilities

The Group discloses a contingent liability where:

- it is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise, or
- it is not probable that an outflow of resources will be required to settle an obligation, or
- the amount of the obligation cannot be measured with sufficient reliability.

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets are capitalised as part of the costs

of these assets. Qualifying assets are assets that necessarily take a substantial period of time to prepare for their intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

All other borrowing costs are expensed in the period in which they are incurred.

Interest expense is recognised in profit or loss using the effective interest method taking into account the expected timing and amount of cash flows. Interest expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

3.14 Computer software and development cost

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding are recognised in the statement of comprehensive income as an expense incurred.

If costs can be reliably measured and future economic benefits are available, expenditure on computer software and other development activities, whereby set procedures and processes are applied to a project for the production of new or substantially improved products and processes, is capitalised if the computer software and other development products or processes are technically and commercially feasible and the Group has intention and sufficient resources to complete development.

The expenditure capitalised includes cost of materials, and directly attributable employee and other direct costs. Computer development expenditure is amortised only once the relevant software has been commissioned. Capitalised software is stated at cost, less accumulated amortisation and impairment losses. Computer development expenditure is amortised only once the relevant software is available for use in the manner intended by management. Capitalised software is stated at cost less accumulated amortisation and impairment losses. Expenditure for the development of computers that are not yet available for use is not amortised and is stated at cost less impairment losses.

Amortisation on computer software and development costs is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of these assets, which do not exceed 5 years and are reviewed annually.

Subsequent expenditure relating to computer software is capitalised only when it is probable that future economic benefits from the use of assets will increase beyond its original assessed standard of performance. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. Surpluses or deficits on the disposal of computer software are recognised in the statement of comprehensive income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

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For the year ended
31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Revenue recognition

Revenue relates to banking activities and comprises net income from funds, dividends from investments, fees and commissions from banking and related transactions and net income from exchange dealings.

Revenue is shown net of value added tax.

Interest income

Interest income is recognised in profit or loss using the effective interest method taking into account the expected timing and amount of cash flows. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Non-interest revenue

Dividend income

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established on the ex-dividend date for equity instruments and is included in dividend income.

Fees and commissions

- Fees and commissions are generally recognised on an accrual basis when the service has been provided, such as loan syndication fees.
- Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service.
- Loan origination fees for loans that are probable of being drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the advance.
- Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction, unless it forms an integral part of the effective interest rate of the underlying financial instruments.

Foreign exchange gains and losses

Foreign exchange gains and losses on monetary items arising from foreign currency transactions that have not been settled at the reporting date are recognised in income in the year in which the exchange rate movement occurred. The premium or discount on forward exchange contracts is amortised to income over the term of the forward exchange contract.

Rental income

The Group's policy for recognition of revenue from operating leases is described in 3.6 above.

Other

Revenue other than interest, fees and commission, which includes exchange and securities trading income, dividends from investments and net gains on the sale of investment banking assets, is recognised in profit or loss when the amount of revenue from the transaction or service can be measured reliably, it is probable that the economic benefits of the transaction or service will flow to the Group and the costs associated with the transaction or service can be measured reliably.

Fair value gains or losses on financial instruments at fair value through profit or loss, including derivatives are included in non-interest revenue. These fair value gains or losses are determined after deducting the interest component, which is recognised separately in interest income and expense.

Gains or losses on derecognition of any financial assets or financial liabilities are included in non-interest revenue.

3.16 Share-based payments

Equity-settled share-based payment transactions

The services received in an equity-settled share-based payment transaction with employees are measured at the fair value of the equity instruments granted. The fair value of the equity instruments is measured at grant date and is not subsequently remeasured.

If the equity instruments granted vest immediately and the employee is not required to complete a specified period of service before becoming unconditionally entitled to those instruments, the services received are recognised in full on grant date in profit or loss for the period, with a corresponding increase in equity.

Where the equity instruments do not vest until the employee has completed a specified period of service, it is assumed that the services rendered by the employee, as consideration for those equity instruments, will be received in the future, during the vesting period. These services are accounted for in profit or loss as they are rendered during the vesting period, with a corresponding increase in equity. Share-based payment expenses are adjusted for non-market related performance conditions.

Where the equity instruments are no longer outstanding, the accumulated share-based payment reserve in respect of those equity instruments is transferred to retained earnings.

Cash-settled share-based payment transactions with employees

The services received in cash-settled share-based payment transactions with employees and the liability to pay for those services, are recognised at fair value as the employee renders services. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the year. Where the equity instruments do not vest until the employee has completed a specified period of service, it is assumed that the services rendered by the employee,

as consideration for those equity instruments, will be received in the future, during the vesting period. These services are accounted for in profit or loss as they are rendered during the vesting period, with a corresponding increase in the liability. Share-based payment expenses are adjusted for non-market related performance conditions.

Measurement of fair value of equity instruments granted

The equity instruments granted by Nedbank Group Limited are measured at fair value at measurement date using standard option pricing valuation models. The valuation technique is consistent with generally acceptable valuation methodologies for pricing financial instruments, and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments. Vesting conditions, other than market conditions, are not taken into account in determining fair value. Vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount.

Share-based payments with persons or entities other than employees

The transactions in which equity instruments are issued to historically disadvantaged individuals and organisations in Namibia are accounted for as share-based payments. Where Nedbank Group Limited has issued such shares and expects to receive services in return for equity instruments, the share-based payments charge is spread over the relating vesting (i.e. service) period of these instruments. In instances where such goods and services could not be identified the cost has been expensed with immediate effect. The valuation techniques are consistent with those mentioned above.

3.17 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with central Groups, treasury bills and other eligible bills, amounts due from other Groups and trading securities.

3.18 Share capital

Ordinary share capital, preference share capital or any financial instrument issued by the Group is classified as equity when:

- payment of cash, in the form of a dividend or redemption, is at the discretion of the Group;
- the instrument does not provide for the exchange of financial instruments under conditions that are potentially unfavourable to the Group;
- settlement in the Group's own equity instruments is for a fixed number of equity instruments at a fixed price; and
- the instrument represents a residual interest in the assets of the Group after deducting all of its liabilities.

The Group's ordinary and preference share capital is classified as equity.

Share capital issued by the Group is recorded at the proceeds received, less incremental directly attributable issue costs (net of any related income tax benefit).

Dividends are recognised as distributions within equity in the period in which they are approved by the shareholders. Dividends for the year that are declared after the reporting date are disclosed in note 33.

3.19 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through the sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify as a complete sale within one year from the date of classification. An active programme to find a buyer should be in place with appropriate level of management approving the sale.

Immediately before classification as held-for-sale, all assets are remeasured in accordance with the Group's accounting policies. Non-current assets (or disposal groups) held for sale are measured at the lower of carrying amount and fair value less incremental directly attributable cost to sell (excluding taxation and finance charges) and are not depreciated. Gains or losses recognised on initial classification as held-for-sale and subsequent remeasurements are recognised in profit or loss, regardless of whether the assets were previously measured at revalued amounts. The maximum gains that can be recognised are the cumulative impairment losses previously recognised in profit or loss. A disposal group continues to be consolidated while held for sale. Income and expenses continue to be recognised, however, assets are not depreciated or amortised. Non-current assets (or disposal groups) are reclassified from held-for-sale to held-for-use if they no longer meet the held-for-sale criteria. On reclassification, the non-current asset (or disposal group) is remeasured at the lower of its recoverable amount and the carrying amount that would have been recognised had the asset (or disposal group) never been classified as held-for-sale.

Any gains or losses are recognised in profit or loss, unless the asset was carried at a revalued amount prior to classification as held-for-sale. Gains or losses on such assets are recognised as revaluation increases or decreases.

3.20 Policyholder liability under insurance contract

The policyholder liability represents net revenue from life business for the current year as a reserve against future claims.

The policyholder liability 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 Actuarial Society of South Africa in Prudential Guidance Note (PGN) 104 (2001). Under this guideline, provisions are valued using realistic expectations of future experience.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Policyholder insurance contracts

Professional Guidance Notes ("PGNs") issued by the Actuarial Society of South Africa ("ASSA")

NedNamibia Life Assurance Company Limited is licensed as a long-term insurer in Namibia in accordance with the Long-Term Insurance Act of 1998 as amended ("LTIA"). The LTIA requires the determination of assets, liabilities and capital adequacy requirements for statutory purposes in accordance with PGNs issued by ASSA.

In terms of IFRS 4: Insurance Contracts, defined insurance liabilities are allowed to be measured under existing local practice. The Group has adopted the PGNs to determine the liability in respect of insurance contracts issued in Namibia.

The following PGNs are of relevance to the determination of policyholder liabilities:

PGN 102: Life offices – HIV/AIDS

PGN 103: Report by the Statutory Actuary in the annual financial statements of South African Long-Term Insurers

PGN 104: Life Offices – Valuation of Long-Term Insurers

PGN 105: Recommended AIDS extra mortality bases

PGN 106: Actuaries and Long-Term Insurance in South Africa

PGN 110: Reserving for minimum investment return guarantees

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 PGN 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 PGN 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 reporting 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 PGN 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.

Investment income

Investment return comprises investment income, realised gains and losses and changes in unrealised gains and losses. Realised gains and losses represent the difference between net sales proceeds and purchase price. Unrealised gains and losses represent the difference between the valuation of investments at the financial position date and their original cost, or if they have been previously valued, their valuation at the last financial position date. Movements in unrealised gains and losses are recorded in the profit and loss account, and include an adjustment for previously recognised unrealised gains and losses on investments disposed during the reporting year. Interest income is recognised in profit or loss using the effective interest method taking into account the expected timing and amount of cash flows. 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.

Premium income

Premiums are recognised as revenue when due from policyholders. Single premiums are accounted for when the collection of the premiums in terms of the policy contract is reasonably assured.

Policyholder benefits

Policyholder benefit payments are accounted for when claims are intimated. Claims on insurance contracts, which include death and disability are charged to income when notified of a claim based on the estimated liability for compensation owed to policyholders. They include claims that arise from death and disability events that have occurred up to the financial position date. Unpaid disability claims are estimated using the input of assessors for individual cases reported to the company.

Operating profits

The credit life insurance operating profits are determined in accordance with PGN 104. The operating surpluses arising from business is determined by the annual actuarial valuation. These surpluses are arrived at after taking into account the increase in actuarial liabilities under unexpired policies, provisions for policyholder bonuses and adjustments to contingency and other reserves within the life funds.

	2014 N\$'000	2013 N\$'000
4. CASH AND BALANCES WITH CENTRAL BANK		
<i>Financial assets classification:</i>		
<i>Amortised cost</i>		
Bank notes and coins	249 855	188 690
Balances with central bank	101 152	84 389
	351 007	273 079

Included under cash and balances with central bank are mandatory reserve deposits with Bank of Namibia of N\$101 million (2013: N\$84 million).

	2014 N\$'000	2013 N\$'000
5. DUE FROM OTHER BANKS		
5.1 Investment portfolio		
<i>Financial assets classification: At amortised cost</i>		
Placements with other banks	602 226	643 680
<i>Financial assets classification: Designated at fair value through profit and loss</i>		
Foreign Correspondents	185 342	276 697
<i>Financial assets classification: At fair value through profit and loss – held for trading</i>		
Deposits placed under reverse repurchase agreements	83 181	209 660
	870 749	1 130 037

5.2 Valuation

The estimation of the fair value of the deposit placed under reverse repurchase agreements has proven to approximate the present value of cash flows of such instruments.

6. OTHER SHORT-TERM SECURITIES

Financial assets classification:

At fair value through profit and loss – held for trading

6.1 Investment portfolio		
Negotiable certificates of deposit	897 401	304 248
6.2 Expected maturity structure		
One year or less	564 297	218 680
Five years or less but over one year	333 104	85 568
	897 401	304 248

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.

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7. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	2014 N\$'000	2013 N\$'000
7.1 Total carrying amount of derivative financial instruments		
Gross carrying amount of assets	10 787	18 609
Gross carrying amount of liabilities	(10 206)	(18 267)
Net carrying amount	581	342

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.

