

NEDNAMIBIA

HOLDINGS LIMITED

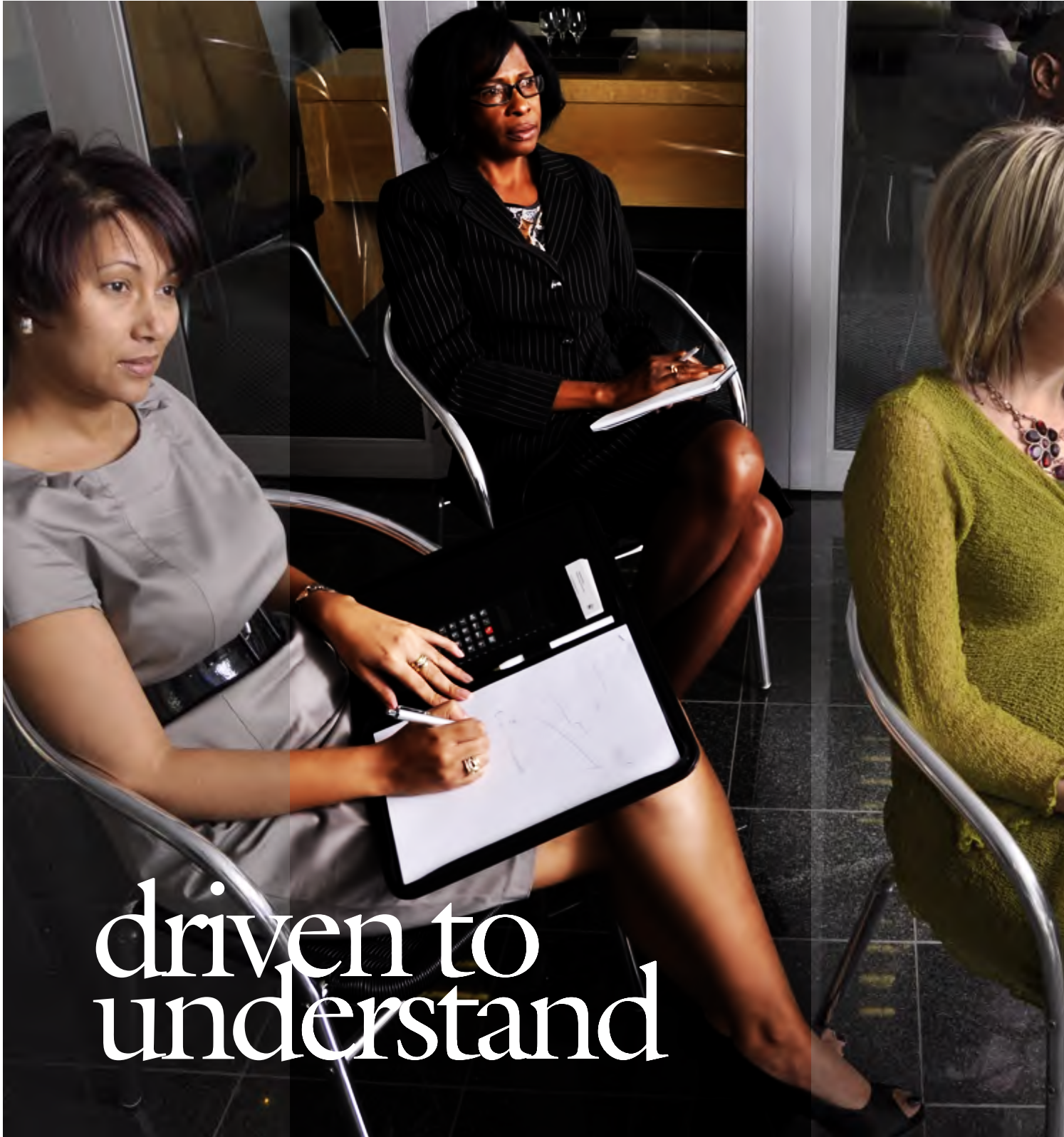
Annual
Report
09



MAKE THINGS HAPPEN

NEDNAMIBIA
HOLDINGS

A Member of the  OLD MUTUAL Group



driven to
understand

N\$6,45 billion

in total assets –
an increase of 11,7%

Net asset

value per share
increased by 22,3%
to 970,6 cents

**Decrease in
impairment**

of advances of 5,5%

In every sense, a group effort.

NEDNAMIBIA HOLDINGS 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\$6,45 billion (2008:N\$5,78 billion).

The principal subsidiary, Nedbank Namibia Limited, is a registered Namibian bank with assets of N\$6,30 billion (2008:N\$5,53 billion). It provides a full range of domestic and global services to individual, corporate and international clients through a growing branch network and a business centre and 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 (Proprietary) Limited, the specialist non-banking financial services unit within NedNamibia Holdings Limited, 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\$5 billion to some of Namibia's most significant projects.

NedNamibia Life Assurance Company Limited (formerly 'Coversure Limited') provides life cover for clients for their credit and overdraft commitments.

NedPlan Insurance Brokers Namibia (Proprietary) Limited provides insurance and assurance cover for individual and corporate clients.

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*Cover: Sencia Kaizemi (Sales Executive: Retail)
and Riaan Keulder (Manager: Home Loans)*

Profit after taxation
of **N\$116.5 Million**

Earnings per share
increased to **163.42 cents**

Group's RoE **18.8%**

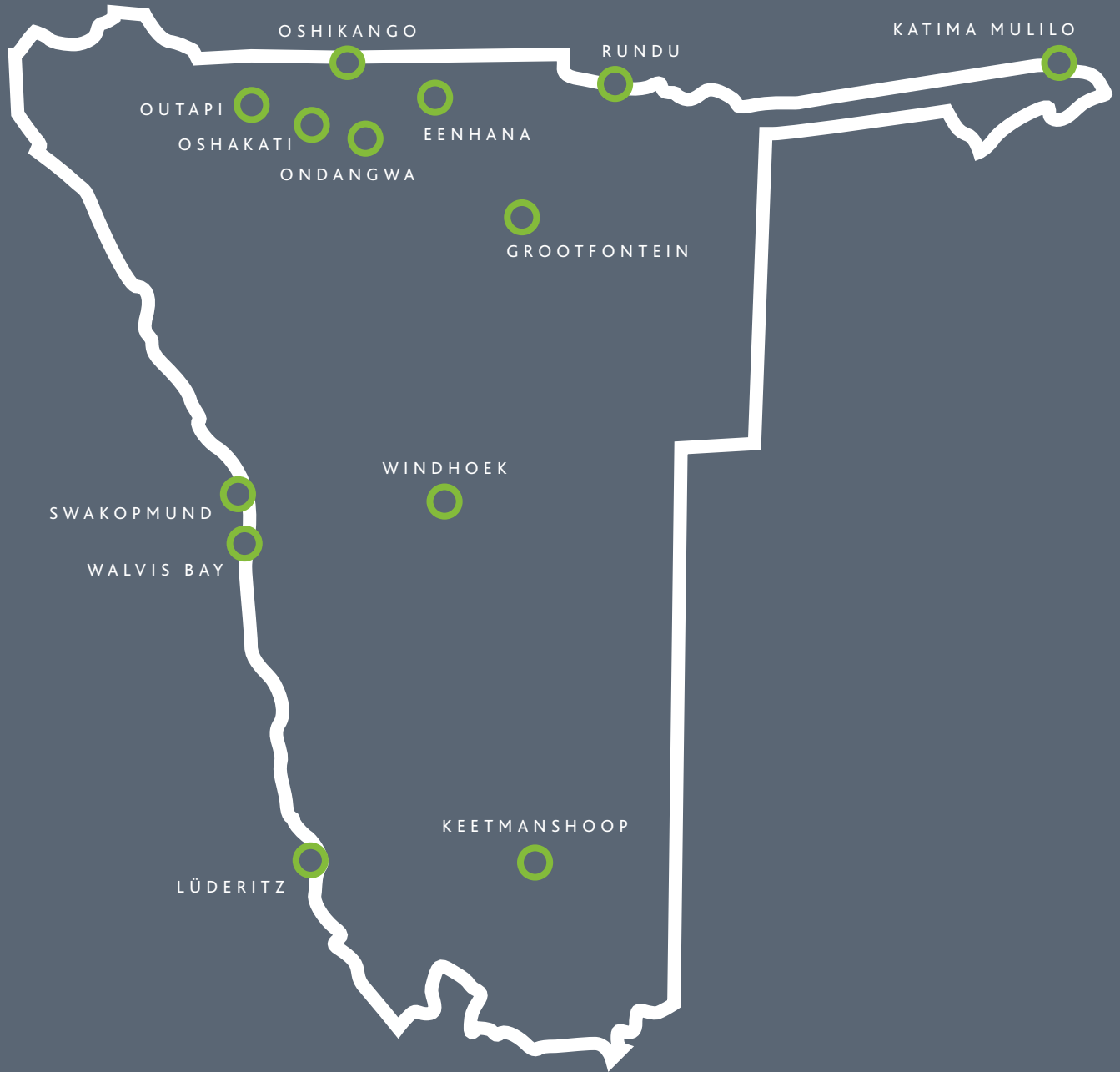


Nedbank Namibia Reports

- > **GROWING CONFIDENCE**
in product and service offering
- > **SIGNIFICANT**
corporate business won
- > **OUTSTANDING PERFORMANCE**
by retail business units, with year-on-year asset growth of 19.4%
- > **IMPROVEMENT IN QUALITY OF RISK,**
with arrears and non-performing loans at lowest levels in three years
- > **COST-TO-INCOME RATIO REDUCED,**
with total expenses at 8% below budget
- > **NEDLOANS ENTRENCHES LEADING POSITION**
- > **PRIVATE BANKING UNIT**
continues to exceed expectations

NedCapital Namibia Reports

- > **VALUE OF GROUP'S REACH**
into pipeline of Namibia's major projects grows to N\$25 billion
- > **NEW FUNDING CHANNELS SECURED**
- > **ROLE IN OFFERING SPECIALIST SERVICES EXTENDED**



If there is one word that defines 2009 at Nedbank Namibia, it is understanding.

Going into 2009, we understood that measures were needed to reduce our efficiency ratio.

And so, measures were taken. We undertook a countrywide roadshow explaining to our staff that, going forward, rather than automatically fill positions when they became vacant, we would look to existing staff members to incorporate new roles and responsibilities into their jobs. In effect, we called on staff members to work harder and smarter.

