NEDNAMIBIA

HOLDINGS LIMITED | ANNUAL REPORT 2008

MAKE THINGS HAPPEN

NEDNAMIBIA HOLDINGS

A Member of the OLD MUTUAL Group

THE NEDBANK DIFFERENCE

2008 ANNUAL REPORT

PROFILE

NedNamibia Holdings Limited is the holding company for subsidiaries engaged in financial services including commercial banking, corporate and specialised finance, micro lending, wealth management, life assurance, property and asset finance, foreign exchange and securities trading. The group has total assets of N$5.78 billion (2007:N$5.47 billion).

The principal subsidiary, Nedbank Namibia Limited, is a registered Namibian Bank with assets of N$5.53 billion (2007: N$5.07 billion). It provides a full range of domestic and global services to individual, corporate and international clients through a growing branch network, a business centre and a head office 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 of its shareholder, and adherence to international best practice in risk management has enabled the Bank to achieve consistent growth.

NedCapital Namibia, the specialist non-banking financial services unit within the NedNamibia Holdings Group, offers specialised finance, syndication and advisory services to corporates, state-owned enterprises and empowerment entities. It is a partner with Old Mutual Investment Group Namibia in the Tunga funds, an initiative to provide debt and equity funding of N$4 billion to some of Namibia's most significant projects.

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FRONT COVER: TOP ACHIEVERS
MARIKA LISSE - ENTERPRISE RISK OFFICER
JAMES DAMON - MANAGER: CREDIT - CORPORATE
WILLIE WOHL - SENIOR TECHNICIAN, IT
ANDRE VAN ZYL - HEAD: GLOBUS SUPPORT CENTRE

THIS PAGE:
WILMA IZAAKS - CONSULTANT: ASSET BASED FINANCE

MAY WE INTRODUCE OURSELVES…

Working in different parts of our organisation, and each making a meaningful contribution, five staff members tell us – in their own words – what makes Nedbank Namibia a great place to work, bank and invest.

Nedbank Namibia is a registered Namibian bank with assets of N$5.53 billion, serving individual, corporate and international clients.

Our pedigree in Namibia has been established over 30 years and we are committed to being our nation's preferred Bank.

At Nedbank Namibia Limited, the principal subsidiary of NedNamibia Holdings Limited, we have built our reputation on customer service and innovation, pioneering a range of unique products and services over the years. Our commitment to Namibia is reflected in the many projects supported by our social investment fund and GoGreen conservation fund. As part of Nedbank Group Limited, our clients have access to a strong branch network, spanning southern Africa. The Nedbank Group, with assets of over N$560 billion, has provided banking services since 1888, and today is one of the top four banks in South Africa, with operations in seven other southern African countries, including Namibia.

In a small but highly competitive market, and with the considerable support of our shareholder, Nedbank Namibia has repositioned itself for real growth, expanding our target markets and branch network to take banking services closer to the people of Namibia. Ultimately, we are committed to building a bigger, better Bank for the good of all Namibians.

“I’ve worked at Nedbank Namibia for sixteen years. I believe it’s important that an individual’s values match those of the organisation for which they work. That’s why I try and be a positive influence on the people around me; to treat people as I want to be treated. It’s a simple principle, but one that leads to success, individually and collectively.”

CHARLENE JANSEN

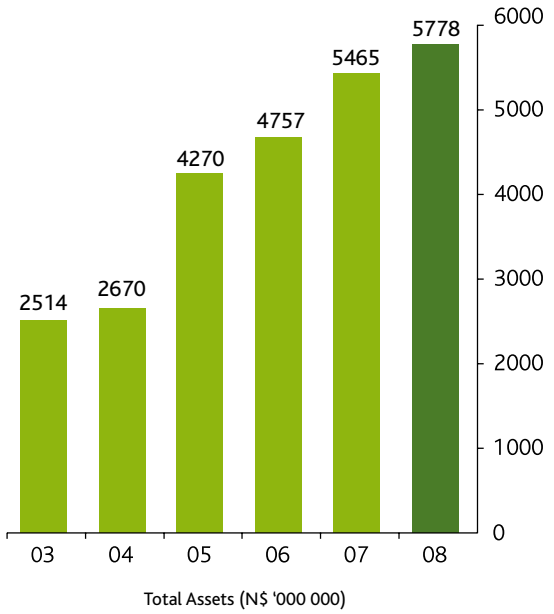
MANAGER: PROCESSING AND
2007 NEDBANK TOP ACHIEVER

NEDNAMIBIA HOLDINGS POSTS NET ATTRIBUTABLE INCOME OF

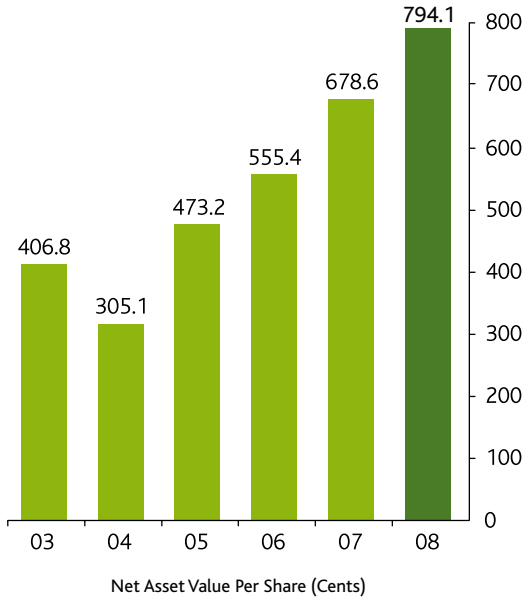
N$85.3 MILLION

GROUP'S RoE
16.6%

EARNINGS PER SHARE
121.15 CENTS



Total Assets (N$ '000 000)



Net Asset Value Per Share (Cents)

NEDBANK NAMIBIA REPORTS

> CAPITAL ADEQUACY RATIO
well above requirement

> MARKET SHARE GAINS IN SAVINGS,
asset based finance and home loans

> NON-PERFORMING LOANS
on par with industry

> SUBSTANTIAL BUSINESS GAINS
in corporate and business sector

> TREASURY OPERATIONS
a leading market player

> NEDLOANS REPACKAGED
as a leading micro-lender

> BANK OF NAMIBIA
directives on localised payments met

> NEW PRIVATE BANKING BUSINESS UNIT
well received

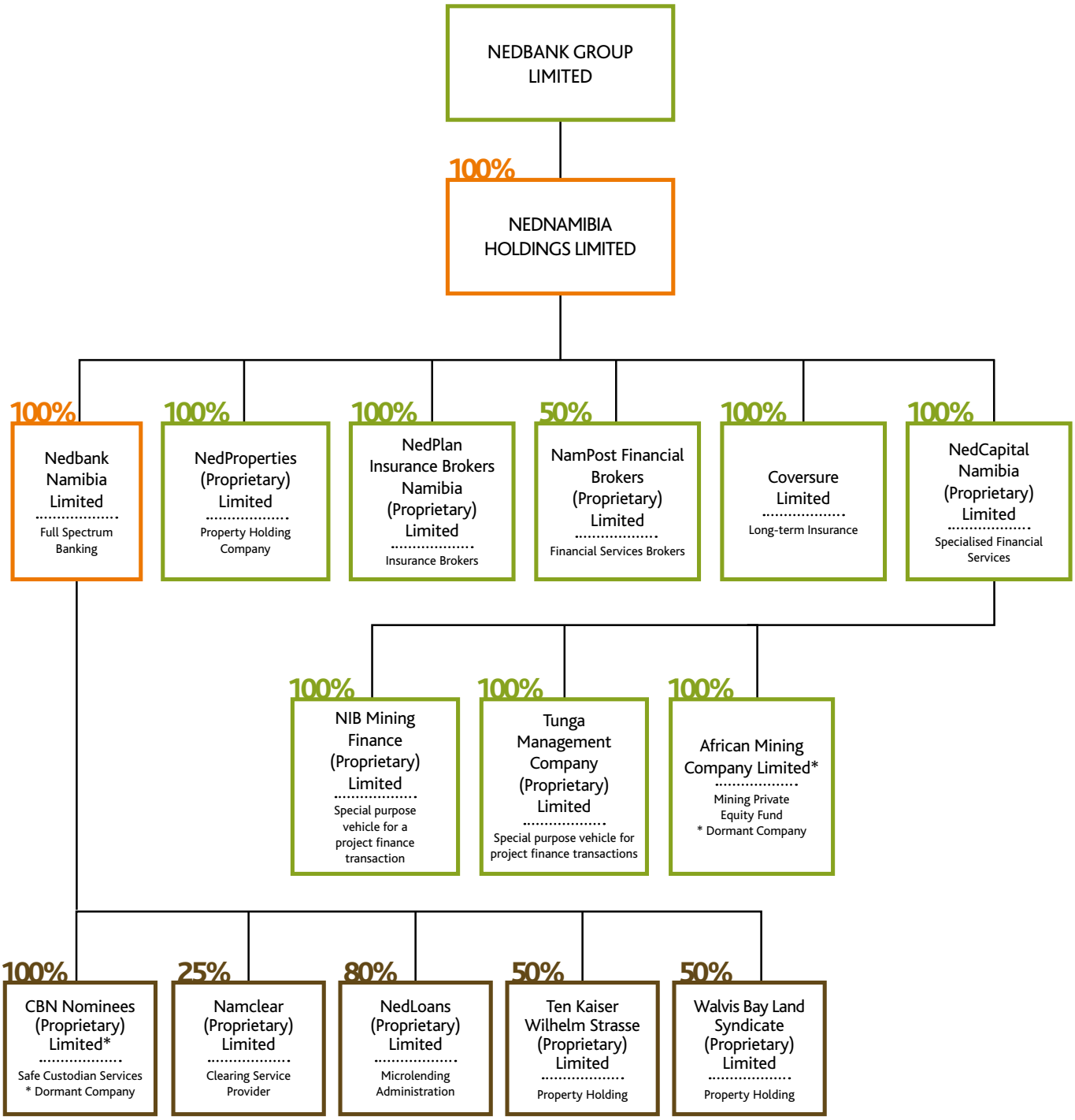
NEDCAPITAL NAMIBIA REPORTS

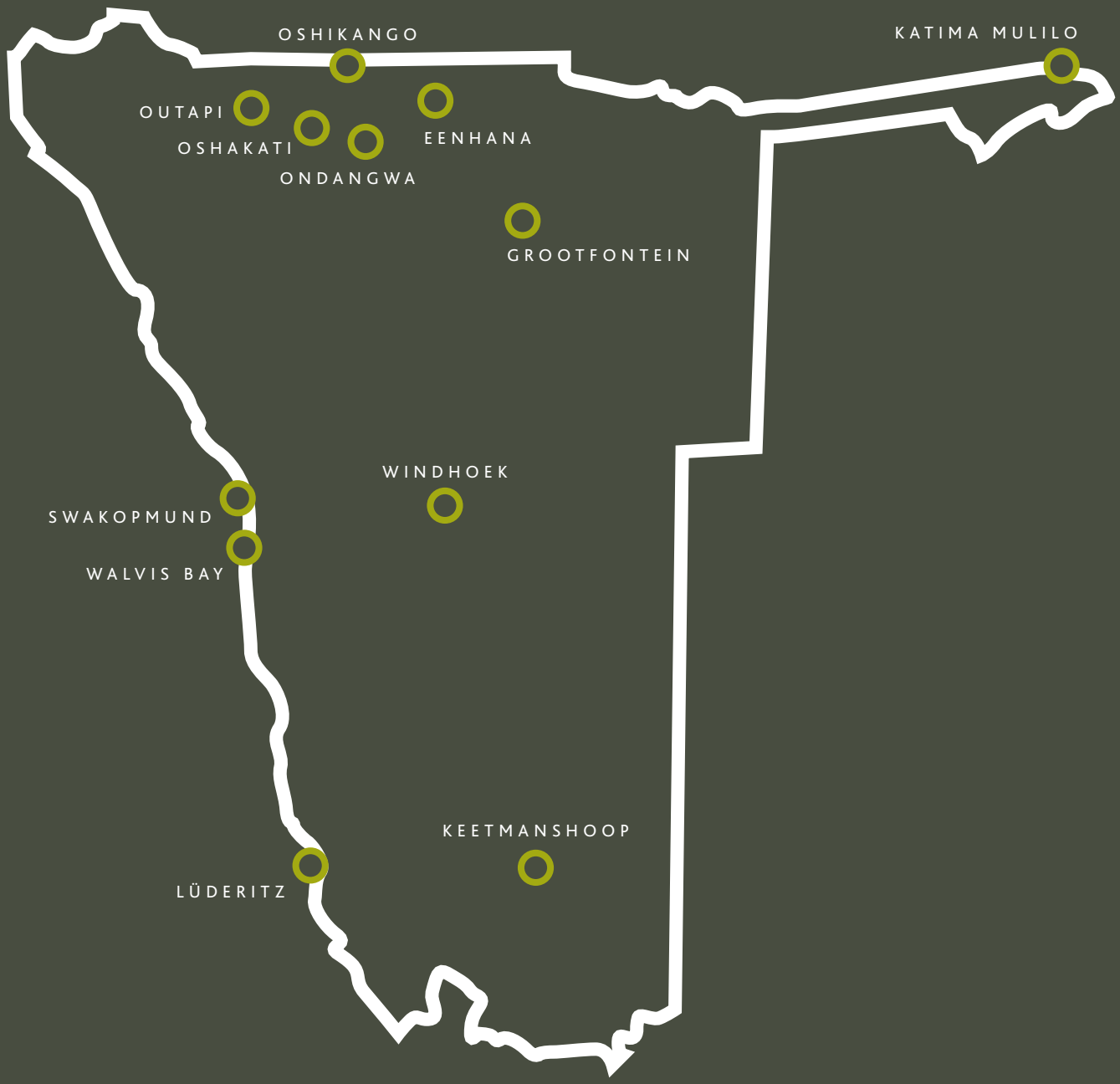
> TUNGA FUNDS LAUNCHED
in joint venture with Old Mutual Investment Group to back significant Namibian projects

> INVESTMENT OF N$4 BILLION
targeted over three years

> FRESH IMPETUS GAINED
as specialist finance business

> RESTRUCTURING, STRENGTHENING OF TEAM RESULTS
in major mandates in industry, mining and energy


NEDBANK GROUP LIMITED
100%
NEDNAMIBIA HOLDINGS LIMITED
100%
Nedbank Namibia Limited
Full Spectrum Banking
100%
NedProperties (Proprietary) Limited
Property Holding Company
100%
NedPlan Insurance Brokers Namibia (Proprietary) Limited
Insurance Brokers
50%
NamPost Financial Brokers (Proprietary) Limited
Financial Services Brokers
100%
Coversure Limited
Long-term Insurance
100%
NedCapital Namibia (Proprietary) Limited
Specialised Financial Services
100%
NIB Mining Finance (Proprietary) Limited
Special purpose vehicle for a project finance transaction
100%
Tunga Management Company (Proprietary) Limited
Special purpose vehicle for project finance transactions
100%
African Mining Company Limited*
Mining Private Equity Fund
* Dormant Company
100%
CBN Nominees (Proprietary) Limited*
Safe Custodian Services
* Dormant Company
25%
Namclear (Proprietary) Limited
Clearing Service Provider
80%
NedLoans (Proprietary) Limited
Microlending Administration
50%
Ten Kaiser Wilhelm Strasse (Proprietary) Limited
Property Holding
50%
Walvis Bay Land Syndicate (Proprietary) Limited
Property Holding


OSHIKANGO
KATIMA MULILO
OUTAPI
OSHAKATI
EENHANA
ONDANGWA
GROOTFONTEIN
WINDHOEK
SWAKOPMUND
WALVIS BAY
KEETMANSHOOP
LÜDERITZ

NEDNAMIBIA BOARD OF DIRECTORS...

To lead with conviction
demands clarity of vision
and a clear sense of purpose.

01

02

03

04

05

06

07

08

09

01

THEO J FRANK

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 a fishing company and a director of a number of other companies. He is the Chairperson of both NedNamibia Holdings and Nedbank Namibia.

02

ERASTUS T HOVEKA

Managing Director
CPA (ILLINOIS, USA); MBA (BRADLEY UNIVERSITY, PEORIA, ILLINOIS USA); B.S.(ACC) (BRADLEY UNIVERSITY; PEORIA, ILLINOIS; USA)
Held the position of Chief Financial Officer of the Development Bank of Namibia prior to his appointment as Deputy Managing Director of Nedbank Namibia on 1 April 2007 and subsequently as Managing Director of NedNamibia Holdings and Nedbank Namibia, both with effect from 1 January 2008.

03

DENYS DENYA

Non-executive Director
BACC (HONS); MBA (UNIVERSITY OF ZIMBABWE); ACIS, CA (Z)
Has a thorough knowledge of the merchant banking and finance sectors in Africa, developed over a thirteen year career, which includes his previous appointment as Managing Director of MBCA Bank Limited. Denys is presently the Managing Director of Nedbank Africa, based in Johannesburg, South Africa.

04

JOHANNES !GAWAXAB

Non-executive Director
MBL; MA; BA; BCOM; AMP (HARVARD)
Managing Director of Old Mutual Namibia and a member of the board of the Namibian Stock Exchange. Johannes has extensive experience in the financial services industry. In addition to his current position, he is also Managing Director of Old Mutual's African operations.

05

SEBULON I KANKONDI

Independent Non-Executive Director
BTECH (UNISA); SEN MAN PROG (USB); EXEC DEV PROG (USB); MARKET MAN PROG (UCT); NAT DIP IN MECH ENG (PENINSULA TECHNICON)
Sebulon was the Managing Director of Namport for six years. As of March 2009, he has been appointed as the Managing Director of BIDVEST Namibia (Proprietary) Limited. He has vast expertise in logistics and freight management.

06

HEINZ M WEILERT

Independent Non-Executive Director
BCOM; BCOM (HONS); CA (SA); MCOM; FII (SA)
Currently Chief Operating Officer of Development Bank of Southern Africa. Previously Divisional Director: Strategy for Nedbank Corporate. Heinz has particular experience in business development and customer value management. Heinz is also the Treasurer of Southern African Association for Learning Difficulties (SAALED).

07

ROLF H PETERS

Independent Non-Executive Director
BCOM; BCOMPT (HONS); CA (SA); CA (NAMIBIA)
Managing Partner of Grant Thornton Neuhaus, with many years experience in the auditing profession across all sectors of the Namibian economy. Rolf is also advisor to several foreign investors. He is a past president of the Public Accountants and Auditors Board of Namibia and of the Institute of Chartered Accountants of Namibia.

08

MARTIN K SHIPANGA

Independent Non-Executive Director
BCOM (WITS); MSC PUBLIC POLICY AND ADMINISTRATION (ISS); LEADERSHIP AND MANAGEMENT (UNIVERSITY OF VIRGINIA); EXEC DEV PROG (HARVARD UNIVERSITY)
Martin has over ten years executive management experience in both the public and private sectors and is an entrepreneur in his own right.

09

CHRISTOPHER J PEARCE

Independent Non-Executive Director
BCOM; CA(SA); AMP (HARVARD)
Over thirty years' experience in the banking industry and a former Managing Director of Nedcor Investment Bank Limited.

GRANT MARAIS - Executive: Head Of Sales

(Appointed 1 January 2008)

Grant's track record over the past 25 years includes responsibilities as Deputy MD of Standard Bank Namibia and Executive Director at Stanbic Botswana, among others. Holder of a Bachelor of Commerce degree and a Certified Associate of the Institute of Bankers in SA, he has excelled in Bancassurance, Treasury Management, Corporate, Business and Retail Banking, Custody and Trusteeship, Asset Finance, Asset and Liability Management and Foreign Exchange. Grant drives Nedbank Namibia's sales activities across Business and Corporate Banking, Retail Banking, which includes Bancassurance, Micro-lending, Branch Network, Asset Finance and Private Banking.

NEVILLE BECKMANN - Executive: Treasury

With a track record spanning 20 years, Neville has distinguished himself in Treasury Management, Structured and Project Finance, Asset and Liability Management, Custodial and Trusteeship and Foreign Exchange. A Certified Associate of the Institute of Bankers in SA and holder of a BCom (UNISA) degree, he was instrumental in NamPower's expansion drive and also in Namibia's largest corporate bond issue. Neville oversees Nedbank's Treasury activities, supporting the Sales team to optimise financing solutions for clients.

JOHANNES C JURGENS - Chief Financial Officer

Johannes has 21 years banking experience, mostly in the finance division. Johannes holds a BCompt (Unisa) degree and has been a member of the Bank's senior management team since 1991.

ERASTUS T HOVEKA - Managing Director

(Managing Director from 1 January 2008)

Erastus has distinguished himself locally and abroad, qualifying as Certified Public Accountant and attaining his MBA (Distinction), both in the United States. He also served as Chief Financial Officer at the Development Bank of Namibia. He currently serves in noteworthy capacities for the Housing Trust of Namibia, Weatherly International, Government Institutions Pension Fund (GIPF) and the International Federation of the Red Cross and Red Crescent Societies, among others. His leadership is vital in steering the organisation closer to its mission.

MARK VIVIER - Executive: Retail

Mark has 24 years experience in the banking industry. Mark's retail banking responsibilities include the Branch Network, Private Banking, Micro Lending, Asset Finance and Branch Conformance. He holds an MBA degree (cum laude) from the University of Stellenbosch, an Honours in Financial Management (University of Cape Town), an Honours in Business Administration (University of Stellenbosch) and a BCom (Unisa). He has also completed

LEFT TO RIGHT: GRANT MARAIS , NEVILLE BECKMANN, JOHANNES JURGENS, ERASTUS HOVEKA, MARK VIVIER , COLLIN KATJITAE, GEORGE GOLDRIDGE, RECTOR MUTELO AND ANDRE VENTER.

a number of development and leadership courses with Nedbank. His banking career has also afforded him the opportunity to work in the United Kingdom, Belgium and France on various projects and assignments.

COLLIN KATJITAE - Executive: Human Resources (Designate)

(Acting Executive since 16 July 2007 - 31 December 2008)

Collin steers Nedbank towards becoming the employer of choice. Having attracted the best personnel, Collin is pivotal to staff empowerment. He addresses staff feedback and endeavours to attain the best staff cost ratio in Namibia's banking sector. He has five years of HR experience locally and practised HR for three years in Australia. His perpetual quest for improvement is demonstrated by his current enrolment for a doctorate in business leadership, to add to his MBA in HR management.

GEORGE GOLDRIDGE - Executive: Shared Services

George has 14 years experience in the banking industry, with in-depth understanding of Nedbank's operations in Africa, having headed the Technology and Support Services divisions of Nedbank Swaziland and the Operations division of Nedbank Lesotho, before joining Nedbank Namibia in December 2006. His mandate is to establish and manage a shared services model for the Bank, which includes centralised operations, technology and electronic banking.

RECTOR MUTELO - Executive: Marketing and Communications

Rector holds a Masters degree in Management from Emerson College, Boston, USA. In a lengthy career with the Namibian Broadcasting Corporation, Rector was General Manager for corporate marketing, communication and business development. He is spearheading an active marketing campaign in the Bank, in tandem with an expanding branch network and broadening customer base. Rector was seconded to Nedbank South Africa for a year on a skills exchange programme to gain exposure to the retail, business, corporate banking and treasury operations. He also gained invaluable insights into sales, credit, operations, compliance, risk and strategy formulation.

ANDRE J VENTER - Chief Risk Officer

Responsible for credit risk, internal audit, enterprise-wide risk and legal services and compliance. Over the past 16 years Andre has developed broad expertise in finance and risk management, particularly in business banking and micro lending. He has a BCom managerial accounting degree and has completed various management and leadership courses in recent years.

“Despite the enormous uncertainty in the world economy, there was no shortage of large private and public investment projects being announced throughout the year, which, despite the severe slowing of the economic cycle, augurs well for the future of Namibia and its citizens.”

THEO FRANK

CHAIRMAN

FOREWORD

NEDNAMIBIA HOLDINGS' MAJOR SUBSIDIARIES MADE HEADWAY IN DIFFICULT CIRCUMSTANCES IN 2008. IN SPITE OF INTENSE COMPETITION IN THE MARKET, NEDBANK NAMIBIA LIMITED MAINTAINED ITS MARKET POSITION AND MADE INROADS IN RETAIL ASSET BASED FINANCE AND HOME LOANS.

The group achieved satisfactory financial results with a return on shareholders' equity of 16.6% and attributable earnings of N$85.3 million. The Bank's capital adequacy ratio at 15.36% is well above the regulatory requirement, however, its cost to income ratio deteriorated to 66% well outside the industry average. The group's financial and operational performance is covered in further detail in the Managing Director's report.

A comprehensive restructuring and new initiatives provided fresh impetus to NedCapital Namibia, the specialist non-banking financial services unit within NedNamibia Holdings. Major mandates were won as NedCapital Namibia strengthened its team and built on its reputation in offering specialised finance, syndication and advisory services to corporates, state-owned enterprises and empowerment entities.

Macroeconomy

For Namibia, 2008 was a year of contrasts, one of good and bad news on the economic front. The sub-prime crisis emanating from the United States (US) dominated international financial markets during the year under review. In contrast to the US and other major economies, this storm had no direct consequences for local banks, including Nedbank Namibia which had no exposure to US sub-prime mortgages.

In the domestic economy, consumers struggled to manage higher debt costs and rising inflation which resulted in lower spending. The Bank of Namibia held interest rates steady, arguing that rates were high enough and were producing the desired slowing of the local economy.

This was in contrast to South Africa where the repo rate was hiked to 12% in June, its highest rate for five years. Namibia's bank rate remained at 10.5% creating a marked differential with South Africa of 150 basis points throughout the second half of the year until the Bank of Namibia decided to follow the South African Reserve Bank and cut rates by 50 basis points in December.

With oil and food inflation on the rise, the Government took the unprecedented step of cutting value added tax on a range of basic foodstuffs in August. By the third quarter it was clear that Namibia was not going to be spared from the global economic crisis although the Institute for Public Policy Research published a business survey showing Namibian business was

still relatively upbeat. With copper prices having slumped, copper mines were placed under care and maintenance although plans for expansion of smelting operations were confirmed. As private consumption spending in the US and elsewhere plummeted, the outlook for Namibia's diamond mining sector became increasingly gloomy and the nascent diamond cutting and polishing industry was equally hard hit, with staff lay-offs.

By the end of the year the economic mood had soured despite – in marked contrast - the continued abundance of good news. Uranium exploration continued apace as uranium oxide prices first fell but then steadied. Plans for a uranium mine at Trekkopje, and an associated water desalination plant at a combined cost of US$750 million, and for expansion of operations at existing mines to raise production, were announced.

In October work started on the 700,000 tonne Ohorongo cement plant near Otavi – a project for which Ned-Capital Namibia is an arranger of debt and equity.

Despite the enormous uncertainty in the world economy, there was no shortage of large private and public investment projects being announced throughout the year, which, despite the severe slowing of the economic cycle, augurs well for the future of Namibia and its citizens.

Banking environment

Bank fees became a topical issue as tightening economic conditions dominated the banking landscape.

Rising inflation, high individual debt cost and increased interest rates were the major factors behind the slowdown in consumer spending and a slight uptick in the default rate.

In the wake of the United States sub-prime mortgages crisis and the failure of Banks there, Bank of Namibia assured consumers that their investments in local banks were safe.

Nedbank Namibia fully complies with all protocols from the regulatory regimes in the country and that of South Africa. Nedbank Namibia applies the standardised approach for Basel II and has complied in reporting to the South African Reserve Bank with effect from 1 January 2008. In terms of Bank of Namibia, a parallel run between Basel I and Basel II reporting is scheduled from 1 July 2009 with final effective date 1 January 2010.

Transformation

Nedbank Namibia is on target with its Affirmative Action Programme and fully complies with the required targets it set for itself. All departmental heads are aware of meeting these targets when recruiting new staff and when promotion opportunities arise. Our efforts are aimed at aligning the Bank's recruitment and staff mobility to that of the Affirmative Action Act.

Client Service

The Bank put further initiatives in place in our quest to deliver on world-class service. Apart from continuing training of staff in customer service, systems and processes were re-engineered, and sales structures revamped so as to ensure improved efficiencies in the whole value chain.

OUTLOOK

The global financial crisis and ensuing recessionary conditions have created an environment of weaker international trade and lower commodity prices which continue to place pressure on the economy and strain on consumer finances. Since expectations of growth have been curbed and consumer confidence is down and demand subdued the year ahead is

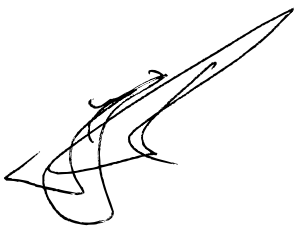
likely to be exceptionally tough given the severity of the global crisis. Nonetheless, the completion of major investment projects over time holds the promise of improved prospects for the economy and the Namibian people in the longer term. The Group will be actively playing a part in bringing many of these projects to fruition – and helping to provide the stimulus which will help turn the economic cycle for the better.

APPRECIATION

We thank Namibians for accepting us as a partner in business and in assisting with their social well being. Our contributions to sustainable development initiatives country-wide are detailed in our Social Report accompanying this Annual Report.

I extend my thanks to my fellow directors for their collective wisdom, for fruitful deliberations and for their robust participation in debates, thereby ensuring that quality decisions are made. The Board joins me in thanking management and staff for demonstrating through their hard work and dedication their willingness to "make things happen".

Thanks are also due to the banking regulator for the constructive and engaging manner in which it continues to guide our industry.



Theo Frank (SC)
Chairman

“Despite the challenges, the bank built on the growth platform established in prior years through an expanded branch network and client base and increased its share of targeted market segments.”

O ERASTUS T HOVEKA

MANAGING DIRECTOR

NEDNAMIBIA HOLDINGS LIMITED AND ITS MAJOR SUBSIDIARIES POSTED SOME NOTABLE GAINS IN A YEAR OVERSHADOWED BY GLOBAL ECONOMIC WOES.