	2014 N\$'000 Notional principal	2014 N\$'000 Positive value	2014 N\$'000 Negative value
Exchange rate derivatives			
Forwards	320 371	10 787	10 139
Spots	86 090	-	67
	406 461	10 787	10 206
Interest rate derivatives			
Interest rate swaps	-	-	-
	406 461	10 787	10 206

	2013 N\$'000 Notional principal	2013 N\$'000 Positive value	2013 N\$'000 Negative value
Exchange rate derivatives			
Forwards	706 709	18 609	18 267
	706 709	18 609	18 267
Interest rate derivatives			
Interest rate swaps	-	-	-
	706 709	18 609	18 267

7.3 Carrying amount of derivative financial instruments

The amounts disclosed represent the value of all derivative instruments held at 31 December 2014. 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

Positive fair value of derivatives

2014

Maturity analysis

Under one year

One to five years

2013

Maturity analysis

Under one year

One to five years

Negative fair value of derivatives

2014

Maturity analysis

Under one year

One to five years

Over five years

2013

Maturity analysis*

Under one year

One to five years

Over five years

Notional principal of derivatives

2014

Maturity analysis

Under one year

One to five years

Over five years

2013

Maturity analysis

Under one year

One to five years

Over five years

	N\$'000 Exchange rate contracts	N\$'000 Interest rate contracts	N\$'000 Total
7.4 Analysis of derivative financial instruments			
Positive fair value of derivatives			
2014			
Maturity analysis			
Under one year	10 787	-	10 787
One to five years	-	-	-
	10 787	-	10 787
2013			
Maturity analysis			
Under one year	18 609	-	18 609
One to five years	-	-	-
	18 609	-	18 609
Negative fair value of derivatives			
2014			
Maturity analysis			
Under one year	10 206	-	10 206
One to five years	-	-	-
Over five years	-	-	-
	10 206	-	10 206
2013			
Maturity analysis*			
Under one year	18 267	-	18 267
One to five years	-	-	-
Over five years	-	-	-
	18 267	-	18 267
Notional principal of derivatives			
2014			
Maturity analysis			
Under one year	406 461	-	406 461
One to five years	-	-	-
Over five years	-	-	-
	406 461	-	406 461
2013			
Maturity analysis			
Under one year	706 709	-	706 709
One to five years	-	-	-
Over five years	-	-	-
	706 709	-	706 709

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	2014 N\$'000	2013 N\$'000
8. GOVERNMENT AND OTHER SECURITIES		
<i>Financial assets classification:</i>		
<i>At fair value through profit and loss - held for trading</i>		
8.1 Investment portfolio		
Treasury bills	306 639	277 369
Government registered stock	249 154	412 543
Credit Linked Notes	454 557	251 485
Other public sector securities	35 732	23 872
	1 046 082	965 269
8.2 Expected maturity structure		
One year or less	532 390	330 382
Five years or less but over one year	287 381	310 230
Over five years	226 311	324 657
	1 046 082	965 269
8.3 Valuation		
- Book value	1 059 908	977 672
- Market valuation	1 046 082	965 269
Treasury bills with a maturity value of N\$103 million (2013: N\$50 million) and government registered stock or other public sector securities with a maturity value of N\$150 million (2013: N\$ 280 million) have been encumbered to secure the current account with Bank of Namibia in the event that it is in overdraft.		
Treasury bills with a maturity value of N\$ 80 million (2013: NIL) have been encumbered to secure the Seven Days Repurchase Transaction with Bank of Namibia in the event of default. This agreement matured on 6 January 2015.		
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).		
9. LOANS AND ADVANCES TO CUSTOMERS		
<i>Financial assets classification: Loans and receivables</i>		
9.1 Category analysis		
Home Loans	3 476 328	3 065 491
Other loans and overdrafts	2 514 330	2 160 988
Preference share finance	40 250	40 250
Leases and instalment debtors	2 015 889	1 428 865
Less: Unearned finance charges on leases and instalment debtors	(310 138)	(201 141)
Personal loans	637 885	513 932
	8 374 544	7 008 385
Impairment of advances (note 30)	(64 701)	(73 276)
	8 309 843	6 935 109
9.2 Sectoral analysis		
Individuals	5 713 288	4 798 228
Manufacturing	302 811	246 434
Wholesale and trade	50 854	60 349
Retailers, catering and accommodation	130 112	124 548
Agriculture, hunting, forestry and fishing	333 625	252 316
Mining and quarrying	10 234	7 059
Financial services, insurances and real estates	982 222	668 094
Government and public sector	147 148	201 609
Building and property development	153 100	85 779
Transport, storage and communication	384 130	124 101
Other services	167 020	439 868
	8 374 544	7 008 385

	2014 N\$'000	2013 N\$'000
9.3 Expected maturity structure		
Less than three months but not repayable on demand or at short-term notice	1 614 544	1 017 125
One year or less but over three months	721 861	613 418
Five years or less but over one year	2 964 023	2 504 178
Over five years	3 074 116	2 873 664
	8 374 544	7 008 385
9.4 Geographical analysis		
Namibia	8 374 544	7 008 385
9.5 Non-performing advances		
9.5.1 Category analysis (included under note 9.1)		
Home Loans	27 281	32 178
Other loans and overdrafts	32 564	38 916
Net leases and instalment debtors	14 469	8 573
Personal loans	7 176	3 261
	81 490	82 928
9.5.2 Sectoral analysis (included under note 9.2)		
Individuals	45 702	56 173
Manufacturing	7 275	7 260
Wholesale and trade	609	681
Retailers, catering and accommodation	1 550	1 624
Agriculture, hunting, forestry and fishing	2 462	2 178
Mining and quarrying	152	76
Financial services, insurances and real estates	11 524	2 782
Building and property development	2 122	687
Transport, storage and communication	8 914	1 222
Other services	1 180	10 245
	81 490	82 928
10. OTHER ASSETS		
<i>Financial assets classification: Loans and receivables</i>	59 988	117 996
Remittances in transit	40 162	114 402
Sundry debtors and other accounts	19 826	3 594
<i>Non - financial instruments</i>	10 051	7 583
Deferred staff compensation	1 158	3 078
Prepayments	6 451	1 338
Taxation	2 425	3 136
Deferred taxation asset	17	31
	70 039	125 579
11. INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND LISTED INVESTMENTS		
<i>Investment in associates</i>	3 119	2 883
- Carrying value at beginning of the year	2 883	3 325
- Dividend received from associate	-	-
- Share of associate's profit/(loss)	236	(442)
<i>Listed investments</i>	41 474	36 152
	44 593	39 035
<i>Market valuation</i>	44 593	39 035

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11.	Nature of business	Issued ordinary share capital		Proportion held		Shares at cost		Aggregate profits after tax of subsidiary		
		2014	2013	2014	2013	2014	2013	2014	2013	
		'000	'000	%	%	N\$'000	N\$'000	N\$'000	N\$'000	
INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND LISTED INVESTMENTS (CONTINUED)										
Indirect Subsidiary Companies of the group										
	CBN Nominees (Proprietary) Limited	Safe custody company	-	-	100	100	-	-	292	232
	NedLoans (Proprietary) Limited	Administration company	-	-	100	100	4 250	4 250	9 642	2 308
	Ten Kaiser Wilhelm Strasse (Proprietary) Limited	Property company	582	582	50	50	291	291	1 600	517
	Walvis Bay Land Syndicate (Proprietary) Limited	Property company	3 000	3 000	50	50	1 500	1 500	(711)	283

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.

	Nature of business	Issued ordinary share capital		Proportion held		Shares at cost		Indebtedness by Associate		
		2014	2013	2014	2013	2014	2013	2014	2013	
		'000	'000	%	%	N\$'000	N\$'000	N\$'000	N\$'000	
Associate										
	Namclear (Proprietary) Limited	Clearing agent	4	4	25	25	1 162	1 162	-	-

Due to the unavailability of audited annual financial statements of Namclear (Proprietary) Limited for the year ended 31 December 2014 at the time of approval of the Group's 2014 annual financial results, un-audited management accounts of Namclear have been used to provide statement of financial position and statement of comprehensive income information.

Summarised financial information in respect of Namclear (Proprietary) Limited:

	31 December 2014 N\$'000	31 December 2013 N\$'000
Total assets	45 749	51 747
Total liabilities	(33 272)	(40 212)
Net assets	12 477	11 535
Bank's share of associate's net assets	3 119	2 884
Total revenue	26 752	20 180
Total profit for the year	2 688	462
Share of associate's profit for the year	672	116
Less previous year's losses not consolidated	(436)	(558)
Share of associate's profit	236	(442)

	Nature of business	Issued ordinary share capital		Proportion held		Shares at cost		Fair value of shares		
		2014	2013	2014	2013	2014	2013	2014	2013	
		'000	'000	%	%	N\$'000	N\$'000	N\$'000	N\$'000	
Listed investments										
	Nedbank Group Limited	Banking	198	198	0.02	0.02	18 747	18 747	41 474	36 152

The shares in Nedbank Group Limited are held by the BEE trusts, which are consolidated on Group level. Refer to note 6 in the Company annual financial statements on page 148 for details of direct subsidiaries.

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	Freehold land N\$'000	Freehold buildings N\$'000	Leasehold buildings N\$'000	Furniture, fittings and equipment N\$'000	Computer hardware N\$'000	Total N\$'000
12. PROPERTY AND EQUIPMENT						
2014						
Carrying amount at 1 January 2014	18 500	77 427	-	35 906	18 403	150 236
- at cost/revaluation	18 500	77 427	1 500	96 407	59 405	253 239
- accumulated depreciation	-	-	(1 500)	(60 501)	(41 002)	(103 003)
Additions at cost	-	-	-	22 564	7 705	30 269
Reclassification of assets cost	-	-	-	960	(1 004)	(44)
Reclassification of assets depreciation	-	-	-	(4 581)	(2 577)	(7 158)
Revaluation	20 954	37 556	-	-	-	58 510
Cost	20 954	34 895	-	-	-	55 849
Accumulated depreciation eliminated on revaluation	-	2 661	-	-	-	2 661
Disposals at net book value	-	-	-	(161)	(17)	(178)
Disposals at cost	-	-	-	(334)	(54)	(388)
Accumulated depreciation of disposals	-	-	-	173	37	210
Depreciation for the year	-	(2 661)	-	(9 122)	(6 061)	(17 844)
Carrying amount at 31 December 2014	39 454	112 322	-	45 566	16 449	213 791
- at cost/revaluation	39 454	112 322	1 500	119 597	66 052	338 925
- accumulated depreciation	-	-	(1 500)	(74 031)	(49 603)	(125 134)
2013						
Carrying amount at 1 January 2013	16 125	75 302	-	32 906	16 834	141 167
- at cost/revaluation	16 125	75 302	1 500	87 077	54 232	234 236
- accumulated depreciation	-	-	(1 500)	(54 171)	(37 398)	(93 069)
Additions at cost	-	727	-	9 481	5 301	15 509
Revaluation	2 375	2 179	-	-	-	4 554
Cost	2 375	1 398	-	-	-	3 773
Accumulated depreciation eliminated on revaluation	-	781	-	-	-	781
Disposals at net book value	-	-	-	(6)	(9)	(15)
Disposals at cost	-	-	-	(151)	(128)	(279)
Accumulated depreciation of disposals	-	-	-	145	119	264
Depreciation for the year	-	(781)	-	(6 475)	(3 723)	(10 979)
Carrying amount at 31 December 2013	18 500	77 427	-	35 906	18 403	150 236
- at cost/revaluation	18 500	77 427	1 500	96 407	59 405	253 239
- accumulated depreciation	-	-	(1 500)	(60 501)	(41 002)	(103 003)

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 Valuation**2014**

Independent valuations of freehold land and buildings were performed by FA Frank-Schultz, A Schröder, F Löhnert and JS Lofty-Eaton who have 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 2014.

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 8.5% - 10.25%; and
- the depreciated replacement cost method.

The valuations conform to International Valuation Standards.

2013

Independent valuations of freehold land and buildings were performed by G Wampach, who is registered with the South African Council for the Property Valuers Profession (SACPVP) and a member of the South African Institute of Valuers. The effective date of the valuation is 31 December 2013.

Type of Property	Valuation Method	Significant Inputs	Parameters	Land		Buildings	
				2014 N\$'000	2013 N\$'000	2014 N\$'000	2013 N\$'000
Commercial property	Income capitalisation and depreciated replacement cost method	Income capitalisation rates	8,50% - 10,25% (2013: 9,55% - 12,50%)	39 454	18 500	112 322	77 427
Total Land and Buildings				39 454	18 500	112 322	77 427

In accordance with IFRS 13 Fair Value Measurement, the measurement of the Group's Properties are 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 R30 627 000 (2013: R31 462 000).