At first, and not surprisingly, this news was met with some negativity. But in our efforts to be transparent – to disclose what we saw as a viable solution, rather than have to resort to retrenchments – our staff understood.

Not only did these Nedbankers adapt to the situation, they positively reinterpreted it – as an opportunity for growth and professional development.

In 2009, we reduced our workforce from 600 to 530. And yet, in our 2009 staff survey, which had a record response rate of 77%, staff ratings on multiple points showed vast improvements. Some of these points include the level of internal communication and transparency; training and development and the opportunity to work in a variety of roles; and policies and procedures that encourage creative thinking and innovation.

Between the pages of this report we profile some of the staff members at Nedbank Namibia who were nominated as 2009 Top Achievers. In their own words, they tell us of their unique ability to be great at listening, understanding and delivering. In other words, how they Make Things Happen.

Left to Right: Marie Van Zyl, Sophie Amadhila, Christine Carstens, Riaan Keulder and Nita Uusiku



**Capital adequacy
and leverage ratios**
well ahead of regulatory limits

Improved
cost-to-income ratio

Growth
in loans and advances
to customers



01 | Theo J Frank (SC)

Chairman

Independent Non-Executive Director

BA LAW; LLB; DIP BUS MAN; CERT TAX LAW

Senior counsel and former judge of the High Court of Namibia. Chairperson of a fishing company and a director of a number of other companies. He is the chairperson of both NedNamibia Holdings and Nedbank Namibia.



01

02 | Erastus T Hoveka

Managing Director

Executive 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.



02

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 14 year career, which includes a previous appointment as Managing Director of MCBA Bank Limited. Denys is presently the Managing Director of Nedbank Africa, based in Johannesburg, South Africa.



03

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 the Managing Director of Old Mutual's African operations.



04

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 6 years. Since March 2009 he has held the position of Managing Director of BIDVEST Namibia (Proprietary Limited). He has vast expertise in logistics and freight management.



05



06 | Christopher J Pearce

Independent Non-Executive Director

BCOM; CA(SA); AMP (HARVARD)

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



07 | Heinz M Weilert

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. He is also the Treasurer of Southern African Association for Learning Difficulties (SAALED).



08 | 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. He is a past president of the Public Accountants and Auditors Board of Namibia and of the Institute of Chartered Accountants of Namibia.



09 | 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 10 years executive management experience in both the public and private sectors and is an entrepreneur in his own right.

2009 was a year in which the board guided the group with a strong sense of collective responsibility.

NedNamibia
Board of
Directors

Erastus Hoveka

Managing Director

Erastus who qualified as a Certified Public Accountant and attained his MBA (distinction) in the United States, served as Chief Financial Officer at the Development Bank of Namibia before his appointment as deputy Managing Director and then Managing Director of Nedbank Namibia. He currently serves in noteworthy capacities for the Housing Trust of Namibia, Government Institutions Pension Fund (GIPF) and the International Federation of the Red Cross & Red Crescent Societies, among others.

George Goldridge

Executive: Shared Services

George has 15 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

treasury management, corporate, business and retail banking, custody and trusteeship, asset and liability management and foreign exchange. Grant drives Nedbank's sales activities across Business and Corporate Banking, Global Trade, Retail Banking, which includes bancassurance, micro-lending, branch network and Private Banking.

Neville Beckmann

Executive: Treasury

Neville oversees Nedbank Namibia's Treasury activities, supporting the sales team to optimise financing solutions for clients. In a 21-year career, 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 a BCom (UNISA) graduate, he was instrumental in NamPower's expansion drive and also in Namibia's largest corporate bond issue.



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.

Grant Marais

Executive: Head Of Sales

Grant's career over the past 26 years has included responsibilities as Deputy MD of Standard Bank Namibia and Executive Director at Stanbic Botswana. A BCom graduate, he is a certified Associate of the Institute of Bankers in SA, and has experience across bancassurance,

Johannes C Jurgens

Chief Financial Officer

Johannes has 22 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.

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

Left to Right: Andre Ventér; Neville Beckmann; Johannes Jurgens; Erastus Hoveka; Rector Mutelo; George Goldridge ; Collin Katjitae; Mark Vivier and Grant Marais.

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.

Mark Vivier

Executive: Retail

Mark has 25 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

Andre J Ventér

Chief Risk Officer

Responsible for credit risk, internal audit, operational risk and legal services and compliance. Over the past 17 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.

Collin Katjitae

Executive: Human Resources (HR) (Designate)

Collin steers Nedbank towards becoming the employer of choice. Having attracted the best personnel, Collin is pivotal to staff empowerment. He devises and implements risk management strategies, addressing staff feedback and endeavouring to attain the best staff cost ratio in Namibia's banking sector. He has 6 years of HR



the University of Stellenbosch, an Honours degree in Financial Management (University of Cape Town), an Honours degree in Business Administration (University of Stellenbosch) and a BCom (Unisa). He has also completed 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.

experience locally and practised HR for 3 years in Australia. He is a holder of an MBA degree (Australia) in HR Management.

2009 has seen renewed focus on growing the value of the Group's reach throughout Namibia.



‘2009 was a year of contrasts, with pressure on the economy and on consumers. Yet, amidst this flux NedNamibia Holdings achieved a 35% increase in profit after taxation.’

Theo
Frank
CHAIRMAN

35,1% increase
in net profit after tax

18,8%
return on
shareholders' equity

Significant
cost-to-income
ratio reduction

ANOTHER YEAR OF CONTRASTS

Weaker international trade and lower commodity prices persisted in the wake of the global financial crisis and ensuing recessionary conditions.

Yet the country's pipeline of major investment projects grew – and with it, the longer-term prospects of better times for Namibia and its people. Many investment indicators remained strong – among them, building plans approved, commercial vehicle sales, company registrations and cement sales.

It was against this contrasting backdrop – and decreases in year-on-year profits of as much as 46% at other Southern African financial institutions – that NedNamibia Holdings achieved a 35,1% increase in net profit after tax to N\$116,5 million and a 18,8% return on shareholders' equity. The Group's financial and operational performance is examined in detail in the Managing Director's review on the following pages.

Given the business slowdown and a concerted drive to improve the efficiency ratio, this was a particularly challenging year for management and staff of the Group's major subsidiary, Nedbank Namibia. Their contribution in the prevailing circumstances, achieved with fewer people and under considerable pressure, was commendable. The

Bank grew its asset base, increased market share, notably in home loans, made further inroads through improved controls and service in the Treasury operations, and enhanced credit risk management. Service levels, despite the reduction in personnel, improved and while the efficiency ratio was better, the focus on reducing it to below industry averages will continue.

The specialist finance business, NedCapital Namibia, supported by Nedbank Capital, the investment banking division of Nedbank Group Limited, entrenched its leading position in Namibia, growing the value of the Group's reach into the pipeline of the country's major projects. NedCapital Namibia also secured new funding channels through development finance institutions and by cementing links with major international banks.

The revitalisation of NedNamibia Life Assurance Company Limited, the group's life assurance arm, resulted in encouraging growth in net premium income and net income after taxation and reserve allocations.

As is illustrated in a review of the economy by the Group economist on the following pages, a combination of monetary and fiscal policy applied by Government helped Namibia weather the economic storm. Increased capital investment by the state, tax cuts, salary increases for state employees, and decreases in interest rates helped contain the impact of the slump.

REGULATORY ACTIVITY

The year was also noteworthy for increased regulatory activity and presence. After initially informing the Bankers' Association of Namibia that he expected the commercial banks to reduce the difference between their prime

lending rate and the Namibian repo rate from 475 basis points to 375 basis points by the end of 2009, the Governor of the Bank of Namibia then challenged the banks in the third quarter to reduce the spread to 425 basis points by the end of October 2009 and 375 basis points by the end of October 2010. This led to a debate on the appropriate level of interest rates for Namibia.

Anti-money laundering legislation was enforced, and Group subsidiaries made inroads into the necessary client verification process. Education by all involved in the financial services industry of clients so they understand their responsibilities in providing current information will be required on an on-going basis.

With the launch of the Financial Services Charter, aimed at achieving a more diverse representation in line with Namibian demographics, Group subsidiaries made progress towards the voluntarily imposed targets set for 2014 and 2019. Allied to the goals of the charter and to address the sector-wide skills shortage, the Banking Association launched a training initiative and the Group supplemented its own training efforts. Concern over skills availability and Government approach to work permits for experienced and qualified expatriates was expressed by members of the Namibian Chamber of Commerce and Industry and it is to be hoped that consistency in issue of these permits will prevail.

Nedbank Namibia, as a member of the steering committee on the introduction of Basel II, the accord on capital planning, management and reporting, ran parallel Basel I and Basel II reporting to the Bank of Namibia ahead of final implementation on 1 January, 2010.

Proposed legislation receiving attention was the Financial Markets Institutions Bill which deals with credit issuing and procedures, and the Electronic Communications and Transmission Bill, which addresses the legality of faxes and emails in business. As the year concluded, a further announcement on the Transformation, Social and Economic Framework, implementation of which will impact on business ownership, was awaited. A review of the payroll deduction agreement, central to the repayment of microloans, was postponed by the Namibian Financial Institutions Supervisory Authority to March 2010.

The composition of the Group audit committee was revised during the year to comply with the King II governance code, to which the Group subscribes. King II recommends that most audit committee members should be independent to provide the necessary checks and balances. While the Group is King II compliant, the release of the King III report will necessitate a review of corporate governance practices and assessment of levels of compliance.

OUTLOOK

After growth stalled in 2009, expectations are that the Namibian economy will pick up in 2010. The consensus is that there will be a steady but slow move towards economic normality, with more robust growth in 2011, when some of the mega projects in mining and infrastructure – many of which the Group is helping to bring to fruition – are expected to come on stream. The Group is well positioned to build on the growth achieved in 2009, and in particular, with a further focus on even better client service and controls, to establish Nedbank Namibia as the Bank of choice for more Namibians.

APPRECIATION

Our thanks are due to our regulatory authorities for constructively engaging our Group in their guidance of the financial services industry.

We are also highly appreciative of the loyal support shown by clients and for the involvement of many public-spirited Namibians in guiding our contributions to sustainable development initiatives countrywide. These initiatives are detailed in the Social Report accompanying this Annual Report.

My sincere thanks go to my Board colleagues for their commitment, support and counsel during the year. The Board joins me in thanking management and staff across the Group for meeting the challenges of a testing year and for their dedication in ensuring business growth. We value, too, our suppliers and business partners and extend our gratitude for their continued support.