The principal subsidiary, Nedbank Namibia, had to contend with an environment characterised by falling commodity prices, job losses, and acceleration in inflation and cost of living on the back of high interest rates and prices, and a reduction in the national and private sector credit growth forecast.

Budgets prepared at a time of more buoyant market conditions and thus with different expectations proved, in some cases, beyond reach. Despite the challenges, the Bank built on the growth platform established in prior years through an expanded branch network and client base and increased its share of targeted market segments.

Highlights of the year for Nedbank Namibia were:

- growing the savings book by 13,4%, twice the rate achieved by competitors;
- growing asset based finance and home loans well ahead of competitors following the launch of a centralised sales model to enhance administrative efficiency and product delivery and the introduction of focused marketing campaigns;
- improving service levels in the corporate and business sector and entrenching Treasury operations to position the division as a future leading market player;
- supporting the launch of the Tunga funds, an initiative by Old Mutual Investment Group Namibia and NedCapital Namibia, to provide debt and equity funding to some of Namibia's most significant projects;
- repackaging NedLoans as a leading micro-lender after board approval to extend loan terms beyond September 2009;
- meeting Bank of Namibia directives within the blueprint for a localised payments system;
- launching a Private Banking business unit and attracting business well beyond expectations;
- being the first Bank in the wider Nedbank Group operating across southern Africa to complete an upgrade of exchange servers;
- extending the Bank's footprint with the installation of a further four ATMs; and
- ensuring stabilisation of the core banking system, Globus, establishing a support desk for the system and taking initial steps for an upgrade.

Coversure, the group's life assurance arm, was revitalised and gained new credit life business. Credit guarantee insurance was also introduced.

Overall, NedNamibia Holdings, anchored by the performance of Nedbank Namibia, achieved a return

on ordinary shareholder's equity of 16,6%, with net income before taxation at N$123,7 million (2007: N$120,9 million) and net attributable income of N$85,3 million (2007:N$82,7 million). Weighted earnings per share were 121,15 cents (2007:117,46 cents).

Nedbank Namibia's capital adequacy ratio was 15,36%, well above the statutory requirement of 10%. The Bank's cost-to-income ratio deteriorated from 64,3% in 2007 to 66,0% mainly as a result of increased staff cost due to building managerial capacity and the conversion of managers' packages to "total cost to company".

Careful risk monitoring and stronger controls ensured that the Bank's non-performing loans, at 2,6% of the core book, were on par with the industry. The value of arrear instalments as a percentage of the combined asset based finance, home loans and business loan book remained well within the norm of 0,25% for 2008. A dedicated team was established to attend to arrears in the retail sector. At the end of the financial year, credit impairments represented 1,5% of the core book.

Major contributors to the year's performance at Nedbank Namibia were a greater sales focus, further investment in staff development and training, improved processes and a commitment by staff across the organisation and its enlarged branch network to improve service. Aside from the impact of the centralised sales model, the Bank gained from a pilot programme to centralise all retail arrears under the Collections department.This reduced arrears to within the required benchmark and allowed bankers more time for sales.

We stepped up efforts to make Nedbank Namibia an exciting and interesting place to work. Actions included the launch of an internationally applied management development programme, development of training curricula for various positions, functional training, road shows to staff to update them on strategy, targets and performance, and the establishment of an employee representative forum.

The membership of the employee representative forum, which addresses issues of common interest, was drawn from across Nedbank Namibia. Very fruitful sessions ensured a clearer understanding of issues and leadership, and improved communication.

In March 2008, the Executive committee in conjunction with the Remuneration, Nomination, Employment Equity and Skills Retention Committee took an extraordinary decision to award higher salary increases for non-managerial staff in order to bring about equity and narrow the gap between managerial and non-managerial salaries in the Bank. For the period under review and in the face of growing competition for talent in the local market, Nedbank Namibia undertook an exercise to identify critical skills for retention; subsequently remuneration and benefits of the identified individuals were addressed.

The effects of these initiatives will be reflected in the annual staff perception survey and the annual survey of values which tracks employee views on management style, communication, leadership, reward and recognition, teamwork and employment equity.

The quality of our employees was recognised in the nomination of four staff members from Nedbank Namibia for recognition as Top Achievers in the wider Nedbank Group of more than 26 000 employees in Southern Africa. One of the four, from our Shared Services unit, Charlene Jansen, was honoured as a Top Achiever in 2007, earning an international holiday.

OUTLOOK

Nedbank Namibia expects to operate in a subdued and more competitive economic environment for much of 2009. The regulatory and operational framework for financial services will change with the application of the Basel II accord, leading to improved disclosure by Namibian banks, and the implementation of the pending Financial Sector Charter. We are fully committed to meeting and exceeding the targets proposed in the draft Charter submitted to Government. We have also been a part of the local task team established by the Bank of Namibia to prepare for Basel II by July 2009. We also welcome changes proposed for the micro-lending regulatory environment to promote consumer protection and responsible practices.

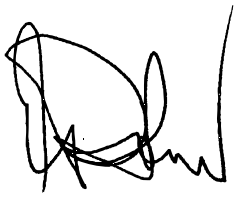
Having completed significant groundwork in 2007 and 2008, our focus in 2009 is on liquidity to ensure bank solvency, maintaining and growing our share of economic profit, controlling costs, improving our efficiency ratio and delivering on business targets and growth plans. These plans include:

- the opening of a branch in Rundu;
- repositioning the lending book and introducing a broader focus on commercial property finance;
- driving further growth in home loans and commercial asset finance;
- wider roll-out of the Private Banking initiative, with further appointments to the team;
- ensuring greater penetration of bancassurance throughout the branch network; and
- further improvement of client service, with enhanced management of induction and skills training.

While the economic outlook remains sombre internationally and nationally, Nedbank Namibia believes opportunities within the country's economy to contribute to the further growth of NedNamibia Holdings and of Namibia will materialise and can be realised.

APPRECIATION

The hard work of our employees in a challenging year and the loyal support of our clients are very much appreciated. Thanks are also due to the board of directors for their support and guidance.



Erastus Hoveka
Managing Director

HELPING TO MEET NAMIBIA'S CHALLENGES

ELIZABETH UUTUNDU - MANAGER ADMINISTRATION (STANDING) WITH (FROM LEFT) STEVE GALLOWAY - MANAGING DIRECTOR, MATTHIAS LANGHELD - SENIOR MANAGER SPECIALISED FINANCE AND JOHAN PIEK - SENIOR MANAGER PROJECT FINANCE

HELPING TO MEET NAMIBIA'S CHALLENGES

NEDCAPITAL NAMIBIA GAINS FRESH IMPETUS AS THE GROUP'S NON-BANKING, SPECIALIST FINANCE BUSINESS

MANAGING DIRECTOR'S REVIEW

NedCapital Namibia, the specialist non-banking financial services unit within NedNamibia Holdings, gained fresh impetus in 2008 though a comprehensive restructuring and new initiatives.

The restructuring resulted in major mandates and NedCapital Namibia building on its sound track record in offering specialised finance, syndication and advisory services to corporates, state-owned enterprises and empowerment entities. It also saw the unit increase capacity through a strengthening of the team and a sharper focus on corporate finance and advisory services and on the origination of substantial transactions in debt and equity.

Major mandates won by NedCapital Namibia included appointment as:

- the arranger of 40% of equity and local debt for the Ohorongo cement factory, a N$2.5 billion investment near Otavi; and
- the sole arranger of debt and equity for the N$2 billion Orange River hydroelectric project.

NedCapital Namibia also won advisory mandates in the mining and advanced exploration sector from Extract Resources Limited whose principal asset is the Husab uranium project, and Kalahari Minerals plc, and in tourism, from Wilderness Safaris, and fisheries from Novanam Limited.

In addition to the Orange River project, NedCapital Namibia cemented close relationships with several other energy initiatives. This was in line with its focus on large state-owned enterprises for infrastructure projects and the top quartile of corporations operating in Namibia. In another major thrust, NedCapital Namibia joined forces with Old Mutual Investment Group Namibia to launch a new suite of debt and equity initiatives under the Tunga umbrella. This was partly to mobilise additional debt and equity funding capacity and partly to provide investment opportunities for pension funds and long term assurers to invest in key Namibian projects and companies. The launch of Tunga (meaning "build") came in a year when NedCapital Namibia's investment in and sourcing of debt and equity funding for projects over a five-year period topped N$3 billion.

Tunga Infrastructure, Tunga Mining and Tunga General Equity, collectively targeting investment over three years of over N$4 billion, were rolled out in conjunction with local, regional and international funding partners.

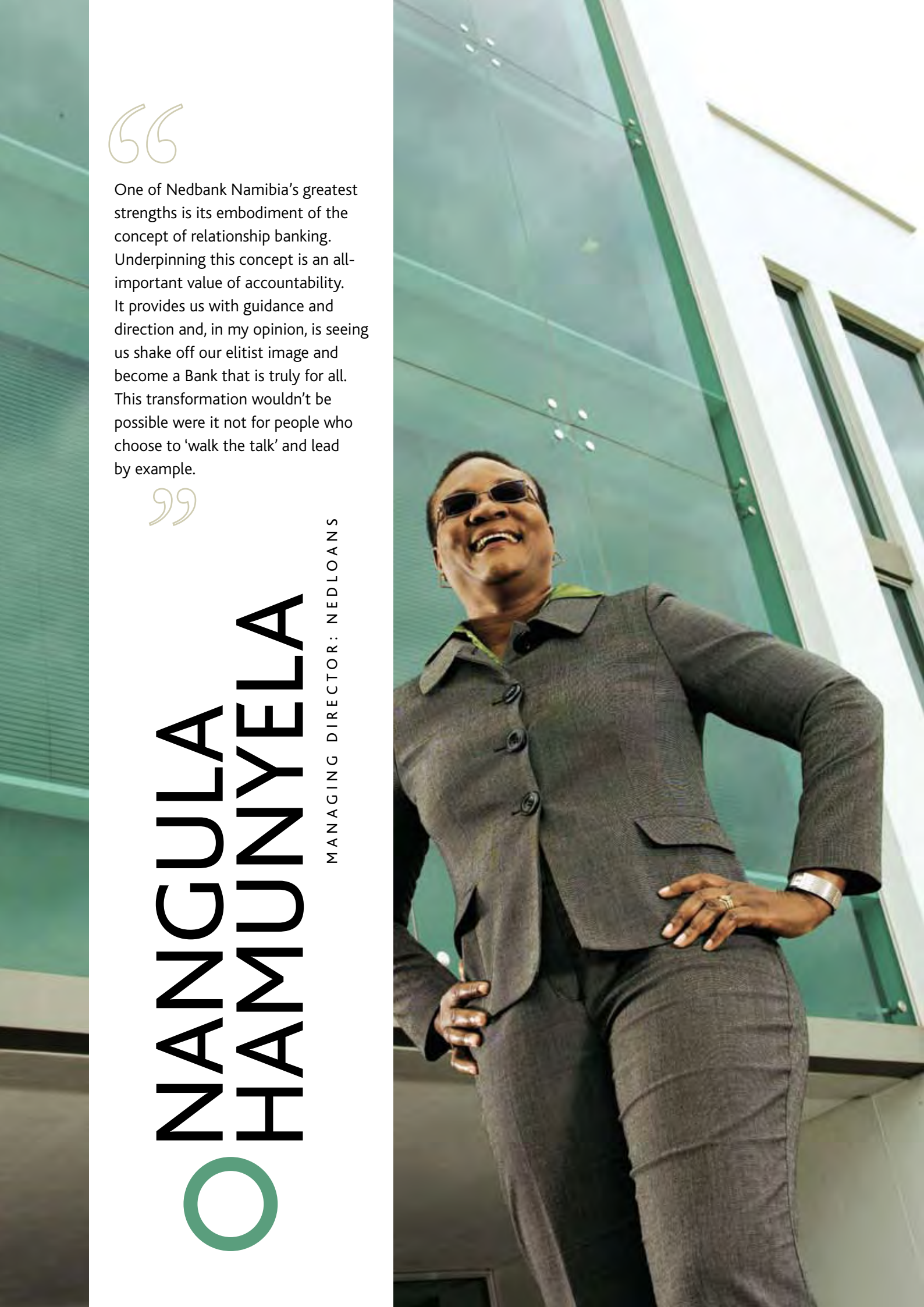
OUTLOOK

As the only bank-linked specialist finance business in Namibia, with dedicated finance teams anchored in the country, NedCapital Namibia provides a distinct competitive edge to NedNamibia Holdings and to its fellow group subsidiary, Nedbank Namibia.

The fresh impetus gained by NedCapital Namibia in 2008 and its enhanced capability will provide opportunities for Nedbank Namibia to increase its market penetration in the banking sector.

As a result of the Tunga and other initiatives, NedCapital Namibia will expand its team in 2009 and, where necessary, engage skills through its association with Nedbank Capital, the investment banking arm of Nedbank Group Limited in South Africa.

Achievements to date and the scope of mandates won and in the pipeline hold the prospect of significantly larger contributions by NedCapital Namibia to Group income in the years ahead.



“One of Nedbank Namibia’s greatest strengths is its embodiment of the concept of relationship banking. Underpinning this concept is an all-important value of accountability. It provides us with guidance and direction and, in my opinion, is seeing us shake off our elitist image and become a Bank that is truly for all. This transformation wouldn’t be possible were it not for people who choose to ‘walk the talk’ and lead by example.”

ONANGULA HAMUNYELA

MANAGING DIRECTOR: NEDLOANS

PROVIDING FINANCIAL SERVICES TO NAMIBIANS

A GREATER PRESENCE IN THE MARKET AND ENHANCED EFFICIENCY IN ADMINISTRATION AND IN DELIVERING PRODUCTS AND SERVICES TO THE GROWING CLIENT BASE ENABLED NEDBANK NAMIBIA TO MAKE FURTHER INROADS IN THE RETAIL BANKING SECTOR IN 2008.

A REVIEW OF RETAIL OPERATIONS

Excellent and consistent monthly growth in assets followed the establishment of a centralised asset financing unit in Windhoek in July. Significant gains were also made in funding, with growth of more than 25% in balances of savings and current accounts, 56% in money market balances and 131% in foreign cheque account balances.

The focused approach to sales and administrative processing resulted in a 50% increase in the monthly value of vehicle deals disbursed and a 65% increase in the monthly value of home loan registrations. Moreover, the value of pending home loan registrations rose by 73% while that of home loan cancellations decreased by 14%.

Market share statistics released by the Bank of Namibia showed:

- 16,2% growth in the asset based finance book, against combined competitor growth of 4,1%; and
- 19,3% growth in the home loan book against combined competitor growth of 8,5%.

Two focused marketing promotions, offering free fuel to vehicle buyers and a N$100 000 home improvement, contributed to segment growth. Vehicle dealers ranked Nedbank Namibia second in terms of banking service – an advance from fourth place the Bank previously occupied.

Promotional activity was resumed to support NedLoans, the registered micro-lender, following the decision of the board of Nedbank Namibia to lift a cap on loan terms to September 2009; the cap had led to a reduction in the monthly book. The marketing campaign, including roadshows and print and electronic media advertising, repackaged NedLoans as a leading provider of loans to Namibians working for employers with a payroll deduction agreement. This initiative coincided with the introduction of a credit guarantee product, thereby reducing provisions.

Following the promotional push, NedLoans increased monthly payouts to qualifying Namibian borrowers by 154,6%.

TRANSACTIONAL ACCOUNT VOLUME UP 8.1%

The success of initiatives to improve sales focus, processes and staff selection, assignment and training was also reflected in greatly improved results in branch audits.

Overall, Nedbank Namibia achieved year-on-year growth of 12,5% in retail assets, thanks also to the most successful launch, on an invitation-only basis, of a Private Banking business unit in July. The performance of the unit, staffed initially by three specialist bankers, exceeded best case expectations by 50%.

Year-on-year growth of 9,3% was achieved in retail liabilities, with growth in several key areas. Transactional account volume rose 8,1%. The growth in savings, current and foreign current account balances all exceeded 25%. Non-interest revenue was boosted by the target-beating growth in transactional accounts.

BANCASSURANCE GROWS

Income from insurance and assurance business increased by 65% in 2008, as the bancassurance initiative gained traction. A monthly training programme for all Nedbank staff was introduced and a training manual on insurance and assurance was compiled and posted to the Bank's intranet.

The broker network was doubled in size. A broker agreement was concluded with Alexander Forbes to service clients in the corporate and business sector. A service for wills and trusts administration was introduced in conjunction with Old Mutual Trust.

Coversure, the NedNamibia Holdings subsidiary providing life assurance, was appointed to provide credit life. A credit life overdraft product was also introduced.

LEFT: ANABELLA TJINDJAMBA, RECEPTIONIST

“One of the positive changes I’ve seen taking place here at Nedbank Namibia in the last few years is the commitment to transformation. It’s something I’ve personally tried to contribute to, by encouraging transparency and treating others with respect. At the heart of Nedbank’s strategy is an aspiration to be ‘great at listening’. That’s why I try to listen more and talk less! To be a positive influence within an organisation starts with being an attentive, receptive listener.”

FREDDIE OELIFAS

HEAD: PRIVATE BANKING

“2008 was an exciting year at Nedbank Namibia. There’s a strong surge from Exco to tackle challenges head-on and grow staff and clients’ confidence in the Bank. Being a leader in the business comes with many responsibilities; to help turn challenges into opportunities, and to uplift, motivate and support a keen, committed team that wants to work at maximum capacity. That’s why I see every day here as an achievement – because positive changes are taking place. We really are ‘making things happen’.”

OCICA DE WET

HEAD: CORPORATE AND BUSINESS BANKING

SHARPENING THE COMPETITIVE EDGE

FOLLOWING THE OPENING IN 2007 OF A CUSTOM-BUILT STATE-OF-THE-ART BUSINESS CENTRE, SERVICES FOR CORPORATE AND BUSINESS CLIENTS WERE COMBINED UNDER ONE UNIT AND SUPPORTED BY FURTHER INITIATIVES TO SHARPEN NEDBANK NAMIBIA'S COMPETITIVE EDGE IN THIS SECTOR.

A REVIEW OF BUSINESS AND CORPORATE MARKET ACTIVITY

Building on the success of the decentralised Business Banking model to partner clients in growing their businesses, these initiatives included tighter sales disciplines, pro-active monitoring of business under negotiation, the entrenchment of a performance-based approach and skills and product training.

Positive feedback from existing clients on service levels reflected an improvement in market sentiment. A particular milestone was the gain of the total banking business of a major Namibian corporation.

In addition, the Treasury operation, under new leadership, re-established itself as a major player in the Namibian market through a refocus of the unit, implementation of appropriate controls and specialist staff training and development. The appointment of a Treasury product sales manager to assist sales units in satisfying client needs delivered improved service. Through its greater client focus and acceptance of new and relaunched funding products, Treasury recorded a marked gain in business and performance exceeded targets. The Global Trade unit, a leading provider of international banking services, was strengthened through a restructuring and realignment of all positions.

TECHNOLOGY AND INNOVATION

Through the Shared Services unit, which provides a foundation for operations, Nedbank Namibia made further advances in technology and ultimately in services to clients in 2008.

As one of the first Banks to localise its information technology platform, Nedbank Namibia participated in the industry localisation of card transaction processing through Namswitch, and successfully delivered the first phase of this project. The next phase of the project which will see the full localisation of Nedbank Namibia's card products is envisaged to be completed during 2009.

Nedbank Namibia was also the first Bank in the greater Nedbank Group to complete an upgrade of exchange servers, making for improved functionality, flexibility and security. Other Nedbank operations in Swaziland, Lesotho

and South Africa will follow the Namibian installation. The project and innovation team within Shared Services also successfully delivered the first phase of PostFin, the joint venture project with NamPost, ahead of the deadline for the first pilot rollout in November.

The unit also focused on stabilising the technology platform, establishing a support desk for Globus, the core banking system, introducing training on Globus and taking initial steps for an upgrade to T24, a newer version of Globus, which will enhance efficiency and functionality. The support desk proved invaluable in trouble shooting and identifying training needs and trends.

Shared Services also oversaw expansion of the Bank's foot print with the installation of a further four ATMs.

To ensure a continuing of operations and service, the unit commissioned generators for selected sites and completed a full disaster recovery exercise to underscore the Bank's ability to deal with threats to the information technology platform.

The focus on creating efficiencies and improving processes led to automation of home loan cancellations, speeding up turnaround times, and to streamlining of the asset based finance business.

Further improvements may flow from a business efficiency review completed by independent consultants.

Given its pivotal role in operations, and the importance of staff contributions, Shared Services reshaped its recognition process and formally honoured 33 members of the unit – more than a quarter of the team – for their efforts in 2008.

BELOW: GLOBUS CALL CENTRE STAFF
CARPIO MINNAAR - GLOBUS DEVELOPER

OPTIMISING BUSINESS EFFICIENCIES

CAROL SCHNEIDER

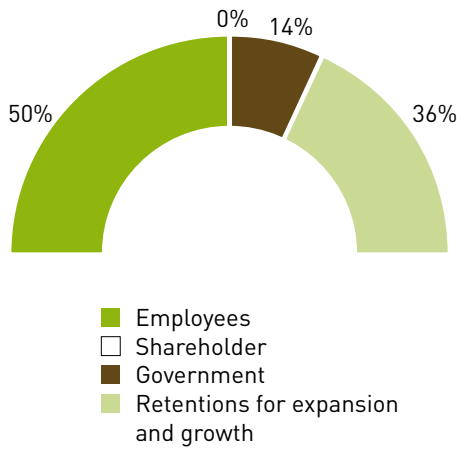
SENIOR MANAGER: ASSET FINANCE

"In the year I've worked at Nedbank Namibia, I've found it to be a really great place to work, primarily because of the people. You get the feeling that Nedbankers really try hard to make a difference. You see it in the high standard of client service, and in the way staff foster client relationships. We are making headway, watch this space!"

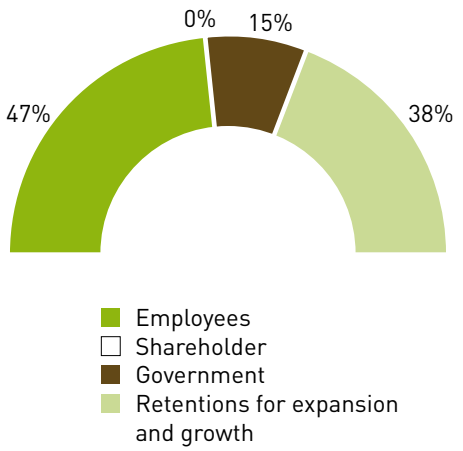
VALUE ADDED STATEMENT
for the year ended 31 December 2008

	2008		2007	
	N$'000	%	N$'000	%
VALUE ADDED				
Value added is the wealth created by NedNamibia Holdings Limited through the provision of services to clients				
Interest income and non-interest revenue	831,273		707,251	
Interest paid and other expenditure	558,119		458,724	
	273,154		**248,527**	
VALUE ALLOCATED				
Employees				
Salaries, wages and other benefits	137,159	50%	117,703	47%
Government				
Taxation	37,489	14%	37,208	15%
Shareholder				
Dividends	0	0%	0	0%
Retentions for expansion and growth				
	98,506	36%	93,616	38%
Retained income	85,268		82,670	
Depreciation and amortisation	13,238		10,946	
	273,154	**100%**	**248,527**	**100%**

VALUE ADDED 2008



VALUE ADDED 2007



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").

NedNamibia Holdings Group, as part of Nedbank Group Limited, has adopted an enterprise governance framework that covers both the corporate governance and business governance aspects of an organisation. It encompasses governance structures that are strategically linked with performance management, enabling companies to focus on the key areas that drive their business.

Enterprise governance and compliance constitute part of the entire accountability framework of the organisation and require a balance between accountability and assurance (conformance) and value creation and resource utilisation (performance).

Conformance includes corporate governance and covers issues such as board structures and roles. Performance includes business governance and focuses on strategy and value creation.

The enterprise governance and compliance functions operate, among others, at the following levels within the organisation:

- Board (including boards of subsidiaries and joint ventures);
- Executive management (dealing with business governance and internal controls);
- Employees (ensuring, for example, work ethics and business governance); and
- Social and environmental integration (creating a sustainable bank).

CORPORATE GOVERNANCE AND RISK MONITORING

Corporate governance can be defined as the system in terms of which corporations are directed and controlled. Good corporate governance seeks to protect shareholders' interests by balancing entrepreneurial leadership with transparency and control mechanisms, without compromising value creation and efficient decision-making. The Board of Directors continues to advocate an integrated approach to corporate governance and recognises that good governance practices form an integral part of developing and sustaining any successful business.

The Directors' affairs committee monitors corporate governance quarterly to ensure that it complies with the regulatory, legal and King II corporate governance requirements.

With the exception of the Audit committee, the compositions of the Board and all Board committees comply with the regulatory, legal and King II requirements. The composition of the Audit committee will be revised during the current year to comply with the King II code, which recommends that the majority of Audit committee members should be independent to provide the necessary checks and balances.

CORPORATE GOVERNANCE STRATEGY

Formalised governance objectives

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) (previously 38(5)): Report on the state of corporate governance in the Group.

BOARD OF DIRECTORS

The NedNamibia Holdings Board comprises one executive and eight non-executive directors, six of whom are independent non-executive directors. The Board's diversity and demographic mix comprises four white and five black directors.

The members of the NedNamibia Holdings Board at 1 January 2009, classified in terms of the King Code definition around independence were:

Independent non-executive directors (6)

- Frank Theo J
- Kankondi Sebulon I
- Pearce Christopher J
- Peters Rolf H
- Shipanga Martin K
- Weilert Heinz M

BOARD OF DIRECTORS (continued)

Non-executive directors (2)
- Denya Denys
- !Gawaxab Johannes

Executive director (1)
- Hoveka Erastus T

The Nedbank Namibia Board comprises one executive and eleven non-executive directors, seven of whom are independent non-executive directors. The Nedbank Namibia Board's diversity and demographic mix comprises seven black directors, two of whom being women, and five white directors.

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 an independent non-executive director. There is a clear distinction between the roles of the Chairman of the Board and the Managing Director, who is in charge of day-to-day operations and executive management. Both Boards meet quarterly, but additional meetings may be held, when necessary.

The profiles of the members of the NedNamibia Holdings and Nedbank Namibia Boards can be found on page 9 of this annual report.

BOARD CHARTER

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 primary objectives of the Board charter are hence to ensure that:

- all board members are aware of their duties and responsibilities as members of the Board;
- applicable legislation and regulations affecting directors' conduct are clearly understood; and
- sound principles of corporate governance and ethical behaviour are applied in all dealings on behalf of the Group.

The Board is responsible to shareholders 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 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 balanced-scorecard methodology.

BOARD APPOINTMENT

Board appointments are conducted in a formal and transparent manner by the Board as a whole, assisted by the Directors' affairs committee.

In appointing directors, emphasis is placed on retaining the balance of skills, knowledge and experience necessary for achieving strategic objectives. The non-executive directors are actively involved in board deliberations and discussions and bring independent judgment to the Board.

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, all directors retire by rotation and, if eligible for re-election, submit their names for election at the annual general meeting. The retirement age for the Managing Director is 65, while a non-executive director is required to retire at age 70.

BOARD EFFECTIVENESS

A full assessment of the effectiveness of the Board and board committees has taken place during 2008 to ensure constant refinement of the Group's governance structures and the Board's responsibilities. Shortcomings identified during the evaluation process have been duly addressed by the Board.

COMPANY SECRETARY

The Board appoints the Company Secretary who provides support and guidance to the Board in matters relating to governance 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 Group.

During 2008 the director development was continued and the following topics have been included as part of the internal training schedule for directors:

- Basel II, (enforcing a significant increase in risk management sophistication and reporting internationally);
- Ethics;
- Board governance and conflict of interest; and
- The Banking Institutions Act, Act 2 of 1998.

ATTENDANCE OF BOARD AND BOARD COMMITTEE MEETINGS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

Directors' attendance of board and board committee meetings is scrutinised by the Directors' affairs committee quarterly and by the Nedbank Group Limited board bi-annually. Any irregular attendances of meetings are dealt with by the Chairman of the Board.

The following attendances of board and board committee meetings have been recorded for 2008:

NEDNAMIBIA HOLDINGS LIMITED		
Board of Directors	**Board**	**Audit Committee**
Meetings held:	**4**	**4**
Attendance:		
Frank T J	4 (Chairman)	
Denya D	3	3
!Gawaxab J	2	1
*Hoveka E T(1)	4	4
Kankondi S I	3	
Pearce C J	4	4
Peters R H	4	4 (Chairman)
Shipanga M K	3	
Weilert H M	4	4
Beyers S H (Alternate director to Mr Denya)	1	

*Attended board committee meeting by invitation.
(1) Appointed 1/1/2008 as Managing Director of NedNamibia Holdings Limited

ATTENDANCE OF BOARD AND BOARD COMMITTEE MEETINGS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (continued)

NEDBANK NAMIBIA LIMITED					
Board of Directors	Board	Audit Committee	Risk Committee	Remuneration, Nomination Employment Equity and Skills Retention Committee (REMCO)	Directors' Affairs Committee
Meetings held:	**5**	**5**	**4**	**4**	**4**
Attendance:					
Frank T J	5 (Chairman)		4	4 (Chairman)	4 (Chairman)
D Denya	4	4	2	3	3
!Gawaxab J	4	2			
Gebhardt A T M(1)	5			1	1
*Hoveka E T(2)	5	5	4	4	4
Kankondi S I	4				
Muatunga L M (1)	5			1	1
Pearce C J	5	5	4 (Chairman)		
Peters R H	5	5 (Chairman)	4		
Shipanga M K	4				
Weilert H M	5		3	4	4
Whitfield K	5				
Beyers S H (Alternate director to Mr Denya)	1	1	2	1	1

*Attended board committee meetings by invitation.
(1) Appointed 1/1/2008 as member of the Board and on 19/08/2008 as member of the Remuneration, nomination, employment equity and skills retention committee and the Directors' affairs committees
(2) Appointed 1/1/2008 as Managing Director of Nedbank Namibia Limited

DIRECTORS' FEES

Directors' and board committee fees are paid quarterly to local non-executive directors only and the quarterly amounts payable are rounded up to the nearest N$500.