13. COMPUTER SOFTWARE AND DEVELOPMENT COST**2014**

	Development cost N\$'000	Computer software N\$'000	Total N\$'000
Carrying amount at 1 January 2014	5 473	23 622	29 095
- at cost	5 473	76 717	82 190
- accumulated amortisation	-	(53 095)	(53 095)
Additions at cost	-	1 102	1 102
Development cost incurred	5 003	-	5 003
Reclassification of assets cost	-	(10 403)	(10 403)
Reclassification of assets depreciation	-	9 161	9 161
Transfer of development cost	(4 658)	4 658	-
Amortisation for the year	-	(6 070)	(6 070)
Carrying amount at 31 December 2014	5 818	22 070	27 888
- at cost	5 818	72 074	77 892
- accumulated amortisation	-	(50 004)	(50 004)

2013

Carrying amount at 1 January 2013	4 068	22 647	26 715
- at cost	4 068	68 399	72 467
- accumulated amortisation	-	(45 752)	(45 752)
Additions at cost	-	298	298
Development cost incurred	4 678	-	4 678
Reclassification of software cost	-	8 020	8 020
Write-offs during the current year	(3 273)	-	(3 273)
Write-offs at cost	(3 273)	-	(3 273)
Accumulated amortisation on write-offs	-	-	-
Amortisation for the year	-	(7 343)	(7 343)
Carrying amount at 31 December 2013	5 473	23 622	29 095
- at cost	5 473	76 717	82 190
- accumulated amortisation	-	(53 095)	(53 095)

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	2014 N\$'000	2013 N\$'000
14. GOODWILL		
Carrying amount at beginning of year	29 623	27 623
- Cost	29 623	27 623
- Impairment losses	-	-
Arising on acquisitions	-	2 000
Transfer to current year comprehensive income	(498)	-
Carrying amount at end of year	29 125	29 623
- Cost	29 125	29 623
- Impairment losses	-	-
15. SHARE CAPITAL AND SHARE PREMIUM		
Ordinary shares	17 595	17 595
Share premium	99 536	99 536
	117 131	117 131
<p>The total number of authorised shares at year end was: 80 000 000 (2013: 80 000 000) ordinary shares of 25 cents each The total number of issued shares at year end was: 70 381 644 (2013: 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.</p>		
16. GENERAL RISK RESERVE		
Balance at the beginning of the year	51 146	45 504
Movement during the year	14 023	5 642
Balance at the end of the year	65 169	51 146
<p>The general risk reserve is created to comply with the requirements of BID-2 of the Bank of Namibia regarding the general risk provision.</p>		
17. REVALUATION RESERVE		
Balance at the beginning of the year	39 885	35 181
Effect of rate adjustment	-	533
Increase/(Release) of revaluation reserve	861	(138)
Revaluation of land and buildings	45 093	4 309
Attributable to non-controlling interest	(8 474)	-
Balance at the end of the year	77 365	39 885
<p>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.</p>		
18. SHARE-BASED PAYMENT RESERVE		
Balance at the beginning of the year	16 856	19 127
Charge to statement of changes in equity	(151)	(861)
Charge to statement of comprehensive income	-	(1 410)
Balance at the end of the year	16 705	16 856
<p>The share-based payment reserve, is a contribution from the parent and equals the amount at which the services from the employees are measured that arises from the grants of share options and restricted shares issued to employees under the BEE schemes detailed in note 41.</p>		

	2014 N\$'000	2013 N\$'000
19. AVAILABLE-FOR-SALE RESERVE		
Balance at the beginning of the year	19 928	19 711
Movement during the year	5 889	217
Balance at the end of the year	25 817	19 928
<p>The available-for-sale reserve arises on revaluation of an available for sale investment which is listed shares in Nedbank Group Limited through the BEE scheme. Refer to note 11 and 41.</p>		
20. DUE TO OTHER BANKS		
<i>Financial liabilities classification: Other liabilities</i>		
Deposits and borrowings from other banks	150 025	-
Deposits received under repurchase agreement from Bank of Namibia	76 379	-
<i>Financial liabilities classification: designated at fair value</i>		
Short-trading securities and spot positions	82 160	211 477
Balance at the end of the year	308 564	211 477
21. DUE TO CUSTOMERS		
<i>Financial liabilities classification: Other liabilities</i>		
21.1 Category analysis		
Current accounts	1 542 547	1 426 194
Savings accounts	361 693	320 425
Other deposits and loan accounts	3 731 359	3 128 871
Foreign currency liabilities	346 075	365 326
	5 981 674	5 240 816
21.2 Sectoral analysis		
Government and quasi government	374 313	326 168
Insurance and pension funds	2 282 564	1 825 327
Companies and close corporations	2 028 443	1 957 539
Individuals and other	1 296 354	1 131 782
	5 981 674	5 240 816
21.3 Geographical analysis		
Namibia	5 981 674	5 240 816
22. NEGOTIABLE CERTIFICATES OF DEPOSITS		
Negotiable certificates of deposit: <i>at amortised cost</i>	2 066 738	1 743 221
Promissory notes: <i>at amortised cost</i>	1 262 459	937 241
Promissory notes: <i>designated at fair value</i>	198 799	202 799
	3 527 996	2 883 261

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	2014 N\$'000	2013 N\$'000
23. OTHER LIABILITIES		
<i>Financial liabilities classification: Other liabilities</i>	165 189	98 532
Creditors and other accounts	99 685	86 783
Managerial fees - Nedbank Group Limited	65 504	11 749
<i>Non-financial instruments</i>	38 731	23 522
Deferred revenue	4 339	3 325
Taxation	7 233	-
Bonus accrual	16 921	12 489
Leave pay accrual	10 238	7 708
	203 920	122 054
24. DEFERRED TAXATION LIABILITIES		
The movement on the deferred taxation account is as follows:		
Balance at beginning of the year	84 758	84 609
- Temporary differences recognised in the statement of comprehensive income	(10 233)	270
Capital allowances	1 587	(2 159)
Credit impairments	650	685
Debentures	(185)	(529)
Prepaid expenses	978	(5 245)
Suspensive sales	(11 910)	3 534
Financial Instruments	(1 327)	1 024
Provision for expenses	(3 531)	(22)
Other income and expense items	3 505	3 224
- Recognised directly in equity	11 569	(121)
Revaluation of property - movement through revaluation reserve	11 569	(50)
Rate change - movement through revaluation reserve	-	(71)
Balance at end of the year	86 094	84 758
The balance comprises:		
Capital allowances	47 000	36 306
Credit impairments	(7 134)	(7 784)
Debentures	11 813	11 998
Prepaid expenses	2 118	1 140
Suspensive sales	34 445	46 355
Financial Instruments	82	1 409
Provision for expenses	(6 183)	(2 652)
Other income and expense items	3 953	(2 014)
	86 094	84 758
25. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS		
Balance at beginning of the year	74 267	59 565
Amounts recognised in statement of comprehensive income	15 372	14 702
Balance at the end of the year	89 639	74 267

An actuarial valuation was performed on the policyholders' liability, as at 31 December 2014, in March 2015 (2013: March 2014) by Nedgroup Life Assurance Company Limited Actuaries.

Changes in valuation methods or assumptions

The assumption for death claims was dropped by 15% since the 2014 claims were lower than expectations. The claims experience will be monitored going forward. The impact of the above three changes was to decrease reserves by N\$4.3 million.

Valuation basis of assets

Assets are valued at statement of financial position values i.e. at market or directors' value as described in the Annual Financial Statements.

Valuation of policy liabilities

The valuation of the policy liabilities was conducted based on the assumptions below.

The assumptions are based on best estimates of the expected experience. The main assumptions, before allowing for prescribed margins, were as follows:

Investment Return	7.3% per annum (gross of tax) (2013: 6.98%)
Mortality	57.375% (2013: 67.5%) x SA85/90 Heavy (ULT) + 37.5% of AIDS extra mortality (High Risk Group Males with 2 year progression)
Permanent Disability	CSI Skilled Lives x 0.84375
Dread Disease	CSI 1997 Dread Disease x 0.84375
Temporary Disability	CMIR12 Inception Rates (4 week deferred period) x 0.3375, 6 months payment on average
Retrenchment	3.75% Inception Rate, 6 months payment on average
Withdrawals	Year 1 = 15% Year 2+ = 10% Year 3+ = 5%
NAMFISA Levy	0.15% of Outstanding Liability
Renewal Expenses	N\$204 per annum (2013: N\$195)
Expense Inflation	4.3% per annum (2013: 4.1%)
Taxation	40% Investment income is taxed at 33%. All investment income assumed to be taxable.

No negative reserves were held. An Incurred But Not Reported ("IBNR") reserve of 4/12ths of the annual expected claims was established. A reserve of N\$11.2 million (2013: N\$5.2 million) was held in respect of policies that were sold but not included in the valuation data as at valuation date.

26. PROVISION FOR POST-RETIREMENT MEDICAL BENEFITS

The Bank subsidises 50% of the medical aid contribution of all employees who joined Nedbank Namibia between 1 April 2000 and 31 January 2003. The subsidy does not apply to any employees who joined the Bank on or after 1 February 2003. Provisions are made for these costs. The charge for the year is included in the staff costs expense in the statement of comprehensive income.

Valuation method and assumptions:

The actuarial valuation method used to value the liabilities is the Projected Unit Credit Method prescribed by IAS 19 Employee Benefits. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime. The actuarial valuation is obtained once every two years. The most recent valuation was obtained for the year ended 31 December 2013 performed by Strategic Actuarial Partners Namibia.

The most significant assumptions used are:

	2014	2013
Valuation interest rate:	8,60%	8,60%
Medical aid contribution inflation:	6,90%	6,90%
Net sensitivity (real rate)	1,70%	1,70%
Average longevity at retirement age for current pensioners (years)*	25	25
Average longevity at retirement age for current employees (Future pensioners) (years)*	12	12

* 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.

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.

	2014 N\$'000	2013 N\$'000
Movement in accrued liability if the real rate decrease with 1%	922	901
Movement in accrued liability if the real rate increase with 1%	(768)	(750)
Movement in accrued liability if the life expectancy increase by 2 years	740	723
Movement in accrued liability if the life expectancy decrease by 2 years	(822)	(803)
Reconciliation of net liability in the statement of financial position:		
Balance at beginning of the year	8 034	7 735
Movements during the year	190	299
Interest cost	671	645
Current service cost	79	87
Benefits paid	(560)	(496)
Actuarial loss	-	63
Balance at end of the year	8 224	8 034

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	2014 N\$'000	2013 N\$'000
27. LONG-TERM SUBORDINATED DEBT INSTRUMENTS		
<i>Financial liabilities classification: Other liabilities</i>		
Unsecured, subordinated debentures, at issue price as adjusted for amortised discount and the portion of the coupon payments in excess of the effective interest expense	4 201	3 639
<p>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 are 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. In the unlikely event of redemption prior to 15 September 2030, a contingent liability exists of N\$31.2 million (2013: N\$30.6 million).</p>		
28. NET INTEREST INCOME		
<i>Interest and similar income</i>		
<i>Financial assets classification: Loans and receivables</i>		
Due from other banks	45 896	42 418
Home loans	295 882	256 858
Other loans and overdrafts	178 186	153 451
Preference share finance	3 431	3 351
Lease and instalment debtors	132 143	91 182
Personal loans	81 724	67 124
Other assets	62	-
<i>Financial assets classification: Fair value through profit or loss - held for trading</i>	123 985	78 469
Government and other securities	66 351	48 062
Short-term funds and securities	57 634	30 407
Total interest and similar income	861 309	692 853
<i>Interest expense and similar charges</i>		
<i>Financial liabilities classification: Other liabilities</i>		
Deposit and loan accounts	113 024	97 458
Current and savings accounts	50 449	31 904
Negotiable certificates of deposit	219 215	149 339
Other liabilities	3 052	2 183
Long-term debt instruments	484	486
Total interest expense and similar charges	386 224	281 370
Net interest income	475 085	411 483
29. NON-INTEREST INCOME		
Commission and fees	178 421	158 758
Premiums received	82 322	66 966
Dividends	2 718	2 220
Exchange earnings	42 468	45 551
- Exchange commission	12 522	11 066
- Foreign exchange profit	29 946	34 485
(Loss)/profit on sale of property and equipment	116	64
Sundry trading gains	6 195	7 481
Changes in fair value of Financial instruments designated as fair value through profit or loss - held for trading	(1 307)	2 531
Other income	6 530	3 680
	317 463	287 251

30. IMPAIRMENT OF LOANS & ADVANCES**30.1 Movements****2014**

Balance at beginning of the year

- specific impairment

- portfolio impairment

Debts written off

Statement of comprehensive income

charge net of recoveries

- specific impairment

- portfolio impairment

- debts recovered

Balance at end of the year (note 9)

- specific impairment

- portfolio impairment

2013

Balance at beginning of the year

- specific impairment

- portfolio impairment

Debts written off

Statement of comprehensive income

charge net of recoveries

- specific impairment

- portfolio impairment

- debts recovered

Balance at end of the year (note 9)

- specific impairment

- portfolio impairment

	Home loans N\$'000	Other loans and overdrafts N\$'000	Leases and instalment debtors N\$'000	Personal loans N\$'000	Total N\$'000
Balance at beginning of the year	22 866	19 181	11 179	20 050	73 276
- specific impairment	9 547	14 855	4 218	13 206	41 826
- portfolio impairment	13 319	4 326	6 961	6 844	31 450
Debts written off	(980)	(2 616)	(4 126)	(13 545)	(21 267)
Statement of comprehensive income charge net of recoveries	(7 990)	(702)	5 553	7 531	4 392
- specific impairment	(2 267)	1 381	7 081	9 122	15 317
- portfolio impairment	(3 762)	495	252	390	(2 625)
- debts recovered	(1 961)	(2 578)	(1 780)	(1 981)	(8 300)
Balance at end of the year (note 9)	15 857	18 441	14 386	16 017	64 701
- specific impairment	6 300	13 620	7 173	8 783	35 876
- portfolio impairment	9 557	4 821	7 213	7 234	28 825
Balance at beginning of the year	28 217	19 620	10 059	10 215	68 111
- specific impairment	9 993	14 877	4 389	5 641	34 900
- portfolio impairment	18 224	4 743	5 670	4 574	33 211
Debts written off	(593)	(4 197)	(3 829)	(7 559)	(16 178)
Statement of comprehensive income charge net of recoveries	(7 585)	1 427	3 567	14 914	12 323
- specific impairment	147	4 175	3 658	15 124	23 104
- portfolio impairment	(4 905)	(417)	1 291	2 270	(1 761)
- debts recovered	(2 827)	(2 331)	(1 382)	(2 480)	(9 020)
Balance at end of the year (note 9)	22 866	19 181	11 179	20 050	73 276
- specific impairment	9 547	14 855	4 218	13 206	41 826
- portfolio impairment	13 319	4 326	6 961	6 844	31 450

Included under the statement of comprehensive income charge for specific impairment is interest in suspense amounting to N\$4.4 million (2013: N\$4.4 million) and under the specific impairment balance is interest in suspense amounting to N\$21.8 million (2013: N\$23.6 million).