A handwritten signature in black ink, appearing to read 'Theo Frank', with a stylized flourish extending upwards and to the right.

Theo Frank (SC)
Chairman



‘The streamlining of roles and responsibilities in our fit-for-purpose initiative has resulted in a new, multi-skilled approach to business that has obvious, positive implications for our bottom line.’

Erastus T
Hoveka

MANAGING DIRECTOR

Major improvement
in the quality of risk

Sizeable increase
in bank market share

Smooth introduction
of Basel II accord

COMMITTED STAFF ARE A
COMPETITIVE EDGE

The premise that staff who are committed to focusing on objectives and to continuously improving service to clients represent a competitive edge was well proven across the business units of NedNambia Holdings in 2009.

The strategic focus for the year under review was on growth within NedNamibia Life Assurance Company Limited and NedPlan Insurance Brokers Namibia; at Nedbank Namibia, the major subsidiary, it was on a fit-for-purpose initiative aimed at improving the efficiency ratio, proactive liability management to protect net interest income in a declining interest rate environment, growth in loans and advances, maintaining customer deposits, and growing non-interest income.

Highlights of the year were:

- > Establishment of the premium income stream at NedNamibia Life Assurance Company Limited;
- > growth ahead of target in the contribution from expanded operations at NedPlan Insurance Brokers;
- > year-on-year growth at Nedbank Namibia of 16% in loans and advances, 17% in client deposits, and of 19% in non-interest income;
- > an improvement at the Bank in the quality of risk management, with arrears and non-performing loans at their lowest levels in three years; and
- > the success of the fit-for-purpose initiative at the Bank which saw a mere 1% increase in operating expenses and an improvement in the efficiency ratio, with operating expenses finishing 8% below budget.

The business successes at Nedbank Namibia were achieved despite a 12% reduction in personnel. The fit-for-purpose initiative necessitated critical evaluation of positions that became vacant, a streamlining of roles and responsibilities, tighter supervision by management, and a concerted communications drive to ensure understanding of the objectives and their implications.

It was significant that in this pressured environment the annual staff survey conducted in August across Nedbank Namibia drew a record response from more than 77% of personnel. Even more significant were the results of the survey, particularly much improved staff ratings for:

- > communication and keeping all staff informed of Bank performance;
- > rewards, recognition and performance in that staff received regular feedback on their performance;

- > policies and procedures in that the Bank encouraged and supported creative thinking and new ways of doing things;
- > diversity and appropriate treatment of people, regardless of gender, race and creed; and
- > training and development and the opportunity to work in a variety of roles and jobs.

The element of business life that enjoyed top of mind among staff in the survey, ahead of their high ratings for the relevance of their work and delivery of professional service to clients, was their awareness of ethics and Nedbank's code of conduct. Notwithstanding these improvements and the drive to make Nedbank Namibia a great place to work, we recognised the need for further initiatives in the staff environment, particularly to advance staff recognition, transformation, development and training and to achieve even better service to clients.

With the streamlining of roles and responsibilities in the fit-for-purpose initiative and a resultant multi-skilling approach, on-the-job training by experienced bankers as opposed to sending staff on external courses proved invaluable. The initiative and reduction in personnel led to a re-identification of critical positions, the creation of appropriate training programmes and a focus on salary alignment. Participation in a newly launched industry-wide survey produced data that was both reliable and valuable for retention purposes. Preparations for the introduction of the Basel II accord at

the start of 2010 went smoothly. Parallel Basel I and Basel II reporting runs to the Bank of Namibia confirmed the promise of more effective capital management under Basel II, along with appropriate pricing for risk and accurate identification of products providing better returns for risk.

While the bank business grew, improved controls ensured a reduction in the level of impairments and that the Bank's position remained on par with the industry. The improved controls also proved effective in countering an increase in the incidence of attempted fraud, notably in a wave of "phishing" that struck the banking industry in the last quarter.

Among other advances, in tandem with Bank of Namibia localisation requirements, the Bank progressed with the replacement of all existing magnetic stripes on Nedbank Namibia credit cards with chip and PIN cards, the latest in fraud protection technology.

The Group's assurance and insurance business made further strides. The revitalised life assurance arm, NedNamibia Life Assurance Company Limited, achieved encouraging growth in profit. Additional appointments and greater awareness of bancassurance within Nedbank Namibia resulted in increased income from assurance and insurance business at NedPlan Insurance Brokers Namibia.

LOOKING AHEAD

Our strategic focus in 2010 will continue to be on improving our service to clients across all Group business units and enhancing our position as an employer of choice. A further reduction in the level of expenses across the Group and in the efficiency ratio at Nedbank Namibia is being targeted through a continuation of the fit-for-purpose initiative.


Nedbank Namibia is looking to further growth in Private and Business Banking, Treasury and microloans operations and also in non-interest income. The Bank will open a new branch in Rundu, ensuring an optimal network for now. Treasury can benefit from the introduction by the Bank of Namibia of a primary dealership role in a move to improve the country's long term capital markets. A broadening of product range should help accelerate growth at NedPlan Insurance Brokers.

There were signs as the year drew to a close of an improvement in business and consumer confidence. While rapid gains in confidence, and a quick resurgence in the economy are unlikely, 2010 nonetheless presents the Group with an opportunity to build on the platforms established in prior years and to achieve a further increase in income.

APPRECIATION

A well-executed strategic focus and an extraordinary effort by personnel were key contributors to this year's results. The

contribution of staff and the loyal support of clients are very much appreciated. The Board of Directors are also thanked for their support and guidance throughout 2009.



Erastus Hoveka
Managing Director



Left to Right: Johan Piek - Senior Manager Project Finance; Matthias Langheld - Senior Manager Specialised Finance (Standing); Elizabeth Uutundu - Manager Administration; and Steve Galloway - Managing Director.

EXTENDING REACH INTO NAMIBIA'S N\$60 BILLION PROJECT PIPELINE

NedCapital Namibia entrenched its leading position in Namibia

as a specialist finance business in 2009, growing the value of the Group's reach into the pipeline of the country's major projects to more than N\$25 billion.

As the total value of the project pipeline soared to more than N\$60 billion, outpacing the scope of Namibian lending capacity, NedCapital was able to secure new funding channels through development finance institutions and by cementing links with major international banks.

The scale of the current pipeline and the nature and quality of the projects placed Namibia firmly on the radar of international banks. This positioning was created by the scale of projects like Kudu Gas, Nampower's generation and distribution infrastructure, and development of new uranium mines, including Paladin's Langer Heinrich, Areva's Trekkopje Mine and Desalination Plant and the Extract Resources Rossing South mine development, as well as the world-class Ohorongo Cement project. All are clients of NedCapital.

The year also brought an allocation of N\$200 million by the Government Institutions Pensions Fund to the Tunga debt and equity co-investment arrangement launched by NedCapital and Old Mutual Investment Group Namibia in 2008. Tunga provides opportunities for pension funds and long term assurers to invest in key Namibian projects and companies.

Activity in the mining, energy, telecommunications and tourism sectors were the main drivers in extending NedCapital's role in offering specialised finance, syndication and advisory services across corporates, state-owned enterprises and empowerment entities. Its project reach includes:

- > participation in the capital raising team for Nampower's N\$3 billion bond programme;
- > syndicated refinancing of the N\$2 billion long-term debt portion of the Areva desalination plant near Swakopmund;
- > advisory and arranging in respect of N\$600 million bond program for Telecom Namibia;
- > advisory services and structuring of economic empowerment transactions for Leo and Wilderness Safaris;
- > equity arranging for the N\$2,5 billion Ohorongo cement factory near Otavi;
- > advisory and funding mandates in the uranium sector for Extract Resources Ltd (N\$6 billion project), Paladin Energy (N\$3 billion mine) and Bannerman's project; and
- > advisory and arranging mandate for the Gecko Chemicals developments which includes the supply of reagents to uranium mines and related mining and infrastructure amounting to total investments in excess of N\$5 billion.

The scale of the reach means further expansion of the NedCapital Namibia team in 2010 and closer co-operation with Nedbank Namibia and Old Mutual Investment Group Namibia, as well as with other local and international funders. Mandates secured in the various sectors of the economy underpin prospects for continued growth in earnings contributions to the Nedbank Group in 2010 and beyond, and optimal positioning of NedCapital and Tunga in the Namibian market.



Left to Right: James Damon (Credit Manager: Corporate) and Annette Stafford-Evans (Head: Credit, Group Risk & 2009 Top Performer Nominee).



‘When you see yourself as part of the group, success takes on a different meaning; a heightened meaning, simply because it is shared.’

A TRUE MEASURE OF SUCCESS

Heading a division of almost 70 people, Annette Stafford-Evans (Head: Credit, Group Risk & 2009 Top Performer Nominee) and her team achieved the following in 2009:

- > Corporate and Business Banking exceeded their sales targets;
- > Retail Banking exceeded their sales targets;
- > Arrears during 2009 remained constantly well below the target of 0.25%;
- > Excesses were constantly well below the threshold of 5%;
- > Non-performing loans ended at 2.7%
 - well below the industry average;
- > Impairments over average advances were at 1.6%;
- > Expenses were 1% higher than 2008 actual expenses and 7% below the original 2009 expense budget;
- > Staff complement was reduced by 11 staff members without negatively impacting the risk environment;
- > Retail credit admin was centralised under Credit Admin and all admin functions were removed from the branches; and
- > Retail Credit took over the arrear management of all retail branches and improved on the arrear position since 2008.

A RECORD YEAR DESPITE THE DOWNTURN

Retail operations achieved excellent results in 2009, notwithstanding the challenging competitive and economic environment. All the Retail business units – Private Banking, Asset Finance, Conformance, the Branch Network and Micro Lending – produced outstanding performances, with targets being achieved and in some instances, records being set, without any increase in staff numbers.

Accompanying the business growth, driven by a service-oriented team prepared to go the extra mile, was a focus on aggressively reducing expenses, where the Retail business units achieved a remarkable 3% reduction in 2009 on its 2008 actual expenditure number. In addition, there was a sharpened focus on risk and controls; the Conformance team which ensures current processes and controls are satisfactory and enhances these where necessary, reported 100% acceptable audit results across the branch network.

Other key contributors to the outstanding showing were:

- > implementation of growth strategies ahead of the downturn;
- > the success of a centralised asset financing unit, with rapid turnaround times to clients;
- > allocation of administrative functions to Retail Credit and Shared Services to allow sales people to focus on sales;
- > an initiative to identify human resource issues and to assess retail positions and staff to further improve productivity; and
- > improved communication at all levels of the business.