NEDNAMIBIA HOLDING LIMITED

The following directors' fees were paid for the 2008 financial year:
Chairman N$24 300 per annum
Members N$16 200 per annum

NEDNAMIBIA HOLDINGS LIMITED Fees paid for the 2008 financial year to individual directors	
Name of director	N$ paid per annum
Frank T J (Chairman)	26 000
Denya D	NIL
!Gawaxab J	18 000
Hoveka E T (Managing director)	NIL
Kankondi S I	18 000
Pearce C J	NIL
Peters R H	18 000
Shipanga M K	18 000
Weilert H M	NIL

NEDBANK NAMIBIA LIMITED

The following directors' and board committee fees were paid for the financial year 2008:

NEDBANK NAMIBIA LIMITED Annual directors' and board committee remuneration		
	Chairman (fees per annum)	Members (fees per annum)
Directors' fees	N$104 000	N$56 000
Audit committee	N$75 000	N$37 500
Risk committee	N$75 000	N$37 500
Remuneration, nomination, employment equity and skills retention committee	N$45 000	N$22 500
Directors' affairs committee	N$15 000	N$7 500
Fees for time spent by directors on bank related matters that fall outside the normal course of board/board committee business/preparation	N$1 200 per hour	

NEDBANK NAMIBIA LIMITED Fees paid for 2008 financial year to individual directors	
Name of director	N$ paid per annum
Frank T J (Chairman)	215 600
Denya D	NIL
!Gawaxab J	98 000
Gebhardt A T M	72 300
Hoveka E T (Managing director)	1 663 043 (salary & bonus)
Kankondi S I	82 500
Muatunga L M	67 500
Pearce C J	NIL
Peters R H	242 400
Shipanga M K	60 000
Weilert H M	NIL
Whitfield K	NIL

DIRECTORS' QUALIFICATIONS

Board members have the following academic qualifications:

DIRECTORS' QUALIFICATIONS	
Names	Academic Qualifications
Frank T J	BA Law; LLB; Dip. Bus. Man.; Cert. Tax Law
Denya D	BACC (Hons); MBA (University of Zimbabwe); ACIS; CA(Z)
!Gawaxab J	MBL; MA; BA; BCom; AMP (Harvard)
Hoveka E T	CPA (Illinois, USA); MBA (Bradley University, Peoria, Illinois USA); B.S.(Acc) (Bradley University, Peoria, Illinois, USA)
Kankondi S I	BTech (Unisa); Sen. Man. Prog. (USB); Exec. Dev. Prog. (USB); Market Man. Prog. (UCT); Nat. Dip. in Mech. Eng. (Peninsula Technicon)
Pearce C J	BCom; CA (SA); AMP (Harvard)
Peters R H	BCom; BCompt (Hons); CA (SA); CA (Namibia)
Shipanga M K	BCom (Wits); MSC Public Policy and Administration (ISS); Leadership and Management (University of Virginia); Executive Development Programme (Harvard University)
Weilert H M	BCom; BCom (Hons); CA(SA); MCom; FII(SA)

DECLARATION OF OUTSIDE INTERESTS

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

BOARD COMMITTEES

The Board committee structure is designed to assist the Board in the discharge of its duties and responsibilities and was unchanged in 2008.

The current board committees are:

- NedNamibia Holdings board committees:
  - Audit committee
- Nedbank Namibia board committees:
  - Audit committee;
  - Risk committee;
  - Remuneration, nomination, employment equity and skills retention committee; and
  - Directors' affairs committee.

Each board committee has formal written terms of reference that are reviewed every second year to ensure effective delegation in respect of certain of the Board's responsibilities, which are monitored by the Board to ensure that the committees retain effective coverage of and control over the operations of the Group and the Bank.

The 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.

The Managing Director is not a formal member of the Board committees but attends all board committee meetings by invitation.

All Board committees meet quarterly, but additional meetings may be held when necessary. The Bank's board committees report into the Nedbank Namibia Board while the Group Audit committee reports into the NedNamibia Holdings Board.

REMUNERATION, NOMINATION, EMPLOYMENT EQUITY AND SKILLS RETENTION COMMITTEE

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 comprises five non-executive directors, one of whom is the Chairman.

DIRECTORS' AFFAIRS COMMITTEE

The primary objectives of the committee are to consider, monitor and report to the Board on compliance with King II and the corporate governance provisions of the Banking Institutions Act as well as the regulations issued thereout, 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 evaluation, board training, directors' outside interests. The committee has no decision-making powers but makes recommendations to the Board for approval. The committee comprises five non-executive directors, one of whom is the Chairman.

AUDIT COMMITTEES

The Group Audit committee attends to the matters of all NedNamibia Holdings' subsidiaries, except for the Bank's matters, which are being attended to by the Bank's Audit committee. Both, the Group's and the Bank's Audit committees comprise the same five non-executive directors, the Chairman of both being the same person and an independent non-executive director. The internal and external auditors have unrestricted access to the Chairman of the Audit committees. The Group Audit committee's primary objective is to assist the Board of Directors 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 Group in the day-to-day management of its business 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 Bank's Audit committee has the same objective but it relates to the Bank and its subsidiaries. Both committees meet separately, at least four times a year.

External auditors

The Group's external auditors are Deloitte & Touche. The report of the independent auditors on page 53 sets out the responsibilities of the external auditors with regard to auditing

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.

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 provide independent, objective assurance and consulting services designed to add value and improve the operations of the Group and the Bank. It helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of systems of control, the management of risk and governance processes. To provide for the independence of the Bank's Internal Audit, the Chief Internal Auditor is accountable to the Nedbank Namibia Audit committee Chairman, reports functionally to the Chief Internal Auditor of Nedbank Group Limited, administratively to the Chief Risk Officer of Nedbank Namibia and has unrestricted access to the Chairman of the Board. 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.

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 committees 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 COMMITTEE

The Risk 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;
- 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;

BOARD COMMITTEES (continued)

- monitoring compliance with regulatory and statutory requirements; and
- monitoring any other risks brought to the attention of the committee.

CHIEF RISK OFFICER

The risk management function is headed by the Chief Risk Officer, who is a member of the Bank's Executive committee. He has a dual reporting line to the Managing Director of the Bank and the Chief Risk Officer of Nedbank Africa, respectively. The Chief Risk Officer has unrestricted excess to the Chairmen of the Audit- and Risk committees.

ENTERPRISE-WIDE RISK COMMITTEE ("ERCO")

The ERCO forms part of the Group's enterprise-wide risk governance structure and focuses on creating awareness and identifying, assessing, managing and monitoring all risks in the Group. The committee has a dual reporting line, one into the Risk committee and the other one into the Nedbank Africa divisional ERCO. The Managing Director is the Chairman of ERCO.

CREDIT RISK MONITORING COMMITTEE ("MONITORING CRAM")

The monitoring CRAM supports the Risk 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 presently chaired by the Chief Risk Officer of Nedbank Africa and has a dual reporting line into the Africa Credit committee and the Risk committee, respectively.

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 the Risk committee assists the Board in reviewing the risk management process and any significant risks facing the Group. Management is accountable to the Board for designing, implementing and monitoring the process of risk management, as well as integrating it with the day-to-day activities of the Group.

As part of Nedbank Group Limited, the NedNamibia Holdings Group has adopted a comprehensive risk management strategy and methodology, and enterprise-wide risk management, which has the principles of corporate governance best practice embedded in its foundation.

The enterprise-wide risk management framework consists of three layers of defence:

- enterprise-wide risk management forums, internal control environment and individual responsibilities;
- risk management and corporate governance structures; and
- internal and external audit functions to detect any deficiencies in processes or controls.

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;
- currency risk;
- information technology risk;
- insurance and assurance risk;
- interest rate risk;
- integrated trading risk;
- investment risk;
- liquidity risk;
- market risk;
- new business risk;
- operational risk;
- people risk;
- reputational risk;
- solvency risk;
- strategic risk;
- social and environmental risk; and
- transformation risk.

These risks are managed through the comprehensive enterprise-wide risk management framework, encom–passing infrastructure, policies and methods that support active and effective control.

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 the 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 optimisa-tion. 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, micro 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 obligators are rated at inception, and re-rated at least once annually thereafter. Currently the existing risk rating model is based on the Moody's model for Business and Corporate Banking clients.

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 Group's Credit committee. Maximum levels of lending authority have been set for the credit department and the Credit committee, subject to risk rating, and with specific limits for certain industries and product types. Applications in excess of lending authorities are referred to the next higher level for approval, with excesses of the Credit committee being referred to the Africa Credit Risk Management Committee of Nedbank Limited ("AFCRAM") for approval.

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

RISK MANAGEMENT (continued)

Financial risk management (continued)

Credit risk (continued)

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 which has 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 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, as a sub-committee of the Executive committee, to the Risk committee. The Board's responsibility with regards 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 modelled. 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 define a set of cash outflow limits for their cumulative net cash flows in the sight to one week and sight to one month buckets. Furthermore the limits are set to prevent concentration of deposits by customer. The 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 balance sheet 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 that 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 via a determination requires the Group 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 Group 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; and
- any other immediately liquefiable instrument with the approval of ALCO.

The liquidity buffer will be reviewed and confirmed at ALCO monthly 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

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.

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.

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 optionality 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.

RISK MANAGEMENT (continued)

Financial risk management (continued)

Interest rate risk (continued)

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 12 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 increase in the yield curve and all other rates. In addition other scenarios of a 50bp increase at all durations on the yield curve (3 month, 6 month, 12 month, longer than 12 months) are undertaken. 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 which has 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 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, as a sub-committee of the Executive committee, to the Risk committee. The Board's responsibility with regards to adequate interest rate risk management includes the development and implementation of an interest rate management policy that clearly establishes the responsibilities for managing interest rate risk and complies with local legislation and liquidity requirements.

ALCO reports as a sub-committee of the Executive committee regarding the Group's interest rate risk management. The report 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. 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 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.

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, changes in yield curve and basis risk. Reviewing of interest rate risk limits are undertaken periodically.

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 Group 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 other foreign exchange cash dealing, proprietary trading by foreign exchange dealers on the Group's own account, 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 Group is exposed to 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 Group 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 which 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 Group are developed and implemented and that the Group complies with local legislation and regulations. It is also responsible for monitoring the Group'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 the limits as determined by the Bank of Namibia regulations. These limits are set not to expose the Group 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 Group's capital and reserves.

Limits on aggregate dealings with counterparties

A limit has been set per counterparty and dealers monitor exposure 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

RISK MANAGEMENT (continued)

Financial risk management (continued)

Currency risk (continued)

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

Solvency risk

Solvency risk is defined as the inability of the Group to honour its debts in full. The Board and management, as well as banking regulators, monitor this risk through the assessment of the Bank's capital adequacy. The internal requirements of the Group are substantially more conservative than those imposed by the regulatory authorities.

Operational risk

Operational risk is the risk of direct or indirect 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 Audit committees, the Internal Audit department, the Risk committee as well as the ERCO. Operational risk is reported to the Board of directors via the Risk 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 committees.

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.

Information technology risk is managed through the Information technology as well as the Globus Prioritisation Committees, assisted by Group Technology at Nedbank Group.

Accounting and taxation risk

Accounting risk is the risk that the integrity of the financial statements and related information cannot be upheld and that the internal financial controls of accounting and administration do not provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and approved policies and procedures.

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 exists, resulting in financial loss due to excessive tax liabilities, penalties or reputational damage to the Group.

Tax compliance is monitored by the Audit committee.

People risk

People risk can be defined as possible inadequacies in human capital. This may stem from lack of adequate skills or knowledge, lack of clear consequences of not meeting performance standards, lack of alignment with strategy or a reward system that fails to motivate properly.

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 that an activity, action or stance taken by the Group or its officials will impair its image in the community and the long-term trust placed in the organisation by its stakeholders, which will result in the loss of business and/or threaten 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 organisation standards and codes of conduct applicable to its banking and other activities. (Basel)

Compliance risk is the current and prospective risk of damage to the organisation's business model or objectives, reputation and financial soundness arising from non-adherence to regulatory requirements and expectations of key stakeholders such as customers, employees and society as a whole. It exposes the organisation to fines, civil claims, loss of authorisation to operate and an inability to enforce contracts. (CISA)

Management of Compliance risk

The Group is committed to, 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 is an independent function that identifies, evaluates, advises on, monitors and reports on the Group's compliance risk. 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's relationships with regulators are of paramount importance, specifically the relationship with the Bank supervision department of the Bank of Namibia and the South African Reserve Bank. The Group follows a policy of constructive engagement with regulators.

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.

Governance and compliance function

In tandem with management of governance issues, the compliance function ensures compliance not only with regulatory laws and standards, but also with internal policies. A strong network of business unit and branch compliance champions work closely with the governance and compliance department in training, project implementation, monitoring and the creation of an appropriate governance and compliance culture.

The governance and compliance function is an essential part of the Group's control structure, having responsibility for the management of regulatory and reputational risk.

The governance and compliance department works closely with the Company Secretary and various risk management functions in promoting a culture of good governance and compliance within the Group.

The department's key objectives are to:

- provide an independent assurance function with regard to governance and compliance issues to the Board, Executive committee and the banking business;
- implement and monitor good business governance practices throughout the organisation;
- internalise a culture of governance, ethics and compliance through ongoing training and development;
- set governance and compliance frameworks that will be aligned with applicable regulations and local and international best practice;
- build and enhance relationships with key internal partners (Risk, Internal Audit, Legal, Company secretariat, and especially business unit and branch compliance champions) and external stakeholders; and

RISK MANAGEMENT (continued)

Definitions of other significant risks (continued)

Compliance risk (continued)

- inform the business of new and existing regulatory requirements.

Asset and liability management

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;
- interest rate risk both local and foreign;
- foreign exchange rate risk including currency translation risk;
- trading market risk;
- investment risk; and
- capital risk.

ALCO meets monthly or more frequently if necessary. The committee is chaired by the Managing Director and reports to the Executive committee and via the Risk committee to the Bank's board.

Anti-money laundering/Combating the financing of terrorism

NedNamibia Holdings Group is committed to combating money laundering and terrorist financing and has introduced policies and procedures in Nedbank Namibia to ensure that international standards, statutory duties and regulatory obligations are met.

The following key deliverables were achieved in 2008:

- preparation for commencement of re-verification of existing client base; and
- completion of Gap Analysis between new local legislation and Group standard implemented in 2006 in preparation for compliance with the Financial Intelligence Act 3/2007 when it comes into force.

The new Basel Capital Accord ("Basel II")

The new Basel II regulations aim to improve the safety and soundness of the financial system by aligning capital adequacy assessment much more closely with the underlying risks (and introducing a capital charge for operational risk) in the banking industry, providing a thorough supervisory review process and enhancing market discipline through significantly increased risk disclosure.

Nedbank Namibia applies the standardised approach for Basel II and has complied in reporting to the South African Reserve Bank with effect from 1 January 2008. In terms of Bank of Namibia, a parallel run between Basel I and Basel II reporting is scheduled from 1 July 2009 with final effective date 1 January 2010.

Strategic risk

Strategic risk is the risk of an unattractive or 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 under performance 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 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);
- the risk of no or inadequate insurance cover for insurable business risks (insurance risk); and
- the risk of loss caused by events that result in pre-determined exposures being exceeded (underwriting 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 Nedbank Namibia 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 sign off for compliance with the risk management requirements for all 17 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 Governor of the Bank of Namibia and South Africa, Registrar of Securities Services, Registrar of Collective Investment Schemes, Registrars of Long-Term and short-term Insurance and the Johannesburg Stock Exchange ("JSE").

The management of capital risk is described in note 43 to the annual financial statements on page 120 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'.

Social and environmental risk has two sub-risks:
- social risk; and
- environmental risk.

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 market risk (also termed property risk).

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.

MANAGEMENT COMMITTEES

EXECUTIVE COMMITTEE ("EXCO")

The EXCO is the highest ranking management committee in the Bank. 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 acts as a medium of communication and co-ordination between business units and the Board. Responsibility for material management decision-making

MANAGEMENT COMMITTEES (continued)

Executive Committee ("EXCO") (continued)

in the Group is delegated by the Board to the EXCO, which in turn is accountable to the Board through the Managing Director, who is the Chairman of EXCO and a member of the Board. The committee comprises nine members who are appointed by the Group's Board of Directors in conjunction with the Managing Director. EXCO meets monthly but additional meetings may be held when necessary.

OPERATIONAL DISTRIBUTION COMMITTEE

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

- amendments to the three-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 is set in an objective, disciplined and co-ordinated manner and is properly implemented in terms of systems changes, communication to clients, timing and appropriately aligned to the Bank's strategy and budget imperatives. The Pricing committee is accountable to the EXCO.

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 is a management committee and reports via the EXCO to the Board of directors.

COMPLIANCE COMMITTEE

The Compliance committee is accountable to the Board, through the ERCO and the Risk committee, serving as a common platform to identify, discuss, manage and effectively monitor all compliance risks and breaches throughout the Group within the respective business units of the Group.

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.

ANTI-MONEY LAUNDERING COMMITTEE

The role of this committee is to promote, direct and oversee the successful implementation of anti-money laundering ("AML") and combating of the financing of terrorist ("CFT") regulatory requirements/legislation across the Bank and to promote, direct and oversee compliance with internal AML as well as CFT policies and procedures.

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 also reviews developments in the market and amongst competitors, oversees the implementation of IT projects/upgrades and advises on the optimum allocation of IT resources.

GLOBUS PRIORITISATION COMMITTEE

This committee is responsible for reviewing and updating the top five Globus issues list, to co-ordinate issues completed by Group Software Services and for advising on and escalating to EXCO and the Board the current outstanding Globus issues and progress in solving these issues.

EMPLOYMENT EQUITY

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. A committee has been established to deal with employment equity matters.

CODE OF ETHICS

The NedNamibia Holdings Group, as part of Nedbank Group Limited, 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-centred have been incorporated into a code of ethics as the foundation of the Nedbank Namibia culture. Training and awareness on the code is ongoing. 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.

CONFLICTS OF INTEREST

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 form, 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.

GOVERNANCE STRUCTURES 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 Bank's Audit- and Risk committees, which in turn report into the Bank's Board of Directors.

NedCapital Namibia (Proprietary) Limited ("NedCapital")
NedCapital, a 100% owned subsidiary of NedNamibia Holdings, has a matrix reporting structure, whereby statutory reporting is done to NedNamibia Holdings, while Nedbank Capital South Africa assumes responsibility for the technical risk and compliance functions. The NedNamibia Holdings Audit committee monitors NedCapital's internal control-, risk management- and compliance environments and reports into the NedNamibia Holdings Board of Directors. NedCapital's governance and control structures are constantly refined.

NedCapital has outsourced the following services to Nedbank Namibia and a service level agreement between the two companies is in place:

- Human resources (selected human resources services);
- Accounting and financial management;
- Communications and marketing;
- Information technology; and
- Company secretarial services.

FINANCIAL STATEMENTS

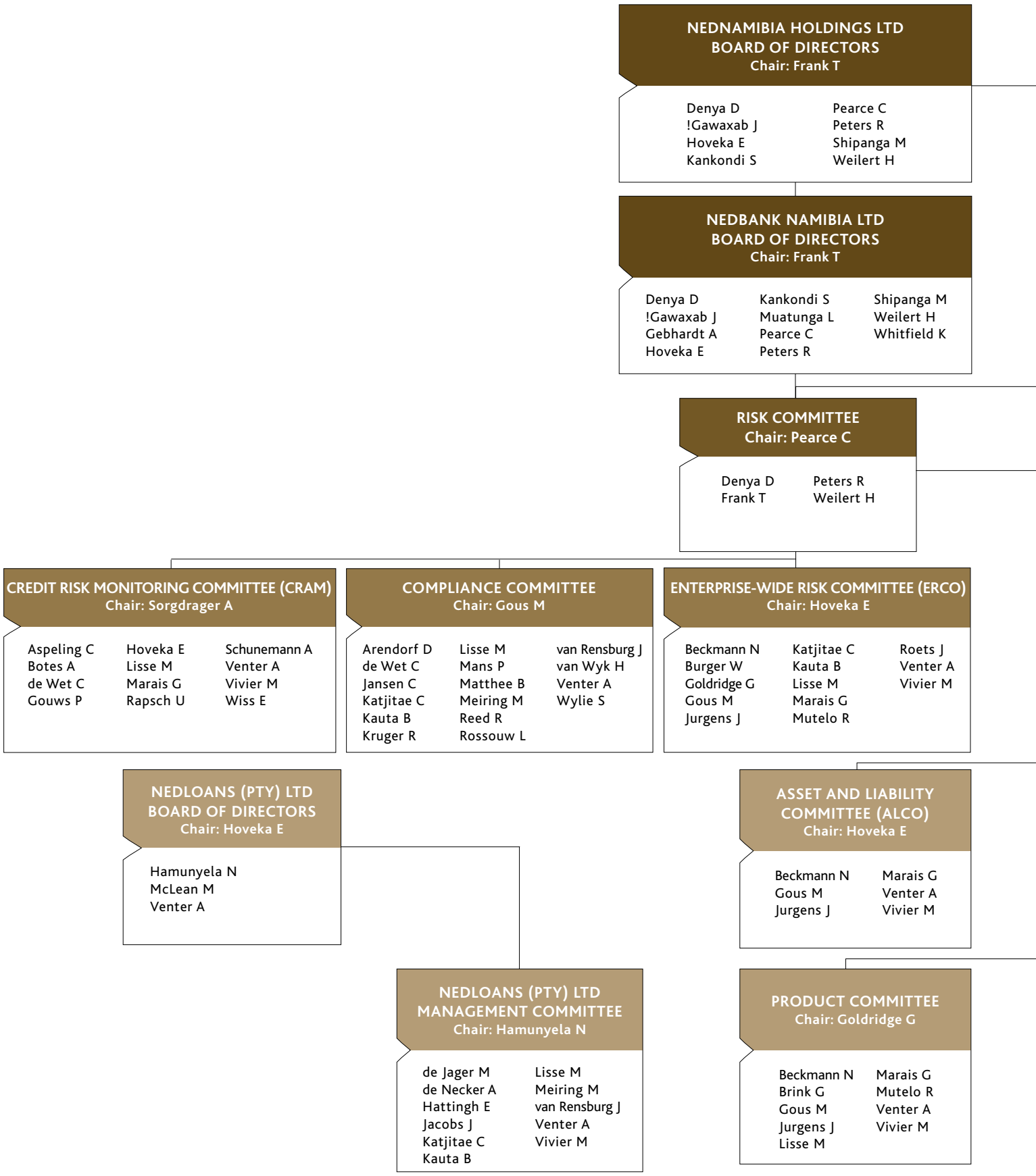
The directors are responsible for the annual financial statements, which are prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB and the Namibian Companies Act. The accounting policies used are consistently applied, appropriate and supported by reasonable and prudent judgments and estimates. The directors are responsible for ensuring that the financial statements fairly present the state of affairs of the Group at the financial year-end and the results of its operations for the year under review. The external auditors are responsible for independently reviewing and reporting on the fair presentation of these financial statements.

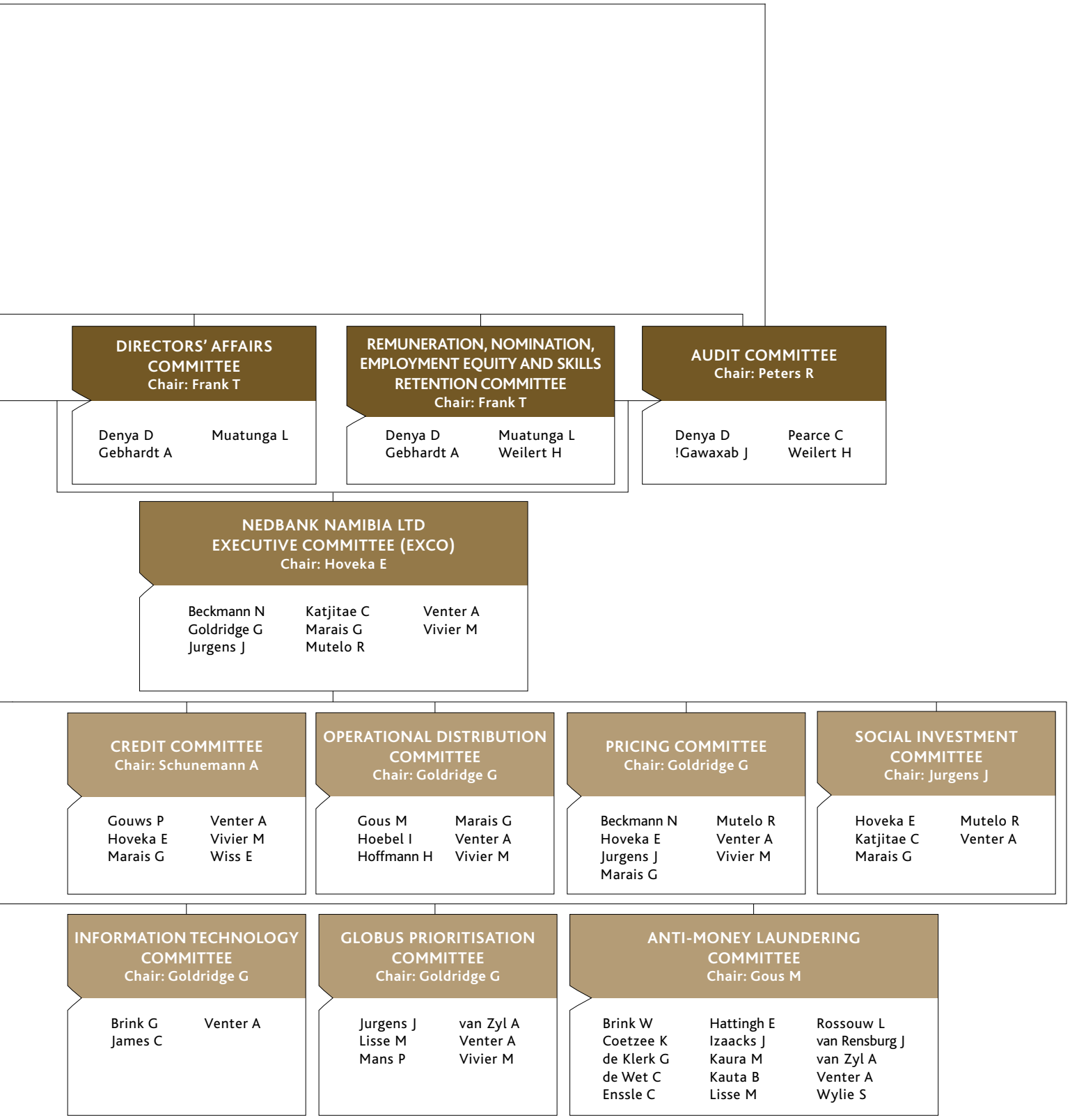
GOING CONCERN

The directors have no reason to doubt that the Group has adequate resources to continue in operational existence for the foreseeable future. The going-concern basis in preparing annual financial statements is therefore considered appropriate.

CORPORATE GOVERNANCE REPORT STRUCTURE

as at 28 February 2009




DIRECTORS' AFFAIRS COMMITTEE
Chair: Frank T
Denya D
Gebhardt A
Muatunga L
REMUNERATION, NOMINATION, EMPLOYMENT EQUITY AND SKILLS RETENTION COMMITTEE
Chair: Frank T
Denya D
Gebhardt A
Muatunga L
Weilert H
AUDIT COMMITTEE
Chair: Peters R
Denya D
!Gawaxab J
Pearce C
Weilert H
NEDBANK NAMIBIA LTD EXECUTIVE COMMITTEE (EXCO)
Chair: Hoveka E
Beckmann N
Goldridge G
Jurgens J
Katjitae C
Marais G
Mutelo R
Venter A
Vivier M
CREDIT COMMITTEE
Chair: Schunemann A
Gouws P
Hoveka E
Marais G
Venter A
Vivier M
Wiss E
OPERATIONAL DISTRIBUTION COMMITTEE
Chair: Goldridge G
Gous M
Hoebel I
Hoffmann H
Marais G
Venter A
Vivier M
PRICING COMMITTEE
Chair: Goldridge G
Beckmann N
Hoveka E
Jurgens J
Marais G
Mutelo R
Venter A
Vivier M
SOCIAL INVESTMENT COMMITTEE
Chair: Jurgens J
Hoveka E
Katjitae C
Marais G
Mutelo R
Venter A
INFORMATION TECHNOLOGY COMMITTEE
Chair: Goldridge G
Brink G
James C
Venter A
GLOBUS PRIORITISATION COMMITTEE
Chair: Goldridge G
Jurgens J
Lisse M
Mans P
van Zyl A
Venter A
Vivier M
ANTI-MONEY LAUNDERING COMMITTEE
Chair: Gous M
Brink W
Coetzee K
de Klerk G
de Wet C
Enssle C
Hattingh E
Izaacks J
Kaura M
Kauta B
Lisse M
Rossouw L
van Rensburg J
van Zyl A
Venter A
Wylie S

DIRECTORS' RESPONSIBILITY
for the year ended 31 December 2008

The directors are responsible for the integrity and fair presentation of the annual financial statements and related information included in this annual report. The annual financial statements presented on pages 39 to 44 and 56 to 147 have been 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 of the IASB and the Namibian Companies Act and include amounts based on judgements and estimates made by management. The directors have also prepared the other information included in the annual report and are responsible for both its accuracy and its 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 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 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 Nedbank Namibia's internal audit function conducts operational, financial and specific audits 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 going-concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Group or any company within the Group will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual financial statements support the viability of the Company and the Group.