30.2 Sectoral analysis

Individuals

Manufacturing

Wholesale and trade

Retailers, catering and accommodation

Agriculture, forestry and fishing

Mining and quarrying

Financial services, insurance and real estate

Government and public sector

Building and property development

Transport, storage and communication

Other services

	Specific impairments		Portfolio impairments	
	2014 N\$'000	2013 N\$'000	2014 N\$'000	2013 N\$'000
Individuals	22 970	27 945	22 732	26 065
Manufacturing	4 706	3 874	1 139	1 258
Wholesale and trade	111	348	101	135
Retailers, catering and accommodation	1 571	779	303	372
Agriculture, forestry and fishing	208	1 392	444	476
Mining and quarrying	20	26	32	28
Financial services, insurance and real estate	2 946	1 286	1 869	688
Government and public sector	-	-	-	-
Building and property development	719	254	440	236
Transport, storage and communication	621	460	1 517	411
Other services	2 006	5 462	246	1 781
	35 878	41 826	28 823	31 450

30.3 Ratio of impairments

Impairment of loans and advances at end of year

Total gross loans and advances

Ratio (%)

	2014 N\$'000	2013 N\$'000
Impairment of loans and advances at end of year	64 701	73 276
Total gross loans and advances	8 374 544	7 008 385
Ratio (%)	0,77%	1,05%

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	2014 N\$'000	2013 N\$'000
31. OPERATING EXPENDITURE		
Expenses include the following items which are separately disclosable:		
Auditors' remuneration	6 438	5 071
- Audit fees	5 737	4 738
- Other services	701	333
Post-retirement medical aid benefit	750	795
- Interest cost	671	645
- Current service cost	79	87
- Actuarial loss	-	63
Depreciation	17 844	10 979
Amortisation and write off of computer software and development cost	6 070	10 616
Staff costs	213 864	181 855
Operating lease charges	20 056	17 811
- Fixed property	17 601	12 764
- Other	2 455	5 047
Remuneration other than to employees for:		
- Managerial services	51 538	45 804
Value-added tax charge in respect of current expenditure net of input credits	10 899	12 927
Directors' fees paid by the Group	5 614	6 138
- For services as directors	1 356	1 581
- Managerial services	4 258	4 557
Key management	12 083	13 316
- Basic salary and other benefits	11 085	12 654
- Employer pension contribution	745	554
- Employer medical aid contribution	253	108
Other expenses	101 464	105 457
	446 620	410 769
32. TRANSFER TO POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS		
Transfer to policyholder liabilities under insurance contracts	15 372	14 702
33. BEE TRANSACTION EXPENSES		
BEE share-based payment expenses	1 190	873
	1 190	873

	2014 N\$'000	2013 N\$'000
34. TAXATION		
34.1 Charge for the year		
Normal taxation - current year	90 465	63 179
Normal taxation - prior year refund	(1 426)	(2 225)
Deferred taxation - prior year	(1 010)	-
Deferred taxation - current year	(9 586)	(2 159)
	78 443	58 795
	%	%
34.2 Reconciliation of rate of taxation		
Namibian normal rate of taxation	33,0	33,0
Reduction in rate for the year:	(13,7)	(15,8)
- Non-taxable income	(13,0)	(15,8)
- Tax rate change	-	0,3
- Prior period refund	(0,7)	(0,3)
- Other permanent differences	-	-
- Non deductible expenses	4,8	5,2
Effective rate of taxation	24,1	22,4
	N\$'000	N\$'000
35. DIVIDENDS		
No dividend was declared for 2014 (2013: Nil)	-	-
	Cents per share	Cents per share
36. EARNINGS PER SHARE		
Basic earnings per share	347,70	283,73
Diluted earnings per share	347,70	283,73
	N\$'000	N\$'000
Basic earnings per share	245 404	200 253
Earnings used in the calculation of basic earnings per share		
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	70 579	70 579
Diluted earnings per share		

The earnings and the weighted average number of ordinary shares used in the calculation of all diluted earnings per share measures are the same as those for the equivalent basic earnings per shares measures, as outlined above.

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	2014 N\$'000	2013 N\$'000
37. CASH FLOW INFORMATION		
37.1 Reconciliation of profit before taxation to cash generated by operating activities		
Profit before taxation	325 210	259 625
Adjustments for non-cash items:	60 674	46 434
- Accrued interest	11 707	9 565
- Negotiable certificates of deposit	(8 182)	2 680
- (Income)/Loss from associates	(236)	442
- Deferred revenue	1 014	-
- Profit on disposal of property and equipment	(116)	(64)
- Profit on disposal of bonds	(4 519)	-
- Fair value adjustment to financial instruments	1 307	(6 246)
- Impairment of advances	12 692	12 323
- Non-cash movement in provisions	15 364	15 812
- Non-cash movement in leave pay accrual	4 360	1 981
- Fair value movement in derivatives	(239)	(13 496)
- Non-cash movement in deferred staff compensation	1 920	969
- BEE share-based payment expense	1 190	873
- Goodwill adjustment	498	-
- Depreciation	17 844	10 979
- Computer software amortisation (incl. impairment loss on development costs)	6 070	10 616
Other Adjustments	(80 533)	(71 892)
- Movement in long-term subordinated debt instruments	562	486
- Taxation paid	(81 095)	(72 378)
Movement in operating assets	226 829	70 917
- Deposit, current and other accounts	1 541 922	931 424
- Advances and other accounts	(1 315 093)	(860 507)
Cash generated by operating activities	532 180	305 084
37.2 Cash received from customers		
Interest received	849 958	696 259
Commission and fees received	273 265	236 790
Other income received	38 762	46 021
	1 161 985	979 070
37.3 Cash paid to customers		
Interest paid on deposits	(370 787)	(272 531)
37.4 Taxation paid		
Amounts (outstanding)/prepaid - beginning of year	3 136	(8 288)
Charge to statement of comprehensive income	(90 465)	(63 179)
Prior period refund	1 426	2 225
Amounts (prepaid)/outstanding - end of year	4 808	(3 136)
	(81 095)	(72 378)

	2014 N\$'000	2013 N\$'000
37.5 Cash movement in operating liabilities		
Current accounts	116 356	233 399
Savings deposits	41 211	19 437
Other deposits and loan accounts	599 831	(51 950)
Foreign currency accounts	(19 251)	(44 027)
Negotiable certificates of deposit	632 570	693 911
	1 370 717	850 770
37.6 Sale/(Purchase) of non-dealing securities		
Other short-term securities	(611 765)	274 167
Government and other securities	(70 698)	(254 966)
	(682 463)	19 201
37.7 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)	249 855	188 690
Balances with central bank (note 4)	101 152	84 389
Due from other banks (note 5)	870 749	1 130 037
	1 221 756	1 403 116
38. COMMITMENTS		
38.1 Capital expenditure		
Not yet contracted		
- Property and equipment	25 548	28 993
	25 548	28 993
Funds to meet capital expenditure will be provided from internal resources.		
38.2 Bond commitments		
Bonds granted, not yet paid out	314 247	181 230
38.3 Undrawn facilities		
Original term of maturity of one year or less	956 736	990 889

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	2014 N\$'000	2013 N\$'000
38. COMMITMENTS (continued)		
38.4 Operating leases		
The Group has entered into leases over fixed property and other equipment for various periods. The charges will increase in future in line with negotiated escalations and expansions. The future minimum lease payments in respect of operating leases are as follows:		
Premises		
2014	-	18 023
2015	11 475	9 984
2016	4 595	2 182
2017	2 388	47
2018	2 236	33
Thereafter	1 573	-
	22 267	30 269
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 2013, confirmed that the fund was financially sound.		
The total value of contributions to the pension fund during the year amounted to:		
Number of members	669	555
Employer contributions	14 536	9 721
Employee contributions	10 085	6 594
40. CONTINGENT LIABILITIES		
Confirmed letters of credit	4 356	9 095
Liabilities under guarantees	548 985	543 032
Legal actions against the Group	796	365
	554 137	552 492

41. SHARE-BASED PAYMENTS

Shares and share options are granted to employees as part of their remuneration package for services rendered, and in terms of the BEE scheme to clients and partners as an incentive to retain business and develop growth within the Group. The following are share and share options schemes that have been in place during the year. The traditional employee schemes are cash settled and the BEE schemes will be treated as equity settled.

As the Group cannot estimate reliably the fair value of services received nor the value of additional business received, the Group rebuts the presumption that such services and business can be measured reliably and, as such, measures their fair value by reference to the fair value of the options or shares granted. The fair value of such options and shares is measured at the grant date utilising the Black-Scholes valuation model.

41.1 Description of arrangements

Scheme	Trust	Description	Vesting requirements	Maximum term
41.1.1 Black Economic Empowerment schemes – Business partners and affinity groups				
Black Business Partner Scheme (BBP)	Central Consortium SPV Three Investments (Proprietary) Limited, Coastal Consortium SPV Three Investments (Proprietary) Limited and Northern Empowerment SPV Three Investments (Proprietary) Limited	Each SPV was issued an equal number of restricted shares at N\$2.53 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	No dealing in the shares during the 10-year notional funding period.	10 years
Affinity Group Scheme (AG)	Southern Consortium SPV Three Investments (Proprietary) Limited and Eastern Consortium SPV Three Investments (Proprietary) Limited	Each SPV was issued an equal number of restricted shares at N\$1 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	No dealing in the shares during the 10-year notional funding period.	10 years
Benefit scheme in respect of higher education (Education Scheme)	The Old Mutual and Nedbank Namibia Education Trust	The SPV was issued restricted shares at N\$1 per share, with notional funding over a period of 10 years. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	No dealing in the shares during the 10-year notional funding period.	10 years

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41. SHARE-BASED PAYMENTS (CONTINUED)

41.1 Description of arrangements (continued)

Scheme	Trust	Description	Vesting requirements	Maximum term
41.1.2 Black Economic Empowerment schemes – Employees				
Black Management Scheme (Black Management)	Ofifiya Black Management Trust	Restricted shares and share options were granted to certain black employees on middle and senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest. Allocations are forfeited in the case of fault termination prior to vesting date.	7 years
Broad-based Employee Scheme (Broad-based)	Ofifiya Broad-based Employee Trust	Restricted shares granted to all qualifying employees who do not participate in any other share incentive scheme operating in the group. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	No dealing in the shares during the restricted period of 5 years. Forfeiture is not applicable as it is not required for a beneficiary to be in the employ when allocations become unrestricted.	5 years
NedNamibia Holdings Long-term Incentive Scheme (LTIP)	NedNamibia Holdings Long-term Incentive Scheme Trust	Restricted shares and options awarded to all eligible employees to promote the continued growth of NedNamibia Holdings Limited and to attract and retain suitably skilled and competent personnel. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	Participants must remain in service of NedNamibia Holdings Limited or any one of its subsidiaries to qualify as an eligible employee. Allocations are forfeited in the case of fault termination prior to vesting or if specific performance criteria as determined on allocation is not met at vesting date.	3 years

41.2 Effect on profit and financial position
Black Economic Empowerment schemes

	Share-based payments expense		Share-based payments reserve	
	2014 N\$'000	2013 N\$'000	2014 N\$'000	2013 N\$'000
Black Business Partners (BBP)	-	-	8 996	8 996
Affinity Groups (AG)	-	-	3 299	3 299
Education	-	-	4 398	4 398
LTIP	-	(637)	-	-
Black Management	-	(773)	12	163
Broad-based	-	-	-	-
	-	(1 410)	16 705	16 856

41.3 Black Economic Empowerment schemes
Black Business Partner Scheme

	2014		2013	
	Number of instruments	Weighted average exercise price N\$	Number of instruments	Weighted average exercise price N\$
Outstanding at beginning of the year	199 929	278,98	199 929	278,98
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of year	199 929	278,98	199 929	278,98
Exercisable at end of year	-	-	-	-
Weighted average share price for options exercised (N\$)	-	-	-	-
Affinity Group Scheme				
Outstanding at beginning of the year	74 048	282,47	74 048	282,47
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of year	74 048	282,47	74 048	282,47
Exercisable at end of year	-	-	-	-
Weighted average share price for options exercised (N\$)	-	-	-	-
Education Scheme				
Outstanding at beginning of the year	98 730	282,47	98 730	282,47
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of year	98 730	282,47	98 730	282,47
Exercisable at end of year	-	-	-	-
Weighted average share price for options exercised (N\$)	-	-	-	-

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	2014		2013	
	Number of instruments	Weighted average exercise price N\$	Number of instruments	Weighted average exercise price N\$
41. SHARE-BASED PAYMENTS (CONTINUED)				
41.3 Black Economic Empowerment schemes (continued)				
LTIP Scheme				
Outstanding at beginning of the year	-	-	65 582	49,32
Other movements	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	(65 582)	-
Expired	-	-	-	-
Outstanding at end of year	-	-	-	-
Exercisable at end of year	-	-	-	-
Weighted average share price for options exercised (N\$)	-	-	-	-
Black Management Scheme				
Outstanding at beginning of the year	3 893	89,67	36 469	85,14
Granted	-	-	-	-
Forfeited	-	-	(7 847)	11,90
Exercised	(3 893)	79,89	(24 729)	79,89
Expired	-	-	-	-
Outstanding at end of year	-	-	3 893	89,67
Exercisable at end of year	-	-	547	71,00
Weighted average share price for options exercised (N\$)	-	224,04	-	157,28
Broad-based Scheme				
Outstanding at beginning of the year	-	-	39 816	-
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	(39 816)	-
Expired	-	-	-	-
Outstanding at end of year	-	-	-	-
Exercisable at end of year	-	-	-	-
Weighted average share price for options exercised (N\$)	-	-	-	-

	2014		2013	
	Number of instruments	Weighted average remaining contractual life (years)	Number of instruments	Weighted average remaining contractual life (years)
41.4 Instruments outstanding at the end of the year by exercise price				
Black Business Partner Scheme				
	278,98	199 929	1,93	199 929
Affinity Group Scheme				
	282,47	74 048	1,93	74 048
Education Scheme				
	282,47	98 730	1,93	98 730
LTIP Scheme				
	0,00	-	-	-
	134,30	-	-	-
Black Management Scheme				
	0,00	-	-	999
	101,29	-	-	-
	120,62	-	-	2 894
		-	-	3 893
Broad-based Scheme				
	0,00	-	-	-
41.5 Instruments granted during the year				
No other instruments were granted in 2014 (2013: Nil)				

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42. RELATED PARTY DISCLOSURE

42.1 Parent company

NedNamibia Holdings Limited's majority shareholder is Nedbank Group Limited (100%) (2013: 100%), which is incorporated in South Africa. The ultimate holding company is Old Mutual plc. The subsidiaries and associates of these companies are also seen as related companies.