The effectiveness of the centralised asset financing unit was reflected in a 28.5% increase in home loan registrations, a 14.4% increase in approved home loans awaiting payment, and a 23.9% reduction in home loan cancellations over the year. Expansion of the centralised asset financing model to Swakopmund and Walvis Bay was brought forward from 2010, with a pilot scheme starting in September. Year-on-year asset growth across the retail operations was 19.40%,

the successful products being home loans, up 26.7%, business loans, up 25.6% and Nedloans, up 35.6%. Asset based finance recorded slower growth at 9.9%, following the decline in new vehicle sales.

The Private Banking unit, successfully launched in July 2008, continued to exceed expectations, with its annual targets achieved by October. Through the steady expansion of its client base, with as much as 80% of all new clients coming from existing client referrals, the unit recorded asset growth of 258.48%, and a 186% rise in client transactional accounts. Additional appointments to the unit included a dedicated credit manager, financial analyst and sales support.

Nedloans entrenched its leading position as a registered micro lender, increasing the value of loans paid out by 172% on the 2008 figure. In paying out record monthly disbursements, the unit recorded a 107% rise in loan volume on 2008. Key drivers for this growth included focused advertising, appointment of a northern sales team and roving agents countrywide, marketing letters and SMS messaging to paid-up clients, and the establishment of a sales office at the head office. Credit life premiums grew by 172%, thereby boosting non-interest income; premiums were paid to NedNamibia Life Assurance Company Limited following its appointment in March 2009 as assurer to Nedloans clients.

Non-interest income was boosted by an 8.1% net growth in transactional accounts (i.e. salary accounts), and a substantial growth in cash deposit fees and US dollar cash deposits at the Oshikango branch, in the export processing zone on the Angolan border. Growth began to tail off in the last quarter as the decline in the Angolan economy resulted in a reduced spend by Angolans in Oshikango.

The reduction in interest rates curbed growth in inflow into Retail term funding products, but the call products like savings and current accounts grew substantially. Overall, the excellent performance of the retail units created positive momentum for 2010.

28.5% increase
in home loan registrations

Year-on-year
growth of 19.40%

Credit life
premiums
grew by 172%



great at
listening

Above: Luzelle Van Wyk, Globus Consultant




Bank market share increased

Business successes

achieved despite 12% reduction in personnel

Professional service

highly rated in staff survey



‘There’s no secret formula for success, only to see your goal clearly and to aim for it unswervingly. It’s about making a commitment to yourself and to others – to stay dedicated.’

Elaine Schlechter (Senior Manager: Bancassurance & 2009 Top Performer Nominee) was appointed to manage and grow Bancassurance income within Nedbank Namibia. Elaine also manages the operational activities of the NedNamibia Holdings subsidiary companies responsible for broking and insurance underwriting, namely Nedplan Insurance Brokers Namibia (Proprietary) Limited and NedNamibia Life Assurance Company Limited.

Increased Bancassurance performance

- > Increased marketing and branding of bancassurance products;
- > Training and embedding of all processes;
- > Introduction of incentive schemes to improve sales; and
- > Non interest income generated for Nedbank Namibia in 2009 of N\$1,468, 511 (2008:N\$1,283,118).

Nedplan Insurance Brokers Namibia (Proprietary) Limited performance

- > Increased footprint from 4 to 12 brokers;
- > Incorporation of training, marketing programs and monthly branch financial reports;
- > Incorporation of lead referral program and management of performance for all Nedbank Namibia staff to brokers;
- > Improved brokers position at Old Mutual;
- > Improvement in terms of annual premium income from 4th to 2nd in the brokers area;
- > Finished in first position in the overall retail operations of Old Mutual;
- > First, second and third finish in the unit trust investment performance;
- > First position for Top Female Broker performance; and
- > Non-interest income generated for NedNamibia Holdings Limited in 2009 of N\$6,678,166 (2008:N\$4,450,801).

NedNamibia Life Assurance Company Limited performance

- > Secure Credit Life product underwriting for Nedloans Namibia from March 2009;
- > Embedding of all underwriting-, training-, and accreditation processes for both client and staff;
- > Premium income generated in 2009 of N\$ 33,324,907 (2008:N\$52,752);
- > Commission paid in 2009 of N\$6,665,236 (2008:N\$10,550); and
- > Profit declared in 2009 of N\$5,655,017 (2008:N\$535,653)
- > Management of all retail branches and improvement on the arrear position since 2008.

Left: Elaine Schlechter (Senior Manager: Bancassurance & 2009 Top Performer Nominee).

A photograph of a man with short brown hair and glasses, smiling. He is wearing a grey sweater over a light-colored collared shirt and a dark tie. The background consists of horizontal window blinds, with light filtering through them. A large, semi-transparent green circle is overlaid on the lower-left portion of the image, containing the text 'seizing opportunity' in a white, serif font.

seizing
oppor-
tunity

Below: Christo Kruger (Manager: Private Banking & 2009 Top Performer Finalist)

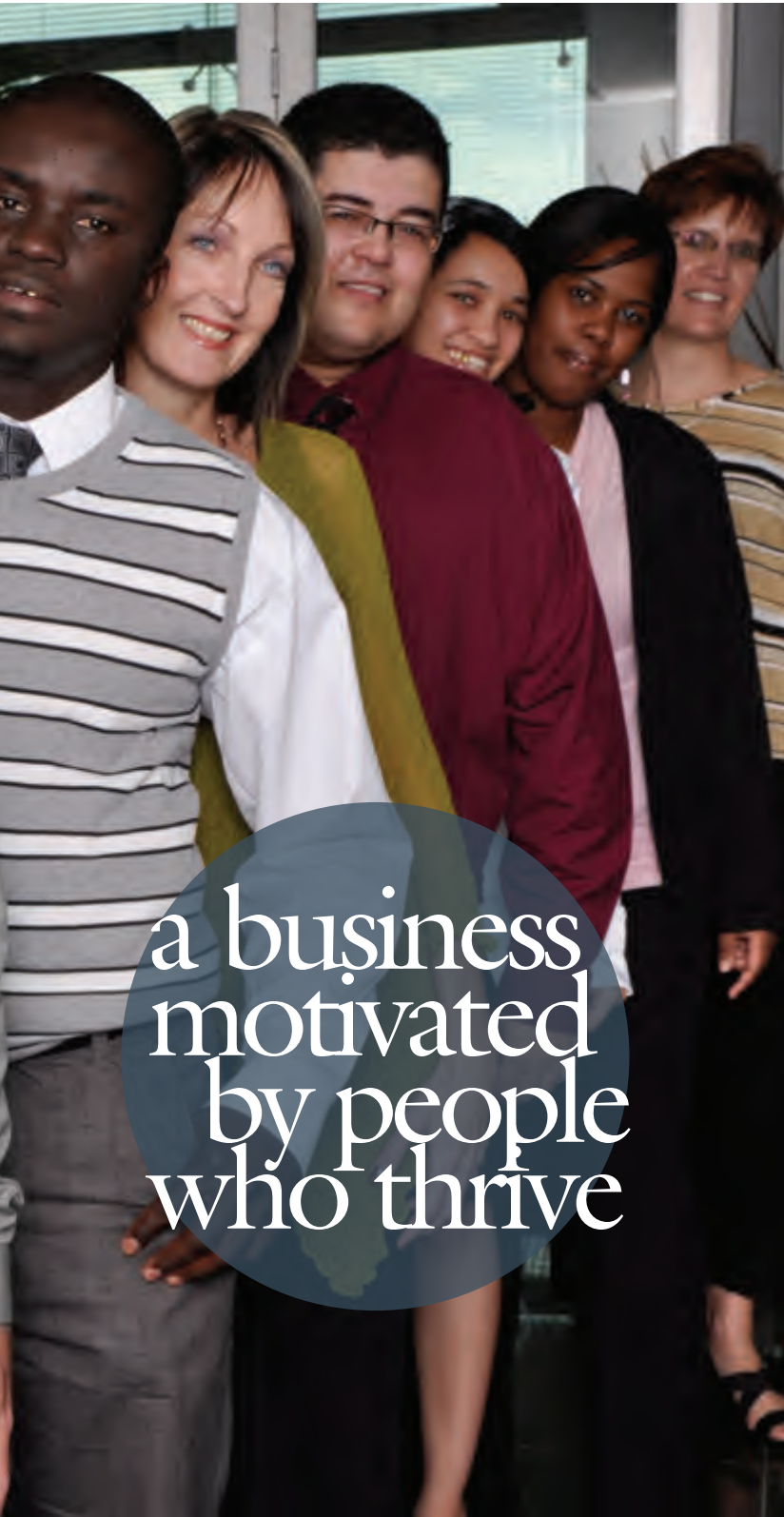


‘When you get involved you feel a sense of accomplishment that comes with knowing you are working to make things better.’

Christo joined our Private Banking unit on the first day of its first operation in June 2008. Since then he has taken to his position as manager with a professionalism valued as much by his colleagues as by his clients. Proof of this is that in 2009, Private Banking’s net asset target per banker was three times higher than that of our retail branch managers. Despite the global economic downturn, Christo took a stand to challenge the crisis and tripled his asset target every month.



Left To Right: Nedbank Namibia Private Banking Team, Freddie Elifas; Michellene Mouton; Christo Kruger; Max Kamaundju; Freda van Wyk and Dale Dennis.



‘We work well together and that’s because we’ve all taken the time to understand our business, our clients and their needs. That’s how you can start to see how to create solutions – solutions of mutual benefit.’