The audit report of the independent auditors is presented on page 53.

The annual financial statements were approved and authorised for issue by the Board of directors on 26 February 2009 and are signed on its behalf by:

T J FRANK (SC)
Chairman

E T HOVEKA
Managing director

INDEPENDENT AUDITOR'S REPORT
to the members of NedNamibia Holdings Limited

We have audited the group annual financial statements and annual financial statements of NedNamibia Holdings Limited, which comprise the consolidated and separate balance sheets as at 31 December 2008, and the consolidated and separate income statements, the consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 39 to 44 (section relating to financial risk management) and 56 to 147.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in Namibia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 financial statements present fairly, in all material respects, the consolidated and separate financial position of NedNamibia Holdings Limited as at 31 December 2008, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards 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 DJ CILLIERS - Partner

Windhoek
29 May 2009

Regional Executives: GG Gelink (Chief Executive), A Swiegers (Chief Operating Officer), GM Pinnock
Resident Partners: VJ Mungunda (Managing Partner), RH McDonald, J Kock, H de Bruin, DJ Cilliers

STATEMENT OF ACTUARIAL VALUE OF ASSETS AND LIABILITIES
for the year ended 31 December 2008

	2008 N$'000	2007 N$'000	Notes
Assets	**6 713**	6 211	2
Total assets per balance sheet	**6 713**	6 211	
Liabilities	**344**	406	3,4
Actuarial value of policy liabilities	**133**	405	
Current liabilities	**211**	1	
Excess of assets over liabilities	**6 369**	5 805	
Analysis of change in excess assets:			
Excess assets as at end of reporting year	**6 369**	5 805	
Excess assets as at beginning of reporting year	**5 805**	5 018	
Change in excess assets over the reporting year	**564**	787	
This change is due to the following factors:			
Investment return on excess assets	**498**	441	
Operating profit	**135**	414	
Change in valuation methods or assumptions	**–**	–	5
Taxation	**(69)**	(68)	
Total earnings	**564**	787	
Capital raised	**–**	–	
Dividends paid	**–**	–	
Total change in excess assets	**564**	787	
Reconciliation to reported earnings:			
Total earnings as per the above table	**564**	787	
Reported earnings in annual financial statements	**564**	787	
Difference	**–**	–	

NOTES

1. FINANCIAL SOUNDNESS BASIS/VALUATION PRINCIPLES

The assets and liabilities of Coversure Limited have been calculated in accordance with the Actuarial Society of South Africa's guidelines and in particular PGN103 and PGN104 where applicable. However, no Capital Adequacy Requirement was calculated as this is not required in terms of Namibian law. In addition there is also no distinction between the Published Reporting Basis and the Statutory Valuation Method. The Financial Soundness Valuation, stipulated in PGN104, is a gross premium method of valuation. The liability has been based on cash flow projections, on a per policy basis, using the assumptions contained in note 3 below.

2. VALUATION OF ASSETS

All assets have been taken at balance sheet values as described in the notes to the annual financial statements.

3. 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 (see Note 4 below), were as follows:

Investment Return	7.25% per annum (net of tax)
Mortality	SA85/90 Heavy (ULT) + 50% of AIDS extra mortality (High Risk Group Males with 2 year progression)
Permanent Disability	CSI Skilled Lives x 1.25
Dread Disease	CSI 1997 Dread Disease x 1.25
Temporary Disability	CMIR12 Inception Rates (4 week deferred period) x 0.5, 6 months payment on average
Retrenchment	5% Inception Rate, 6 months payment on average
Withdrawals	Year 1 = 15%
	Year 2 = 10%
	Year 3+ = 5%
NAMFISA Levy	0.15% of Outstanding Liability
Taxation	40% Investment income is taxed at 35%. All investment income assumed to be taxable.

- Negative reserves were eliminated such that no policy was treated as an asset – this is required in terms of Namibian law. However, there were no such negative reserves.
- An Incurred But Not Reported reserve of 2/12ths of the annual expected claims was established.
- The Company was closed to new business between 31 August 2004 and 30 November 2008. A separate expense reserve was established for these policies, based on the expected future expenses and remaining policy term. An expense inflation assumption of 5% p.a. was used. The Company commenced writing insurance policies again in December 2008. Provided that it continues to sell new policies of sufficient volumes, a separate expense reserve will not be raised for these policies.

4. PRESCRIBED MARGINS

Prescribed margins have been allowed for as outlined in the Actuarial Society of South Africa's guidance note – PGN 104. There were no discretionary margins added.

5. CHANGES IN VALUATION BASIS

There were no changes to the valuation assumptions since the previous valuation performed on 24 January 2008.

6. REPORT BY THE STATUTORY ACTUARY

I hereby certify that:

- the valuation of Coversure Limited as at 31 December 2008, 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;
- I have accepted that the annual financial statements comply with the requirements of the Namibian Companies Act and Long-Term Insurance Act in Namibia;
- my Statutory Actuary's Report, read together with the annual financial statements, fairly presents the financial position of the Company; and
- the Company was financially sound as at the valuation date, and in my opinion is likely to remain financially sound for the foreseeable future.

RD WILLIAMS
Statutory Actuary

Fellow of the Actuarial Society of South Africa
Fellow of the Institute of Actuaries
17 February 2009

REPORT OF THE DIRECTORS
for the year ended 31 December 2008

The directors have pleasure in submitting their report together with the annual financial statements of NedNamibia Holdings Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2008.

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

The holding company of NedNamibia Holdings is Nedbank Group Limited, a South African incorporated company that holds 100% of the issued ordinary shares, and its ultimate controlling shareholder is Old Mutual plc, incorporated in England and Wales.

The Group structure of NedNamibia Holdings 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 58 to 147 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 20 June 2008, 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

Details of the dividend appear in note 35 to these annual financial statements.

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 AND SECRETARY

Mr Erastus Hoveka was appointed as Managing director of both NedNamibia Holdings and Nedbank Namibia with effect from 1 January 2008.

The following directors who retired by rotation in terms of the Articles of Association, were reappointed as directors on 20 June 2008.

Messrs: !Gawaxab Johannes
Pearce Christopher J
Weilert Heinz M

Mr Erastus Hoveka who was appointed prior to the annual general meeting, retired in terms of the Articles of Association of the Company and was reappointed on 20 June 2008.

The Company's Board of Directors currently comprises the following members:

	Appointed
Frank Theo J (chairman)	11 February 2005
Beyers Stanley H (1) *	15 November 2007
Denya Denys **	31 October 2006
!Gawaxab Johannes	11 February 2005
Hoveka Erastus (Managing director)	1 January 2008
Kankondi Sebulon I	11 February 2005
Pearce Christopher J *	23 March 2000
Peters Rolf H ***	11 February 2005
Shipanga Martin K	1 January 2004
Weilert Heinz M *	23 May 2006

(1) Alternate director to Denys Denya
*South African
** Zimbabwean
***German

The composition of board committees appear in the corporate governance structure on page 50 and 51 of this report.

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 12-20 Dr Frans Indongo Street, Windhoek. The postal address of the registered office is P O Box 1, Windhoek and 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 Shop 8, Kaiserkrone Centre, Post Street Mall, 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.

INTEREST OF DIRECTORS IN CONTRACTS

Nedbank Namibia continues leasing the premises in which the Oshikango and Outapi branches are located from Tusk Investments (Proprietary) Limited. The sole shareholder of Tusk Investments (Proprietary) Limited is the M&N Shipanga Family Trust, of which Mr Martin Shipanga, a director of Nedbank Namibia and NedNamibia Holdings, is a trustee/beneficiary. Mr Shipanga has declared his interest in Tusk Investments (Proprietary) Limited to the Board of directors.

SUBSIDIARIES

NedNamibia Holdings has 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%
Coversure 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%
NamPost Financial Brokers (Proprietary) Limited	Banking and financial services broker	500 ordinary shares	50%

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

SPECIAL RESOLUTIONS

Special resolutions by company

No special resolutions were passed by the Company during the year under review.

Special resolutions by subsidiaries

The following special resolutions were passed by subsidiaries:

Gazania Investments Twenty (Proprietary) Limited had undergone two name changes during the period under review. At a general meeting 11 March 2008 a special resolution was passed, changing the company's name with effect from 31 March 2008 to "NedPost Financial Services Brokers (Proprietary) Limited". At a general meeting 7 May 2008 a special resolution was passed and the company's name was again changed with effect from 13 June 2008 to "NamPost Financial Brokers (Proprietary) Limited", to align the branding with the business of the company.

Bellissima Investments Seventy Two (Proprietary) Limited passed a special resolution at a general meeting on 31 October 2008, changing its name with effect from 7 November 2008 to "NedProperties (Proprietary) Limited" to align the branding with the identity and branding of the controlling shareholder, NedNamibia Holdings Limited and also to redefine its role and the service it offers.

Manco Management Company (Proprietary) Limited, an indirectly held subsidiary (100% subsidiary of NedCapital Namibia (Proprietary) Limited), passed a special resolution at a general meeting on 25 July 2008, changing its name with effect from 31 July 2008 to "Tunga Management Company (Proprietary) Limited" to align its branding with the private equity and debt funding initiative sponsored by NedCapital Namibia (Proprietary) Limited and sister companies.

POST-BALANCE-SHEET EVENTS

The directors are not aware of any material post-balance sheet events that have occurred.

APPRECIATION

The Board of directors extends its sincere appreciation to all the employees and esteemed clients of the Group and the Company for their loyalty and continued support.

Its appreciation is also extended to the Ministry of Finance, the Bank of Namibia, the local authorities, the Namibia Financial Institutions Supervisory Authority ("Namfisa") and our attorneys and auditors for their assistance and co-operation.

BALANCE SHEETS
as at 31 December 2008

	Notes	GROUP 2008 N$'000	GROUP 2007 N$'000	COMPANY 2008 N$'000	COMPANY 2007 N$'000
ASSETS					
Cash and balances with central bank	4	**187,537**	119,234	**–**	–
Government and public sector securities	5	**388,743**	345,465	**–**	–
Derivative financial instruments	6	**6,460**	1,668	**–**	–
Other short-term securities	7	**163,297**	30,163	**–**	–
Due from other banks	8	**259,782**	403,848	**–**	–
Loans and advances to customers	9	**4,285,518**	4,107,381	**–**	–
Investment in subsidiaries, associates, joint ventures and listed investments	11	**21,543**	28,054	**133,642**	129,642
Goodwill	10	**27,623**	27,623	**–**	–
Property and equipment	12	**135,064**	99,538	**–**	–
Computer software and development cost	13	**18,851**	14,441	**–**	–
Non-current assets classified as held for sale	14	**–**	31,496	**–**	4,000
Other assets	15	**283,921**	256,236	**657**	25
Total assets		**5,778,339**	5,465,147	**134,299**	133,667
LIABILITIES					
Due to other banks	16	**184,268**	315,940	**138**	8,326
Other deposits	17	**985,752**	420,820	**–**	–
Derivative financial instruments	6	**5,541**	901	**–**	–
Due to customers	18	**3,711,732**	4,007,258	**–**	–
Long-term subordinated debt instruments	19	**1,776**	1,487	**–**	–
Policyholder liabilities under insurance contracts	20	**133**	405	**–**	–
Deferred taxation	21	**109,553**	86,596	**–**	–
Provision for post-retirement medical benefits	22	**5,237**	4,987	**–**	–
Other liabilities	23	**215,416**	148,956	**5**	120
Total liabilities		**5,219,408**	4,987,350	**143**	8,446
SHAREHOLDER'S EQUITY					
Share capital	24	**17,595**	17,595	**17,595**	17,595
Share premium	24	**99,536**	99,536	**99,536**	99,536
General risk reserve	25	**29,711**	23,074	**–**	–
Revaluation reserve	26	**28,370**	27,888	**–**	–
Share-based payment reserve	27	**18,488**	17,609	**–**	–
Available-for-sale reserve	28	**–**	5,952	**–**	–
Retained income		**360,626**	281,186	**17,025**	8,090
Shareholder's interest		**554,326**	472,840	**134,156**	125,221
Minority interest		**4,605**	4,957	**–**	–
Total shareholder's equity and minority interest		**558,931**	477,797	**134,156**	125,221
Total equity and liabilities		**5,778,339**	5,465,147	**134,299**	133,667

INCOME STATEMENTS
for the year ended 31 December 2008

	Notes	GROUP 2008 N$'000	GROUP 2007 N$'000	COMPANY 2008 N$'000	COMPANY 2007 N$'000
Interest and discount income		**708,885**	605,469	**5**	–
Interest expense		**405,368**	334,971	**885**	1,358
Net interest income/(expenses)	29	**303,517**	270,498	**(880)**	(1,358)
Non-interest income	30	**121,954**	101,210	**10,164**	–
Share of profit from associate	11	**434**	572	**–**	–
Total income/(expenses)		**425,905**	372,280	**9,284**	(1,358)
Impairment of advances	31	**21,133**	12,124	**–**	–
Net income/(loss)		**404,772**	360,156	**9,284**	(1,358)
Expenses	32	**280,159**	238,338	**349**	892
BEE transaction expenses	33	**879**	874	**–**	–
Net income/(loss) before taxation		**123,734**	120,944	**8,935**	(2,250)
Taxation	34	**37,489**	37,208	**–**	–
Net income/(loss) for the year		**86,245**	83,736	**8,935**	(2,250)
Attributable to:					
Outside shareholders in subsidiaries		**977**	1,066		
Equity holders of the parent		**85,268**	82,670	**8,935**	(2,250)
		86,245	83,736	**8,935**	(2,250)
Earnings per share (cents)	36	**121.15**	117.46		
Diluted earnings per share (cents)	36	**121.15**	117.46		

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2008

	Notes	Share capital N$'000	Share premium N$'000	General risk reserve N$'000
GROUP				
Balance at 1 January 2007		17,595	99,536	–
Net income for the year		–	–	–
Revaluation of property		–	–	–
Increase in general risk reserve		–	–	23,074
Other movements		–	–	–
Disposal of revalued property		–	–	–
Share-based payment reserve movement		–	–	–
Gain on available-for-sale investments		–	–	–
Release of revaluation reserve		–	–	–
Balance at 31 December 2007		17,595	99,536	23,074
Net income for the year		–	–	–
Revaluation of property	26	–	–	–
Increase in general risk reserve	25	–	–	**6,637**
Other movements		–	–	–
Share-based payment reserve movement	27	–	–	–
Loss on available-for-sale investments	28	–	–	–
Release of revaluation reserve	26	–	–	–
Balance at 31 December 2008		**17,595**	**99,536**	**29,711**
COMPANY				
Balance at 1 January 2007		17,595	99,536	–
Net loss for the year		–	–	–
Balance at 31 December 2007		17,595	99,536	–
Net income for the year		–	–	–
Balance at 31 December 2008		**17,595**	**99,536**	**–**

Revaluation reserve N$'000	Share-based payment reserve N$'000	Available-for-sale reserve N$'000	Retained income N$'000	Total share-holder's interest N$'000	Minority interest N$'000	Total N$'000
11,688	16,735	–	221,050	366,604	4,573	371,177
–	–	–	82,670	82,670	1,066	83,736
16,568	–	–	–	16,568	–	16,568
–	–	–	(23,074)	–	–	–
–	–	–	–	–	(682)	(682)
(49)	–	–	49	–	–	–
–	874	–	–	874	–	874
–	–	5,952	–	5,952	–	5,952
(319)	–	–	491	172	–	172
27,888	17,609	5,952	281,186	472,840	4,957	477,797
–	**–**	**–**	**85,268**	**85,268**	**977**	**86,245**
1,008	**–**	**–**	**–**	**1,008**	**–**	**1,008**
–	**–**	**–**	**(6,637)**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**(1,329)**	**(1,329)**
–	**879**	**–**	**–**	**879**	**–**	**879**
–	**–**	**(5,952)**	**–**	**(5,952)**	**–**	**(5,952)**
(526)	**–**	**–**	**809**	**283**	**–**	**283**
28,370	**18,488**	**–**	**360,626**	**554,326**	**4,605**	**558,931**
–	–	–	10,340	127,471	–	127,471
–	–	–	(2,250)	(2,250)	–	(2,250)
–	–	–	8,090	125,221	–	125,221
–	**–**	**–**	**8,935**	**8,935**	**–**	**8,935**
–	**–**	**–**	**17,025**	**134,156**	**–**	**134,156**

CASH FLOW STATEMENTS
for the year ended 31 December 2008

	Notes	GROUP 2008 N$'000	GROUP 2007 N$'000	COMPANY 2008 N$'000	COMPANY 2007 N$'000
Cash generated by operating activities	37.1	**117,703**	199,453	**–**	–
Cash received from customers	37.2	**784,629**	705,090	**5**	–
Cash paid to customers	37.3	**(343,432)**	(330,638)	**(885)**	(1,358)
Cash paid to employees and suppliers		**(350,147)**	(217,721)	**(349)**	(892)
Dividends received		**4,297**	2,187	**10,164**	–
Dividends paid	37.4	**–**	(682)	**–**	–
Taxation paid	37.5	**(21,118)**	(24,743)	**–**	–
Recoveries of loans previously written off	31	**10,490**	8,610	**–**	–
Cash movements in advances and other accounts		**(101,245)**	(512,350)	**(632)**	1,975
Cash movements in operating liabilities	37.6	**134,229**	569,700	**(8,303)**	275
Cash flow to investment activities		**(193,466)**	(125,812)	**–**	–
Investment in property, equipment, computer software and development costs		**(21,968)**	(35,181)	**–**	–
Proceeds on sale of property and equipment		**282**	677	**–**	–
Acquisition of investments in associates		**–**	(1,029)	**–**	–
Purchase of non-dealing securities	37.7	**(171,780)**	(90,279)	**–**	–
Cash and short-term funds generated		**(75,763)**	73,641	**–**	–
Cash and short-term funds at beginning of the year		**523,082**	449,441	**–**	–
Cash and short-term funds at end of the year	37.8	**447,319**	523,082	**–**	–

1. BASIS OF PREPARATION

The consolidated 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 Banks Act.

The financial statements are presented in Namibian Dollar ("N$") 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 designated at fair value through profit or loss;
- financial assets classified as available-for-sale; and
- owner-occupied properties.

Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

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

Critical accounting judgements and key sources of estimation uncertainty

In the preparation of the consolidated 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

The Group applies an incurred loss approach to impairment. Impairment losses are incurred only if there is objective evidence of impairment as a result of one or more past events that have occurred since initial recognition. This necessitates the establishment of "impairment triggers" on the occurrence of which an impairment loss is recognised.

Credit impairment is based on discounted estimated future cash flows on an asset or group of assets, where such objective evidence of impairment exists. The discount rate used to calculate the recoverable amount excludes consideration of any anticipated future credit losses.

The Group has also raised an impairment for incurred but not reported ("IBNR") losses. The purpose of the IBNR reserve is to allow for latent losses on a portfolio of loans and advances that have not yet been individually evidenced. Generally, a period of time will elapse between the incurrence of an impairment event and objective evidence of the impairment becoming evident, which is known as the "emergence period". The IBNR reserve is based on the probability that loans that are ostensibly performing at the calculation date are impaired, and objective evidence of that impairment becomes evident during the emergence period.

Fair value of financial instruments

Directors anticipate that changing one or more of the assumptions used in the determination of fair value of financial instruments to reasonably possible alternative assumptions will not change the fair value of these financial instruments significantly.

2. ADOPTION OF NEW AND REVISED STANDARDS

Standards and interpretations effective in the current year

The following standards and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year. These are:

- IFRIC 11: IFRS 2 - Group and Treasury Share Transactions;
- IFRIC 12: Service Concession Arrangements; and
- IFRIC 14: IAS 19 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction.

Changes in International Accounting Standards ("IAS") and IFRS

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-based Payment – Amendment relating to vesting conditions and cancellations	Revised 2008	1 January 2009
IFRS 3	Business combinations – Comprehensive revision on applying the acquisition method	Revised 2008	1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations- Amendments resulting from May 2008 Annual Improvements to IFRSs	May 2008	1 July 2009
IFRS 8	Operating Segments	Original issuance 2006	1 January 2009
IAS 1	Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income	2007	1 January 2009
IAS 1	Presentation of Financial Statements – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	2008	1 January 2009
IAS 16	Property, Plant and Equipment – Amendments resulting from May 2008 Annual Improvements to IFRSs	May 2008	1 January 2009
IAS 19	Employee Benefits – Amendments resulting from May 2008 Annual Improvements to IFRSs	May 2008	1 January 2009
IAS 20	Government Grants and Disclosure of Government Assistance – Amendments resulting from May 2008 Annual Improvements to IFRSs	May 2008	1 January 2009
IAS 23	Borrowing Costs – Comprehensive revision to prohibit immediate expensing	2007	1 January 2009
IAS 23	Borrowing Costs – Amendments resulting from May 2008 Annual Improvements to IFRS	May 2008	1 January 2009
IAS 27	Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3	2008	1 July 2009
IAS 27	Consolidated and Separate Financial Statements – Amendment relating to cost of an investment on first-time adoption	Revised 2008	1 January 2009
IAS 27	Consolidated and Separate Financial Statements – Amendment resulting from May 2008 Annual Improvements to IFRSs	May 2008	1 January 2009
IAS 28	Investments in Associates – Consequential amendments arising from amendments to IFRS 3	2008	1 July 2009
IAS 28	Investments in Associates – Amendments resulting from May 2008 Annual Improvements to IFRSs	May 2008	1 January 2009

2. ADOPTION OF NEW AND REVISED STANDARDS (continued)

Changes in International Accounting Standards ("IAS") and IFRS (continued)

New/Revised International Financial Reporting Standards		Issued/ Revised	Effective for annual periods beginning on or after
IAS 29	Financial Reporting in Hyperinflationary Economies – Amendments resulting from May 2008 Annual Improvements to IFRSs	May 2008	1 January 2009
IAS 31	Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3	2008	1 July 2009
IAS 31	Interests in Joint Ventures – Amendments resulting from May 2008 Annual Improvements to IFRSs	May 2008	1 January 2009
IAS 32	Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation	2008	1 January 2009
IAS 36	Impairment of Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs	May 2008	1 January 2009
IAS 38	Intangible Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs	May 2008	1 January 2009
IAS 39	Financial Instruments: Recognition and Measurement – Amendments resulting from May 2008 Annual Improvements to IFRSs	May 2008	1 January 2009
IAS 39	Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items	July 2008	1 July 2009
IAS 40	Investment Property – Amendments resulting from May 2008 Annual Improvements to IFRSs	May 2008	1 January 2009
IAS 41	Agriculture – Amendments resulting from May 2008 Annual Improvements to IFRSs	May 2008	1 January 2009

International Financial Reporting Interpretations Committee Interpretations issued but not yet effective		Issued/ Revised	Effective for annual periods beginning on or after
IFRIC 13	Customer Loyalty Programmes	2007	1 July 2008
IFRIC 15	Agreements for the Construction of Real Estate	2008	1 January 2008
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	2008	1 October 2008
IFRIC 17	Distributions of Non-cash Assets to Owners	2008	1 July 2008
IFRIC 18	Transfers of Assets from Customers	2008	1 July 2008

A reliable estimate of the impact of the adoption of the recent amendments for the Group cannot yet be determined. Directors anticipate that the adoption of the recent standards and interpretations will have no material impact on the financial statements in future periods, except for disclosure to the annual financial statements.

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 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 income statement 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

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 income statement as the gain or loss on the disposal of the subsidiary.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests 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 associate

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 balance sheet at the cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are not recognised. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil, inclusive of any debt outstanding, and recognition of further losses is discontinued, except to the extent that the Group has incurred or guaranteed obligations in respect of the associate.

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

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

3.1.2 Interests in joint ventures

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

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

3.1.2 Interests in joint ventures (continued)

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 balance sheet. 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

3.1.3 Goodwill (continued)

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 balance sheet include all assets and liabilities, including derivative instruments, but exclude investments in subsidiaries, associates an joint ventures, employee benefit plans, property and equipment, deferred taxation, taxation payable, intangible assets and leases. Financial Instruments are accounted for under IAS 32: Financial Instruments: Presentation, IAS 39: Financial instruments: Recognition and Measurement and IFRS 7: Financial Instruments: Disclosures.

(i) Initial recognition

Financial assets are recognised on the balance sheet 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.

(ii) Initial measurement

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or liability not at fair value through profit and loss, transaction cost that are incremental to the Group and directly attributable to the acquisition or issue of the financial asset or financial liability.

(iii) Subsequent measurement

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

- *Financial assets and financial liabilities at fair value through profit or loss*

  Financial instruments at fair value through profit or loss consist of trading instruments and instruments that the Group has elected, on initial recognition date, to designate as fair value through profit or loss.

  Trading instruments are financial assets or financial liabilities that were acquired or incurred principally for the purpose of sale or repurchase in the near term, form part of a portfolio with a recent pattern of short-term profit-taking or are derivatives that do not form part of a designated and effective hedging relationship. The Group's derivative transactions include foreign exchange contracts, forward rate agreements, currency and interest rate swaps.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

(iii) Subsequent measurement (continued)

Financial assets and financial liabilities 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 form part of a group of financial instruments that is managed, evaluated and reported on using a fair value basis in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, which significantly modifies the cash flows of the host contract or where the embedded derivative would clearly require separation.

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 income statement 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. The approximation of the fair value of other financial liabilities have proven to be reasonably close to the carrying value of such instruments and 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 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 and 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 classified by the Group as at fair value through profit or loss or available-for-sale. Financial assets 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. The approximation of the fair value of loans and receivables have proven to be reasonable close to the carrying value of such instruments and 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

(iii) Subsequent measurement (continued)

- *Available-for-sale*

  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 equity along with the associated deferred taxation. Any foreign currency translation gains and losses or interest revenue, measured on an effective-yield basis, are recognised in the income statement as they arise. When available-for-sale equity instruments are determined to be impaired to the extent that the fair value declines below its original cost, the resultant losses are recognised in profit or loss.

(iv) Embedded derivatives

An embedded derivative arises when derivatives are a component of a financial instrument in such a way that the cash flows in respect of the instrument vary in a similar way to those in respect of a standalone derivative. Where the value of embedded derivatives can be reliably measured, embedded derivatives are accounted for separately at their fair value.

Certain derivatives embedded in other financial and non-financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives and recognised as such on a stand alone basis, when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains and losses reported in profit or loss.

If it is not possible to determine the fair value of the embedded derivative, the entire hybrid instrument is categorised as 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.

  For financial assets, the effective interest rate method calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset. Cash receipts include all fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts.

  For financial liabilities, the effective interest rate method calculates the amortised cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

(v) Measurement basis of financial instruments (continued)

- *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 balance sheet 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 balance sheet 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 cashflows. The fair value of a financial liability with a demand feature is not less that 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

(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 liability (or part thereof) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss for the year. The difference between the carrying amount of a financial asset (or part thereof) derecognised and the consideration received, including any non-cash assets received or liabilities extinguished, is recognised in profit or loss for the year.

(vii) Impairment of financial assets

The Group assesses at each balance sheet 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, a concession that the lender would not otherwise consider;
- it becoming 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
- 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.

- *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 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

(vii) Impairment of financial assets (continued)

- *Assets carried at amortised cost (continued)*

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 year, 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 does 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 equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity 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 year.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

(vii) Impairment of financial assets (continued)

- *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 unadjusted installment, 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	Subinvestment grade	Still satisfactory creditworthiness
NGR 15	Subinvestment grade	Still satisfactory creditworthiness
NGR 16	Subinvestment grade	Still satisfactory creditworthiness
NGR 17	Subinvestment grade	Generally still sufficient creditworthiness
NGR 18	Subinvestment grade	Generally still sufficient creditworthiness
NGR 19	Subinvestment grade	Increased risk
NGR 20	Subinvestment grade	Increased risk
NGR 22	Watchlist	High risk
NGR 23	Watchlist	High risk
NGR 24	Watchlist	Default imminent
Non-performing		
NGR 25	Default	Sub-standard to loss

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

(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 instrument.

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 balance sheet only when there is a legally enforceable right to set off and there is 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 balance sheet.

(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 45 of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

(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 balance sheet.

(xii) Financial guarantee contracts

Financial guarantee contracts are recognised as insurance contracts. Liability adequacy testing is performed to ensure that the carrying amount of the liability for financial guarantee contracts is sufficient.

3.3 Installment transactions

Installment credit agreements are regarded as financing transactions and the total installments, 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 owner-occupied 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 when it is measurable and will result in probable future economic benefits. Expenditure incurred to replace a component of an item of owner-occupied property or equipment is capitalised to the cost of the item of owner-occupied 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 owner-occupied 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 computer equipment, motor vehicles, fixtures and furniture, are stated at cost less accumulated depreciation and impairment losses.

Owner-occupied property

Owner-occupied 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 balance sheet date. An external valuation is performed on average every three years on a rotation basis. In the event of a material change in the market conditions between the valuation date and the balance sheet date an internal valuation is performed and adjustments made to reflect any material changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Property and equipment (continued)

3.4.2 Measurement after recognition (continued)

Owner-occupied property (continued)

An independent valuation of the Group's land and buildings was performed during the prior year to determine the fair value of land and buildings. The effective date of the revaluation was 31 December 2007. The revaluation of the Group's properties has been done, where appropriate for the specific property being valued, with reference to either one of the income capitalisation method or the depreciated replacement cost method.

The fair value is dependent on the method of valuation and assumptions utilised by the independent valuator, being key sources of estimation uncertainty. The valuation methodology adopted is dependent upon the nature of the property. Income generating assets are valued using discounted cash flows. Vacant land, land holdings and residential flats are valued according to sales of comparable properties. Near vacant properties are valued at land value less the estimated cost of demolition. Where neither of the income capitalisation method or sales value of comparable properties is available or reasonable, the depreciated replacement cost method is utilised.