42.2 Identity of related parties with whom transactions have occurred

Subsidiaries and the associate of the Group are identified in note 11. All of these entities are related parties. Transactions with directors and director controlled entities are related party transactions.

42.3 Related party balances

	2014 N\$'000	2013 N\$'000
Loans from related parties		
Nedbank Group Limited (holding company)	526	345
Nedbank Group Limited (holding company) (Term loan)	150 025	-
Nedbank Group Limited (holding company) (accrual for management fees)	65 504	11 749
Nedbank Group Limited (Derivative instruments included under note 7)	2 835	2 970
Nedbank Group Limited (holding company)	1 406	211 477
Old Mutual Namibia Limited (fellow subsidiary)	400 069	326 112
Nedbank Limited: London Branch (fellow subsidiary)	55	54
Nedbank Limited: London Branch (fellow subsidiary) (Derivative instruments included under note 7)	-	502
Nedbank (Lesotho) Limited (fellow subsidiary)	100 059	-
NedCapital Investment Holdings (Namibia) (Proprietary) Limited (fellow subsidiary)	5 122	3 450
Nedbank Namibia Pension Fund (pension fund)	14 436	6 396
Balances with directors	1 612	5 026
Balances with key management	1 166	955
Loans to related parties		
Nedbank Group Limited (holding company) (Internal settlement account)	56 308	94 500
Nedbank Group Limited (holding company) (Credit Linked Note)	454 557	251 485
Nedbank Group Limited (Derivative instruments included under note 7)	5 682	15 904
Nedbank Group Limited (holding company)	83 181	209 660
Nedbank Limited: London Branch (fellow subsidiary) (Derivative instruments included under note 7)	2 120	375
Balances with directors	1 966	7 934
Balances with key management	8 800	3 824

42.4 Related party transactions

	Interest income		Other income		Interest expense		Expenses and dividends paid	
	2014 N\$'000	2013 N\$'000	2014 N\$'000	2013 N\$'000	2014 N\$'000	2013 N\$'000	2014 N\$'000	2013 N\$'000
Related party								
Nedbank Group Limited (holding company)								
Interest income on internal settlement account	-	3 225	-	-	5 342	-	-	-
Interest income on Nedbank London Branch placement	1 278	1 916	-	-	-	-	-	-
Interest expense on term loan	25	-	-	-	-	-	-	-
Interest income on Credit Linked Note	23 237	511	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	51 538	45 804
Old Mutual Limited (fellow subsidiary)								
Interest expense on current account	-	-	-	-	21 328	14 608	-	-
Nedbank Namibia Pension Fund (pension fund)								
Pension contributions	-	-	-	-	-	-	14 257	9 721
NedCapital Holdings Namibia (Pty) Ltd (fellow subsidiary)								
Interest expense	-	-	-	-	208	1 088	-	-
Transactions with directors								
Services as directors	-	-	-	-	-	-	1 356	1 581
Other services	-	-	-	-	-	-	4 258	4 557
Staff costs	-	-	-	-	-	-	12 083	13 316

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43. CAPITAL RISK MANAGEMENT

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 capital 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 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 a bank is pursuing or experiencing significant growth, has inadequate risk management systems, an inordinate level of risk, or less than satisfactory asset quality, management, earnings or liquidity, a higher minimum may be required.
- (b) Tier 1 Risk-Based Capital: the minimum Tier 1 ratio shall be 7.0%. In accordance with the Act, if a bank is pursuing or experiencing significant growth, has inadequate risk management systems, an inordinate level of risk, or less than satisfactory asset quality, management, earnings or liquidity, a higher minimum may be required.
- (c) Total Risk-Weighted Capital: the minimum total ratio shall be 10.0%. In accordance with the Act, if a bank is pursuing or experiencing significant growth, has inadequate risk management systems, an inordinate level of risk, or less than satisfactory asset quality, management, earnings or liquidity, a higher minimum may be required.

Minimum requirements (continued)

The Bank follows the minimum ratios as prescribed by the Act.

	2014 N\$'000	2013 N\$'000
Share capital and share premium	65 392	65 392
Retained earnings	1 145 438	981 802
General banking reserves	16 703	23 234
Total qualifying tier 1 capital	1 227 533	1 070 428
Subordinated debt	4 201	3 639
Asset revaluation reserves	45 985	19 582
Portfolio impairment	82 441	68 858
Total qualifying tier 2 capital	132 627	92 079
Total regulatory capital	1 360 160	1 162 507
Risk-weighted assets:		
Operational risk	760 999	757 195
Credit risk	7 598 735	6 094 981
Market risk	3 946	81 873
Total risk-weighted assets	8 363 680	6 934 049
Capital adequacy ratios:	%	%
Leverage capital	10,63	10,95
Tier 1 risk-based capital	14,68	15,44
Total risk-weighted capital	16,26	16,77

43.2 NedNamibia Life Assurance Company

The current capital adequacy ratio for NedNamibia Life Assurance Company Limited is 26 times (2013:18 times) in surplus of the regulatory requirements.

Refer to the Statutory Actuary's Report on page 65 for more detail.

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	Notes	At fair value through profit and loss - held for trading N\$'000	Designated at fair value through profit and loss N\$'000	Available- for-sale N\$'000	Financial instruments at amortised cost N\$'000	Non- financial assets and liabilities N\$'000	Total N\$'000
44.1 STATEMENT OF FINANCIAL POSITION - CATEGORIES OF FINANCIAL INSTRUMENTS 2014							
ASSETS							
Cash and balances with central bank	4	-	-	-	351 007	-	351 007
Due from other banks	5	83 181	185 342	-	602 226	-	870 749
Other short-term securities	6	897 401	-	-	-	-	897 401
Derivative financial instruments	7	10 787	-	-	-	-	10 787
Government and other securities	8	1 023 282	22 800	-	-	-	1 046 082
Loans and advances to customers	9	-	-	-	8 309 843	-	8 309 843
Other assets	10	-	-	-	59 988	10 051	70 039
Investment in subsidiaries, associates and listed investments	11	-	-	41 710	-	2 883	44 593
Property and equipment	12	-	-	-	-	213 791	213 791
Computer software and development cost	13	-	-	-	-	27 888	27 888
Goodwill	14	-	-	-	-	29 125	29 125
Total assets		2 014 651	208 142	41 710	9 323 064	283 738	11 871 305
LIABILITIES							
Derivative financial instruments	7	10 206	-	-	-	-	10 206
Due to other banks	20	-	82 160	-	226 404	-	308 564
Due to customers	21	-	-	-	5 981 674	-	5 981 674
Negotiable certificates of deposits	22	-	198 799	-	3 329 197	-	3 527 996
Other liabilities	23	-	-	-	165 189	38 731	203 920
Deferred taxation liabilities	24	-	-	-	-	86 094	86 094
Policyholder liabilities under insurance contracts	25	-	-	-	-	89 639	89 639
Provision for post-retirement medical benefits	26	-	-	-	-	8 224	8 224
Long-term subordinated debt instruments	27	-	-	-	4 201	-	4 201
Total liabilities		10 206	280 959	-	9 706 665	222 688	10 220 518

	Notes	At fair value through profit and loss - held for trading N\$'000	Designated at fair value through profit and loss N\$'000	Available- for-sale N\$'000	Financial instruments at amortised cost N\$'000	Non- financial assets and liabilities N\$'000	Total N\$'000
44.1 STATEMENT OF FINANCIAL POSITION - CATEGORIES OF FINANCIAL INSTRUMENTS 2013							
ASSETS							
Cash and balances with central bank	4	-	-	-	273 079	-	273 079
Due from other banks	5	209 660	276 697	-	643 680	-	1 130 037
Other short-term securities	6	304 248	-	-	-	-	304 248
Derivative financial instruments	7	18 609	-	-	-	-	18 609
Government and other securities	8	942 410	22 859	-	-	-	965 269
Loans and advances to customers	9	-	-	-	6 935 109	-	6 935 109
Other assets	10	-	-	-	117 996	7 583	125 579
Investment in subsidiaries, associates and listed investments	11	-	-	36 152	-	2 883	39 035
Property and equipment	12	-	-	-	-	150 236	150 236
Computer software and development cost	13	-	-	-	-	29 095	29 095
Goodwill	14	-	-	-	-	29 623	29 623
Total assets		1 474 927	299 556	36 152	7 969 864	219 420	9 999 919
LIABILITIES							
Derivative financial instruments	7	18 267	-	-	-	-	18 267
Due to other banks	20	-	211 477	-	-	-	211 477
Due to customers	21	-	-	-	5 240 816	-	5 240 816
Negotiable certificates of deposits	22	-	202 799	-	2 680 462	-	2 883 261
Other liabilities	23	-	-	-	98 532	23 522	122 054
Deferred taxation liabilities	24	-	-	-	-	84 758	84 758
Policyholder liabilities under insurance contracts	25	-	-	-	-	74 267	74 267
Provision for post-retirement medical benefits	26	-	-	-	-	8 034	8 034
Long-term subordinated debt instruments	27	-	-	-	3 639	-	3 639
Total liabilities		18 267	414 276	-	8 023 449	190 581	8 646 573

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	Notes	Level 1 N\$'000	Level 2 N\$'000	Level 3 N\$'000	Financial instruments at amortised cost N\$'000	Non- financial assets and liabilities N\$'000	Total N\$'000
44.2 STATEMENT OF FINANCIAL POSITION - FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS 2014							
ASSETS							
Cash and balances with central bank	4	-	-	-	351 007	-	351 007
Due from other banks	5	83 181	185 342 ¹	-	602 226	-	870 749
Other short-term securities	6	-	897 401	-	-	-	897 401
Derivative financial instruments	7	-	10 787 ²	-	-	-	10 787
Government and other securities	8	-	1 046 082 ³	-	-	-	1 046 082
Loans and advances to customers	9	-	-	-	8 309 843	-	8 309 843
Other assets	10	-	-	-	59 988	10 051	70 039
Investment in subsidiaries, associates and listed investments	11	41 710	-	-	-	2 883	44 593
Property and equipment	12	-	-	-	-	213 791	213 791
Computer software and development cost	13	-	-	-	-	27 888	27 888
Goodwill	14	-	-	-	-	29 125	29 125
Total assets		124 891	2 139 612	-	9 323 064	283 738	11 871 305
LIABILITIES							
Derivative financial instruments	7	-	10 206 ²	-	-	-	10 206
Due to other banks	20	-	158 539 ⁴	-	150 025	-	308 564
Due to customers	21	-	-	-	5 981 674	-	5 981 674
Negotiable certificates of deposits	22	-	198 799	-	3 329 197	-	3 527 996
Other liabilities	23	-	-	-	165 189	38 731	203 920
Deferred taxation liabilities	24	-	-	-	-	86 094	86 094
Policyholder liabilities under insurance contracts	25	-	-	-	-	89 639	89 639
Provision for post-retirement medical benefits	26	-	-	-	-	8 224	8 224
Long-term subordinated debt instruments	27	-	-	-	4 201	-	4 201
Total liabilities		-	367 544	-	9 630 286	222 688	10 220 518

44.2 STATEMENT OF FINANCIAL POSITION - FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

2013

ASSETS

	Notes	Level 1 N\$'000	Level 2 N\$'000	Level 3 N\$'000	Financial instruments at amortised cost N\$'000	Non- financial assets and liabilities N\$'000	Total N\$'000
44.2 STATEMENT OF FINANCIAL POSITION - FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS 2013							
ASSETS							
Cash and balances with central bank	4	-	-	-	273 079	-	273 079
Due from other banks	5	209 660	276 697 ¹	-	643 680	-	1 130 037
Other short-term securities	6	-	304 248	-	-	-	304 248
Derivative financial instruments	7	-	18 609 ²	-	-	-	18 609
Government and other securities	8	-	965 269 ³	-	-	-	965 269
Loans and advances to customers	9	-	-	-	6 935 109	-	6 935 109
Other assets	10	-	-	-	117 996	7 583	125 579
Investment in subsidiaries, associates and listed investments	11	36 152	-	-	-	2 883	39 035
Property and equipment	12	-	-	-	-	150 236	150 236
Computer software and development cost	13	-	-	-	-	29 095	29 095
Goodwill	14	-	-	-	-	29 623	29 623
Total assets		245 812	1 564 823	-	7 969 864	219 420	9 999 919

LIABILITIES

Derivative financial instruments	7	-	18 267 ²	-	-	-	18 267
Due to other banks	20	-	211 477 ⁴	-	-	-	211 477
Due to customers	21	-	-	-	5 240 816	-	5 240 816
Negotiable certificates of deposits	22	-	202 799	-	2 680 462	-	2 883 261
Other liabilities	23	-	-	-	98 532	23 522	122 054
Deferred taxation liabilities	24	-	-	-	-	84 758	84 758
Policyholder liabilities under insurance contracts	25	-	-	-	-	74 267	74 267
Provision for post-retirement medical benefits	26	-	-	-	-	8 034	8 034
Long-term subordinated debt instruments	27	-	-	-	3 639	-	3 639
Total liabilities		-	432 543	-	8 023 449	190 581	8 646 573

The appropriateness of the financial instruments classification and fair value hierarchy is reviewed on an annual basis, the following reclassifications were made during the year:

1. The Foreign Nostros amounting to N\$185,342 included under Due from other banks were reclassified from level 1 to level 2,
2. Reclassified Derivative financial instruments from level 1 to level 2,
3. Reclassified Government and other sector from level 1 to level 2,
4. Short trading securities included under due to other banks were reclassified from level 1 to level 2.