Comprising a team of nine members, the Private Banking unit performed exceptionally well in 2009, notwithstanding the challenging economic situation and a highly competitive environment. This team captured an incredible 5.3% of the Namibian private banking market in 2009, resulting in asset targets being exceeded by 38%, and several records being set. The business’ unique product offering combined with the passion and enthusiasm of the team members resulted in a 95% gain of new Private Banking clients from competitive banks.

under-
standing
IS OUR
greatest
asset

cont ents

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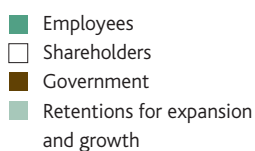
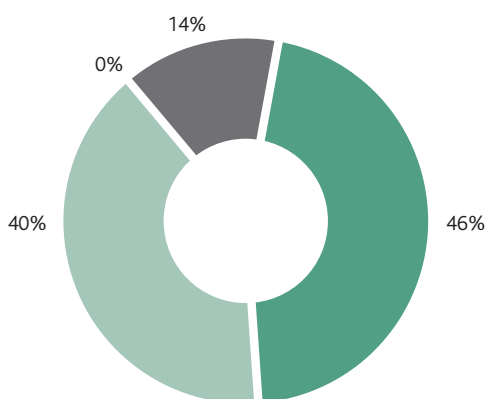
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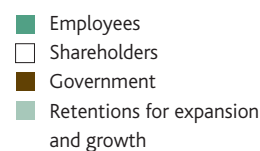
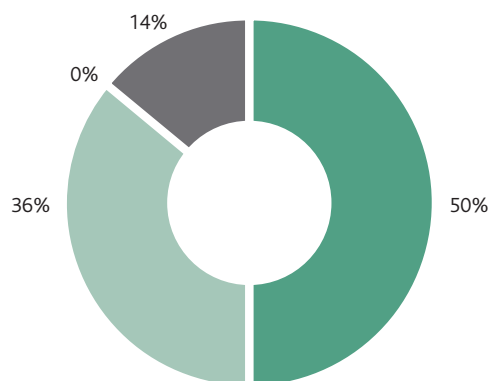
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	2009		2008	
	N\$'000	%	N\$'000	%
VALUE ADDED				
Value added is the wealth created by NedNamibia Holdings Limited through the provision of services to clients				
Interest income and non-interest revenue	813,401		831,273	
Interest paid and other expenditure	489,916		558,119	
	323,485		273,154	
VALUE ALLOCATED				
Employees				
Salaries, wages and other benefits	147,989	46%	137,159	50%
Government				
Taxation	47,063	14%	37,489	14%
Shareholders				
Dividends	0	0%	0	0%
Retentions for expansion and growth				
	128,433	40%	98,506	36%
Retained income	115,015		85,268	
Depreciation	13,418		13,238	
	323,485	100%	273,154	100%

VALUE ADDED 2009



VALUE ADDED 2008



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, as part of the Nedbank Limited Group, has incorporated competitive governance and compliance practices as core strategic imperatives for the sustainable development of our organisation. Our governance and compliance philosophy recognises the importance of ensuring continual adherence to legislative, regulatory and supervisory requirements as a critical part of effective risk management and sound enterprise governance.

The NedNamibia Holdings Group of companies embraces 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 Code corporate governance requirements. The compositions of the Board and all Board committees comply with the regulatory, legal and King II requirements.

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) Report on the state of corporate governance in the Group, as prepared and submitted to the South African Reserve Bank, in accordance with the South African Banks Act requirement.

BOARD OF DIRECTORS

The NedNamibia Holdings board comprises one executive and eight non-executive directors, five 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 2010, classified in terms of the King Code definition around independence were:

Independent non-executive directors (5)

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

Non-executive directors (3)

- Denya Denys
- IGawaxab Johannes
- Weilert Heinz M

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 board can be found on pages 8 and 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 management framework is established in the Group to properly manage, control and mitigate risks. The directors have a fiduciary duty to act in good faith, with due diligence and care and in the best interests of the Group and its stakeholders.

Progress against strategic objectives is tracked through the 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 2009 to ensure constant refinement of the Group's governance structures and the Board's responsibilities. Shortcomings identified during the evaluation process are being attended to by the respective Board committees and 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 NedNamibia Holdings Group.

During 2009, director development was continued. Encouraged by the South African Reserve Bank, directors attended a three day external training workshop offered by the Gordon Institute of Business Science ("GIBS"). The workshop was attended by 9 of the Bank's directors who were trained on the following topics:

- Corporate Governance, Risk Management and Regulation;
- Risk Governance and Management Structures; and
- Basel II Refresher and Operational Risk.

The company secretary is responsible for Corporate Governance at Board, Board Committee and Executive Committee level.

ATTENDANCE OF BOARD AND BOARD COMMITTEE MEETINGS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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 2009:

NEDNAMIBIA HOLDINGS LIMITED			
Board of Directors	Board	Audit Committee	Risk and Capital Management Committee
Meetings held:	4	5	1
Attendance:			
Frank T J	4 (Chairman)		1
Denya D	3	3	1
!Gawaxab J (2)	3	3	
Hoveka E T (1)	4 (Managing Director)	5	1
Kankondi S I	3		
Pearce C J	4	5	1 (Chairman)
Peters R H	4	5 (Chairman)	1
Shipanga M K (3)	4	1	
Weilert H M	3	4	1
Beyers S H (Alternate director to Mr Denya)	1	1	

(1) Attended board committee meetings by invitation.

(2) Resigned as member of the Audit Committee 31/07/2009

(3) Appointed as member of the Audit Committee 1/08/2009

**ATTENDANCE OF BOARD AND BOARD COMMITTEE MEETINGS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (continued)**

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

(1) Attended board committee meetings by invitation.

(2) Resigned as member of the Audit Committee 31/07/2009

(3) Appointed as member of the Audit Committee 1/08/2009

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 2009 financial year:

Chairman N\$25 500 per annum

Members N\$17 000 per annum

NEDNAMIBIA HOLDINGS LIMITED	
Fees paid for 2009 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 2009:

NEDBANK NAMIBIA LIMITED		
Annual directors' and board committee remuneration		
	Chairman (fees per annum)	Members (fees per annum)
Directors' fees	N\$113 400	N\$63 000
Audit committee	N\$78 500	N\$39 250
Risk & capital management committee	N\$78 500	N\$39 250
Remuneration, nomination, employment equity and skills retention committee	N\$47 000	N\$23 500
Directors' affairs committee	N\$15 600	N\$7 800
Fees for time spent by directors on bank related matters that fall outside the normal course of board/board committee business/preparation	N\$1 300 per hour	

NEDBANK NAMIBIA LIMITED	
Fees paid for 2009 financial year to individual directors	
Name of director	N\$ paid per annum
Frank T J (Chairman)	225 100
Denya D	NIL
!Gawaxab J	88 000
Gebhardt A T M	96 000
Hoveka E T (Managing Director)	1 868 085 (salary & bonus)
Kankondi S I	64 000
Muatunga L M	96 000
Pearce C J	NIL
Peters R H	236 600
Shipanga M K	80 500
Weilert H M	NIL
Whitfield K	NIL

No directors' fees are paid to directors of any of the other subsidiaries within the NedNamibia Holdings Group.

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)
IGawaxab 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); Exec. Dev. Prog. (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. A policy for conflicts of interest has been introduced in the Group and all staff and directors have disclosed their outside interests. All staff have signed a declaration, confirming that they have read and understood the contents of the policy and that they agree to be bound by the terms thereof. A structured process is in place for the consideration and approval of staff's outside interests. A register of directors' interests in contracts is kept at the Company's registered address.

BOARD COMMITTEES

The Board committee structure is designed to assist the Board in the discharge of its duties and responsibilities. The NedNamibia Holdings Board has established a Group Risk and capital management committee, the primary objective of which is to monitor the risk universe of the Holding Company and all its subsidiaries. The Bank's Risk committee's name has been changed to Risk and capital management Committee.

The current board committees are:

- NedNamibia Holdings board committees:
 - Audit committee; and
 - Risk and capital management committee.
- Nedbank Namibia board committees:
 - Audit committee;
 - Risk and capital management 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's Board committees report 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 the King code and the regulations and corporate governance provisions of the Banking Institutions Act, to act as nominations committee for board appointments and to make recommendations to the Board on all matters relating to directors' affairs, i.e. directors' fees, board/board committee evaluation, board training, directors' outside interests, etc. The committee has no decision-making powers but makes recommendations to the Board for approval. 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

BOARD COMMITTEES (continued)

and its subsidiaries. Both committees meet separately, at least four times a year.

External auditors

The Group's external auditors are Deloitte and Touche.

The report of the independent auditors on page 59 sets out the responsibilities of the external auditors with regard to reviewing the financial statements and the Group's compliance with both statutory and accounting standard requirements.

The external audit is structured to provide sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. The audit review also considers the directors' statements on the Group's going concern status 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 AND CAPITAL MANAGEMENT COMMITTEE

The Risk and capital management committee is a supporting committee of the Board and is required to assist the Board of directors with the following:

- evaluating the adequacy and efficiency of risk policies, procedures, practices and controls;
- identifying the build-up and concentration of risk;

- developing risk mitigation strategies;
- ensuring formal risk assessment;
- ensuring adequate provisioning for potential loss exposures;
- identifying and monitoring key risks;
- facilitating and promoting communication through reporting structures;
- ensuring the establishment of an independent risk management function and other related functions;
- overseeing policies and procedures to ensure compliance with Basel II;
- ensuring the establishment and maintenance of an Internal Capital Adequacy Assessment Process (“ICAAP”);
- monitoring all aspects of credit management, including the quality of the Bank’s loan portfolio;
- monitoring the adequacy of the asset and liability (“ALCO”) management, capital management processes, market trading risks, derivatives and investments;
- monitoring compliance with regulatory and statutory requirements; and
- monitoring any other risks brought to the attention of the committee.

Minutes of the Bank’s Risk and capital management committee meetings are regularly submitted to the Group Risk and capital management committee meetings.

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 and capital management 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, 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:

- The first line of defence comprises focused and informed involvement by the Board and the Nedbank Namibia Executive Committee (“EXCO”) and accountability and responsibility of business management – all supported by appropriate internal control, risk management and governance structures, policies and processes.
- The second line of defence consists of independent risk monitoring and oversight by the relevant Board committees and the Board.
- The third line of defence provides independent objective assurance on the management of risk across the Group. This is given by internal and external audit.

A key issue control log has been developed as a tool to assist in achieving good governance. It represents a holistic, yet focused, view of any issues that require attention, raising concerns around these and the actions taken to address them.

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

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

RISK MANAGEMENT (continued)

- strategic risk;
- social and environmental risk; and
- transformation risk.

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

CHIEF RISK OFFICER

The risk management function is headed by the Chief Risk Officer, 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 access to the Chairmen of both, the Audit- and the Risk and capital management committees.

Financial risk management

The most significant financial risks for the Group are credit risk, liquidity risk and market risk. Market risk includes interest rate and foreign currency 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 optimisation. The Group's pursuit is for quality facilities, soundly based, with good income returns for the Group.

Exposure to risk and how it arises

The Group is exposed to credit risk through granting of credit to clients, which can take the form of one of many products offered by the Group, including overdrafts, instalment 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 Bank 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 Bank'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 Bank's qualifying capital and the aggregate of all large exposures (i.e. an exposure which individually equals or exceeds 10% of the Bank's qualifying capital) shall not exceed 80% of the Bank's qualifying capital.