Significant assumptions used by the independent valuators under the income capitalisation method include a capitalisation rate of 11%, rental income of N$85 per m2 and total expenditure being 15% of rental income. Where the depreciated cost method was appropriate a depreciation rate of between 20% to 65% was used depending on the specific property and the component of the building being evaluated.

When an individual property is revalued, any increase in its carrying amount (as a result of the revaluation) is transferred to a revaluation reserve, except to the extent that it reverses a revaluation decrease of the same property previously recognised as an expense in profit or loss.

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 owner-occupied 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 owner-occupied 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Property and equipment (continued)

3.4.4 Depreciation (continued)

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 tax, between the revaluation reserve and retained earnings as the property is utilised.

Land is not depreciated.

The maximum estimated useful lives are as follows:

	Years
Freehold land and buildings	50
Leasehold land and buildings	20
Furniture, fittings and equipment	10
Computer equipment	5

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 an owner-occupied 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 owner-occupied property, any surplus in the revaluation reserve in respect of the individual property is transferred directly to retained 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.

3.4.6 Investment properties

Investment properties comprise real estate held to earn rentals or for capital appreciation. This does not include real estate held for use in the supply of services or for administrative purposes. Investment properties are initially measured at cost plus any directly attributable expenses.

Investment properties are stated at fair value. Internal professional valuers perform valuations annually. External valuations are obtained on average once every three years on a cyclical basis. In the event of a material change in market conditions between the valuation date and balance sheet date an internal valuation is performed and adjustments made to reflect any material changes in value.

The valuation methodology adopted is dependent on 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. Surpluses and deficits arising from changes in fair value are recognised in profit or loss for the year.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Impairment of assets

The Group assesses all assets, other than financial instruments and goodwill, for indications of an impairment loss or the reversal of a previously recognised impairment at each balance sheet date. Should there be indications of impairment, the assets' recoverable amounts are estimated. These impairments (where the carrying value of the 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 income statement 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 balance sheet. 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

Income taxation on the profit or loss for the year comprises current and deferred taxation. Income taxation is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Taxation (continued)

3.7.1 Deferred taxation

Deferred taxation is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax 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 balance sheet date that are expected to be applied to temporary differences when they reverse.

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

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax 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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 balance sheet 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 income statement, to the extend that it has not been claimed under the Value Added Taxation apportionment ratio.

3.8 Foreign currency transactions

Transactions in foreign currencies are converted into the functional currency at the 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 rates of exchange ruling at the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Foreign currency transactions (continued)

Non-monetary assets and liabilities denominated in foreign currencies that are stated 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 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 income statement.

Exchange differences for 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 equity, and in profit or loss if the changes in fair value of the non-monetary item is recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at cost are recorded in the functional currency at the rate of exchange at the date of the initial recognition and are not subsequently retranslated.

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

Defined contribution plan

Defined contribution plans have been established for eligible employees of the Group, with assets held in separate trustee-administered funds.

Contributions in respect of defined contribution 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 balance sheet 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 balance sheet 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 balance sheet 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 technical knowledge are recognised in the income statement as an expense incurred.

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 sufficient resources to complete development.

The expenditure capitalised includes cost of materials, and directly attributable staff and other costs. Computer development expenditure is amortised only once the relevant software has been commissioned.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Computer software and development cost (continued)

Capitalised software is stated at cost, less accumulated amortisation and impairment losses. Computer development expenditure, which has not yet been commissioned, is stated at cost less impairment losses.

Amortisation on computer software and development costs is charged to the income statement on a straight-line basis over the estimated useful lives of these assets, not exceeding five years.

Subsequent expenditure relating to computer software is capitalised 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 income statement. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

3.15 Revenue recognition

Revenue relates to banking activities and comprises net income from funds, dividends from investments, fees and commissions from banking and related transactions and net income from exchange dealings. Revenue is shown net of value added tax.

Interest income

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

Non-interest revenue

Dividend income

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

Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided, such as loan syndication fees.

Income earned from the provision of services is recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Revenue recognition (continued)

Non-interest revenue (continued)

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 balance sheet 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 those equity instruments is measured at grant date.

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 year, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Share-based payments (continued)

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 the Group 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 banks, treasury bills and other eligible bills, amounts due from other banks 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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Share capital (continued)

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 balance sheet date are disclosed in the notes.

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 Policyholders' fund

The policyholders' fund represents net revenue from life business for the current year as a reserve against future claims. The policyholders' fund provision has been computed using a gross premium valuation method. Provision has been made in accordance with the Financial Soundness Valuation basis as set out in the guidelines issued by the Actuarial Society of South Africa in Prudential Guidance Note (PGN) 104 (2001). Under this guideline, provisions are valued using realistic expectations of future experience.

3.21 Policyholder insurance contracts

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

Coversure 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Policyholder insurance contracts (continued)

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 income statement 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 balance sheet 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 balance sheet for insurance contracts.

		GROUP		COMPANY	
		2008 N$'000	2007 N$'000	**2008 N$'000**	2007 N$'000
4.	**CASH AND BALANCES WITH CENTRAL BANK**				
	Financial assets classification:				
	At fair value through profit or loss - held for trading				
	Bank notes and coins	**140,379**	73,260	–	–
	Balances with central bank	**47,158**	45,974	–	–
		187,537	119,234	–	–
	Included under cash and balances with central bank are mandatory reserve deposits with Bank of Namibia to the value of N$47 million (2007: N$41 million).				
5.	**GOVERNMENT AND PUBLIC SECTOR SECURITIES**				
	Financial assets classification:				
	At fair value through profit or loss - held for trading				
5.1	**Investment portfolio:**				
	Treasury bills	**300,959**	250,047	–	–
	Government registered stock	**87,784**	95,418	–	–
		388,743	345,465	–	–
5.2	**Expected maturity structure**				
	One year or less	**303,987**	261,786	–	–
	Five years or less but over one year	**82,248**	74,944	–	–
	Over five years	**2,508**	8,735	–	–
		388,743	345,465	–	–
5.3	**Valuation**				
	Unlisted				
	– Book value	**389,705**	345,791	–	–
	– Market valuation	**388,743**	345,465	–	–

Treasury bills with a maturity value of N$78 million (2007: N$188 million) and government registered stock with a maturity value of N$113.5 million (2007: N$71.5 million) have been encumbered to secure the current account with Bank of Namibia.

Banking institutions may overdraw their current account against certain pledged eligible securities to cover possible shortages. Overdrafts are limited to 90% of the maturity or redemption value of the securities pledged. Daily interest is charged at the prevailing repo rate on the amount received from Bank of Namibia (90% of the maturity value).

6. 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 income statement. 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 on the following page.

6. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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.

		GROUP		COMPANY	
		2008 N$'000	2007 N$'000	**2008 N$'000**	2007 N$'000
6.1	**Total carrying amount of derivative financial instruments**				
	Gross carrying amount of assets	**6,460**	1,668	**–**	–
	Gross carrying amount of liabilities	**(5,541)**	(901)	**–**	–
	Net carrying amount	**919**	767	**–**	–

6.2 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.

	Notional principal **2008 N$'000**	Positive value **2008 N$'000**	Negative value **2008 N$'000**	Notional principal 2007 N$'000	Positive value 2007 N$'000	Negative value 2007 N$'000
Group						
Exchange rate contracts						
Forwards	**70,054**	**6,209**	**5,511**	29,372	729	787
Spot	**3,144**	**14**	**30**	52,866	66	–
	73,198	**6,223**	**5,541**	82,238	795	787
Interest rate contracts						
Interest rate swaps	**13,171**	**237**	**–**	19,791	873	114
	86,369	**6,460**	**5,541**	102,029	1,668	901

6.3 Carrying amount of derivative financial instruments

The amounts disclosed represent the value of all derivative instruments held at 31 December 2008. The fair value of a derivative financial instrument is the amount as 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.

		Exchange rate contracts N$'000	Interest rate contracts N$'000	Total N$'000
6.4	**Analysis of derivative financial instruments**			
	Group			
	Positive fair value of derivatives			
	2008			
	Maturity analysis			
	Under one year	**6,223**	**–**	**6,223**
	One to five years	**–**	**237**	**237**
	Over five years	**–**	**–**	**–**
		6,223	**237**	**6,460**
	2007			
	Maturity analysis			
	Under one year	795	–	795
	One to five years	–	873	873
	Over five years	–	–	–
		795	873	1,668
	Group			
	Negative fair value of derivatives			
	2008			
	Maturity analysis			
	Under one year	**5,541**	**–**	**5,541**
	One to five years	**–**	**–**	**–**
	Over five years	**–**	**–**	**–**
		5,541	**–**	**5,541**
	2007			
	Maturity analysis			
	Under one year	787	114	901
	One to five years	–	–	–
	Over five years	–	–	–
		787	114	901
	Group			
	Notional principal of derivatives			
	2008			
	Maturity analysis			
	Under one year	**73,198**	**–**	**73,198**
	One to five years	**–**	**13,171**	**13,171**
	Over five years	**–**	**–**	**–**
		73,198	**13,171**	**86,369**
	2007			
	Maturity analysis			
	Under one year	82,238	1,791	84,029
	One to five years	–	18,000	18,000
	Over five years	–	–	–
		82,238	19,791	102,029

		GROUP		COMPANY	
		2008 N$'000	2007 N$'000	**2008 N$'000**	2007 N$'000
7.	**OTHER SHORT-TERM SECURITIES**				
	Financial assets classification: fair value through profit or loss – held for trading				
7.1	**Investment portfolio**				
	Negotiable certificates of deposit	**163,297**	30,163	**–**	–
7.2	**Maturity structure**				
	One year or less	**163,297**	30,163	**–**	–
7.3	**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				
8.	**DUE FROM OTHER BANKS**				
	Financial assets classification: Loans and receivables				
	Placements with other banks	**259,782**	403,848	**–**	–
9.	**LOANS AND ADVANCES TO CUSTOMERS**				
	Financial assets classification: Loans and receivables				
9.1	**Category analysis**				
	Home Loans	**1,628,946**	1,452,137	**–**	–
	Other loans and overdrafts	**1,650,239**	1,724,929	**–**	–
	Preference share finance	**46,200**	46,200	**–**	–
	Leases and installment debtors	**1,037,462**	883,865	**–**	–
	Less: Unearned finance charges on leases and installment debtors	**(250,184)**	(224,507)	**–**	–
	Micro loans	**237,946**	294,764	**–**	–
		4,350,609	4,177,388	**–**	–
	Impairment of advances (note 31)	**(65,091)**	(70,007)	**–**	–
		4,285,518	4,107,381	**–**	–
9.2	**Sectoral analysis**				
	Individuals	**2,461,688**	2,209,969	**–**	–
	Manufacturing	**174,864**	95,242	**–**	–
	Wholesale and trade	**64,615**	23,106	**–**	–
	Retailers, catering and accommodation	**120,755**	267,569	**–**	–
	Agriculture, hunting, forestry and fishing	**251,836**	178,679	**–**	–
	Mining and quarrying	**186,697**	422,394	**–**	–
	Financial services, insurances and real estates	**397,113**	625,636	**–**	–
	Government and public sector	**93,419**	103,996	**–**	–
	Building and property development	**81,203**	74,017	**–**	–
	Transport, storage and communication	**110,234**	103,480	**–**	–
	Other services	**408,185**	73,300	**–**	–
		4,350,609	4,177,388	**–**	–
9.3	**Maturity structure**				
	Three months or less but not repayable on demand or at short-term notice	**247,382**	135,701	**–**	–
	One year or less but over three months	**618,087**	721,267	**–**	–
	Five years or less but over one year	**3,426,957**	3,068,196	**–**	–
	Over five years	**58,183**	252,224	**–**	–
		4,350,609	4,177,388	**–**	–

		GROUP		COMPANY	
		2008 N$'000	2007 N$'000	**2008 N$'000**	2007 N$'000
9.	**LOANS AND ADVANCES TO CUSTOMERS (continued)**				
9.4	**Geographical analysis**				
	Namibia	**4,350,609**	4,177,388	**–**	–
9.5	**Non-performing advances**				
9.5.1	**Category analysis (included under note 9.1)**				
	Home Loans	**50,459**	36,068	**–**	–
	Other loans and overdrafts	**34,742**	23,585	**–**	–
	Preference share finance	**–**	–	**–**	–
	Net leases and installment debtors	**5,444**	20,035	**–**	–
	Micro loans	**17,944**	17,251	**–**	–
		108,589	96,939	**–**	–
9.5.2	**Sectoral analysis (included under note 9.2)**				
	Individuals	**82,681**	82,816	**–**	–
	Manufacturing	**4,150**	949	**–**	–
	Wholesale and trade	**1,533**	943	**–**	–
	Retailers, catering and accommodation	**1,530**	438	**–**	–
	Agriculture, hunting, forestry and fishing	**2,612**	1,358	**–**	–
	Mining and quarrying	**405**	179	**–**	–
	Financial services, insurances and real estates	**9,991**	5,241	**–**	–
	Government and public sector	**–**	–	**–**	–
	Building and property development	**1,926**	1,888	**–**	–
	Transport, storage and communication	**2,616**	1,860	**–**	–
	Other services	**1,145**	1,267	**–**	–
		108,589	96,939	**–**	–
10.	**GOODWILL**				
	Carrying amount at beginning of year	**27,623**	27,623	**–**	–
	Arising on acquisitions	**–**	–	**–**	–
	Carrying amount at end of year	**27,623**	27,623	**–**	–
	– Cost	**27,623**	27,623	**–**	–
	– Impairment losses	**–**	–	**–**	–
11.	**INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND LISTED INVESTMENTS**				
	Investment in subsidiary companies				
	– Carrying value at beginning of the year			**129,642**	133,642
	– Transfer from/(to) non-current assets classified as held for sale (note 14)			**4,000**	(4,000)
	– Carrying value at end of the year			**133,642**	129,642
	Investment in associates				
	– Carrying value at beginning of the year	**4,734**	3,133	**–**	–
	– Purchase of additional shares issued	**–**	1,029	**–**	–
	– Share of associate's profit	**434**	572	**–**	–
	– Carrying value at end of the year	**5,168**	4,734	**–**	–
	Listed investments	**16,375**	23,320	**–**	–
		21,543	28,054	**133,642**	129,642
	Market valuation	**21,543**	28,054	**133,642**	129,642

	Nature of business

11. INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND LISTED INVESTMENTS (continued)

Company

Subsidiary companies

NedProperties (Proprietary) Limited (previously Bellissima Investments Seventy-Two (Proprietary) Limited)	Property company
Coversure Limited	Insurance company
Nedbank Namibia Limited	Banking company
NedCapital (Proprietary) Limited	Financing company
NIB Mining Finance (Proprietary) Limited	Financing company
NedPlan Insurance Brokers Namibia (Proprietary) Limited	Insurance broker

Group

Subsidiary companies

CBN Nominees (Proprietary) Limited	Dormant company
NedLoans (Proprietary) Limited	Administration company
Ten Kaiser Wilhelm Strasse (Proprietary) Limited	Property company
Walvis Bay Land Syndicate (Proprietary) Limited	Property company

The Group has control over financial and operational decisions in both Ten Kaiser Wilhelm Strasse (Proprietary) Limited and Walvisbay Land Syndicate (Proprietary) Limited by means of majority representation on the Board of Directors of these companies.

	Nature of business

Associate

Namclear (Proprietary) Limited	Clearing agent

Due to the unavailability of audited annual financial statements of Namclear (Proprietary) Limited for the year ended 31 December 2008 at the time of approval of the Group's 2008 annual financial statements, un-audited management accounts of Namclear have been used to provide balance sheet and income statement information.
During 2007 one additional share with a nominal value of N$1 was purchased at a premium of N$1 029 099. The total number of shares held at 31 December 2008 is 1002 (2007: 1002) with a nominal value of N$1 and a share premium of N$4 160 971 (2007: N$4 160 971).

Joint ventures

NamPost Financial Brokers (Proprietary) Limited	Finance services broker

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

Listed Investments

Nedbank Group Limited	Banking

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

	Issued ordinary share capital and proportion held				Shares at cost		Indebtedness to subsidiary		Aggregate profits after tax of subsidiary	
	2008 '000	2007 '000	**2008 %**	2007 %	**2008 N$'000**	2007 N$'000	**2008 N$'000**	2007 N$'000	**2008 N$'000**	2007 N$'000
	–	–	**100**	100	**4,000**	4,000	**–**	–	**(1,522)**	(543)
	4,000	4,000	**100**	100	**4,000**	4,000	**–**	–	**564**	787
	67,759	67,759	**100**	100	**125,634**	125,634	**–**	–	**88,131**	81,940
	8	8	**100**	100	**8**	8	**–**	–	**1,291**	3,065
	–	–	**100**	100	**–**	–	**–**	–	**210**	(40)
	–	–	**100**	100	**–**	–	**–**	–	**160**	54
					33,642	133,642	**–**	–	**88,834**	85,263
	–	–	**100**	100	**–**	–	**–**	–	**–**	–
	–	–	**80**	80	**2,250**	2,250	**–**	–	**389**	2,834
	582	582	**50**	50	**291**	291	**–**	–	**382**	289
	3,000	3,000	**50**	50	**1,500**	1,500	**–**	–	**1,416**	713

	Issued share capital and proportion held				Shares at cost		Indebtedness by associates	
	2008 '000	2007 '000	**2008 %**	2007 %	**2008 N$'000**	2007 N$'000	**2008 N$'000**	2007 N$'000
	16	16	**25**	25	**4,162**	4,162	**–**	–

	Issued share capital and proportion held				Shares at cost		Indebtedness by joint venture	
	2008 '000	2007 '000	**2008 %**	2007 %	**2008 N$'000**	2007 N$'000	**2008 N$'000**	2007 N$'000
	–	–	**50**	–	**–**	–	**–**	–

	Issued share capital and proportion held				Shares at cost		Indebtedness by joint venture	
	2008 '000	2007 '000	**2008 %**	2007 %	**2008 N$'000**	2007 N$'000	**2008 N$'000**	2007 N$'000
	172	172	**0.02**	0.02	**17,368**	17,368	**16,375**	23,320

11. INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND LISTED INVESTMENTS (continued)

Summarised financial information in respect of Namclear (Proprietary) Limited:	**Un-audited 31 December 2008 N$'000**	Audited 31 December 2007 N$'000
Total assets	**25,471**	23,660
Total liabilities	**4,800**	5,387
Net assets	**20,671**	18,273
Bank's share of associate's net assets	**5,168**	4,734

	Un-audited 12 months ended 31 December 2008 N$'000	Audited 12 months ended 31 December 2007 N$'000
Total revenue	**19,619**	19,409
Total profit for the year	**4,752**	4,640
Share of associate's profit for the year	**1,188**	1,326
Less previous years losses not consolidated	**(754)**	(754)
Share of associate's profit	**434**	572

12. PROPERTY AND EQUIPMENT

	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
Group						
2008						
Carrying amount at 1 January 2008	**3,352**	**52,186**	**–**	**31,030**	**12,970**	**99,538**
- at cost/valuation	**3,352**	**52,341**	**1,500**	**58,491**	**35,036**	**150,720**
- accumulated depreciation	**–**	**(155)**	**(1,500)**	**(27,461)**	**(22,066)**	**(51,182)**
Transfer from non-current assets held for sale (note 14)	**7,350**	**24,146**	**–**	**–**	**–**	**31,496**
Cost	**7,350**	**24,146**	**–**	**–**	**–**	**31,496**
Accumulated depreciation eliminated on revaluation	**–**	**–**	**–**	**–**	**–**	**–**
Additions at cost	**–**	**1,552**	**–**	**7,831**	**4,763**	**14,146**
Revaluation	**–**	**1,008**	**–**	**–**	**–**	**1,008**
Cost	**–**	**1,008**	**–**	**–**	**–**	**1,008**
Accumulated depreciation eliminated on revaluation	**–**	**–**	**–**	**–**	**–**	**–**
Transfers at net book value	**–**	**–**	**–**	**–**	**–**	**–**
Transfers at cost	**–**	**–**	**–**	**–**	**–**	**–**
Accumulated depreciation of transfers	**–**	**–**	**–**	**–**	**–**	**–**
Disposals at net book value	**–**	**–**	**–**	**(1,230)**	**(28)**	**(1,258)**
Disposals at cost	**–**	**–**	**–**	**(5,876)**	**(4,776)**	**(10,652)**
Accumulated depreciation of disposals	**–**	**–**	**–**	**4,646**	**4,748**	**9,394**
Depreciation for the year	**–**	**(2,157)**	**–**	**(4,464)**	**(3,245)**	**(9,866)**
Carrying amount at 31 December 2008	**10,702**	**76,735**	**–**	**33,167**	**14,460**	**135,064**
- at cost/valuation	**10,702**	**79,047**	**1,500**	**60,446**	**35,023**	**186,718**
- accumulated depreciation	**–**	**(2,312)**	**(1,500)**	**(27,279)**	**(20,563)**	**(51,654)**
2007						
Carrying amount at 1 January 2007	1,809	34,296	–	20,244	5,491	61,840
- at cost/valuation	1,809	38,484	1,500	43,697	26,974	112,464
- accumulated depreciation	–	(4,188)	(1,500)	(23,453)	(21,483)	(50,624)
Additions at cost	–	1,369	–	17,263	6,445	25,077
Revaluation	1,543	17,908	–	–	–	19,451
Cost	1,543	13,007	–	–	–	14,550
Accumulated depreciation eliminated on revaluation	–	4,901	–	–	–	4,901
Transfers at net book value	–	–	–	(1,589)	4,790	3,201
Transfers at cost	–	–	–	(2,343)	1,701	(642)
Accumulated depreciation of transfers	–	–	–	754	3,089	3,843
Disposals at net book value	–	(406)	–	(17)	(47)	(470)
Disposals at cost	–	(519)	–	(126)	(84)	(729)
Accumulated depreciation of disposals	–	113	–	109	37	259
Depreciation for the year	–	(981)	–	(4,871)	(3,709)	(9,561)
Carrying amount at 31 December 2007	3,352	52,186	–	31,030	12,970	99,538
- at cost/valuation	3,352	52,341	1,500	58,491	35,036	150,720
- accumulated depreciation	–	(155)	(1,500)	(27,461)	(22,066)	(51,182)

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. Independent valuations of freehold land and buildings were performed by John S. Lofty- Eaton (National diploma: property valuation - UNISA, Member: SA Institute of Valuers) and P.J. Scholtz (National diploma: property valuation - Technicon SA). The effective date of the valuation is 31 December 2008.

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 11%; and
- the depreciated replacement cost method.

The valuation conforms to International Valuation Standards.

		Development cost N$'000	Computer software N$'000	Total N$'000
13.	**COMPUTER SOFTWARE AND DEVELOPMENT COST**			
	Group			
	2008			
	Carrying amount at 1 January 2008	**2,630**	**11,811**	**14,441**
	- at cost	**2,630**	**33,660**	**36,290**
	- accumulated amortisation	**–**	**(21,849)**	**(21,849)**
	Additions at cost	**–**	**4,184**	**4,184**
	Development cost incurred	**3,638**	**–**	**3,638**
	Write-offs during the current year	**–**	**(40)**	**(40)**
	Write-offs at cost	**–**	**(14,155)**	**(14,155)**
	Accumulated amortisation on write-offs	**–**	**14,115**	**14,115**
	Transfers to property and equipment	**–**	**–**	**–**
	Transfers at cost	**–**	**–**	**–**
	Accumulated depreciation of transfers	**–**	**–**	**–**
	Amortisation for the year	**–**	**(3,372)**	**(3,372)**
	Carrying amount at 31 December 2008	**6,268**	**12,583**	**18,851**
	- at cost	**6,268**	**23,689**	**29,957**
	- accumulated amortisation	**–**	**(11,106)**	**(11,106)**
	2007			
	Carrying amount at 1 January 2007	196	12,844	13,040
	- at cost	196	28,662	28,858
	- accumulated amortisation	–	(15,818)	(15,818)
	Additions at cost	–	3,553	3,553
	Development cost incurred	2,434	–	2,434
	Transfers to property and equipment	–	(3,201)	(3,201)
	Transfers at cost	–	1,445	1,445
	Accumulated depreciation of transfers	–	(4,646)	(4,646)
	Amortisation for the year	–	(1,385)	(1,385)
	Carrying amount at 31 December 2007	2,630	11,811	14,441
	- at cost	2,630	33,660	36,290
	- accumulated amortisation	–	(21,849)	(21,849)

		GROUP		COMPANY	
		2008 N$'000	2007 N$'000	2008 N$'000	2007 N$'000
14.	**NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**				
	Opening balance at the beginning of the year	31,496	21,369	4,000	–
	Land held for sale	7,350	7,350	–	–
	Building held for sale	24,146	14,019	–	–
	Investment in subsidiary	–	–	4,000	–
	Construction of building	–	4,117	–	–
	Revaluation of building	–	6,010	–	–
	Transfer from investments in subsidiaries	–	–	–	4,000
	Transfer to freehold land (Note 12)	(7,350)	–	–	–
	Transfer to freehold buildings (Note 12)	(24,146)	–	–	–
	Transfer to investment in subsidiaries	–	–	(4,000)	–
	Closing balance at the end of the year	–	31,496	–	4,000
	Land held for sale (i)	–	7,350	–	–
	Building held for sale (i)	–	24,146	–	–
	Investment in subsidiary (i)	–	–	–	4,000

(i) The Group intended to dispose of the land and the building during 2008, but a decision was subsequently made by the Board not to sell the assets. No impairment loss was recognised on the reclassification of the land as held for sale. There was no effect on the income statement in the current or prior year.

15.	**OTHER ASSETS**				
	Financial assets classification: Loans and receivables				
	Remittances in transit	151,277	110,124	–	–
	Zero coupon bonds	86,898	75,283	–	–
	Sundry debtors and other accounts	11,481	38,340	657	25
	Non-financial instruments				
	Deferred staff compensation	13,155	20,019	–	–
	Prepayments	3,150	1,344	–	–
	Taxation	17,960	11,126	–	–
		283,921	256,236	657	25
16.	**DUE TO OTHER BANKS**				
	Financial liabilities classification: Other liabilities				
	Deposits and borrowings from other banks	184,268	315,940	138	8,326
17.	**OTHER DEPOSITS**				
	Financial liabilities classification: Other liabilities				
	Negotiable certificates of deposits	985,752	420,820	–	–
18.	**DUE TO CUSTOMERS**				
	Financial liabilities classification: Other liabilities				
18.1	**Category analysis**				
	Current accounts	919,478	847,231	–	–
	Savings accounts	188,837	149,638	–	–
	Other deposits and loan accounts	2,445,591	2,843,451	–	–
	Foreign currency liabilities	157,826	166,938	–	–
		3,711,732	4,007,258	–	–

		GROUP		COMPANY	
		2008 N$'000	2007 N$'000	**2008 N$'000**	2007 N$'000
18.	**DUE TO CUSTOMERS (continued)**				
18.2	**Sectoral analysis**				
	Government and quasi government	**226,931**	490,200	**–**	–
	Insurance and pension funds	**675,399**	243,563	**–**	–
	Companies and close corporations	**1,948,274**	2,197,876	**–**	–
	Individuals and other	**861,128**	1,075,619	**–**	–
		3,711,732	4,007,258	**–**	–
18.3	**Maturity structure**				
	Repayable on demand	**118,871**	579,028	**–**	–
	Three months or less but not repayable on demand	**320,624**	640,898	**–**	–
	One year or less but over three months	**3,272,237**	2,787,332	**–**	–
	Five years or less but over one year	**–**	–	**–**	–
		3,711,732	4,007,258	**–**	–
18.4	**Geographical analysis**				
	Namibia	**3,711,732**	4,006,111	**–**	–
	South Africa	**–**	1,147	**–**	–
		3,711,732	4,007,258	**–**	–
19.	**LONG-TERM SUBORDINATED DEBT INSTRUMENTS**				
	Financial liabilities classification: Other liabilities				
	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.	**1,776**	1,487	**–**	–

The debentures were issued at a discount on 15 September 1995 and are redeemable at their nominal value of N$40 million on 15 September 2030. Interest was payable on these debentures on a six-monthly basis at the rate of 17% per annum on nominal value until 15 September 2000.

Prior to 2001, these coupon payments were partially charged against income and partially against the capital value of the debentures. For the years 2001 to 2030 the effective interest expense is capitalised. The coupon holders are entitled, in the event of interest default, to put the coupon covering such interest payments to Nedbank Group Limited.

In the unlikely event of redemption prior to 15 September 2030, a contingent liability exists of N$28.3 million (2007: N$27.8 million).

20.	**POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS**				
	Balance at beginning of the year	**405**	889	**–**	–
	Amounts recognised in income	**(272)**	(484)	**–**	–
	Balance at the end of the year	**133**	405	**–**	–

An independent valuation was performed on the policyholder liability by QED Actuaries and Consultants as at 31 December 2008.

	GROUP		COMPANY	
	2008 N$'000	2007 N$'000	**2008 N$'000**	2007 N$'000
21. DEFERRED TAXATION				
The movement on the deferred tax account is as follows:				
Balance at beginning of the year	**86,596**	63,000	**–**	–
Movements during the year				
- Prior year adjustments	**–**	2,285	**–**	–
- Temporary differences	**23,240**	12,418	**–**	–
- Revaluation of property - movement through equity	**(283)**	8,893	**–**	–
Balance at end of the year	**109,553**	86,596	**–**	–
The balance comprises:				
Capital allowances	**33,370**	29,846	**–**	–
Provisions	**(6,051)**	(6,222)		
Debentures	**13,378**	13,479	**–**	–
Prepaid expenses	**27,623**	21,668	**–**	–
Suspensive sales	**42,279**	30,196	**–**	–
Others	**(1,046)**	(2,371)	**–**	–
	109,553	86,596	**–**	–

22. PROVISION FOR POST-RETIREMENT MEDICAL BENEFITS

The Group 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 Nedbank Namibia 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 income statement.

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 on a cyclical basis. The most recent valuation was obtained for the year ended 31 December 2007.