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44.3 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 represent 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 frontoffice 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.

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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.
- **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 zerocoupon 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.

SUMMARY OF PRINCIPAL VALUATION TECHNIQUES - LEVEL 2 INSTRUMENTS

The following table sets out the Group's principal valuation techniques used in determining the fair value of financial assets and financial liabilities classified as level 2 in the fair value hierarchy:

Assets	Valuation technique	Key Inputs
Other short term securities	Discounted cashflow model	Discount rates
Derivative financial instruments	Discounted cashflow model Black-Scholes model Multiple valuation techniques	Discount rates Risk-free rate and volatilities Valuation multiples
Government and other securities	Discounted cashflow model	Discount rates
Loans and advances	Discounted cashflow model	Interest rate curves
Liabilities	Valuation technique	Key Inputs
Negotiable certificates of deposit and promissory notes	Discounted cashflow model	Discount rates
Derivative financial instruments	Discounted cashflow model Black-Scholes model Multiple valuation techniques	Discount rates Risk-free rate and volatilities Valuation multiples
Amounts owed to depositors	Discounted cashflow model	Discount rates

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45. LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

45.1 Liquidity risk management

By monitoring the maturity profile of the current statement of financial position as well as its expected future structure ALCO proactively manages this risk and is able to address any potential mismatches in accordance with best banking practice. Refer to the section under the heading "Liquidity risk" in the Corporate Governance and Compliance report to the annual financial statements for more detail on liquidity risk management.

	On demand N\$'000	Up to 3 months N\$'000	3 - 6 months N\$'000	6 - 12 months N\$'000	1 - 5 years N\$'000	Over 5 years N\$'000	Equity/Non-determined N\$'000	Total N\$'000
45.2 Contractual liquidity risk analysis for financial liabilities 2014								
LIABILITIES								
Derivative financial instruments	35	10 171	-	-	-	-	-	10 206
Due to other banks	-	226 467	-	-	-	82 160	-	308 627
Due to customers	4 730 862	657 217	252 203	407 320	2 599	-	578	6 050 779
Negotiable certificates of deposits	-	502 172	498 275	1 080 999	1 691 611	217 377	-	3 990 434
Other liabilities	-	-	-	-	-	-	203 920	203 920
Deferred taxation liabilities	-	-	-	-	-	-	86 094	86 094
Policyholder liabilities under insurance contracts	-	-	-	-	-	-	89 639	89 639
Provision for post-retirement medical benefits	-	-	-	-	-	-	8 224	8 224
Long-term subordinated debt instruments	-	-	-	-	-	40 000	-	40 000
Total liabilities	4 730 897	1 396 027	750 478	1 488 319	1 694 210	339 537	388 455	10 787 923
Off statement of financial position								
Financial and other guarantees	-	860 954	4 356	-	-	-	796	866 106
Undrawn facilities	731 568	124	24	34	5 426	219 560	-	990 889
2013								
LIABILITIES								
Derivative financial instruments	-	3 976	8 382	5 909	-	-	-	18 267
Due to other banks	-	-	-	-	-	211 477	-	211 477
Due to customers	3 033 116	1 824 975	140 993	291 788	3 018	-	582	5 294 472
Negotiable certificates of deposits	-	308 541	739 546	1 012 482	959 882	90 522	579	3 111 552
Other liabilities	-	102 106	-	-	-	-	19 948	122 054
Deferred taxation liabilities	-	-	-	-	-	-	84 758	84 758
Policyholder liabilities under insurance contracts	-	-	-	-	-	-	74 267	74 267
Provision for post-retirement medical benefits	-	-	-	-	-	-	8 034	8 034
Long-term subordinated debt instruments	-	-	-	-	-	40 000	-	40 000
Total liabilities	3 033 116	2 239 598	888 921	1 310 179	962 900	341 999	188 168	8 964 881
Off statement of financial position								
Financial and other guarantees	-	535 740	6 927	-	-	-	-	542 667
Undrawn facilities	683 625	75	397	5 070	28 601	273 121	-	990 889

The maturity analysis detailed under the contractual liquidity risk analysis for financial liabilities include future interest.

46. 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 47 and note 48 for disclosure regarding these risks.

47. 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.

47.1 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. Refer to the section under the heading "Currency risk" in the Corporate Governance report to the annual financial statements for more detail on currency risk management.

	N\$ N\$'000	EUR N\$'000	US\$ N\$'000	GBP N\$'000	ZAR and Other N\$'000	Total N\$'000
47.2 Currency risk profile 2014						
ASSETS						
Cash and balances with central bank	212 429	2 599	135 799	38	142	351 007
Due from other banks	532 961	44 627	78 414	1 819	212 928	870 749
Other short-term securities	538 032	-	-	-	359 369	897 401
Derivative financial instruments	2 685	58	7 821	-	223	10 787
Government and other securities	591 525	-	-	-	454 557	1 046 082
Loans and advances to customers	8 309 780	1	62	-	-	8 309 843
Other assets	70 039	-	-	-	-	70 039
Investment in subsidiaries, associates and listed investments	44 593	-	-	-	-	44 593
Property and equipment	213 791	-	-	-	-	213 791
Computer software and development cost	27 888	-	-	-	-	27 888
Goodwill	29 125	-	-	-	-	29 125
Total assets	10 572 848	47 285	222 096	1 857	1 027 219	11 871 305
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	17 595	-	-	-	-	17 595
Share premium	99 536	-	-	-	-	99 536
General risk reserve	65 169	-	-	-	-	65 169
Revaluation reserve	77 365	-	-	-	-	77 365
Share-based payment reserve	16 705	-	-	-	-	16 705
Available-for-sale reserve	25 817	-	-	-	-	25 817
Retained income	1 335 481	-	-	-	-	1 335 481
Shareholder's interest	1 637 668	-	-	-	-	1 637 668
Non-controlling interest	13 119	-	-	-	-	13 119
Total shareholder's equity and non-controlling interest	1 650 787	-	-	-	-	1 650 787
LIABILITIES						
Derivative financial instruments	7 106	1 863	935	-	302	10 206
Due to other banks	76 379	-	-	-	232 185	308 564
Due to customers	5 486 983	73 956	270 392	1 529	148 814	5 981 674
Negotiable certificates of deposit	3 527 996	-	-	-	-	3 527 996
Other liabilities	203 920	-	-	-	-	203 920
Deferred taxation liabilities	86 094	-	-	-	-	86 094
Policyholder liabilities under insurance contracts	89 639	-	-	-	-	89 639
Provision for post-retirement medical benefits	8 224	-	-	-	-	8 224
Long-term subordinated debt instruments	4 201	-	-	-	-	4 201
Total liabilities	9 490 542	75 819	271 327	1 529	381 301	10 220 518
Total equity and liabilities	11 141 329	75 819	271 327	1 529	381 301	11 871 305
Net balance sheet position	(568 481)	(28 534)	(49 231)	328	645 918	-
Off balance sheet net notional position	-	28 081	58 276	-	-	86 357
Rates of exchange	-	14,07	11,58	18,04	-	-

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	N\$ N\$'000	EUR N\$'000	US\$ N\$'000	GBP N\$'000	ZAR and Other N\$'000	Total N\$'000
47.2 Currency risk profile 2013						
ASSETS						
Cash and balances with central bank	181 118	1 808	89 889	129	135	273 079
Due from other banks	381 103	78 426	350 671	581	319 256	1 130 037
Other short-term securities	121 794	-	-	-	182 454	304 248
Derivative financial instruments	1	1 002	17 454	-	152	18 609
Government and other securities	713 784	-	-	-	251 485	965 269
Loans and advances to customers	6 935 096	1	12	-	-	6 935 109
Other assets	125 579	-	-	-	-	125 579
Investment in subsidiaries, associates and listed investments	39 035	-	-	-	-	39 035
Property and equipment	150 236	-	-	-	-	150 236
Computer software and development cost	29 095	-	-	-	-	29 095
Goodwill	29 623	-	-	-	-	29 623
Total assets	8 706 464	81 237	458 026	710	753 482	9 999 919
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	17 595	-	-	-	-	17 595
Share premium	99 536	-	-	-	-	99 536
General risk reserve	51 146	-	-	-	-	51 146
Revaluation reserve	39 885	-	-	-	-	39 885
Share-based payment reserve	16 856	-	-	-	-	16 856
Available-for-sale reserve	19 928	-	-	-	-	19 928
Retained income	1 103 385	-	-	-	-	1 103 385
Shareholder's interest	1 348 331	-	-	-	-	1 348 331
Non-controlling interest	5 015	-	-	-	-	5 015
Total shareholder's equity and non-controlling interest	1 353 346	-	-	-	-	1 353 346
LIABILITIES						
Derivative financial instruments	14 796	-	-	-	3 471	18 267
Due to other banks	-	-	-	-	211 477	211 477
Due to customers	4 721 997	78 354	439 760	705	-	5 240 816
Negotiable certificates of deposit	2 883 261	-	-	-	-	2 883 261
Other liabilities	122 054	-	-	-	-	122 054
Deferred taxation liabilities	84 758	-	-	-	-	84 758
Policyholder liabilities under insurance contracts	74 267	-	-	-	-	74 267
Provision for post-retirement medical benefits	8 034	-	-	-	-	8 034
Long-term subordinated debt instruments	3 639	-	-	-	-	3 639
Total liabilities	7 912 806	78 354	439 760	705	214 948	8 646 573
Total equity and liabilities	9 266 152	78 354	439 760	705	214 948	9 999 919
Net balance sheet position	(559 688)	2 883	18 266	5	538 534	-
Off balance sheet net notional position	-	(696)	(25 621)	-	-	(26 317)
Rates of exchange	-	14,46	10,50	17,36	-	-

	Possible effect on the statement of comprehensive income* N\$'000	Reasonable possible change (increase/decrease)					Balance as at reporting date N\$'000
		EUR N\$	US\$ N\$	GBP N\$	ZAR and Other N\$		
47.3 Currency risk sensitivity analysis 2014							
ASSETS							
Cash and balances with central bank	6 071	0,96	0,96	0,96	1,00	351 007	
Due from other banks	5 139	0,96	0,96	0,96	1,00	870 749	
Other short-term securities	-	-	-	-	-	897 401	
Derivative financial instruments	346	0,96	0,96	-	-	10 787	
Government and other securities	-	-	-	-	-	1 046 082	
Loans and advances to customers	-	-	-	-	-	8 309 843	
Other assets	-	-	-	-	-	70 039	
Investment in subsidiaries, associates, joint ventures and listed investments	-	-	-	-	-	44 593	
Property and equipment	-	-	-	-	-	213 791	
Computer software and development cost	-	-	-	-	-	27 888	
Goodwill	-	-	-	-	-	29 125	
Total assets	11 556					11 871 305	
LIABILITIES							
Derivative financial instruments	108	0,96	0,96	0,96	1,00	10 206	
Due to other banks	-	-	-	-	-	308 564	
Due to customers	14 628	0,96	0,96	0,96	-	5 981 674	
Negotiable certificates of deposits	-	-	-	-	-	3 527 996	
Other liabilities	-	-	-	-	-	203 920	
Deferred taxation liabilities	-	-	-	-	-	86 094	
Policyholder liabilities under insurance contracts	-	-	-	-	-	89 639	
Provision for post-retirement medical benefits	-	-	-	-	-	8 224	
Long-term subordinated debt instruments	-	-	-	-	-	4 201	
Total liabilities	14 736					10 220 518	

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	Possible effect on the statement of comprehensive income* N\$'000	EUR N\$	US\$ N\$	GBP N\$	ZAR and Other N\$	Balance
						as at reporting date N\$'000
47.3 Currency risk sensitivity analysis 2013						
ASSETS						
Cash and balances with central bank	364	1,00	1,00	0,99	1,01	273 079
Due from other banks	33	1,00	1,00	0,99	1,01	1 130 037
Other short-term securities	-	-	-	-	-	304 248
Derivative financial instruments	71	1,00	1,00	-	-	18 609
Government and other securities	-	-	-	-	-	965 269
Loans and advances to customers	-	-	-	-	-	6 935 109
Other assets	-	-	-	-	-	125 579
Investment in subsidiaries, associates, and listed investments	-	-	-	-	-	39 035
Property and equipment	-	-	-	-	-	150 236
Computer software and development cost	-	-	-	-	-	29 095
Goodwill	-	-	-	-	-	29 623
Total assets	468					9 999 919
LIABILITIES						
Derivative financial instruments	17	1,00	1,00	0,99	1,01	18 267
Due to other banks	-	-	-	-	-	211 477
Due to customers	1 920	1,00	1,00	0,99	-	5 240 816
Negotiable certificates of deposits	-	-	-	-	-	2 883 261
Other liabilities	-	-	-	-	-	122 054
Deferred taxation liabilities	-	-	-	-	-	84 758
Policyholder liabilities under insurance contracts	-	-	-	-	-	74 267
Provision for post-retirement medical benefits	-	-	-	-	-	8 034
Long-term subordinated debt instruments	-	-	-	-	-	3 639
Total liabilities	1 937					8 646 573

* 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.