Methods used to measure risk

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

Mandates and authority levels

A mandate structure is in place with delegated levels of lending authority. All facilities, irrespective of amount, fall under the control of the Bank Credit committee. Maximum levels of lending authority have been set for the credit department and the Bank Credit committee, 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 Bank Credit committee being referred to the Africa Credit Risk Management Committee of Nedbank Group Limited ("AFGRAM") 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 in conduct of the account or utilisation of the facility, monitoring systems of daily usage and any other key events requiring monitoring. Regular internal audits are carried out to ensure the application of sound lending principles as well as the adequate administration of security documents and key credit information.

Liquidity risk

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

Liquidity risk management

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

The final responsibility for the management of liquidity risk rests with the Board of directors who has delegated the day-to-day accountability to the 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 EXCO, to the Risk and capital management committee. The Board's responsibility with regard to adequate liquidity management includes the development and implementation of a liquidity management policy that clearly establishes the responsibilities for managing liquidity, includes a comprehensive set of liquidity limits that define acceptable levels of cash outflow, includes a liquidity contingency plan and complies with local legislation and liquidity requirements.

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

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

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

Liquidity risk limits defines 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.

RISK MANAGEMENT (continued)**Financial risk management (continued)***Liquidity risk (continued)*

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 which could give rise to liquidity stress;
- ongoing management of relationships with major sources of liquidity;
- only accepting a prudent level of risk and neutralising all excess risks in all portfolios where possible;
- diversification of the depositor base wherever possible; and
- developing the Group's franchise to improve both its reputation and customer spread.

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

- daily reporting to executive and senior management of the Bank's liquidity risk position as well as reasons for any significant changes in the liquidity risk position;
- ongoing monthly reporting of the liquidity risk and funding structure of the Bank including significant shifts in the liquidity risk and explanations thereof; and

- analysis of the long-term changes in the liquidity risk and funding structure of the Bank with explanations and plans to rectify any adverse change in the composition of deposits.

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

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

- surplus liquid assets in excess of those needed for normal intra-day and statutory requirements;
- loans to other clearing banks in Namibia; and
- any other immediately liquefiable instrument with the approval of ALCO.

The liquidity buffer is reviewed and confirmed at monthly ALCO meetings.

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

Market risk in the trading and banking book

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 concentration 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 rates.

Interest rate risk management

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

Change in the level of interest rates

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

Change in the slope of the yield curve

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

Basis or margin risk

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

Embedded customer 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.

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 statement of financial position, in particular a cumulative limit for the 0 to 3 month bucket.

Sensitivity of forecast earnings to interest rate shocks

Earnings for the next twelve months are projected using a

‘base case’ interest rate scenario. The earnings for the same period are recalculated but with all interest rates shocked by a standard 100 basis point parallel 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 who has delegated the day-to-day accountability to ALCO. ALCO is responsible for ensuring that the necessary policies, frameworks and processes and procedures to manage interest rate risk within the Bank are developed and implemented.

It is also responsible for monitoring the Bank’s compliance with the policy as well as the agreed risk limits. ALCO reports, as a sub-committee of the EXCO, to the Risk and capital management 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 EXCO regarding the Bank’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.

RISK MANAGEMENT (continued)

Financial risk management (continued)

Interest rate risk (continued)

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 statement of financial position 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:

- Intra-day 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 who has delegated the accountability to ALCO. ALCO has in turn delegated the day-to-day accountability to the Treasury department. ALCO is responsible for ensuring that the necessary policies, frameworks, processes and procedures to manage currency risk within the Bank are developed and implemented and that the Bank complies with local legislation and regulations. It is also responsible for monitoring the 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 Bank's capital and reserves.

Limits on aggregate dealings with counterparties

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

Limits on single day delivery by counterparty

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

Trading limits for dealers

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

Stop loss limits

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

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

Definitions of other significant risks

Operational risk

Operational risk is the risk of 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 and capital management committee as well as the Enterprise-wide-risk committee ("ERCO"). Operational risk is reported to the Board of directors via the Risk and capital management committee. Line management is responsible for the day-to-day management of individual operational risks and holds collective responsibility for all aspects of risk management, including operational risk.

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

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

Accounting and taxation risk

Accounting risk is the risk that the integrity of the financial statements and related information cannot be upheld and that

RISK MANAGEMENT (continued)**Definitions of other significant risks (continued)***Accounting and taxation risk (continued)*

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 organisational standards, and codes of conduct applicable to its banking and other activities.

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.

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 Bank's compliance function is an independent function that identifies, evaluates and advises, monitors and reports on primarily the Bank's compliance risk and secondary also 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.

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, EXCO 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 external stakeholders); and
- inform the business of new and existing regulatory requirements.

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 underperformance against its strategic and business objectives. Specific environmental components include industry, political, economic, government, competitive and regulatory factors.

Brand positioning is a sub risk of strategic risk.

Insurance and assurance risk

Insurance and assurance risk comprises:

- the 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).
- the risk of loss caused by events that result in predetermined 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 signoff for compliance with the risk management requirements for all enterprise-wide-risk management framework risks.

RISK MANAGEMENT (continued)

Capital risk

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

The management of capital risk is described in note 44 to the annual financial statements on page 124 of this report.

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.

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).

MANAGEMENT COMMITTEES

EXECUTIVE COMMITTEE

The EXCO is the highest ranking management committee in the Bank. The EXCO assists the Managing director in managing the business of the Bank, subject to regulatory and statutory limits, the Board's limitations on delegation of authority and the Board approved policies and authority levels of the Bank. The committee furthermore assists the Managing director to guide and control the overall direction of the business of the Bank and acts as a medium of communication and co-ordination between business units and the Board. Responsibility for material management decision-making in the Bank is delegated by the Board to the EXCO, which in turn is accountable to the Board through the Managing director, who is the Chairman of EXCO and a member of the Board. The committee comprises nine members who are appointed by the Bank's Board of Directors in conjunction with the Managing director. EXCO meets monthly but additional meetings may be held when necessary.

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

ENTERPRISE-WIDE-RISK COMMITTEE

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 and capital management committee and the other one into the Nedbank Africa divisional ERCO. The Managing director is the Chairman of ERCO.

NEDBANK NAMIBIA CREDIT COMMITTEE

The Bank's credit committee is responsible for the approval of all third party risks, excluding sovereign and counter party risks, up to an authorised limit. Any facility in excess of such authorised limit has to be referred to the Nedbank Africa Credit committee. The Nedbank Group Limited Sovereign and Financial Institutions Risk Committee ("SIRC") is responsible for the approval of Sovereign and

Financial Institutions' facilities as well as counterparty and correspondent banking risk.

CREDIT RISK AND MONITORING COMMITTEE ("MONITORING CRAM")

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

ASSET AND LIABILITY COMMITTEE

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;
 - market risk in the trading book;
 - 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 EXCO and via the Bank's Risk and capital management committee to the Bank's Board.

OPERATIONAL DISTRIBUTION COMMITTEE

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

- amendments to the 3-year business plans pertaining to the distribution plan;

- new concepts that have a direct impact on the distribution plan; and
- the formation and mandate of the Project Team charged with delivery of distribution and infrastructure relating to specific channels.

PRICING COMMITTEE

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

PRODUCT COMMITTEE

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

INFORMATION TECHNOLOGY COMMITTEE

The principle role of this committee is to distil the views and priorities of the various information technology ("IT") stakeholders in order to arrive at a coherent IT strategy for the Group, which the committee reviews annually. The committee 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 5 Globus issues list, to co-ordinate issues completed by Group Software Services and for advising on and escalating

MANAGEMENT COMMITTEES (continued)

to EXCO and the Board the current outstanding Globus issues and progress in solving these issues.

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.

Anti-money laundering/Combating the financing of terrorism

The 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 2009:

- Implementation of an Anti Money Laundering program, compliant with the Financial Intelligence Act ("FIA"), which came into effect on 5 May 2009; and
- Preparation for and commencement of re-verification of the existing client base in terms of FIA.

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. In terms of Bank of Namibia, a parallel run between Basel I and Basel II reporting was scheduled from 1 July 2009 with a final effective date of 1 January 2010.

As a result of the incorporation of Basel II into our business processes, Nedbank Namibia has enhanced the level of

sophistication of its risk and capital measurement and management and more closely aligns both its regulatory and economic capital to the risks that the Bank faces.

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.

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-centered 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.

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 and capital management 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 the NedNamibia Holdings Board, while Nedbank Capital South Africa assumes responsibility for the technical risk and compliance functions. The NedNamibia Holdings Audit committee monitors NedCapital's internal control environment while the Group Risk and capital management committee monitors the company's capital management as well as its risk management-, information technology- and compliance environments. Both committees report into the NedNamibia Holdings board of directors. NedCapital's governance and control structures are constantly refined.

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;
- Information technology; and
- Company secretarial services.

NedNamibia Life Assurance Company Limited (previously known as Coversure Limited)

NedNamibia Life Assurance Company is a 100% subsidiary of NedNamibia Holdings. The company's internal control environment is monitored by the NedNamibia Holdings Audit committee while the Group Risk and capital management committee monitors the company's capital management as well as its risk management-, information technology and compliance environments.

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.