The most significant assumptions used are:
Valuation interest rate: 8% per annum
Medical aid contribution inflation: 6.25% per annum

Reconciliation of net liability in the balance sheet:				
Balance at beginning of the year	**4,987**	5,073	**–**	–
Interest cost	**393**	413	**–**	–
Current service cost	**114**	119	**–**	–
Benefits paid	**(257)**	(240)	**–**	–
Actuarial gain	**–**	(378)	**–**	–
Balance at the end of the year	**5,237**	4,987	**–**	–

An independent actuarial valuation has been performed by Arthur Els & Associates Consulting Actuaries on 31 December 2007.

		GROUP		COMPANY	
		2008	2007	**2008**	2007
		N$'000	N$'000	**N$'000**	N$'000
23.	**OTHER LIABILITIES**				
	Financial liabilities classification: Other liabilities				
	Creditors and other accounts	**169,945**	109,036	**5**	120
	Taxation	**72**	107	**–**	–
	Managerial fees	**32,010**	25,926	**–**	–
	Non-financial instruments				
	Deferred revenue	**456**	694	**–**	–
	Bonus provision	**7,016**	7,761	**–**	–
	- opening balance	**7,761**	7,595	**–**	–
	- utilised	**(7,138)**	(12,210)	**–**	–
	- unutilised amounts reversed	**(623)**	(914)	**–**	–
	- charge to income statement	**7,016**	13,290	**–**	–
	Fraud and self-insurance provision	**–**	–	**–**	–
	- opening balance	**–**	25	**–**	–
	- utilised	**–**	(25)	**–**	–
	- charge to income statement	**–**	–	**–**	–
	Leave pay accrual	**5,917**	5,432	**–**	–
	- opening balance	**5,432**	3,270	**–**	–
	- utilised	**(3,205)**	(926)	**–**	–
	- unutilised amounts reversed	**(2,227)**	(2,344)	**–**	–
	- charge to income statement	**5,917**	5,432	**–**	–
		215,416	148,956	**5**	120

24.	**SHARE CAPITAL AND SHARE PREMIUM**	**2008**	2007	**2008**	2007
	Issued shares	**70,381,644**	70,381,644	**70,381,644**	70,381,644
		N$'000	N$'000	**N$'000**	N$'000
	Share capital and share premium	**–**	–	**–**	–
	Ordinary shares	**17,595**	17,595	**17,595**	17,595
	Share premium	**99,536**	99,536	**99,536**	99,536
	Total	**117,131**	117,131	**117,131**	117,131

The total number of authorised shares at year end was 80 000 000 (2007: 80 000 000) ordinary shares of 25 cents (2007: 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 forth-coming annual general meeting.

25.	**GENERAL RISK RESERVE**				
	Balance at the beginning of the year	**23,074**	–	**–**	–
	Movement during the year	**6,637**	23,074	**–**	–
	Balance at the end of the year	**29,711**	23,074	**–**	–

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

26.	**REVALUATION RESERVE**				
	Balance at the beginning of the year	**27,888**	11,688	**–**	–
	Release of revaluation reserve	**(526)**	(319)	**–**	–
	Disposal of land and buildings	**–**	(49)	**–**	–
	Revaluation of land and buildings	**1,008**	16,568		
	Balance at the end of the year	**28,370**	27,888	**–**	–

The revaluation reserve arises on the revaluation of land and buildings. Where revalued land or buildings are sold or depreciated, the portion of the property's revaluation reserve that relates to that asset or depreciation charge, and is effectively realised, is transferred directly to retained income.

		GROUP		COMPANY	
		2008 N$'000	2007 N$'000	**2008 N$'000**	2007 N$'000
27.	**SHARE-BASED PAYMENT RESERVE**				
	Balance at the beginning of the year	**17,609**	16,735	**–**	–
	Movement during the year	**879**	874	**–**	–
	Balance at the end of the year	**18,488**	17,609	**–**	–
	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.				
28.	**AVAILABLE-FOR-SALE RESERVE**				
	Balance at the beginning of the year	**5,952**	–	**–**	–
	Movement during the year	**(5,952)**	5,952	**–**	–
	Balance at the end of the year	**–**	5,952	**–**	–
	The available-for-sale reserve arises on revaluation of an available for sale investment which is listed shares in the holding company, Nedbank Group Limited, through the BEE scheme. Refer to note 11 and note 41.				
29.	**NET INTEREST INCOME/(EXPENSE)**				
	Financial asset classification: Loans and receivables	**629,948**	559,344	**5**	–
	Home loans	**213,744**	172,840	**–**	–
	Other loans and overdrafts	**226,138**	204,971	**–**	–
	Preference share finance	**3,085**	2,815	**–**	–
	Lease and installment debtors	**95,603**	87,606	**–**	–
	Micro loans	**71,254**	81,094	**–**	–
	Other assets	**20,124**	10,018	**5**	–
	Financial assets classification: Fair value through profit or loss - held for trading	**78,937**	46,125	**–**	–
	Cash and balances with central banks	**31,151**	18,256	**–**	–
	Government and public sector securities	**33,943**	27,706	**–**	–
	Short-term funds and securities	**13,843**	163	**–**	–
	Total interest and discount income	**708,885**	605,469	**5**	–
	Interest expense				
	Financial liabilities classification: Other liabilities				
	Deposit and loan accounts	**214,939**	179,053	**–**	–
	Current and savings accounts	**73,757**	67,816	**885**	1,358
	Negotiable certificates of deposit	**78,978**	39,990	**–**	–
	Other liabilities	**37,405**	47,945	**–**	–
	Long-term debt instruments	**289**	167	**–**	–
	Total interest expense	**405,368**	334,971	**885**	1,358
	Net interest income/(expense)	**303,517**	270,498	**(880)**	(1,358)

		GROUP		COMPANY	
		2008 N$'000	2007 N$'000	**2008 N$'000**	2007 N$'000
30.	**NON-INTEREST INCOME**				
	Commission and fees	**74,006**	72,702	**–**	–
	Dividends	**4,297**	2,187	**10,164**	–
	Exchange earnings	**35,849**	20,072	**–**	–
	Exchange commission	**7,253**	12,152	**–**	–
	Foreign exchange profit	**28,596**	7,920	**–**	–
	(Loss)/profit on sale of property and equipment	**(1,016)**	207	**–**	–
	Sundry trading gains	**4,248**	3,076	**–**	–
	Change in fair value of:	**(475)**	410	**–**	–
	- Financial assets and liabilities designated as fair value through profit or loss	**518**	410	**–**	–
	- Listed investment	**(993)**	–	**–**	–
	Transfer to policyholder liabilities under insurance contracts	**272**	484	**–**	–
	Other income	**4,773**	2,072	**–**	–
		121,954	101,210	**10,164**	–

		Home loans N$'000	Other loans and overdrafts N$'000	Leases and installment debtors N$'000	Micro loans N$'000	Total N$'000
31.	**IMPAIRMENT OF ADVANCES**					
31.1	**Movements**					
	Group					
	2008					
	Balance at beginning of the year	**12,695**	**24,789**	**18,714**	**13,809**	**70,007**
	- specific impairment	**10,514**	**11,143**	**16,692**	**7,957**	**46,306**
	- portfolio impairment	**2,181**	**13,646**	**2,022**	**5,852**	**23,701**
	Debts recovered	**62**	**1,469**	**3,017**	**5,942**	**10,490**
	Debts written off	**(437)**	**(8,467)**	**(16,516)**	**(11,119)**	**(36,539)**
	Income statement charge	**(77)**	**13,087**	**2,892**	**5,231**	**21,133**
	- specific impairment	**(1,818)**	**10,307**	**1,072**	**8,239**	**17,800**
	- portfolio impairment	**1,741**	**2,780**	**1,820**	**(3,008)**	**3,333**
	Balance at end of the year (note 9)	**12,243**	**30,878**	**8,107**	**13,863**	**65,091**
	- specific impairment	**8,321**	**14,452**	**4,265**	**11,019**	**38,057**
	- portfolio impairment	**3,922**	**16,426**	**3,842**	**2,844**	**27,034**
	2007					
	Balance at beginning of the year	6,908	18,243	36,342	26,560	88,053
	- specific impairment	3,603	7,078	29,070	11,402	51,153
	- portfolio impairment	3,305	11,165	7,272	15,158	36,900
	Debts recovered	381	1,396	399	6,434	8,610
	Debts written off	(90)	(6,407)	(21,921)	(10,362)	(38,780)
	Income statement charge	5,496	11,557	3,894	(8,823)	12,124
	- specific impairment	6,620	9,076	9,144	483	25,323
	- portfolio impairment	(1,124)	2,481	(5,250)	(9,306)	(13,199)
	Balance at end of the year (note 9)	12,695	24,789	18,714	13,809	70,007
	- specific impairment	10,514	11,143	16,692	7,957	46,306
	- portfolio impairment	2,181	13,646	2,022	5,852	23,701

Included under the income statement charge for specific impairment is interest amounting to N$12.3 million (2007: N$7.8 million) and under the specific impairment balance is interest in suspense amounting to N$17.2 million (2007: N$13.1 million).

		2008 N$'000	2007 N$'000
31.	**IMPAIRMENT OF ADVANCES (continued)**		
31.2	**Sectoral analysis**		
	Specific impairments		
	Individuals	**31,737**	39,995
	Manufacturing	**332**	409
	Wholesale and trade	**744**	131
	Retailers, catering and accommodation	**217**	267
	Agriculture, forestry and fishing	**50**	547
	Mining and quarrying	**88**	108
	Financial services, insurance and real estate	**3,263**	3,046
	Government and public sector	**–**	–
	Building and property development	**135**	166
	Transport, storage and communication	**1,116**	1,173
	Other services	**375**	464
		38,057	46,306
	Portfolio impairments		
	Individuals	**8,055**	7,062
	Manufacturing	**1,086**	952
	Wholesale and trade	**264**	231
	Retailers, catering and accommodation	**3,053**	2,676
	Agriculture, forestry and fishing	**2,038**	1,787
	Mining and quarrying	**1,222**	1,071
	Financial services, insurance and real estate	**7,296**	6,396
	Government and public sector	**1,161**	1,018
	Building and property development	**844**	740
	Transport, storage and communication	**1,181**	1,035
	Other services	**834**	733
		27,034	23,701

		GROUP		COMPANY	
		2008 N$'000	2007 N$'000	**2008 N$'000**	2007 N$'000
32.	**EXPENSES**				
	Expenses include the following items which are separately disclosable:				
	Auditors' remuneration				
	- Audit fees - current year	**1,894**	2,104	**–**	235
	- Audit fees - prior year	**1,981**	1,918	**153**	112
	- Other services	**851**	812	**–**	–
	Post-retirement medical aid benefit				
	- Interest cost	**393**	413	**–**	–
	- Current service cost	**114**	119	**–**	–
	- Actuarial gain	**–**	(378)	**–**	–
	Depreciation	**9,866**	9,561	**–**	–
	Amortisation of computer software	**3,372**	1,385	**–**	–
	Staff costs	**138,822**	114,637	**49**	345
	Operating lease charges				
	- Fixed property	**8,127**	10,496	**–**	–
	- Other	**2,130**	3,297	**–**	–
	Remuneration other than to employees for:				
	- Managerial services	**24,916**	25,683	**–**	–
	Directors' fees paid by the Group				
	- For services as directors	**936**	874	**96**	98
	- Managerial services	**1,663**	3,066	**–**	–
	Key management				
	- Basic salary and other benefits	**8,297**	8,357	**–**	–
	- Employer pension contribution	**406**	602	**–**	–
	- Employer medical aid contribution	**118**	301	**–**	–
	Value-added tax charge in respect of current expenditure net of input credits	**8,097**	2,271	**–**	–
	Other expenses	**68,176**	52,820	**51**	102
		280,159	238,338	**349**	892
33.	**BEE TRANSACTION EXPENSES**				
	BEE share-based payment expenses	**879**	874	**–**	–
		879	874	**–**	–
34.	**TAXATION**				
34.1	**Charge for the year**				
	Taxation on income				
	Normal - current year	**14,249**	24,790	**–**	–
	Normal - prior year	**–**	(2,285)	**–**	–
	Deferred - current	**23,240**	12,418	**–**	–
	Deferred - prior	**–**	2,285	**–**	–
		37,489	37,208	**–**	–

		GROUP		COMPANY	
		2008 %	2007 %	**2008 %**	2007 %
34.	**TAXATION (continued)**				
34.2	**Reconciliation of rate of taxation**				
	Namibian normal rate of taxation	**35.0**	35.0	**35.0**	35.0
	Reduction in rate for the year:	**(6.9)**	(5.6)	**(35.0)**	(35.0)
	- Non-taxable income	**(4.3)**	(2.7)	**–**	–
	- Other permanent differences	**(2.6)**	(2.9)	**(35.0)**	(35.0)
	Increase in rate for the year:				
	- Non-deductible expenses	**2.2**	1.4	**–**	–
	Effective rate of taxation	**30.3**	30.8	**–**	–

		N$'000	N$'000	**N$'000**	N$'000
35.	**DIVIDENDS**				
	No dividend was declared for 2008 (2007: Nil)	**–**	–	**–**	–

		GROUP	
		2008 Cents per share	2007 Cents per share
36.	**EARNINGS PER SHARE**		
	Basic earnings per share	**121,15**	117,46
	Diluted earnings per share	**121,15**	117,46

		N$'000	N$'000
	Basic earnings per share		
	Earnings used in the calculation of basic earnings per share	**85,268**	82,670

		'000	'000
	Weighted average number of ordinary shares for the purpose of basic earnings per share	**70,382**	70,382

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

		GROUP		COMPANY	
		2008 N$'000	2007 N$'000	**2008 N$'000**	2007 N$'000
37.	**CASH FLOW INFORMATION**				
37.1	**Reconciliation of net income/(loss) before taxation to cash generated by operating activities**				
	Net income/(loss) before taxation	**123,734**	120,944	**8,935**	(2,250)
	Adjustments:	**59,672**	18,879	**–**	–
	- Accrued interest	**19,012**	9,691	**–**	–
	- Discount on government stock amortised	**(784)**	(855)	**–**	–
	- Income from associates	**(434)**	(572)	**–**	–
	- Dividends	**–**	(682)	**–**	–
	- Loss/(Profit) on disposal of fixed property and equipment	**1,016**	(207)	**–**	–
	- Fair value adjustment to financial instruments	**(475)**	(410)	**–**	–
	- Impairment of advances	**21,133**	12,124	**–**	–
	- Non-cash movement in provisions	**9,645**	11,781	**–**	–
	- Non-cash movement in leave pay accrual	**3,690**	3,088	**–**	–
	- Fair value movement in derivatives	**(152)**	(395)	**–**	–
	- Non-cash movement in deferred staff compensation	**6,864**	(4,166)	**–**	–
	- Share-based payment reserve movement	**879**	874	**–**	–
	- Depreciation	**9,866**	9,561	**–**	–
	- Computer software amortisation	**3,372**	1,385	**–**	–
	- Movement in long-term subordinated debt instruments	**289**	167	**–**	–
	- Current income tax charge	**(14,249)**	(22,505)	**–**	–
	Movement in operating assets	**(65,703)**	59,630	**(8,935)**	2,250
	- Deposit, current and other accounts	**116,902**	522,414	**(8,303)**	2,250
	- Advances and other accounts	**(182,605)**	(462,784)	**(632)**	–
	Cash flow from operating activities	**117,703**	199,453	**–**	–
37.2	**Cash received from customers**				
	Interest received	**665,961**	605,469	**5**	–
	Commission and fees received	**81,259**	76,671	**–**	–
	Other income received	**37,409**	22,950	**–**	–
		784,629	705,090	**5**	–
37.3	**Cash paid to customers**				
	Interest paid on deposits	**(343,432)**	(330,638)	**(885)**	(1,358)
		(343,432)	(330,638)	**(885)**	(1,358)
37.4	**Dividends paid**				
	Amounts outstanding - beginning of year	**–**	–	**–**	–
	Charge to income statement	**–**	–	**–**	–
	Dividend to outside shareholders	**–**	(682)	**–**	–
	Amounts outstanding - end of year	**–**	–	**–**	–
		–	(682)	**–**	–
37.5	**Taxation paid**				
	Amounts prepaid - beginning of year	**11,019**	8,781	**–**	–
	Charge to income statement	**(14,249)**	(22,505)	**–**	–
	Amounts prepaid - end of year	**(17,888)**	(11,019)	**–**	–
		(21,118)	(24,743)	**–**	–

		GROUP		COMPANY	
		2008 N$'000	2007 N$'000	**2008 N$'000**	2007 N$'000
37	**CASH FLOW INFORMATION (continued)**				
37.6	**Cash movements in operating liabilities**				
	Current accounts	**72,110**	21,415	**(8,188)**	291
	Savings deposits	**38,912**	10,647	**–**	–
	Other deposits and loan accounts	**(500,461)**	552,268	**(115)**	(16)
	Foreign currency accounts	**(9,112)**	109,109	**–**	–
	Negotiable certificates of deposit	**532,780**	(123,739)	**–**	–
		134,229	569,700	**(8,303)**	275
37.7	**Purchase of non-dealing securities**				
	Other short-term securities	**(178,630)**	(132,310)	**–**	–
	Government and public sector securities	**6,850**	42,031	–	
		(171,780)	(90,279)	**–**	–
37.8	**Cash and short-term funds**				
	For the purpose of the cash flow statement, cash and short-term funds comprises the following balances with less than 90 days maturity:				
	Bank notes and coins (note 4)	**140,379**	73,260	**–**	–
	Balances with central bank (note 4)	**47,158**	45,974	**–**	–
	Due from other banks (note 8)	**259,782**	403,848	**–**	–
		447,319	523,082	**–**	–
38.	**COMMITMENTS**				
38.1	**Capital expenditure**				
	Contracted				
	- Property and equipment	**86**	–	**–**	–
	Not yet contracted				
	- Property and equipment	**5,069**	25,600	**–**	–
	- Intangible assets	**5,755**	19,500	**–**	–
		10,910	45,100	**–**	–
	Funds to meet capital expenditure will be provided from internal resources.				
38.2	**Bond commitments**				
	Bonds granted, not yet paid out	**35,919**	35,296	**–**	–
38.3	**Undrawn facilities**				
	Original term of maturity of one year or less	**673,321**	383,023	**–**	–
	Interest and foreign exchange rate related items including swaps, options and futures	**237**	871	**–**	–
		673,558	383,894	**–**	–

		GROUP		COMPANY	
		2008 N$'000	2007 N$'000	**2008 N$'000**	2007 N$'000
38.	**COMMITMENTS (continued)**				
38.4	**Operating leases**				
	Companies in the Group have 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				
	2008	–	5,544	–	–
	2009	**8,903**	4,873	–	–
	2010	**5,424**	2,656	–	–
	2011	**3,970**	1,335	–	–
	2012	**1,802**	552	–	–
	Thereafter	–	–	–	–
		20,099	14,960	–	–
39.	**PENSION FUND**				
	All eligible employees are members of the Nedbank Namibia Pension Fund and the Fined Pension Fund respectively, being defined contribution plans registered in Namibia in accordance with the requirements of the Pension Fund Act.				
	The funds are 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 funds during January 2008, confirmed that the funds were financially sound.				
	The total value of contributions to the pension funds during the year amounted to:				
	Number of members	**699**	697	–	–
	Employer contributions	**9,552**	8,007	–	–
	Employee contributions	**6,292**	5,242	–	–
40.	**CONTINGENT LIABILITIES**				
	Confirmed letters of credit	**7,105**	17,931	–	–
	Liabilities under guarantees	**228,945**	230,518	–	–
	Legal actions against the Group	**1,601**	620	–	–
		237,651	249,069	–	–

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 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 model.

41.1 Description of arrangements

Scheme	Trust	Description	Vesting requirements	Maximum term
Black Economic Empowerment schemes - Business partners and affinity groups				
Black Business Partner Scheme (BBP)	Central Consortium SPV Three Investments (Pty) Ltd, Coastal Consortium SPV Three Investments (Pty) Ltd and Northern Empowerment SPV Three Investments (Pty) Ltd	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 (Pty) Ltd and Eastern Consortium SPV Three Investments (Pty) Ltd	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	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

41. SHARE-BASED PAYMENTS (continued)

41.1 Description of arrangements (continued)

Scheme	Trust	Description	Vesting requirements	Maximum term
Black Economic Empowerment schemes - Business partners and affinity groups				
NedNamibia Discretionary Scheme	NedNamibia Holdings Discretionary Trust	Restricted shares were granted to certain black employees. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	The trust shall hold the scheme shares linked to the respective Beneficiary Participation Allocations, for the benefit of the Beneficiaries until the Exercise Date.	10 years
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.	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.	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 a eligible employee.	3 years

		Share-based payments expense		Share-based payments liability/reserve	
		2008	2007	**2008**	2007
		N$'000	N$'000	**N$'000**	N$'000
41.	**SHARE-BASED PAYMENTS (continued)**				
41.2	**Effect on profit and financial position**				
	Black Economic Empowerment schemes				
	Black Business Partners (BBP)	**–**	–	**8,997**	8,997
	Affinity Groups (AG)	**–**	–	**3,299**	3,299
	Education	**–**	–	**4,398**	4,398
	Discretionary	**–**	–	**–**	–
	LTIP	**–**	–	**–**	–
	Black Management	**879**	874	**1,794**	915
	Broad-based	**–**	–	**–**	–
		879	874	**18,488**	17,609

		2008		2007	
		Number of instruments	Weighted average exercise price N$	Number of instruments	Weighted average exercise price N$
41.3	**Black Economic Empowerment schemes**				
	Black Business Partner Scheme				
	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$)		**–**		–

		2008		2007	
		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)**				
	Discretionary Scheme				
	Outstanding at beginning of the year	–	**282.58**	–	282.58
	Granted	–	–	–	–
	Forfeited	–	–	–	–
	Exercised	–	–	–	–
	Expired	–	–	–	–
	Outstanding at end of year	–	**282.58**	–	282.58
	Exercisable at end of year	–	–	–	–
	Weighted average share price for options exercised (N$)		–		–
	LTIP Scheme				
	Outstanding at beginning of the year	–	**101.29**	–	101.29
	Granted	–	–	–	–
	Forfeited	–	–	–	–
	Exercised	–	–	–	–
	Expired	–	–	–	–
	Outstanding at end of year	–	**101.29**	–	101.29
	Exercisable at end of year	–	–	–	–
	Weighted average share price for options exercised (N$)		–		–
	Black Management Scheme				
	Outstanding at beginning of the year	**75,400**	**77.92**	75,400	77.92
	Granted	–	–	–	–
	Forfeited	–	–	–	–
	Exercised	–	–	–	–
	Expired	–	–	–	–
	Outstanding at end of year	**75,400**	**77.92**	75,400	77.92
	Exercisable at end of year	–	–	–	–
	Weighted average share price for options exercised (N$)		–		–
	Broad-based Scheme				
	Outstanding at beginning of the year	**39,816**	–	39,816	–
	Granted	–	–	–	–
	Forfeited	–	–	–	–
	Exercised	–	–	–	–
	Expired	–	–	–	–
	Outstanding at end of year	**39,816**	–	39,816	–
	Exercisable at end of year	–	–	–	–
	Weighted average share price for options exercised (N$)		–		–

		2008		2007	
		Number of instruments	Weighted average remaining contractual life (years)	Number of instruments	Weighted average remaining contractual life (years)
41.	**SHARE-BASED PAYMENTS (continued)**				
41.4	**Instruments outstanding at the end of the year by exercise price**				
	Black Business Partner Scheme				
	278.98	**199,929**	**7.93**	199,929	9.00
		199,929	**7.93**	199,929	9.00
	Affinity Group Scheme				
	282.47	**74,048**	**7.93**	74,048	9.00
		74,048	**7.93**	74,048	9.00
	Education Scheme				
	282.47	**98,730**	**7.93**	98,730	9.00
		98,730	**7.93**	98,730	9.00
	Discretionary Scheme				
	282.58	**–**	**10.00**	–	10.00
		–	**10.00**	–	10.00
	LTIP Scheme				
	101.29	**–**	**4.00**	–	4.00
		–	**4.00**	–	4.00
	Black Management Scheme				
	0.00	**17,396**	**3.00**	17,396	4.00
	101.29	**58,004**	**5.00**	58,004	6.00
		75,400	**4.50**	75,400	5.50
	Broad-based Scheme				
	0.00	**39,816**	**–**	39,816	–
		39,816	**–**	39,816	–

		Black Business Partner Scheme (BBP)	Affinity Group (AG)	Education Scheme	Discre-tionary Scheme	LTIP Scheme	Black Manage-ment Scheme	Broad-based Scheme
41.	**SHARE-BASED PAYMENTS (continued)**							
41.5	**Instruments granted during the year**							
	The weighted average fair value has been calculated using the Black-Scholes option pricing model, using the following inputs and assumptions:							
	2008							
	Weighted average fair value per instrument granted (N$)	–	–	–	–	–	–	–
	Number of instruments granted	–	–	–	–	–	–	–
	Weighted average share price (N$)	–	–	–	–	–	–	–
	Weighted average exercise price (N$)	–	–	–	–	–	–	–
	Weighted average expected volatility (%)*	–	–	–	–	–	–	–
	Weighted average life (years)	–	–	–	–	–	–	–
	Weighted average expected dividends (%)**	–	–	–	–	–	–	–
	Weighted average risk-free interest rate (%)	–	–	–	–	–	–	–
	Number of participants	–	–	–	–	–	–	–
	Weighted average vesting period (years)	–	–	–	–	–	–	–
	Possibility of ceasing employment before vesting (%)	–	–	–	–	–	–	–
	Expectation of meeting performance criteria (%)	–	–	–	–	–	–	–
	2007							
	Weighted average fair value per instrument granted (N$)	–	–	–	–	–	–	–
	Number of instruments granted	–	–	–	–	–	–	–
	Weighted average share price (N$)	–	–	–	–	–	–	–
	Weighted average exercise price (N$)	–	–	–	–	–	–	–
	Weighted average expected volatility (%)*	–	–	–	–	–	–	–
	Weighted average life (years)	–	–	–	–	–	–	–
	Weighted average expected dividends (%)**	–	–	–	–	–	–	–
	Weighted average risk-free interest rate (%)	–	–	–	–	–	–	–
	Number of participants	–	–	–	–	–	–	–
	Weighted average vesting period (years)	–	–	–	–	–	–	–
	Possibility of ceasing employment before vesting (%)	–	–	–	–	–	–	–
	Expectation of meeting performance criteria (%)	–	–	–	–	–	–	–

* Volatility is determined using expected volatility for all shares listed on the JSE.
** The dividend yield used for the grants made has been based on forecast dividends.

42. RELATED PARTY DISCLOSURE

42.1 Parent company

NedNamibia Holdings Limited's majority shareholder is Nedbank Group Limited (100%) (2007: 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 10. All of these entities are related parties. Transactions with directors and director controlled entities are related party transactions.

42.3 Related party transactions and balances

The following related party transactions have been entered into:

			GROUP		COMPANY	
	Relationship	Transaction type	**2008 N$'000**	2007 N$'000	**2008 N$'000**	2007 N$'000
Related party						
Interest income						
Nedbank Namibia Limited	Subsidiary	Product balance	–	–	**5**	–
Nedbank Group Limited	Holding company	Zero coupon bonds	**11,615**	10,018	–	–
Nedbank Group Limited	Holding company	Product balance - current account	**16**	–	–	–
Nedbank Group Limited	Holding company	Internal settlement	**9,276**	6,596	–	–
Nedbank Group Limited	Holding company	Negotiable certificates of deposit	**4,415**	–	–	–
Other income						
Old Mutual Namibia Limited	Fellow subsidiary	Other fees	–	32	–	–
Old Mutual Namibia Limited	Fellow subsidiary	Commissions	–	2,006	–	–
Interest expense						
Nedbank Namibia Limited	Subsidiary	Product balance	–	–	**885**	**1,358**
Nedbank Namibia Pension Fund	Pension fund	Product balance	**165**	93	–	–
Nedbank Group Limited	Holding company	Product balance	**1,650**	2,649	–	–
NIB Holdings (Namibia) (Proprietary) Limited	Fellow subsidiary	Product balance	**691**	73	–	–
Nedcor Investments Limited	Holding company	Product balance	–	2,528	–	–
Old Mutual Namibia Limited	Fellow subsidiary	Product balance	**24,154**	8,198	–	–
Woodlands Investment Company (Proprietary) Limited	Fellow subsidiary	Product balance	**7,159**	9,030	–	–
Expenses						
Nedbank Namibia Pension Fund	Pension fund	Pension contributions	**8,829**	7,522	–	–
Nedbank Namibia Pension Fund	Pension fund	Other fees	**2**	–	–	–
Nedbank Group Limited	Holding company	Management fee	**24,916**	25,683	–	–
NedLoans Pension Fund	Pension fund	Pension contributions	**528**	485	–	–
NIB Holdings (Namibia) (Proprietary) Limited	Fellow subsidiary	Leases and rentals	–	19	–	–
Transactions with directors (note 32)	Directors	Services as directors	**936**	874	**96**	98
Transactions with directors (note 32)	Directors	Other services	**1,663**	3,066	–	–
Transactions with key management (note 32)	Key management	Staff cost	**8,821**	9,261	–	–
Tusk Investments (Proprietary) Limited	Directors	Rent	**604**	368	–	–

				GROUP		COMPANY	
		Relationship	Transaction type	**2008 N$'000**	2007 N$'000	**2008 N$'000**	2007 N$'000
42.	**RELATED PARTY DISCLOSURE (continued)**						
42.3	**Related party transactions and balances (continued)**						
	Loans from related party						
	Nedbank London branch	Fellow subsidiary	Bank accounts	**46**	46	**–**	–
	Nedbank London branch (Derivative instruments included under note 6)	Fellow subsidiary	Derivative instruments	**25**	–	**–**	–
	Nedbank Namibia Pension Fund	Pension fund	Bank accounts	**1,974**	833	**–**	–
	Nedbank Treasury (Derivative instruments included under note 6)	Holding company	Derivative instruments	**1,509**	77	**–**	–
	NIB Holdings (Namibia) (Proprietary) Limited	Fellow subsidiary	Bank accounts	**6,895**	8,697	**–**	–
	Old Mutual Namibia Limited	Fellow subsidiary	Product balance	**133,679**	291,122	**–**	–
	Nedcor Investments Limited	Holding company	Product balance	**–**	9,524	**–**	–
	Nedbank Group Limited	Holding company	Bank accounts	**8,992**	10,377	**–**	–
	Nedbank Group Limited	Holding company	Internal settlement	**–**	–	**–**	–
	Nedbank Group Limited	Holding company	Structured loans	**165,666**	214,276	**–**	–
	Nedbank Group Limited	Holding company	Sundry creditor	**34,630**	25,926	**–**	–
	Nedbank Namibia Limited	Subsidiary	Bank accounts	**–**	–	**138**	8,326
	Nedbank Namibia Limited	Subsidiary	Sundry debtor	**–**	–	**–**	120
	Transactions with directors	Directors	Product balance	**734**	1,134	**–**	–
	Transactions with key management	Key management	Product balance	**381**	3	**–**	–
	Woodlands Investment Company (Proprietary) Limited	Fellow subsidiary	Bank accounts	**11,800**	111,640	**–**	–
	Loans to related party						
	Nedbank Group Limited	Holding company	Product balance	**91,029**	81,078	**–**	25
	Nedbank Group Limited	Holding company	Internal settlement	**40,364**	135,678	**–**	–
	Nedbank Group Limited	Holding company	Product balance	**–**	750	**–**	–
	Nedbank Namibia Limited	Subsidiary	Sundry creditor	**–**	–	**657**	–
	Nedbank Treasury (Derivative instruments included under note 6)	Holding company	Derivative instruments	**5,541**	1,059	**–**	–
	NIB Holdings (Namibia) (Proprietary) Limited	Fellow subsidiary	Product balance	**–**	658	**–**	–
	Transactions with directors	Directors	Mortgage bonds	**8,360**	3,040	**–**	–
	Transactions with directors	Directors	Product balance	**10,584**	7,306	**–**	–
	Transactions with key management	Key management	Product balance	**11,961**	5,947	**–**	–

43. CAPITAL RISK MANAGEMENT

The capital adequacy is managed in terms with 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-Based 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.