48. 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.

48.1 Interest rate risk management

Interest rate risk is assessed through the use of traditional gap analysis techniques. Gap analysis measures the volumes of assets and liabilities subject to repricing within a given period. For this purpose assets and liabilities are classified according to their contractual repricing characteristics. Through the use of balance sheet stress testing and net interest income scenarios the impact of interest rate movements and risk concentrations can be identified and measured. Strategies are then developed for mitigating such risks. Refer to the section under the heading "Interest rate risk" in the Corporate Governance and Compliance report to the annual financial statements for more detail on interest rate risk management.

	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
48.2 Interest rate risk analysis 2014							
ASSETS							
Cash and balances with central bank	-	-	-	-	-	351 007	351 007
Due from other banks	870 749	-	-	-	-	-	870 749
Other short-term securities	698 387	46 136	152 878	-	-	-	897 401
Derivative financial instruments	-	-	-	-	-	10 787	10 787
Government and other securities	335 692	92 639	104 113	301 359	225 706	(13 427)	1 046 082
Loans and advances to customers	8 280 316	119	239	2 162	9 187	17 820	8 309 843
Other assets	-	-	-	-	-	70 039	70 039
Investment in subsidiaries, associates and listed investments	-	-	-	-	-	44 593	44 593
Property and equipment	-	-	-	-	-	213 791	213 791
Computer software and development cost	-	-	-	-	-	27 888	27 888
Goodwill	-	-	-	-	-	29 125	29 125
Total assets	10 185 144	138 894	257 230	303 521	234 893	751 623	11 871 305
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital	-	-	-	-	-	17 595	17 595
Share premium	-	-	-	-	-	99 536	99 536
General risk reserve	-	-	-	-	-	65 169	65 169
Revaluation reserve	-	-	-	-	-	77 365	77 365
Share-based payment reserve	-	-	-	-	-	16 705	16 705
Available-for-sale reserve	-	-	-	-	-	25 817	25 817
Retained income	-	-	-	-	-	1 335 481	1 335 481
Shareholder's interest	-	-	-	-	-	1 637 668	1 637 668
Non-controlling interest	-	-	-	-	-	13 119	13 119
Total shareholder's equity and non-controlling interest	-	-	-	-	-	1 650 787	1 650 787
LIABILITIES							
Derivative financial instruments	-	-	-	-	-	10 206	10 206
Due to other banks	226 404	-	-	-	82 160	-	308 564
Due to customers	4 055 066	248 229	396 958	2 581	-	1 278 840	5 981 674
Negotiable certificates of deposits	2 197 731	324 476	707 037	225 357	73 395	-	3 527 996
Other liabilities	-	-	-	-	-	203 920	203 920
Deferred taxation liabilities	-	-	-	-	-	86 094	86 094
Policyholder liabilities under insurance contracts	-	-	-	-	-	89 639	89 639
Provision for post-retirement medical benefits	-	-	-	8 224	-	-	8 224
Long-term subordinated debt instruments	-	-	-	-	4 201	-	4 201
Total liabilities	6 479 201	572 705	1 103 995	236 162	159 756	1 668 699	10 220 518
Total equity and liabilities	6 479 201	572 705	1 103 995	236 162	159 756	3 319 486	11 871 305
On balance sheet interest sensitivity gap	3 705 943	(433 811)	(846 765)	67 359	75 137	(2 567 863)	-
Cumulative on balance sheet interest sensitivity gap	3 705 943	3 272 132	2 425 367	2 492 726	2 567 863	-	-

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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
48.2 Interest rate risk analysis							
2013							
ASSETS							
Cash and balances with central bank	-	-	-	-	-	273 079	273 079
Due from other banks	1 130 037	-	-	-	-	-	1 130 037
Other short-term securities	217 229	66 605	20 414	-	-	-	304 248
Derivative financial instruments	-	-	-	-	-	18 609	18 609
Government and other securities	124 357	84 241	121 784	310 230	324 657	-	965 269
Loans and advances to customers	6 975 456	331	665	6 014	25 919	(73 276)	6 935 109
Other assets	-	-	-	-	-	125 579	125 579
Investment in subsidiaries, associates and listed investments	-	-	-	-	-	39 035	39 035
Property and equipment	-	-	-	-	-	150 236	150 236
Computer software and development cost	-	-	-	-	-	29 095	29 095
Goodwill	-	-	-	-	-	29 623	29 623
Total assets	8 447 079	151 177	142 863	316 244	350 576	591 980	9 999 919
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital	-	-	-	-	-	17 595	17 595
Share premium	-	-	-	-	-	99 536	99 536
General risk reserve	-	-	-	-	-	51 146	51 146
Revaluation reserve	-	-	-	-	-	39 885	39 885
Share-based payment reserve	-	-	-	-	-	16 856	16 856
Available-for-sale reserve	-	-	-	-	-	19 928	19 928
Retained income	-	-	-	-	-	1 103 385	1 103 385
Shareholder's interest	-	-	-	-	-	1 348 331	1 348 331
Non-controlling interest	-	-	-	-	-	5 015	5 015
Total shareholder's equity and non-controlling interest	-	-	-	-	-	1 353 346	1 353 346
LIABILITIES							
Derivative financial instruments	-	-	-	-	-	18 267	18 267
Due to other banks	-	-	-	-	211 477	-	211 477
Due to customers	2 535 150	572 962	724 792	203 155	-	1 204 757	5 240 816
Negotiable certificates of deposits	2 554 263	117 286	211 712	-	-	-	2 883 261
Other liabilities	-	-	-	-	-	122 054	122 054
Deferred taxation liabilities	-	-	-	-	-	84 758	84 758
Policyholder liabilities under insurance contracts	-	-	-	-	-	74 267	74 267
Provision for post-retirement medical benefits	-	-	-	8 034	-	-	8 034
Long-term subordinated debt instruments	-	-	-	-	3 639	-	3 639
Total liabilities	5 089 413	690 248	936 504	211 189	215 116	1 504 103	8 646 573
Total equity and liabilities	5 089 413	690 248	936 504	211 189	215 116	2 857 449	9 999 919
On balance sheet interest sensitivity gap	3 357 666	(539 071)	(793 641)	105 055	135 460	(2 265 469)	-
Cumulative on balance sheet interest sensitivity gap	3 357 666	2 818 595	2 024 954	2 130 009	2 265 469	-	-

	Possible effect on the statement of comprehensive income* N\$'000	Reasonable possible change %	Non- interest sensitive N\$'000	Fixed rate N\$'000	Variable rate N\$'000	Balance as at reporting date N\$'000
48.3 Interest rate risk sensitivity						
2014						
ASSETS						
Cash and balances with central bank	-	-	351 007	-	-	351 007
Due from other banks	8 707	1,0	-	-	870 749	870 749
Other short-term securities	2 211	1,0	-	676 309	221 092	897 401
Derivative financial instruments	-	-	10 787	-	-	10 787
Government and other securities	2 256	1,0	(13 324)	833 822	225 584	1 046 082
Loans and advances to customers	82 802	1,0	17 820	11 826	8 280 197	8 309 843
Other assets	-	-	70 039	-	-	70 039
Investment in subsidiaries, associates and listed investments	-	-	44 593	-	-	44 593
Property and equipment	-	-	213 791	-	-	213 791
Computer software and development cost	-	-	27 888	-	-	27 888
Goodwill	-	-	29 125	-	-	29 125
Total assets	95 976		751 726	1 521 957	9 597 622	11 871 305
LIABILITIES						
Derivative financial instruments	-	-	10 206	-	-	10 206
Due to other banks	-	-	-	308 564	-	308 564
Due to customers	38 260	1,0	1 278 840	876 799	3 826 035	5 981 674
Negotiable certificates of deposit	19 790	1,0	-	1 549 020	1 978 976	3 527 996
Other liabilities	-	-	203 920	-	-	203 920
Deferred taxation liabilities	-	-	86 094	-	-	86 094
Policyholder liabilities under insurance contracts	-	-	89 639	-	-	89 639
Provision for post-retirement medical benefits	-	-	8 224	-	-	8 224
Long-term subordinated debt instruments	-	-	-	4 201	-	4 201
Total liabilities	58 050		1 676 923	2 738 584	5 805 011	10 220 518

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	Possible effect on the statement of comprehensive income*	Reasonable possible change	Non- interest sensitive	Fixed rate	Variable rate	Balance as at reporting date
	N\$'000	%	N\$'000	N\$'000	N\$'000	N\$'000
48.3 Interest rate risk sensitivity						
2013						
ASSETS						
Cash and balances with central bank	-	-	273 079	-	-	273 079
Due from other banks	11 300	1,0	-	-	1 130 037	1 130 037
Other short-term securities	3 042	1,0	-	-	304 248	304 248
Derivative financial instruments	-	-	18 609	-	-	18 609
Government and other securities	1 253	1,0	-	840 024	125 245	965 269
Loans and advances to customers	70 084	1,0	(73 276)	-	7 008 385	6 935 109
Other assets	-	-	125 579	-	-	125 579
Investment in subsidiaries, associates and listed investments	-	-	39 035	-	-	39 035
Property and equipment	-	-	150 236	-	-	150 236
Computer software and development cost	-	-	29 095	-	-	29 095
Goodwill	-	-	29 623	-	-	29 623
Total assets	85 679		591 980	840 024	8 567 915	9 999 919
LIABILITIES						
Derivative financial instruments	-	-	18 267	-	-	18 267
Due to other banks	-	-	-	211 477	-	211 477
Due to customers	38 353	1,0	1 204 757	200 733	3 835 326	5 240 816
Negotiable certificates of deposits	17 793	1,0	-	1 103 965	1 779 296	2 883 261
Other liabilities	-	-	122 054	-	-	122 054
Deferred taxation liabilities	-	-	84 758	-	-	84 758
Policyholder liabilities under insurance contracts	-	-	74 267	-	-	74 267
Provision for post-retirement medical benefits	-	-	8 034	-	-	8 034
Long-term subordinated debt instruments	-	-	-	3 639	-	3 639
Total liabilities	56 146		1 512 137	1 519 814	5 614 622	8 646 573

* 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.

49. CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

49.1 Credit risk management

The Credit Department assesses all exposures and monitors the implementation of the Group's credit policy to ensure that the extension, control and maintenance of credit, as well as the process of providing for and writing off of bad debts, are executed in a proper way and within laid-down policy.

The Credit Committee approves all third - party risks, including sovereign and counterparty risks, within a prescribed limit, as delegated by the Board of directors. All credit exposures in excess of the authorised limits of the Credit Committee are referred to the Nedbank Africa Credit Committee for approval.

Refer to the section under the heading "Credit risk" in the Corporate Governance and Compliance report to the annual financial statements for more detail on credit risk management.