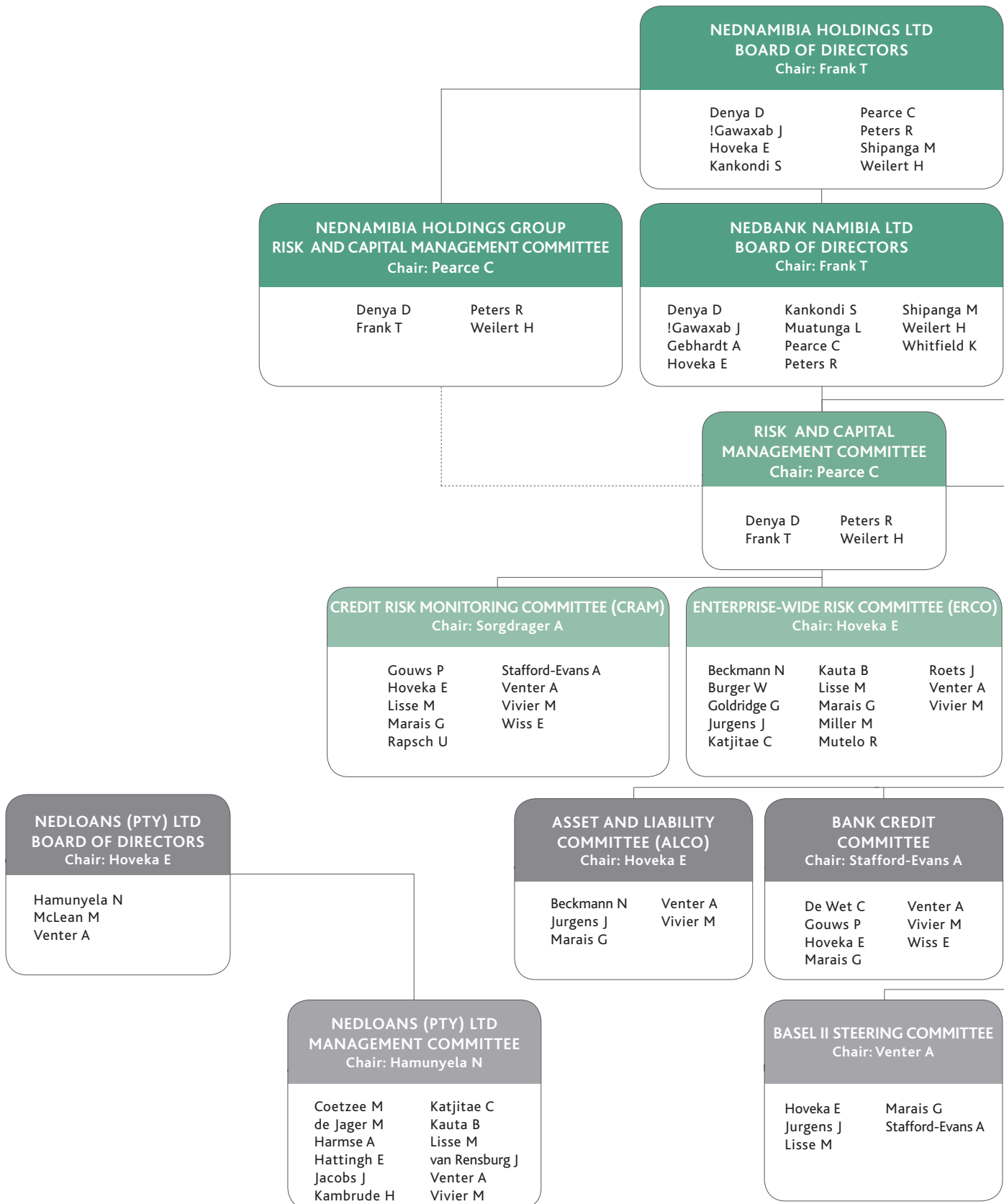
DIRECTORS' DECLARATION

The directors of NedNamibia Holdings group confirm and acknowledge that:

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

GOING CONCERN DECLARATION

The 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.





**NEDNAMIBIA HOLDINGS GROUP
AUDIT COMMITTEE**
Chair: Peters R

Denya D Pearce C	Shipanga M Weilert H
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**DIRECTORS' AFFAIRS
COMMITTEE**
Chair: Frank T

Denya D Gebhardt A	Muatunga L Weilert H
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**REMUNERATION, NOMINATION,
EMPLOYMENT EQUITY AND SKILLS
RETENTION COMMITTEE**
Chair: Frank T

Denya D Gebhardt A	Muatunga L Weilert H
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AUDIT COMMITTEE
Chair: Peters R

Denya D Pearce C	Shipanga M Weilert H
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**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
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**OPERATIONAL DISTRIBUTION
COMMITTEE**
Chair: Goldridge G

Hoebel I Hoffmann H Marais G	Miller M Venter A Vivier M
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PRICING COMMITTEE
Chair: Jurgens J

Beckmann N Goldridge G Hoveka E Marais G	Mutelo R Venter A Vivier M
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**SOCIAL INVESTMENT
COMMITTEE**
Chair: Jurgens J

Hoveka E Katjitae C Marais G	Mutelo R Venter A
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PRODUCT COMMITTEE
Chair: Goldridge G

Beckmann N Brink G Jurgens J Lisse M Marais G	Miller M Mutelo R Venter A Vivier M
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**INFORMATION TECHNOLOGY
COMMITTEE**
Chair: Goldridge G

Brink G James C	Venter A
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**GLOBUS PRIORITISATION
COMMITTEE**
Chair: Goldridge G

Jurgens J Lisse M van Zyl A	Venter A Vivier M
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**ANTI-MONEY LAUNDERING
COMMITTEE**
Chair: Miller M

Brink W Coetzee K de Wet C Duwe J	Elifas F Enssle C Hattingh E Izaacks J	Matthee B Rossouw L Venter A
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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 44 to 49 and 62 to 153 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 and capital management committees and other risk monitoring functions.

The internal financial controls include risk-based systems of accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed and recorded in accordance with 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, 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 59.

The annual financial statements were approved and authorised for issue by the Board of directors on 26 February 2010 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 annual financial statements of NedNamibia Holdings Limited, which comprise the report of the directors, and the consolidated and separate statements of financial position as at 31 December 2009, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 44 to 49 (section relating to financial risk management) and 62 to 153.

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, the financial statements present fairly, in all material respects, the consolidated and separate financial position of NedNamibia Holdings Limited at 31 December 2009 and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in Namibia.

Deloitte & Touche

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

PER VJ MUNGUNDA - Partner

Windhoek, 21 June 2010

Regional Executives: G Gelik (Chief Executive), A Swiegers (Chief Operating Officer), GM Pinnock

Resident Partners: VJ Mungunda (Managing Partner), RH McDonald, J Kock, H de Bruin

1. FINANCIAL SOUNDNESS

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

No Capital Adequacy Requirement was calculated as this is not required in terms of Namibian law.

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

STATEMENT OF ASSETS, LIABILITIES, EXCESS ASSETS AND CAPITAL REQUIREMENTS

Statutory Reporting Basis	2009 N\$'000	2008 N\$'000	Notes
Total value of assets as per statement of financial position	32 624 060	6 713 066	
Value of liabilities	20 454 840	160 665	
Current and other liabilities as per statement of financial position	173 085	211 283	
Total value of liabilities	20 627 925	371 948	2
Excess assets	11 996 135	6 341 118	

The value of the assets, liabilities and excess assets on the Published Reporting basis are identical to the Statutory Reporting basis.

2. ANALYSIS OF CHANGE IN EXCESS ASSETS

The excess of the value of the assets over the liabilities has changed as follows over the reporting period.

Analysis of change in excess assets		
Excess assets as at end of reporting period	11 996 135	6 341 118
Excess assets as at beginning of reporting period	6 341 118	5 805 465
Change in excess assets over the reporting period	5 655 017	535 653
This change in excess assets is due to the following factors:		
Investment return	1 119 918	469 787
Total investment return	1 119 918	469 787
Operating profit	2 803 549	134 645
Changes in valuation methods or assumptions	1 888 339	–
Taxation	(156 789)	(68 779)
Total earnings	5 655 017	535 653
Capital raised	–	–
Dividends paid	–	–
Total change in excess assets	5 655 017	535 653
Reconciliation to reported earnings:		
Total earnings as per above table	5 655 017	535 653
Reported earnings in the financial statements	5 655 017	535 653
Difference	–	–

The Excess Assets on the Statutory (and Published) Reporting basis increased by N\$5 655 017. This is an improvement from the previous year's earnings of N\$535 653. The increase in earnings is attributable to a strong year of new business flows.

3. CHANGES IN VALUATION METHODS OR ASSUMPTIONS

The value of liabilities decreased by N\$3 021 042 as a result of the renewal expense assumptions reducing from N\$270.26 per annum to N\$180 per annum. This assumption reduced as the business dramatically increased its in-force book while containing costs well within the pricing basis.

The value of the liabilities increased by N\$1 132 643 as a result of the incurred but not reported ("IBNR") assumption moving from 2/12 of annual expected claims to 6/12 of annual expected claims. This assumption increased as a matter of prudence as NedNamibia Life Assurance Company Limited sets up its claims processes, notification procedures and policyholder communication and hence should expect, at least in the short-term, delays longer than the long-term expectation.

4. VALUATION BASIS OF ASSETS

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

5. VALUATION OF POLICY LIABILITIES

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

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

Investment Return	7.25% 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
Renewal Expenses	R180 per annum
Expense Inflation	6.5% per annum
Taxation	40% Investment income is taxed at 35%. All investment income assumed to be taxable.

- No negative reserves were held.
- An Incurred But Not Reported reserve of 6/12ths of the annual expected claims was established.
- The Company started writing new business in 2009. The new volumes achieved were well ahead of budget with the costs being contained within the pricing basis. An expense analysis was completed to calculate the cost to administer a policy each year as well as the cost of incepting a policy. This analysis motivated a reduction in the renewal expense assumption and points to further reductions in the future as NedNamibia Life Assurance Company Limited achieves greater scale.

Certification of Statutory Financial Position

I hereby certify that:

- The valuation on the statutory basis of NedNamibia Life Assurance Company Limited as at 31 December 2009 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 general accepted actuarial standard;
- 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 on the statutory basis as at the valuation date, and in my opinion is likely to remain financially sound for the foreseeable future.



SC DIPPNALL
FIA FASSA
Statutory Actuary

29 March 2010

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 2009.

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 4 of this report.

FINANCIAL RESULTS FOR THE YEAR

Full details of the financial results are set out on pages 64 to 153 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 30 June 2009 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 36 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

The following directors who retired by rotation in terms of the Articles of Association, were reappointed as directors on 24 June 2009.

Messrs: Rolf H Peters
Theo J Frank
Sebulon I Kankondi

There were no new directors appointed to the NedNamibia Holdings board, nor did any of the directors resign during the period under review.

The Company's board of directors currently comprises the following members:

	Appointed
Frank Theo J (SC) (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 56 and 57 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 to lease 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

As at 31 December 2009, NedNamibia Holdings had the following directly held subsidiaries:

NAME OF SUBSIDIARY	TYPE OF BUSINESS	ISSUED SHARE CAPITAL	PROPORTION HELD
Nedbank Namibia Limited	Commercial banking	67 758 596 ordinary shares	100%
NedCapital Namibia (Proprietary) Limited	Specialised finance service	8 000 ordinary shares	100%
NedNamibia Life Assurance Company Limited (Previously 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%

NedCapital Namibia (Proprietary) Limited has deregistered its 100% subsidiary African Mining Company (Proprietary) Limited with effect from 2 June 2009.