	2008 %	2007 %
Leverage capital	**7.78**	7.02
Tier 1 risk-based capital	**12.68**	11.29
Total risk-based capital	**15.36**	14.08

	Notes	At fair value through profit and loss N$'000	Loans and receivables N$'000	Financial liabilities at amortised cost N$'000	Non-financial assets and liabilities N$'000	Total N$'000
44. BALANCE SHEET - CATEGORIES OF FINANCIAL INSTRUMENTS						
Group						
2008						
ASSETS						
Cash and balances with central bank	4	**187,537**	–	–	–	**187,537**
Government and public sector securities	5	**388,743**	–	–	–	**388,743**
Derivative financial instruments	6	**6,460**	–	–	–	**6,460**
Other short-term securities	7	**163,297**	–	–	–	**163,297**
Due from other banks	8	–	**259,782**	–	–	**259,782**
Loans and advances to customers	9	–	**4,285,518**	–	–	**4,285,518**
Investment in subsidiaries, associates, joint ventures and listed investments	11	–	–	–	**21,543**	**21,543**
Goodwill	10	–	–	–	**27,623**	**27,623**
Property and equipment	12	–	–	–	**135,064**	**135,064**
Computer software and development cost	13	–	–	–	**18,851**	**18,851**
Non-current assets classified as held for sale	14	–	–	–	–	–
Other assets	15	–	**249,656**	–	**34,265**	**283,921**
Total assets		**746,037**	**4,794,956**	–	**237,346**	**5,778,339**
LIABILITIES						
Due to other banks	16	–	–	**184,268**	–	**184,268**
Other deposits	17	–	–	**985,752**	–	**985,752**
Derivative financial instruments	6	**5,541**	–	–	–	**5,541**
Due to customers	18	–	–	**3,711,732**	–	**3,711,732**
Long-term subordinated debt instruments	19	–	–	**1,776**	–	**1,776**
Policyholder liabilities under insurance contracts	20	–	–	–	**133**	**133**
Deferred taxation	21	–	–	–	**109,553**	**109,553**
Provision for post-retirement medical benefits	22	–	–	–	**5,237**	**5,237**
Other liabilities	23	–	–	**202,027**	**13,389**	**215,416**
Total liabilities		**5,541**	–	**5,085,555**	**128,312**	**5,219,408**

		Notes	At fair value through profit and loss N$'000	Loans and receivables N$'000	Financial liabilities at amortised cost N$'000	Non-financial assets and liabilities N$'000	Total N$'000
44.	**BALANCE SHEET - CATEGORIES OF FINANCIAL INSTRUMENTS (continued)**						
	Group						
	2007						
	ASSETS						
	Cash and balances with central bank	4	119,234	–	–	–	119,234
	Government and public sector securities	5	345,465	–	–	–	345,465
	Derivative financial instruments	6	1,668	–	–	–	1,668
	Other short-term securities	7	30,163	–	–	–	30,163
	Due from other banks	8	–	403,848	–	–	403,848
	Loans and advances to customers	9	–	4,107,381	–	–	4,107,381
	Investment in subsidiaries, associates, joint ventures and listed investments	11	–	–	–	28,054	28,054
	Goodwill	10	–	–	–	27,623	27,623
	Property and equipment	12	–	–	–	99,538	99,538
	Computer software and development cost	13	–	–	–	14,441	14,441
	Non-current assets classified as held for sale	14	–	–	–	31,496	31,496
	Other assets	15	–	223,747	–	32,489	256,236
	Total assets		496,530	4,734,976	–	233,641	5,465,147
	LIABILITIES						
	Due to other banks	16	–	–	315,940	–	315,940
	Other deposits	17	–	–	420,820	–	420,820
	Derivative financial instruments	6	901	–	–	–	901
	Due to customers	18	–	–	4,007,258	–	4,007,258
	Long-term subordinated debt instruments	19	–	–	1,487	–	1,487
	Policyholder liabilities under insurance contracts	20	–	–	–	405	405
	Deferred taxation	21	–	–	–	86,596	86,596
	Provision for post-retirement medical benefits	22	–	–	–	4,987	4,987
	Other liabilities	23	–	–	135,069	13,887	148,956
	Total liabilities		901	–	4,880,574	105,875	4,987,350

	Notes	At fair value through profit and loss N$'000	Loans and receivables N$'000	Financial liabilities at amortised cost N$'000	Non-financial assets and liabilities N$'000	Total N$'000
44. BALANCE SHEET - CATEGORIES OF FINANCIAL INSTRUMENTS (continued)						
Company						
2008						
ASSETS						
Cash and balances with central bank	4	–	–	–	–	–
Government and public sector securities	5	–	–	–	–	–
Derivative financial instruments	6	–	–	–	–	–
Other short-term securities	7	–	–	–	–	–
Due from other banks	8	–	–	–	–	–
Loans and advances to customers	9	–	–	–	–	–
Investment in subsidiaries, associates, joint ventures and listed investments	11	–	–	–	**133,642**	**133,642**
Goodwill	10	–	–	–	–	–
Property and equipment	12	–	–	–	–	–
Computer software and development cost	13	–	–	–	–	–
Non-current assets classified as held for sale	14	–	–	–	–	–
Other assets	15	–	**657**	–	–	**657**
Total assets		–	**657**	–	**133,642**	**134,299**
LIABILITIES						
Due to other banks	16	–	–	**138**	–	**138**
Other deposits	17	–	–	–	–	–
Derivative financial instruments	6	–	–	–	–	–
Due to customers	18	–	–	–	–	–
Long-term subordinated debt instruments	19	–	–	–	–	–
Policyholder liabilities under insurance contracts	20	–	–	–	–	–
Deferred taxation	21	–	–	–	–	–
Provision for post-retirement medical benefits	22	–	–	–	–	–
Other liabilities	23	–	–	**5**	–	**5**
Total liabilities		–	–	**143**	–	**143**

	Notes	At fair value through profit and loss N$'000	Loans and receivables N$'000	Financial liabilities at amortised cost N$'000	Non-financial assets and liabilities N$'000	Total N$'000
44. BALANCE SHEET - CATEGORIES OF FINANCIAL INSTRUMENTS (continued)						
Company						
2007						
ASSETS						
Cash and balances with central bank	4	–	–	–	–	–
Government and public sector securities	5	–	–	–	–	–
Derivative financial instruments	6	–	–	–	–	–
Other short-term securities	7	–	–	–	–	–
Due from other banks	8	–	–	–	–	–
Loans and advances to customers	9	–	–	–	–	–
Investment in subsidiaries, associates, joint ventures and listed investments	11	–	–	–	129,642	129,642
Goodwill	10	–	–	–	–	–
Property and equipment	12	–	–	–	–	–
Computer software and development cost	13	–	–	–	–	–
Non-current assets classified as held for sale	14	–	–	–	4,000	4,000
Other assets	15	–	25	–	–	25
Total assets		–	25	–	133,642	133,667
LIABILITIES						
Due to other banks	16	–	–	8,326	–	8,326
Other deposits	17	–	–	–	–	–
Derivative financial instruments	6	–	–	–	–	–
Due to customers	18	–	–	–	–	–
Long-term subordinated debt instruments	19	–	–	–	–	–
Policyholder liabilities under insurance contracts	20	–	–	–	–	–
Deferred taxation	21	–	–	–	–	–
Provision for post-retirement medical benefits	22	–	–	–	–	–
Other liabilities	23	–	–	120	–	120
Total liabilities		–	–	8,446	–	8,446

45. CREDIT RISK

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

45.1 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 NedGroup Africa Credit Committee for approval.

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

		GROUP		COMPANY	
		2008 N$'000	2007 N$'000	**2008 N$'000**	2007 N$'000
45.2.1	**Credit risk: Maximum exposure**				
	Assets				
	Cash and balances with central bank	**187,537**	119,234	**–**	–
	Government and public sector securities	**388,743**	345,465	**–**	–
	Derivative financial instruments	**6,460**	1,668	**–**	–
	Other short-term securities	**163,297**	30,163	**–**	–
	Due from other banks	**259,782**	403,848	**–**	–
	Loans and advances to customers	**4,350,609**	4,177,388	**–**	–
	Investment in subsidiaries, associates, joint ventures and listed investments	**–**	–	**–**	–
	Goodwill	**–**	–	**–**	–
	Property and equipment	**–**	–	**–**	–
	Computer software and development cost	**–**	–	**–**	–
	Non-current assets classified as held for sale	**–**	–	**–**	–
	Other assets	**283,921**	256,236	**657**	25
	Total maximum exposure	**5,640,349**	5,334,002	**657**	25

45. CREDIT RISK (continued)

45.2.2 Credit risk: Collateral held in respect of 45.2.1

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:

Home 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 installment debtors: Secured by movable property under debt granted.

Micro loans: Unsecured

	GROUP		COMPANY	
	2008 N$'000	2007 N$'000	**2008 N$'000**	2007 N$'000
Assets				
Cash and balances with central bank	**–**	–	**–**	–
Government and public sector securities	**–**	–	**–**	–
Derivative financial instruments	**–**	–	**–**	–
Other short-term securities	**–**	–	**–**	–
Due from other banks	**–**	–	**–**	–
Loans and advances to customers	**4,285,518**	4,107,381	**–**	–
- Home loans	**1,616,703**	1,439,442	**–**	–
- Other loans and overdrafts (including other loans and overdrafts to subsidiary companies)	**1,619,361**	1,700,140	**–**	–
- Preference share finance	**46,200**	46,200	**–**	–
- Net leases and installment debtors	**779,171**	640,644	**–**	–
- Micro loans	**224,083**	280,955	**–**	–
Investment in subsidiaries, associates, joint ventures and listed investments	**–**	–	**–**	–
Goodwill	**–**	–	**–**	–
Property and equipment	**–**	–	**–**	–
Computer software and development cost	**–**	–	**–**	–
Non-current assets classified as held for sale	**–**	–	**–**	–
Other assets	**–**	–	**–**	–
Total collateral held	**4,285,518**	4,107,381	**–**	–

45. CREDIT RISK (continued)

45.2.3 Credit risk: Fair value of collateral

The Group determines the fair value only on the following instances:

- on the date the loan or advance is intiated and/or
- when the loan or advance is being renegotiated or
- when a loan or advance has been transferred to the legal department of the Group for collection.

At reporting date the fair value of the collateral held has not been provided due to the impracticality thereof. The system currently maintaining the collateral do not have the fair value readily available. The fair value of the collateral is determined by means of a manual process and the volume of collateral held makes it impractical for the Group.

		GROUP		COMPANY	
		2008 N$'000	2007 N$'000	**2008 N$'000**	2007 N$'000
45.3	**Credit risk analysis**				
	Classification: impaired				
	Assets				
	Cash and balances with central bank	–	–	–	–
	Government and public sector securities	–	–	–	–
	Derivative financial instruments	–	–	–	–
	Other short-term securities	–	–	–	–
	Due from other banks	–	–	–	–
	Loans and advances to customers	**452,424**	361,479	–	–
	- Home loans	**176,711**	120,573	–	–
	- Other loans and overdrafts (including other loans and overdrafts to subsidiary companies)	**204,420**	163,682	–	–
	- Preference share finance	–	–	–	–
	- Net leases and installment debtors	**48,392**	40,746	–	–
	- Micro loans	**22,901**	36,478	–	–
	Impairment of advances (note 31)	**(65,091)**	(70,007)	–	–
	- Home loans	**(12,243)**	(12,695)	–	–
	- Other loans and overdrafts (including other loans and overdrafts to subsidiary companies)	**(30,878)**	(24,789)	–	–
	- Preference share finance	–	–	–	–
	- Net leases and installment debtors	**(8,107)**	(18,714)	–	–
	- Micro loans	**(13,863)**	(13,809)	–	–
	Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–
	Goodwill	–	–	–	–
	Property and equipment	–	–	–	–
	Computer software and development cost	–	–	–	–
	Non-current assets classified as held for sale	–	–	–	–
	Other assets	–	–	–	–
	Total impaired	**387,333**	291,472	–	–

Impaired advances are all advances which are not current nor past due. Thus the advances above represent both general and specific non-performing loans and advances

		NGR 0 N$'000	NGR 1 N$'000	NGR 7 N$'000	NGR 10 N$'000	NGR 13 N$'000	NGR 14 N$'000
45.	**CREDIT RISK (continued)**						
45.3	**Credit risk analysis (continued)**						
	Classification: Neither past due nor impaired						
	Group						
	2008						
	Assets						
	Cash and balances with central bank	**187,537**	–	–	–	–	–
	Government and public sector securities	–	–	–	**388,743**	–	–
	Derivative financial instruments	–	–	**6,460**	–	–	–
	Other short-term securities	–	–	**163,297**	–	–	–
	Due from other banks	–	–	**259,782**	–	–	–
	Loans and advances to customers	–	**18**	–	–	**19,523**	**11,835**
	- Home loans	–	–	–	–	**1,445**	**3,914**
	- Other loans and overdrafts (including other loans and overdrafts to subsidiary companies)	–	**18**	–	–	**15,070**	**3,473**
	- Preference share finance	–	–	–	–	–	–
	- Net leases and installment debtors	–	–	–	–	**3,008**	**4,448**
	- Micro loans	–	–	–	–	–	–
	Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	–
	Goodwill	–	–	–	–	–	–
	Property and equipment	–	–	–	–	–	–
	Computer software and development cost	–	–	–	–	–	–
	Non-current assets classified as held for sale	–	–	–	–	–	–
	Other assets	–	**162,758**	–	–	–	–
	Total neither past due nor impaired	**187,537**	**162,776**	**429,539**	**388,743**	**19,523**	**11,835**
	2007						
	Assets						
	Cash and balances with central bank	119,234	–	–	–	–	–
	Government and public sector securities	–	–	–	345,465	–	–
	Derivative financial instruments	–	–	1,668	–	–	–
	Other short-term securities	–	–	30,163	–	–	–
	Due from other banks	–	–	403,848	–	–	–
	Loans and advances to customers	–	–	–	–	16,415	103,800
	- Home loans	–	–	–	–	–	3,860
	- Other loans and overdrafts (including other loans and overdrafts to subsidiary companies)	–	–	–	–	13,540	94,292
	- Preference share finance	–	–	–	–	–	–
	- Net leases and installment debtors	–	–	–	–	2,875	5,648
	- Micro loans	–	–	–	–	–	–
	Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	–
	Goodwill	–	–	–	–	–	–
	Property and equipment	–	–	–	–	–	–
	Computer software and development cost	–	–	–	–	–	–
	Non-current assets classified as held for sale	–	–	–	–	–	–
	Other assets	–	148,464	–	–	–	–
	Total neither past due nor impaired	119,234	148,464	435,679	345,465	16,415	103,800

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 22 N$'000	NGR 24 N$'000	NGR 25 N$'000	Non-IFRS7 Instruments N$'000	Total N$'000
–	–	–	–	–	–	–	–	–	–	**187,537**
–	–	–	–	–	–	–	–	–	–	**388,743**
–	–	–	–	–	–	–	–	–	–	**6,460**
–	–	–	–	–	–	–	–	–	–	**163,297**
–	–	–	–	–	–	–	–	–	–	**259,782**
96,476	**38,614**	**62,794**	**58,806**	**413**	**5,998**	**33**	**3,545,409**	**222**	–	**3,840,141**
2,604	**416**	–	**1,534**	–	–	–	**1,399,369**	–	–	**1,409,282**
42,219	**31,734**	**39,188**	**9,576**	**413**	**2,220**	**33**	**1,296,854**	**222**	–	**1,441,020**
–	–	–	**46,200**	–	–	–	–	–	–	**46,200**
51,653	**6,464**	**23,606**	**1,496**	–	**3,778**	–	**637,647**	–	–	**732,100**
–	–	–	–	–	–	–	**211,539**	–	–	**211,539**
–	–	–	–	–	–	–	–	–	**21,543**	**21,543**
–	–	–	–	–	–	–	–	–	**27,623**	**27,623**
–	–	–	–	–	–	–	–	–	**135,064**	**135,064**
–	–	–	–	–	–	–	–	–	**18,851**	**18,851**
–	–	–	–	–	–	–	–	–	–	–
–	–	–	**86,898**	–	–	–	–	–	**34,265**	**283,921**
96,476	**38,614**	**62,794**	**145,704**	**413**	**5,998**	**33**	**3,545,409**	**222**	**237,346**	**5,332,962**
–	–	–	–	–	–	–	–	–	–	119,234
–	–	–	–	–	–	–	–	–	–	345,465
–	–	–	–	–	–	–	–	–	–	1,668
–	–	–	–	–	–	–	–	–	–	30,163
–	–	–	–	–	–	–	–	–	–	403,848
93,395	42,308	58,451	51,666	415	958	–	3,139,074	199	–	3,506,681
4,777	2,856	1,002	2,871	–	–	–	1,232,931	–	–	1,248,297
50,021	33,566	29,089	17,764	345	129	–	1,144,539	199	–	1,383,484
–	–	–	30,000	–	–	–	16,200	–	–	46,200
38,597	5,886	28,360	1,031	70	829	–	522,570	–	–	605,866
–	–	–	–	–	–	–	222,834	–	–	222,834
–	–	–	–	–	–	–	–	–	28,054	28,054
–	–	–	–	–	–	–	–	–	27,623	27,623
–	–	–	–	–	–	–	–	–	99,538	99,538
–	–	–	–	–	–	–	–	–	14,441	14,441
–	–	–	–	–	–	–	–	–	31,496	31,496
–	75,283	–	–	–	–	–	–	–	32,489	256,236
93,395	117,591	58,451	51,666	415	958	–	3,139,074	199	233,641	4,864,447

		NGR 0 N$'000	NGR 1 N$'000	NGR 7 N$'000	NGR 10 N$'000	NGR 13 N$'000	NGR 14 N$'000
45.	**CREDIT RISK (continued)**						
45.3	**Credit risk analysis (continued)**						
	Classification: Neither past due nor impaired						
	Company						
	2008						
	Assets						
	Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	–
	Non-current assets classified as held for sale	–	–	–	–	–	–
	Other assets	–	**657**	–	–	–	–
	Total neither past due nor impaired	–	**657**	–	–	–	–
	2007						
	Assets						
	Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	–
	Non-current assets classified as held for sale	–	–	–	–	–	–
	Other assets	–	25	–	–	–	–
	Total neither past due nor impaired	–	25	–	–	–	–

	GROUP		COMPANY	
	2008 N$'000	2007 N$'000	**2008 N$'000**	2007 N$'000
Classification: Renegotiated				
Assets				
Cash and balances with central bank	–	–	–	–
Government and public sector securities	–	–	–	–
Derivative financial instruments	–	–	–	–
Other short-term securities	–	–	–	–
Due from other banks	–	–	–	–
Loans and advances to customers	**1,926**	6,507	–	–
- Home loans	**1,838**	6,227	–	–
- Other loans and overdrafts (including other loans and overdrafts to subsidiary companies)	**50**	280	–	–
- Preference share finance	–	–	–	–
- Net leases and installment debtors	**38**	–	–	–
- Micro loans	–	–	–	–
Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–
Goodwill	–	–	–	–
Property and equipment	–	–	–	–
Computer software and development cost	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Other assets	–	–	–	–
Total renegotiated	**1,926**	6,507	–	–

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 22 N$'000	NGR 24 N$'000	NGR 25 N$'000	Non-IFRS7 Instruments N$'000	Total N$'000
–	–	–	–	–	–	–	–	–	**133,642**	**133,642**
–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	**657**
–	–	–	–	–	–	–	–	–	**133,642**	**134,299**
–	–	–	–	–	–	–	–	–	129,642	129,642
–	–	–	–	–	–	–	–	–	4,000	4,000
–	–	–	–	–	–	–	–	–	–	25
–	–	–	–	–	–	–	–	–	133,642	133,667

	GROUP		COMPANY	
	2008 N$'000 <30 days	2007 N$'000 <30 days	**2008 N$'000 <30 days**	2007 N$'000 <30 days
Classification: Past due				
Assets				
Cash and balances with central bank	–	–	–	–
Government and public sector securities	–	–	–	–
Derivative financial instruments	–	–	–	–
Other short-term securities	–	–	–	–
Due from other banks	–	–	–	–
Loans and advances to customers	**58,044**	309,228	–	–
- Home loans	**42,953**	83,267	–	–
- Other loans and overdrafts (including other loans and overdrafts to subsidiary companies)	**4,799**	177,762	–	–
- Preference share finance	–	–	–	–
- Net leases and installment debtors	**6,786**	12,747	–	–
- Micro loans	**3,506**	35,452	–	–
Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–
Goodwill	–	–	–	–
Property and equipment	–	–	–	–
Computer software and development cost	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Other assets	–	–	–	–
Total past due	**58,044**	309,228	–	–

Past due: A financial asset is past due when a counterparty has failed to make a payment when contractually due.

46. LIQUIDITY RISK

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

46.1 Liquidity risk management

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

46.2 Expected liquidity risk

	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
Group							
2008							
ASSETS							
Cash and balances with central bank	187,537	–	–	–	–	–	187,537
Government and public sector securities	191,036	50,803	62,148	82,248	2,508	–	388,743
Derivative financial instruments	6,223	–	–	237	–	–	6,460
Other short-term securities	20,129	–	143,168	–	–	–	163,297
Due from other banks	259,782	–	–	–	–	–	259,782
Loans and advances to customers	247,382	311,087	307,000	3,426,957	58,183	(65,091)	4,285,518
Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	21,543	21,543
Goodwill	–	–	–	–	–	27,623	27,623
Property and equipment	–	–	–	–	–	135,064	135,064
Computer software and development cost	–	–	–	–	–	18,851	18,851
Non-current assets classified as held for sale	–	–	–	–	–	–	–
Other assets	162,758	–	–	86,898	–	34,265	283,921
Total assets	1,074,847	361,890	512,316	3,596,340	60,691	172,255	5,778,339
LIABILITIES							
Due to other banks	183,955	313	–	–	–	–	184,268
Other deposits	419,306	113,896	380,005	72,545	–	–	985,752
Derivative financial instruments	5,541	–	–	–	–	–	5,541
Due to customers	118,871	320,624	3,272,237	–	–	–	3,711,732
Long-term subordinated debt instruments	–	–	–	–	1,776	–	1,776
Policyholder liabilities under insurance contracts	–	–	–	–	–	133	133
Deferred taxation	–	–	–	–	–	109,553	109,553
Provision for post-retirement medical benefits	–	–	–	–	5,237	–	5,237
Other liabilities	215,416	–	–	–	–	–	215,416
Total liabilities	943,089	434,833	3,652,242	72,545	7,013	109,686	5,219,408
SHAREHOLDER'S EQUITY							
Share capital	–	–	–	–	–	17,595	17,595
Share premium	–	–	–	–	–	99,536	99,536
General risk reserve	–	–	–	–	–	29,711	29,711
Revaluation reserve	–	–	–	–	–	28,370	28,370
Share-based payment reserve	–	–	–	–	–	18,488	18,488
Available-for-sale reserve	–	–	–	–	–	–	–
Retained income	–	–	–	–	–	360,626	360,626
Shareholder's interest	–	–	–	–	–	554,326	554,326
Minority interest	–	–	–	–	–	4,605	4,605
Total shareholder's equity and minority interest	–	–	–	–	–	558,931	558,931
Total equity and liabilities	943,089	434,833	3,652,242	72,545	7,013	668,617	5,778,339
Net liquidity gap	131,758	(72,943)	(3,139,926)	3,523,795	53,678	(496,362)	–
Accumulative net liquidity gap	131,758	58,815	(3,081,111)	442,684	496,362	–	

		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
46.	**LIQUIDITY RISK (continued)**							
46.2	**Expected liquidity risk (continued)**							
	Group							
	2007							
	ASSETS							
	Cash and balances with central bank	119,234	–	–	–	–	–	119,234
	Government and public sector securities	153,521	39,138	69,127	74,944	8,735	–	345,465
	Derivative financial instruments	795	–	–	873	–	–	1,668
	Other short-term securities	30,163	–	–	–	–	–	30,163
	Due from other banks	403,848	–	–	–	–	–	403,848
	Loans and advances to customers	135,701	197,637	523,630	3,068,196	252,224	(70,007)	4,107,381
	Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	28,054	28,054
	Goodwill	–	–	–	–	–	27,623	27,623
	Property and equipment	–	–	–	–	–	99,538	99,538
	Computer software and development cost	–	–	–	–	–	14,441	14,441
	Non-current assets classified as held for sale	–	–	31,496	–	–	–	31,496
	Other assets	148,464	–	–	75,283	–	32,489	256,236
	Total assets	991,726	236,775	624,253	3,219,296	260,959	132,138	5,465,147
	LIABILITIES							
	Due to other banks	100	534	42,084	273,222	–	–	315,940
	Other deposits	62,155	171,998	133,455	53,212	–	–	420,820
	Derivative financial instruments	114	–	787	–	–	–	901
	Due to customers	579,028	640,898	2,787,332	–	–	–	4,007,258
	Long-term subordinated debt instruments	–	–	–	–	1,487	–	1,487
	Policyholder liabilities under insurance contracts	–	–	–	–	–	405	405
	Deferred taxation	–	–	–	–	–	86,596	86,596
	Provision for post-retirement medical benefits	–	–	–	–	4,987	–	4,987
	Other liabilities	148,956	–	–	–	–	–	148,956
	Total liabilities	790,353	813,430	2,963,658	326,434	6,474	87,001	4,987,350
	SHAREHOLDER'S EQUITY							
	Share capital	–	–	–	–	–	17,595	17,595
	Share premium	–	–	–	–	–	99,536	99,536
	General risk reserve	–	–	–	–	–	23,074	23,074
	Revaluation reserve	–	–	–	–	–	27,888	27,888
	Share-based payment reserve	–	–	–	–	–	17,609	17,609
	Available-for-sale reserve	–	–	–	–	–	5,952	5,952
	Retained income	–	–	–	–	–	281,186	281,186
	Shareholder's interest	–	–	–	–	–	472,840	472,840
	Minority interest	–	–	–	–	–	4,957	4,957
	Total shareholder's equity and minority interest	–	–	–	–	–	477,797	477,797
	Total equity and liabilities	790,353	813,430	2,963,658	326,434	6,474	564,798	5,465,147
	Net liquidity gap	201,373	(576,655)	(2,339,405)	2,892,862	254,485	(432,660)	–
	Accumulative net liquidity gap	201,373	(375,282)	(2,714,687)	178,175	432,660	–	

		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
46.	**LIQUIDITY RISK (continued)**							
46.2	**Expected liquidity risk (continued)**							
	Company							
	2008							
	ASSETS							
	Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	**133,642**	**133,642**
	Non-current assets classified as held for sale	–	–	–	–	–	–	–
	Other assets	–	**657**	–	–	–	–	**657**
	Total assets	–	**657**	–	–	–	**133,642**	**134,299**
	LIABILITIES							
	Due to other banks	–	–	**138**	–	–	–	**138**
	Other liabilities	–	**5**	–	–	–	–	**5**
	Total liabilities	–	**5**	**138**	–	–	–	**143**
	SHAREHOLDER'S EQUITY							
	Share capital	–	–	–	–	–	**17,595**	**17,595**
	Share premium	–	–	–	–	–	**99,536**	**99,536**
	Retained income	–	–	–	–	–	**17,025**	**17,025**
	Shareholder's interest	–	–	–	–	–	**134,156**	**134,156**
	Total equity and liabilities	–	**5**	**138**	–	–	**134,156**	**134,299**
	Net liquidity gap	–	**652**	**(138)**	–	–	**(514)**	–
	Accumulative net liquidity gap	–	**652**	**514**	**514**	**514**	–	
	2007							
	ASSETS							
	Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	129,642	129,642
	Non-current assets classified as held for sale	–	–	–	–	–	4,000	4,000
	Other assets	–	25	–	–	–	–	25
	Total assets	–	25	–	–	–	133,642	133,667
	LIABILITIES							
	Due to other banks	–	–	8,326	–	–	–	8,326
	Other liabilities	–	120	–	–	–	–	120
	Total liabilities	–	120	8,326	–	–	–	8,446
	SHAREHOLDER'S EQUITY							
	Share capital	–	–	–	–	–	17,595	17,595
	Share premium	–	–	–	–	–	99,536	99,536
	Retained income	–	–	–	–	–	8,090	8,090
	Shareholder's interest	–	–	–	–	–	125,221	125,221
	Total equity and liabilities	–	120	8,326	–	–	125,221	133,667
	Net liquidity gap	–	(95)	(8,326)	–	–	8,421	–
	Accumulative net liquidity gap	–	(95)	(8,421)	(8,421)	(8,421)	–	

		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
46.	**LIQUIDITY RISK (continued)**								
46.3	**Contractual liquidity risk analysis for financial liabilities**								
	Group								
	2008								
	LIABILITIES								
	Due to other banks	**183,998**	**103**	**225**	**–**	**–**	**–**	**–**	**184,326**
	Other deposits	**–**	**440,104**	**122,117**	**421,195**	**90,173**	**–**	**–**	**1,073,589**
	Derivative financial instruments	**–**	**5,541**	**–**	**–**	**–**	**–**	**–**	**5,541**
	Due to customers	**3,266,922**	**196,303**	**30,328**	**243,624**	**–**	**–**	**–**	**3,737,177**
	Long-term subordinated debt instruments	**–**	**–**	**–**	**–**	**–**	**40,000**	**–**	**40,000**
	Policyholder liabilities under insurance contracts	**–**	**–**	**–**	**–**	**–**	**–**	**133**	**133**
	Deferred taxation	**–**	**–**	**–**	**–**	**–**	**–**	**109,553**	**109,553**
	Provision for post-retirement medical benefits	**–**	**–**	**–**	**–**	**–**	**–**	**5,237**	**5,237**
	Other liabilities	**215,416**	**–**	**–**	**–**	**–**	**–**	**–**	**215,416**
	Total liabilities	**3,666,336**	**642,051**	**152,670**	**664,819**	**90,173**	**40,000**	**114,923**	**5,370,972**
	2007								
	LIABILITIES								
	Due to other banks	–	129	278	42,071	273,557	–	–	316,035
	Other deposits	–	237,148	53,284	146,592	–	–	–	437,024
	Derivative financial instruments	–	114	–	787	–	–	–	901
	Due to customers	2,732,392	798,071	515,518	163,364	418	–	–	4,209,763
	Long-term subordinated debt instruments	–	–	–	–	–	40,000	–	40,000
	Policyholder liabilities under insurance contracts	–	–	–	–	–	–	405	405
	Deferred taxation	–	–	–	–	–	–	86,596	86,596
	Provision for post-retirement medical benefits	–	–	–	–	–	–	4,987	4,987
	Other liabilities	148,956	–	–	–	–	–	–	148,956
	Total liabilities	2,881,348	1,035,462	569,080	352,814	273,975	40,000	91,988	5,244,667
	Company								
	2008								
	LIABILITIES								
	Due to other banks	**138**	**–**	**–**	**–**	**–**	**–**	**–**	**138**
	Other liabilities	**–**	**5**	**–**	**–**	**–**	**–**	**–**	**5**
	Total liabilities	**138**	**5**	**–**	**–**	**–**	**–**	**–**	**143**
	2007								
	LIABILITIES								
	Due to other banks	8,326	–	–	–	–	–	–	8,326
	Other liabilities	–	120	–	–	–	–	–	120
	Total liabilities	8,326	120	–	–	–	–	–	8,446

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

47. 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 48 and note 49 for disclosure regarding these risks.