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

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	NGR 0 N\$'000	NGR 1 N\$'000	NGR 5-7 N\$'000	NGR 8-10 N\$'000	NGR 11-13 N\$'000	NGR 14 N\$'000	NGR 15 N\$'000	NGR 16 N\$'000	NGR 17 N\$'000	NGR 18 N\$'000	NGR 19 N\$'000	NGR 20 N\$'000	NGR 21-23 N\$'000	NGR 24-25 N\$'000	Unrated N\$'000	Non-IFRS7 Instruments N\$'000	Total N\$'000
49. CREDIT RISK (continued)																	
49.2 Credit risk analysis																	
Classification: Neither past due nor impaired																	
2014																	
Cash and balances with central bank	351 007	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	351 007
Due from other banks	-	-	870 749	-	-	-	-	-	-	-	-	-	-	-	-	-	870 749
Other short-term securities	-	-	897 401	-	-	-	-	-	-	-	-	-	-	-	-	-	897 401
Derivative financial instruments	-	-	10 787	-	-	-	-	-	-	-	-	-	-	-	-	-	10 787
Government and other securities	568 725	477 357	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 046 082
Loans and advances to customers	-	-	-	191 795	611 699	178 437	127 347	87 108	56 034	186 007	44 040	81 542	9 503	796	6 514 180	-	8 088 488
- Home loans	-	-	-	-	1 348	33 186	20 276	40 712	21 288	48 993	26 503	32 011	8 242	-	3 104 102	-	3 336 661
- Other loans and overdrafts	-	-	-	191 109	571 860	103 727	67 809	29 234	22 206	88 335	12 622	42 767	1 046	401	1 318 271	-	2 449 387
- Net leases and instalment debtors	-	-	-	686	38 491	41 524	39 262	17 162	12 540	8 429	4 915	6 764	215	395	1 476 607	-	1 646 990
- Preference shares	-	-	-	-	-	-	-	-	-	40 250	-	-	-	-	-	-	40 250
- Personal loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	615 200	-	615 200
Other assets	-	59 988	-	-	-	-	-	-	-	-	-	-	-	-	-	10 051	70 039
Investment in subsidiaries, associates and listed investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44 593	44 593
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	213 791	213 791
Computer software and development cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27 888	27 888
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29 125	29 125
	919 732	537 345	1 778 937	191 795	611 699	178 437	127 347	87 108	56 034	186 007	44 040	81 542	9 503	796	6 514 180	325 448	11 649 950
2013																	
Cash and balances with central bank	273 079	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	273 079
Due from other banks	-	-	1 130 037	-	-	-	-	-	-	-	-	-	-	-	-	-	1 130 037
Other short-term securities	-	-	304 248	-	-	-	-	-	-	-	-	-	-	-	-	-	304 248
Derivative financial instruments	-	-	18 609	-	-	-	-	-	-	-	-	-	-	-	-	-	18 609
Government and other securities	713 784	251 485	-	-	-	-	-	-	-	-	-	-	-	-	-	-	965 269
Loans and advances to customers	-	-	154 874	372 961	12 282	87 771	150 742	37 278	46 194	141 913	40 628	118 942	-	3 530 074	2 068 529	-	6 762 188
- Home loans	-	-	-	-	-	1	8 049	1 525	2 014	4 386	1 784	19 360	-	2 425 916	482 333	-	2 945 368
- Other loans and overdrafts	-	-	154 874	372 505	9 383	62 721	119 784	25 399	38 033	85 848	36 768	88 126	-	304 499	790 195	-	2 088 135
- Net leases and instalment debtors	-	-	-	456	2 899	25 049	22 909	10 354	6 147	11 429	2 076	11 456	-	799 659	290 738	-	1 183 172
- Preference shares	-	-	-	-	-	-	-	-	-	40 250	-	-	-	-	-	-	40 250
- Personal loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	505 263	-	505 263
Other assets	-	117 996	-	-	-	-	-	-	-	-	-	-	-	-	-	7 583	125 579
Investment in subsidiaries, associates and listed investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39 035	39 035
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150 236	150 236
Computer software and development cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29 095	29 095
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29 623	29 623
	986 863	369 481	1 607 768	372 961	12 282	87 771	150 742	37 278	46 194	141 913	40 628	118 942	-	3 530 074	2 068 529	255 572	9 826 998

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49. CREDIT RISK (continued)

49.2 Credit risk analysis (continued)

	2014 N\$'000	2013 N\$'000
Classification: Past due		
Cash and balances with central bank	-	-
Due from other banks	-	-
Other short-term securities	-	-
Derivative financial instruments	-	-
Government and other securities	-	-
Loans and advances to customers	204 566	163 269
- Home loans	112 386	87 945
- Other loans and overdrafts	32 379	33 937
- Net leases and instalment debtors	44 292	35 979
- Personal loans	15 509	5 408
Impairment of advances (note 29)	(28 825)	(31 450)
- Home loans	(9 557)	(13 319)
- Other loans and overdrafts	(4 821)	(4 326)
- Net leases and instalment debtors	(7 213)	(6 961)
- Personal loans	(7 234)	(6 844)
Other assets	-	-
Investment in subsidiaries, associates and listed investments	-	-
Property and equipment	-	-
Computer software and development cost	-	-
Goodwill	-	-
	175 741	131 819
Classification: Impaired		
Cash and balances with central bank	-	-
Due from other banks	-	-
Other short-term securities	-	-
Derivative financial instruments	-	-
Government and other securities	-	-
Loans and advances to customers	81 490	82 928
- Home loans	27 281	32 178
- Other loans and overdrafts	32 564	38 916
- Net leases and instalment debtors	14 469	8 573
- Personal loans	7 176	3 261
Impairment of advances (note 31)	(35 876)	(41 826)
- Home loans	(6 300)	(9 547)
- Other loans and overdrafts	(13 620)	(14 855)
- Net leases and instalment debtors	(7 173)	(4 218)
- Preference shares	-	-
- Personal loans	(8 783)	(13 206)
Other assets	-	-
Investment in subsidiaries, associates and listed investments	-	-
Property and equipment	-	-
Computer software and development cost	-	-
Goodwill	-	-
	45 614	41 102

49.3 Credit risk: Maximum exposure

	2014 N\$'000	2013 N\$'000
Cash and balances with central bank	351 007	273 079
Due from other banks	870 749	1 130 037
Other short-term securities	897 401	304 248
Derivative financial instruments	10 787	18 609
Government and other securities	1 046 082	965 269
Loans and advances to customers	8 374 544	7 008 385
Other assets	70 039	125 579
	11 620 609	9 825 206

49.4 Credit risk: Collateral held in respect of 49.3

Collateral is only held in respect of loans and advances. Below follows a description of the type of collateral held per class of loans and advances to customers:

Property loans: Secured by commercial property mortgage, residential property mortgage, surety ship, guarantees. Cession of life cover and fire cover is not considered security but is recommended as additional safety measure in the event of death or fire.

Other loans and overdrafts: Cession of life cover, secured by non-movable property, surety ship, guarantees, unsecured.

Preference share finance: Put option for sale of preference shares, guarantees from foreign banks.

Leases and instalment debtors: Secured by movable property under debt granted.

Personal loans: Cession of life cover and credit guarantee insurance

The estimate values of collateral held are based on historical recovery rates.

Cash and balances with central bank	-	-
Due from other banks	-	-
Other short-term securities	-	-
Derivative financial instruments	-	-
Government and other securities	-	-
Loans and advances to customers	6 241 081	5 178 753
- Home loans	3 118 266	2 582 676
- Other loans and overdrafts	1 747 811	1 575 381
- Net leases and instalment debtors	1 013 898	729 759
- Preference shares	-	-
- Personal loans	361 106	290 937
Other assets	-	-
Investment in subsidiaries and associates	-	-
Investment in listed investments	-	-
Property and equipment	-	-
Computer software and development cost	-	-
	6 241 081	5 178 753

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STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 N\$'000	2013 N\$'000
ASSETS			
Due from other banks	4	4	175
Other assets	5	1 410	1 320
Investment in subsidiaries	6	133 642	133 642
Total assets		135 056	135 137
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	17 595	17 595
Share premium	7	99 536	99 536
Retained income		17 925	18 006
Shareholder's interest		135 056	135 137
LIABILITIES			
Other liabilities	8	-	-
Total liabilities		-	-
Total equity and liabilities		135 056	135 137

STATEMENT OF COMPREHENSIVE INCOME

For the year ended
31 December 2014

	Notes	2014 N\$'000	2013 N\$'000
Interest and similar income		89	72
Interest expense and similar charges		-	-
Net interest income	9	89	72
Non-interest income	10	26	16
Net income		115	88
Operating expenditure	11	196	179
Loss before taxation		(81)	(91)
Taxation	12	-	-
Total loss after taxation		(81)	(91)
Other comprehensive income		-	-
Total comprehensive loss		(81)	(91)
Total loss after taxation attributable to:			
Owners of the parent		(81)	(91)
Total loss after taxation		(81)	(91)
Total comprehensive income attributable to:			
Owners of the parent		(81)	(91)
Total comprehensive loss		(81)	(91)

STATEMENT OF
CHANGES IN EQUITYFor the year ended
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	Share capital N\$'000	Share premium N\$'000	Retained income N\$'000	Total shareholder's interest N\$'000
Balance at 1 January 2013	17 595	99 536	18 097	135 228
Net profit for the year attributable to the equity holders of the parent	-	-	(91)	(91)
Balance at 31 December 2013	17 595	99 536	18 006	135 137
Net profit for the year attributable to the equity holders of the parent	-	-	(81)	(81)
Balance at 31 December 2014	17 595	99 536	17 925	135 056

STATEMENT OF
CASH FLOWSFor the year ended
31 December 2014

	Notes	2014 N\$'000	2013 N\$'000
Cash generated by operating activities		(171)	27
Cash received from customers	13.2	89	72
Cash paid to customers	13.3	-	-
Cash paid to employees and suppliers		(170)	(163)
Dividends received		-	-
Cash movements in advances and other accounts		(90)	120
Cash movements in operating liabilities	13.4	-	(2)
Cash and short-term funds generated		(171)	27
Cash and short-term funds at beginning of the year		175	148
Cash and short-term funds at end of the year		4	175

NOTES TO THE COMPANY
ANNUAL FINANCIAL STATEMENTSFor the year ended
31 December 2014

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.

4. DUE FROM OTHER BANKS

Financial assets classification: Loans and receivables

Placements with other banks

5. OTHER ASSETS

Financial assets classification: Loans and receivables

Sundry debtors and other accounts

Other investments

6. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries

- Carrying value at beginning and end of the year

Market valuation

	2014 N\$'000	2013 N\$'000
Placements with other banks	4	175
Sundry debtors and other accounts	7	7
Other investments	1 403	1 313
	1 410	1 320
Investment in subsidiaries	133 642	133 642
- Carrying value at beginning and end of the year	133 642	133 642
Market valuation	133 642	133 642

Subsidiary companies	Nature of business	Issued ordinary share capital		Proportion held		Aggregate profits/(losses) after tax of subsidiary/ joint venture			
		2014 '000	2013 '000	2014 %	2013 %	2014 N\$'000	2013 N\$'000	2014 N\$'000	2013 N\$'000
NedProperties (Proprietary) Limited	Property company	-	-	100	100	4 000	4 000	14 541	2 515
NedNamibia Life Assurance Company Limited	Insurance company	4 000	4 000	100	100	4 000	4 000	48 498	35 758
Nedbank Namibia Limited	Banking company	67 759	67 759	100	100	125 634	125 634	177 332	159 677
NedCapital Namibia (Proprietary) Limited	Financing company	8	8	100	100	8	8	1 710	947
NIB Mining Finance (Proprietary) Limited	Financing company	-	-	100	100	-	-	-	-
Nedplan Insurance Brokers Namibia (Proprietary) Limited	Insurance broker	-	-	100	100	-	-	4 241	2 998

Indebtedness does not include loans and advances paid in the normal course of business. These amounts were included in advances.

NOTES TO THE COMPANY
ANNUAL FINANCIAL STATEMENTSFor the year ended
31 December 2014

	2014 N\$'000	2013 N\$'000
7. SHARE CAPITAL AND SHARE PREMIUM		
Ordinary shares	17 595	17 595
Share premium	99 536	99 536
	117 131	117 131
<p>The total number of authorised shares at year end was: 80 000 000 (2013: 80 000 000) ordinary shares of 25 cents each The total number of issued shares at year end was: 70 381 644 (2013: 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.</p>		
8. OTHER LIABILITIES		
<i>Financial liabilities classification: Other liabilities</i>		
Creditors and other accounts	-	-
9. NET INTEREST INCOME		
Interest and discount income		
<i>Financial assets classification: Loans and receivables</i>		
Due from banks	-	72
Other assets	89	-
	89	72
Interest expense		
<i>Financial liabilities classification: Other liabilities</i>		
Current and savings accounts	-	-
10. NON-INTEREST INCOME		
Other income	26	16
	26	16
11. OPERATING EXPENDITURE		
Expenses include the following items which are separately disclosable:		
Auditors' remuneration - prior year	61	57
Directors' fees	69	110
Other expenses	66	12
	196	179
12. TAXATION		
12.1 Charge for the year		
Normal taxation - current year	-	-
12.2 Reconciliation of rate of taxation		
Namibian normal rate of taxation	33,0	33,0
Reduction in rate for the year:	(33,0)	(33,0)
- Tax loss	(33,0)	(33,0)
Effective rate of taxation	-	-

	2014 N\$'000	2013 N\$'000
13. CASH FLOW INFORMATION		
13.1 Reconciliation of profit before taxation to cash generated by operating activities		
Net loss before taxation	(81)	(91)
Movement in operating assets	(90)	118
- Deposit, current and other accounts	-	(2)
- Other assets	(90)	120
Cash flow from operating activities	(171)	27
13.2 Cash received from customers		
Interest received	89	72
13.3 Cash paid to customers		
Interest paid on deposits	-	-
13.4 Cash movement in operating liabilities		
Current accounts	-	(2)
Other deposits and loan accounts	-	-
	-	(2)
14. RELATED PARTY TRANSACTIONS		
14.1 Related party balances		
Loans to related parties		
Nedbank Namibia Limited (subsidiary) (bank account)	4	175
Nedbank Namibia Limited (subsidiary) (fixed deposit)	1 402	1 313
14.2 Related party transactions		
Nedbank Namibia Limited (subsidiary) (interest income)	89	72
15. LIQUIDITY, CREDIT AND MARKET RISK INFORMATION		
<p>The assets and liabilities of the company consist mainly of non-financial assets and liabilities which are not subject to liquidity, credit and market risk for IFRS 7 purposes. Accounts receivable and creditors and accruals are repayable on demand or short notice.</p>		

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