48. 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.

48.1 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	Other N$'000	Total N$'000
48.	**CURRENCY RISK (continued)**						
48.2	**Currency risk profile**						
	Group						
	2008						
	ASSETS						
	Cash and balances with central bank	92,078	6,965	88,164	324	6	187,537
	Government and public sector securities	388,743	–	–	–	–	388,743
	Derivative financial instruments	6,460	–	–	–	–	6,460
	Other short-term securities	163,297	–	–	–	–	163,297
	Due from other banks	202,160	23,218	8,512	332	25,560	259,782
	Loans and advances to customers	4,235,019	1,883	48,616	–	–	4,285,518
	Investment in subsidiaries, associates, joint ventures and listed investments	21,543	–	–	–	–	21,543
	Goodwill	27,623	–	–	–	–	27,623
	Property and equipment	135,064	–	–	–	–	135,064
	Computer software and development cost	18,851	–	–	–	–	18,851
	Non-current assets classified as held for sale	–	–	–	–	–	–
	Other assets	283,921	–	–	–	–	283,921
	Total assets	5,574,759	32,066	145,292	656	25,566	5,778,339
	LIABILITIES						
	Due to other banks	184,268	–	–	–	–	184,268
	Other deposits	985,752	–	–	–	–	985,752
	Derivative financial instruments	5,541	–	–	–	–	5,541
	Due to customers	3,492,908	31,131	143,752	564	43,377	3,711,732
	Long-term subordinated debt instruments	1,776	–	–	–	–	1,776
	Policyholder liabilities under insurance contracts	133	–	–	–	–	133
	Deferred taxation	109,553	–	–	–	–	109,553
	Provision for post-retirement medical benefits	5,237	–	–	–	–	5,237
	Other liabilities	215,416	–	–	–	–	215,416
	Total liabilities	5,000,584	31,131	143,752	564	43,377	5,219,408
	SHAREHOLDER'S EQUITY						
	Share capital	17,595	–	–	–	–	17,595
	Share premium	99,536	–	–	–	–	99,536
	General risk reserve	29,711	–	–	–	–	29,711
	Revaluation reserve	28,370	–	–	–	–	28,370
	Share-based payment reserve	18,488	–	–	–	–	18,488
	Available-for-sale reserve	–	–	–	–	–	–
	Retained income	360,626	–	–	–	–	360,626
	Shareholder's interest	554,326	–	–	–	–	554,326
	Minority interest	4,605	–	–	–	–	4,605
	Total shareholder's equity and minority interest	558,931	–	–	–	–	558,931
	Total equity and liabilities	5,559,515	31,131	143,752	564	43,377	5,778,339
	Net balance sheet position	15,244	935	1,540	92	(17,811)	–
	Off balance sheet net notional position	–	–	–	–	–	–
	Rates of exchange		13.1930	9.4025	13.6540		

		N$ N$'000	EUR N$'000	US$ N$'000	GBP N$'000	Other N$'000	Total N$'000
48.	**CURRENCY RISK (continued)**						
48.2	**Currency risk profile (continued)**						
	Group						
	2007						
	ASSETS						
	Cash and balances with central bank	87,260	5,030	25,826	690	428	119,234
	Government and public sector securities	345,465	–	–	–	–	345,465
	Derivative financial instruments	1,668	–	–	–	–	1,668
	Other short-term securities	30,163	–	–	–	–	30,163
	Due from other banks	273,525	4,494	125,334	121	374	403,848
	Loans and advances to customers	4,099,432	3,990	3,959	–	–	4,107,381
	Investment in subsidiaries, associates, joint ventures and listed investments	28,054	–	–	–	–	28,054
	Goodwill	27,623	–	–	–	–	27,623
	Property and equipment	99,538	–	–	–	–	99,538
	Computer software and development cost	14,441	–	–	–	–	14,441
	Non-current assets classified as held for sale	31,496	–	–	–	–	31,496
	Other assets	256,167	48	21	–	–	256,236
	Total assets	5,294,832	13,562	155,140	811	802	5,465,147
	LIABILITIES						
	Due to other banks	315,940	–	–	–	–	315,940
	Other deposits	420,820	–	–	–	–	420,820
	Derivative financial instruments	901	–	–	–	–	901
	Due to customers	3,840,282	8,318	157,662	595	401	4,007,258
	Long-term subordinated debt instruments	1,487	–	–	–	–	1,487
	Policyholder liabilities under insurance contracts	405	–	–	–	–	405
	Deferred taxation	86,596	–	–	–	–	86,596
	Provision for post-retirement medical benefits	4,987	–	–	–	–	4,987
	Other liabilities	148,956	–	–	–	–	148,956
	Total liabilities	4,820,374	8,318	157,662	595	401	4,987,350
	SHAREHOLDER'S EQUITY						
	Share capital	17,595	–	–	–	–	17,595
	Share premium	99,536	–	–	–	–	99,536
	General risk reserve	23,074	–	–	–	–	23,074
	Revaluation reserve	27,888	–	–	–	–	27,888
	Share-based payment reserve	17,609	–	–	–	–	17,609
	Available-for-sale reserve	5,952	–	–	–	–	5,952
	Retained income	281,186	–	–	–	–	281,186
	Shareholder's interest	472,840	–	–	–	–	472,840
	Minority interest	4,957	–	–	–	–	4,957
	Total shareholder's equity and minority interest	477,797	–	–	–	–	477,797
	Total equity and liabilities	5,298,171	8,318	157,662	595	401	5,465,147
	Net balance sheet position	(3,339)	5,244	(2,522)	216	401	–
	Off balance sheet net notional position	–	–	–	–	–	–
	Rates of exchange		10.0322	6.8200	13.6622		

		N$ N$'000	EUR N$'000	US$ N$'000	GBP N$'000	Other N$'000	Total N$'000
48.	**CURRENCY RISK (continued)**						
48.2	**Currency risk profile (continued)**						
	Company						
	2008						
	ASSETS						
	Investment in subsidiaries, associates, joint ventures and listed investments	**133,642**	**–**	**–**	**–**	**–**	**133,642**
	Non-current assets classified as held for sale	**–**	**–**	**–**	**–**	**–**	**–**
	Other assets	**657**	**–**	**–**	**–**	**–**	**657**
	Total assets	**134,299**	**–**	**–**	**–**	**–**	**134,299**
	LIABILITIES						
	Due to other banks	**138**	**–**	**–**	**–**	**–**	**138**
	Other liabilities	**5**	**–**	**–**	**–**	**–**	**5**
	Total liabilities	**143**	**–**	**–**	**–**	**–**	**143**
	SHAREHOLDER'S EQUITY						
	Share capital	**17,595**	**–**	**–**	**–**	**–**	**17,595**
	Share premium	**99,536**	**–**	**–**	**–**	**–**	**99,536**
	Retained income	**17,025**	**–**	**–**	**–**	**–**	**17,025**
	Shareholder's interest	**134,156**	**–**	**–**	**–**	**–**	**134,156**
	Total equity and liabilities	**134,299**	**–**	**–**	**–**	**–**	**134,299**
	Net balance sheet position	**–**	**–**	**–**	**–**	**–**	**–**
	Off balance sheet net notional position	**–**	**–**	**–**	**–**	**–**	**–**
	Rates of exchange		**13.1930**	**9.4025**	**13.6540**		
	2007						
	ASSETS						
	Investment in subsidiaries, associates, joint ventures and listed investments	129,642	–	–	–	–	129,642
	Non-current assets classified as held for sale	4,000	–	–	–	–	4,000
	Other assets	25	–	–	–	–	25
	Total assets	133,667	–	–	–	–	133,667
	LIABILITIES						
	Due to other banks	8,326	–	–	–	–	8,326
	Other liabilities	120	–	–	–	–	120
	Total liabilities	8,446	–	–	–	–	8,446
	SHAREHOLDER'S EQUITY						
	Share capital	17,595	–	–	–	–	17,595
	Share premium	99,536	–	–	–	–	99,536
	Retained income	8,090	–	–	–	–	8,090
	Shareholder's interest	125,221	–	–	–	–	125,221
	Total equity and liabilities	133,667	–	–	–	–	133,667
	Net balance sheet position	–	–	–	–	–	–
	Off balance sheet net notional position	–	–	–	–	–	–
	Rates of exchange		10.0322	6.8200	13.6622		

		Absolute possible income statement effect* N$'000	EUR N$	US$ N$	GBP N$	Other N$	Balance as at reporting date N$'000
48.	**CURRENCY RISK (continued)**						
48.3	**Currency risk sensitivity analysis**						
	Group						
	2008						
	ASSETS						
	Cash and balances with central bank	**12,790**	**1.06**	**1.14**	**1.09**	**–**	**187,537**
	Government and public sector securities	**–**	**–**	**–**	**–**	**–**	**388,743**
	Derivative financial instruments	**–**	**–**	**–**	**–**	**–**	**6,460**
	Other short-term securities	**–**	**–**	**–**	**–**	**–**	**163,297**
	Due from other banks	**2,615**	**1.06**	**1.14**	**1.09**	**–**	**259,782**
	Loans and advances to customers	**6,919**	**1.06**	**1.14**	**1.09**	**–**	**4,285,518**
	Investment in subsidiaries, associates, joint ventures and listed investments	**–**	**–**	**–**	**–**	**–**	**21,543**
	Goodwill	**–**	**–**	**–**	**–**	**–**	**27,623**
	Property and equipment	**–**	**–**	**–**	**–**	**–**	**135,064**
	Computer software and development cost	**–**	**–**	**–**	**–**	**–**	**18,851**
	Non-current assets classified as held for sale	**–**	**–**	**–**	**–**	**–**	**–**
	Other assets	**–**	**–**	**–**	**–**	**–**	**283,921**
	Total assets	**22,324**					**5,778,339**
	LIABILITIES						
	Due to other banks	**–**	**–**	**–**	**–**	**–**	**184,268**
	Other deposits	**–**	**–**	**–**	**–**	**–**	**985,752**
	Derivative financial instruments	**–**	**–**	**–**	**–**	**–**	**5,541**
	Due to customers	**22,044**	**1.06**	**1.14**	**1.09**	**–**	**3,711,732**
	Long-term subordinated debt instruments	**–**	**–**	**–**	**–**	**–**	**1,776**
	Policyholder liabilities under insurance contracts	**–**	**–**	**–**	**–**	**–**	**133**
	Deferred taxation	**–**	**–**	**–**	**–**	**–**	**109,553**
	Provision for post-retirement medical benefits	**–**	**–**	**–**	**–**	**–**	**5,237**
	Other liabilities	**–**	**–**	**–**	**–**	**–**	**215,416**
	Total liabilities	**22,044**					**5,219,408**

		Absolute possible income statement effect* N$'000	EUR N$	US$ N$	GBP N$	Other N$	Balance as at reporting date N$'000
48.	**CURRENCY RISK (continued)**						
48.3	**Currency risk sensitivity analysis**						
	Group						
	2007						
	ASSETS						
	Cash and balances with central bank	3,890	1.08	0.87	1.07	–	119,234
	Government and public sector securities	–	–	–	–	–	345,465
	Derivative financial instruments	–	–	–	–	–	1,668
	Other short-term securities	–	–	–	–	–	30,163
	Due from other banks	16,482	1.08	0.87	1.07	–	403,848
	Loans and advances to customers	935	1.08	0.87	–	–	4,107,381
	Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	28,054
	Goodwill	–	–	–	–	–	27,623
	Property and equipment	–	–	–	–	–	99,538
	Computer software and development cost	–	–	–	–	–	14,441
	Non-current assets classified as held for sale	–	–	–	–	–	31,496
	Other assets	8	1.08	0.87	–	–	256,236
	Total assets	21,315					5,465,147
	LIABILITIES						
	Due to other banks	–	–	–	–	–	315,940
	Other deposits	–	–	–	–	–	420,820
	Derivative financial instruments	–	–	–	–	–	901
	Due to customers	21,054	1.08	0.87	1.07	–	4,007,258
	Long-term subordinated debt instruments	–	–	–	–	–	1,487
	Policyholder liabilities under insurance contracts	–	–	–	–	–	405
	Deferred taxation	–	–	–	–	–	86,596
	Provision for post-retirement medical benefits	–	–	–	–	–	4,987
	Other liabilities	–	–	–	–	–	148,956
	Total liabilities	21,054					4,987,350

* The possible income statement affect 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.

49. 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.

49.1 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 report to the annual financial statements for more detail on interest rate risk management.

49.2 Interest rate risk analysis

	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
Group							
2008							
ASSETS							
Cash and balances with central bank	–	–	–	–	–	187,537	187,537
Government and public sector securities	191,036	50,803	62,148	82,248	2,508	–	388,743
Derivative financial instruments	–	–	–	237	–	6,223	6,460
Other short-term securities	20,129	–	143,168	–	–	–	163,297
Due from other banks	259,782	–	–	–	–	–	259,782
Loans and advances to customers	4,230,032	–	–	–	–	55,486	4,285,518
Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	21,543	21,543
Goodwill	–	–	–	–	–	27,623	27,623
Property and equipment	–	–	–	–	–	135,064	135,064
Computer software and development cost	–	–	–	–	–	18,851	18,851
Non-current assets classified as held for sale	–	–	–	–	–	–	–
Other assets	–	–	–	75,283	–	208,638	283,921
Total assets	4,700,979	50,803	205,316	157,768	2,508	660,965	5,778,339
LIABILITIES							
Due to other banks	183,955	313	–	–	–	–	184,268
Other deposits	419,306	113,896	380,005	72,545	–	–	985,752
Derivative financial instruments	–	–	–	–	–	5,541	5,541
Due to customers	2,687,093	350,008	136,014	40,228	926	497,463	3,711,732
Long-term subordinated debt instruments	–	–	–	–	1,776	–	1,776
Policyholder liabilities under insurance contracts	–	–	–	–	–	133	133
Deferred taxation	–	–	–	–	–	109,553	109,553
Provision for post-retirement medical benefits	–	–	–	–	5,237	–	5,237
Other liabilities	–	–	–	–	–	215,416	215,416
Total liabilities	3,290,354	464,217	516,019	112,773	7,939	828,106	5,219,408
SHAREHOLDER'S EQUITY							
Share capital	–	–	–	–	–	17,595	17,595
Share premium	–	–	–	–	–	99,536	99,536
General risk reserve	–	–	–	–	–	29,711	29,711
Revaluation reserve	–	–	–	–	–	28,370	28,370
Share-based payment reserve	–	–	–	–	–	18,488	18,488
Available-for-sale reserve	–	–	–	–	–	–	–
Retained income	–	–	–	–	–	360,626	360,626
Shareholder's interest	–	–	–	–	–	554,326	554,326
Minority interest	–	–	–	–	–	4,605	4,605
Total shareholder's equity and minority interest	–	–	–	–	–	558,931	558,931
Total equity and liabilities	3,290,354	464,217	516,019	112,773	7,939	1,387,037	5,778,339
On balance sheet interest sensitivity gap	1,410,625	(413,414)	(310,703)	44,995	(5,431)	(726,072)	–
Accumulative on balance sheet interest sensitivity gap	1,410,625	997,211	686,508	731,503	726,072	–	

		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
49.	**INTEREST RATE RISK (continued)**							
49.2	**Interest rate risk analysis (continued)**							
	Group							
	2007							
	ASSETS							
	Cash and balances with central bank	–	–	–	–	–	119,234	119,234
	Government and public sector securities	153,521	39,139	69,126	74,944	8,735	–	345,465
	Derivative financial instruments	–	–	–	873	–	795	1,668
	Other short-term securities	30,163	–	–	–	–	–	30,163
	Due from other banks	403,848	–	–	–	–	–	403,848
	Loans and advances to customers	4,079,963	–	–	–	–	27,418	4,107,381
	Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	28,054	28,054
	Goodwill	–	–	–	–	–	27,623	27,623
	Property and equipment	–	–	–	–	–	99,538	99,538
	Computer software and development cost	–	–	–	–	–	14,441	14,441
	Non-current assets classified as held for sale	–	–	–	–	–	31,496	31,496
	Other assets	–	–	–	75,283	–	180,953	256,236
	Total assets	4,667,495	39,139	69,126	151,100	8,735	529,552	5,465,147
	LIABILITIES							
	Due to other banks	123	315,167	350	300	–	–	315,940
	Other deposits	62,155	171,998	133,455	53,212	–	–	420,820
	Derivative financial instruments	–	114	–	–	–	787	901
	Due to customers	2,909,448	520,572	103,284	40,228	–	433,726	4,007,258
	Long-term subordinated debt instruments	–	–	–	–	1,487	–	1,487
	Policyholder liabilities under insurance contracts	–	–	–	–	–	405	405
	Deferred taxation	–	–	–	–	–	86,596	86,596
	Provision for post-retirement medical benefits	–	–	–	–	4,987	–	4,987
	Other liabilities	–	–	–	–	–	148,956	148,956
	Total liabilities	2,971,726	1,007,851	237,089	93,740	6,474	670,470	4,987,350
	SHAREHOLDER'S EQUITY							
	Share capital	–	–	–	–	–	17,595	17,595
	Share premium	–	–	–	–	–	99,536	99,536
	General risk reserve	–	–	–	–	–	23,074	23,074
	Revaluation reserve	–	–	–	–	–	27,888	27,888
	Share-based payment reserve	–	–	–	–	–	17,609	17,609
	Available-for-sale reserve	–	–	–	–	–	5,952	5,952
	Retained income	–	–	–	–	–	281,186	281,186
	Shareholder's interest	–	–	–	–	–	472,840	472,840
	Minority interest	–	–	–	–	–	4,957	4,957
	Total shareholder's equity and minority interest	–	–	–	–	–	477,797	477,797
	Total equity and liabilities	2,971,726	1,007,851	237,089	93,740	6,474	1,148,267	5,465,147
	On balance sheet interest sensitivity gap	1,695,769	(968,712)	(167,963)	57,360	2,261	(618,715)	–
	Accumulative on balance sheet interest sensitivity gap	1,695,769	727,057	559,094	616,454	618,715	–	

		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
49.	**INTERFACE RATE RISK (continued)**							
49.2	**Interest rate risk analysis (continued)**							
	Company							
	2008							
	ASSETS							
	Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	133,642	133,642
	Non-current assets classified as held for sale	–	–	–	–	–	–	–
	Other assets	–	–	–	–	–	657	657
	Total assets	–	–	–	–	–	134,299	134,299
	LIABILITIES							
	Due to other banks	138	–	–	–	–	–	138
	Other liabilities	–	–	–	–	–	5	5
	Total liabilities	138	–	–	–	–	5	143
	SHAREHOLDER'S EQUITY							
	Share capital	–	–	–	–	–	17,595	17,595
	Share premium	–	–	–	–	–	99,536	99,536
	Retained income	–	–	–	–	–	17,025	17,025
	Shareholder's interest	–	–	–	–	–	134,156	134,156
	Total equity and liabilities	138	–	–	–	–	134,161	134,299
	On balance sheet interest sensitivity gap	(138)	–	–	–	–	138	–
	Accumulative on balance sheet interest sensitivity gap	(138)	(138)	(138)	(138)	(138)	–	
	2007							
	ASSETS							
	Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	129,642	129,642
	Non-current assets classified as held for sale	–	–	–	–	–	4,000	4,000
	Other assets	–	–	–	–	–	25	25
	Total assets	–	–	–	–	–	133,667	133,667
	LIABILITIES							
	Due to other banks	8,326	–	–	–	–	–	8,326
	Other liabilities	–	–	–	–	–	120	120
	Total liabilities	8,326	–	–	–	–	120	8,446
	SHAREHOLDER'S EQUITY							
	Share capital	–	–	–	–	–	17,595	17,595
	Share premium	–	–	–	–	–	99,536	99,536
	Retained income	–	–	–	–	–	8,090	8,090
	Shareholder's interest	–	–	–	–	–	125,221	125,221
	Total equity and liabilities	8,326	–	–	–	–	125,341	133,667
	On balance sheet interest sensitivity gap	(8,326)	–	–	–	–	(8,326)	–
	Accumulative on balance sheet interest sensitivity gap	(8,326)	(8,326)	(8,326)	(8,326)	(8,326)	–	

		Possible income statement effect* N$'000	Reasonable possible change* %	Rate sensitive N$'000	Non-interest sensitive N$'000	Fixed rate N$'000	Variable rate N$'000	Balance as at reporting date N$'000
49.	**INTEREST RATE RISK (continued)**							
49.3	**Interest rate risk sensitivity**							
	Group							
	2008							
	ASSETS							
	Cash and balances with central bank	–	–	–	187,537	–	–	187,537
	Government and public sector securities	11,662	3.0	388,743	–	388,743	–	388,743
	Derivative financial instruments	7	3.0	237	6,223		237	6,460
	Other short-term securities	6,042	3.7	163,297	–	163,297	–	163,297
	Due from other banks	7,793	3.0	259,782	–	–	259,782	259,782
	Loans and advances to customers	126,901	3.0	4,230,032	55,486	–	4,230,032	4,285,518
	Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	21,543	–	–	21,543
	Goodwill	–	–	–	27,623	–	–	27,623
	Property and equipment	–	–	–	135,064	–	–	135,064
	Computer software and development cost	–	–	–	18,851	–	–	18,851
	Non-current assets classified as held for sale	–	–	–	–	–	–	–
	Other assets	2,607	3.0	86,898	197,023	86,898	–	283,921
	Total assets	155,012		5,128,989	649,350	638,938	4,490,051	5,778,339
	LIABILITIES							
	Due to other banks	5,528	3.00	184,268	–	184,268	–	184,268
	Other deposits	36,473	3.70	985,752	–	985,752	–	985,752
	Derivative financial instruments	–	–	–	5,541	–	–	5,541
	Due to customers	111,352	3.00	3,214,269	497,463		3,214,269	3,711,732
	Long-term subordinated debt instruments	53	3.00	1,776	–	1,776	–	1,776
	Policyholder liabilities under insurance contracts	–	–	–	133	–	–	133
	Deferred taxation	–	–	–	109,553	–	–	109,553
	Provision for post-retirement medical benefits	157	3.0	5,237	–	–	5,237	5,237
	Other liabilities	–	–	–	215,416	–	–	215,416
	Total liabilities	153,563		4,391,302	828,106	1,171,796	3,219,506	5,219,408

		Possible income statement effect* N$'000	Reasonable possible change* %	Rate sensitive N$'000	Non-interest sensitive N$'000	Fixed rate N$'000	Variable rate N$'000	Balance as at reporting date N$'000
49.	**INTEREST RATE RISK (continued)**							
49.3	**Interest rate risk sensitivity (continued)**							
	Group							
	2007							
	ASSETS							
	Cash and balances with central bank	–	–	–	119,234	–	–	119,234
	Government and public sector securities	6,564	1.9	345,465	–	345,465	–	345,465
	Derivative financial instruments	25	1.5	873	795		873	1,668
	Other short-term securities	664	2.2	30,163	–	30,163	–	30,163
	Due from other banks	6,462	1.6	403,848	–	–	403,848	403,848
	Loans and advances to customers	78,040	1.9	4,079,963	27,418	–	4,079,963	4,107,381
	Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	28,054	–	–	28,054
	Goodwill	–	–	–	27,623	–	–	27,623
	Property and equipment	–	–	–	99,538	–	–	99,538
	Computer software and development cost	–	–	–	14,441	–	–	14,441
	Non-current assets classified as held for sale	–	–	–	31,496	–	–	31,496
	Other assets	–	–	75,283	180,953	75,283	–	256,236
	Total assets	91,755		4,935,595	529,552	450,911	4,484,684	5,465,147
	LIABILITIES							
	Due to other banks	–	–	315,940	–	315,940	–	315,940
	Other deposits	9,258	2.2	420,820	–	420,820	–	420,820
	Derivative financial instruments	14	1.5	114	787	–	114	901
	Due to customers	64,116	1.6	3,573,532	433,726		3,573,532	4,007,258
	Long-term subordinated debt instruments	–	–	1,487	–	1,487	–	1,487
	Policyholder liabilities under insurance contracts	–	–	–	405	–	–	405
	Deferred taxation	–	–	–	86,596	–	–	86,596
	Provision for post-retirement medical benefits	50	1	4,987	–	–	4,987	4,987
	Other liabilities	–	–	–	148,956	–	–	148,956
	Total liabilities	73,438		4,316,880	670,470	738,247	3,578,633	4,987,350

		Possible income statement effect* N$'000	Reasonable possible change* %	Rate sensitive N$'000	Non-interest sensitive N$'000	Fixed rate N$'000	Variable rate N$'000	Balance as at reporting date N$'000
49.	**INTEREST RATE RISK (continued)**							
49.3	**Interest rate risk sensitivity (continued)**							
	Company							
	2008							
	ASSETS							
	Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	**133,642**	–	–	**133,642**
	Non-current assets classified as held for sale	–	–	–	–	–	–	–
	Other assets	–	–	–	**657**	–	–	**657**
	Total assets	–		–	**134,299**	–	–	**134,299**
	LIABILITIES							
	Due to other banks	**4**	**3.0**	**138**	–	–	**138**	**138**
	Other liabilities	–	–	–	**5**	–	–	**5**
	Total liabilities	**4**		**138**	**5**	–	**138**	**143**
	2007							
	ASSETS							
	Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	129,642	–	–	129,642
	Non-current assets classified as held for sale	–	–	–	4,000	–	–	4,000
	Other assets	–	–	–	25	–	–	25
	Total assets	–		–	133,667	–	–	133,667
	LIABILITIES							
	Due to other banks	133	1.6	8,326	–	–	8,326	8,326
	Other liabilities	–	–	–	120	–	–	120
	Total liabilities	133		8,326	120	–	8,326	8,446

* The possible income statement affect has been determined by applying the possible change in interest rate to the outstanding balance reported at year end. The possible change in interest rate can be either positive or negative and the figures reflected above are in absolute format. A linear risk relationship has been assumed to interest rate moves. Assumptions used in quantifying interest rate risk are in line with those used by Nedbank Group Limited. The possible change in interest rate is determined by means of applying a prime/call interest rate differential similar to those used in determining forward interest rates of a 12 month instrument.

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