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 passed by the Company

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

Special resolutions passed by subsidiaries

NedNamibia Life Assurance Company Limited (formerly known as Coversure Limited) At a general meeting held 22 September 2009 a special resolution was passed, changing Coversure Limited's name with effect from 20 November 2009 to NedNamibia Life Assurance Company Limited. The reason and effect of the name change are to align the company's branding with the identity and branding of its controlling shareholder, NedNamibia Holdings Limited and to redefine its role and the service it offers.

EVENTS SUBSEQUENT TO REPORTING DATE

- ***NamPost Financial Brokers (Proprietary) Limited*** - NedNamibia Holdings has, with effect from 1 January 2010,

sold to Namibia Post Limited its 250 (two hundred and fifty) ordinary shares, constituting 50% (fifty percent) of the issued share capital of NamPost Financial Brokers (Proprietary) Limited.

- The 2010 Income Tax Act Amendment Bill (Act No. 5 of 2010), which includes a reduction in the corporate tax rate from 35% to 34% was promulgated and printed in the Government Gazette No.4475 dated 30 April 2010. The change is effective for tax years commencing on or after 1 January 2009 and results in a tax credit of N\$4.2 million for the 2009 financial year.

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.

	Notes	2009 N\$'000	2008 N\$'000
ASSETS			
Cash and balances with central bank	4	129,841	187,537
Due from other banks	5	440,238	259,782
Other short-term securities	6	157,223	163,297
Derivative financial instruments	7	3,782	6,460
Government and public sector securities	8	499,303	388,743
Loans and advances to customers	9	4,846,359	4,285,518
Other assets	10	139,721	283,921
Investment in subsidiaries, associates, joint ventures and listed investments	11	29,595	21,543
Property and equipment	12	127,468	135,064
Computer software and development cost	13	51,047	18,851
Goodwill	15	27,623	27,623
Total assets		6,452,200	5,778,339
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	17,595	17,595
Share premium	16	99,536	99,536
General risk reserve	17	38,370	29,711
Revaluation reserve	18	27,452	28,370
Share-based payment reserve	19	19,835	18,488
Available-for-sale reserve	20	6,198	–
Retained income		468,394	360,626
Shareholder's interest		677,380	554,326
Non-controlling interest		5,776	4,605
Total shareholder's equity and non-controlling interest		683,156	558,931
LIABILITIES			
Derivative financial instruments	7	3,786	5,541
Due to other banks	21	104	184,268
Due to customers	22	4,188,985	3,711,732
Negotiable certificates of deposits	23	1,354,320	985,752
Other liabilities	24	88,376	215,416
Deferred taxation	25	103,774	109,553
Policyholder liabilities under insurance contracts	26	20,427	133
Provision for post-retirement medical benefits	27	7,223	5,237
Long-term subordinated debt instruments	28	2,049	1,776
Total liabilities		5,769,044	5,219,408
Total equity and liabilities		6,452,200	5,778,339

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 N\$'000	2008 N\$'000
Interest and similar income		626,572	708,885
Interest expense and similar charges		313,150	405,368
Net interest income	29	313,422	303,517
Non-interest income	30	186,566	121,682
Share of profit from associate	11	263	434
Total income		500,251	425,633
Impairment of loans and advances	31	19,966	21,133
Net income		480,285	404,500
Operating expenditure	32	290,185	280,159
Transfers to policy holders' liability	33	20,294	(272)
BEE transaction cost	34	6,241	879
Profit before taxation		163,565	123,734
Taxation	35	47,063	37,489
Total profit after taxation		116,502	86,245
Other comprehensive income net of taxation			
Revaluation of property		–	1,008
Deferred taxation effect of release of property revaluation reserve		494	283
Movements affecting non-controlling interest		(316)	(1,329)
Increase/(decrease) in available-for-sale reserve		6,198	(5,952)
Total other comprehensive income net of taxation		6,376	(5,990)
Total comprehensive income for the year		122,878	80,255
Total profit after taxation attributable to:			
Non-controlling interest		1,487	977
Owners of the parent		115,015	85,268
Total profit after taxation		116,502	86,245
Total comprehensive income attributable to:			
Non-controlling interest		1,171	(352)
Owners of the parent		121,707	80,607
Total comprehensive income for the year		122,878	80,255
Earnings per share (cents)	37	163.42	121.15
Diluted earnings per share (cents)	37	163.42	121.15

	Share capital N\$'000	Share premium N\$'000	General risk reserve N\$'000
Balance at 1 January 2008	17,595	99,536	23,074
Total comprehensive income for the year	–	–	–
Profit for the year	–	–	–
Other comprehensive income for the year	–	–	–
General risk reserve	–	–	6,637
Share based payments reserve movement	–	–	–
Balance at 31 December 2008	17,595	99,536	29,711
Total comprehensive income for the year	–	–	–
Profit for the year	–	–	–
Other comprehensive income for the year	–	–	–
General risk reserve	–	–	8,659
Share based payments reserve movement	–	–	–
Balance at 31 December 2009	17,595	99,536	38,370

Revaluation reserve N\$'000	Share-based payments reserve N\$'000	Available-for-sale reserve N\$'000	Retained income N\$'000	Total shareholder's interest N\$'000	Non-controlling interest N\$'000	Total N\$'000
27,888	17,609	5,952	281,186	472,840	4,957	477,797
482	–	(5,952)	86,077	80,607	(352)	80,255
–	–	–	85,268	85,268	977	86,245
482	–	(5,952)	809	(4,661)	(1,329)	(5,990)
–	–	–	(6,637)	–	–	–
–	879	–	–	879	–	879
28,370	18,488	–	360,626	554,326	4,605	558,931
(918)	–	6,198	116,427	121,707	1,171	122,878
–	–	–	115,015	115,015	1,487	116,502
(918)	–	6,198	1,412	6,692	(316)	6,376
–	–	–	(8,659)	–	–	–
–	1,347	–	–	1,347	–	1,347
27,452	19,835	6,198	468,394	677,380	5,776	683,156

	Notes	2009 N\$'000	2008 N\$'000
Cash generated by operating activities	38.1	262,143	117,703
Cash received from customers	38.2	754,310	784,629
Cash paid to customers	38.3	(273,765)	(343,432)
Cash paid to employees and suppliers		(447,723)	(350,147)
Dividends received		5,280	4,297
Taxation paid	38.4	(44,004)	(21,118)
Recoveries of loans previously written off	31.1	13,578	10,490
Cash movements in advances and other accounts		(552,243)	(101,245)
Cash movements in operating liabilities	38.5	806,710	134,229
Cash flow from investment activities		(139,383)	(193,466)
Investment in property, equipment, computer software and development cost		(38,332)	(21,968)
Proceeds on sale of property and equipment		126	282
Acquisition of listed investments		(3,598)	–
Proceeds from share premium repayment	11	3,000	–
Purchase of non-dealing securities	38.6	(100,579)	(171,780)
Cash and short-term funds generated		122,760	(75,763)
Cash and short-term funds at beginning of the year		447,319	523,082
Cash and short-term funds at end of the year	38.7	570,079	447,319

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

1. BASIS OF PREPARATION

The financial statements of NedNamibia Holdings (the "Company") and its subsidiaries (the "Group") are prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB and the requirements of the Namibian Companies Act and the Namibian Banks Act.

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

- financial assets and financial liabilities classified as at fair value through profit or loss;
- financial assets classified as available-for-sale; and
- owner-occupied properties.

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 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:

New/Revised International Financial Reporting Standards		Issued/ Revised	Effective for annual periods beginning on or after
IFRS 1	First-time Adoption of International Financial Reporting standards – Amendment relating to cost of an investment on first-time adoption	Revised May 2008	1 January 2009
IFRS 2	Share-based Payment – Amendment relating to vesting conditions and cancellations	2008	1 January 2009
IFRS 7	Financial Instruments: Disclosures – Amendments enhancing disclosures about fair value and liquidity risk	Revised March 2009	1 January 2009
IFRS 8	Operating Segments	Original issue 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 1	Presentation of Financial Statements – Amendments resulting from May 2008 Annual Improvements to IFRSs	May 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 IFRSs	May 2008	1 January 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 – Amendments resulting from May 2008 Annual Improvements to IFRSs	May 2008	1 January 2009
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 – 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

The adoptions of the above Standards and Interpretations have introduced a number of terminology changes and have resulted in a number of changes in presentation and disclosure. The revised Standard and Interpretations had no impact on the reported results or financial position of the Group.

2. ADOPTION OF NEW AND REVISED STANDARDS (continued)

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

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

New/Revised International Financial Reporting Standards		Issued/ Revised	Effective for annual periods beginning on or after
IFRS 1	First-time Adoption of International Financial Reporting standards – Revised and restructured	Revised November 2008	1 July 2009
IFRS 1	First-time Adoption of International Financial Reporting standards – Amendments relating to oil and gas assets and determining whether an arrangement contains a lease	Revised July 2009	1 January 2010
IFRS 1	First-time Adoption of International Financial Reporting standards – Limited Exemption from Comparative IFRS 7	Revised January 2010	1 July 2010
IFRS 2	Share-based Payment – Amendment resulting from April 2009 Annual Improvements to IFRSs	April 2009	1 July 2009
IFRS 2	Share-based Payment – Amendment relating to group cash-settled share transactions	June 2009	1 January 2010
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 5	Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	1 January 2010
IFRS 8	Operating Segments – Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	1 January 2010
IFRS 9	Financial Instruments – Classification and Measurement	November 2009	1 January 2013
IAS 1	Presentation of Financial Statements – Amendments relating from April 2009 Annual Improvements to IFRSs	April 2009	1 January 2010
IAS 7	Statement of Cash Flows – Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	1 January 2010
IAS 17	Leases – Amendments resulting from April 2009 Improvements to IFRSs	April 2009	1 January 2010
IAS 24	Related Party Disclosures – Revised definition of related parties	November 2009	1 January 2011
IAS 27	Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3	2008	1 July 2009
IAS 28	Investments in Associates – Consequential amendments arising from amendments to IFRS 3	2008	1 July 2009
IAS 31	Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3	2008	1 July 2009
IAS 32	Financial Instruments: Presentation – Amendments relating to classification of rights issues	2009	1 February 2010
IAS 36	Impairment of Assets – Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	1 January 2010
IAS 38	Intangible Assets – Amendments resulting from April 2009 Annual Improvements to IFRSs	April 2009	1 July 2009

2. ADOPTION OF NEW AND REVISED STANDARDS (continued)**Recent amendments to standards and interpretations not effective in the current year (continued)**

New/Revised International Financial Reporting Standards		Issued/ Revised	Effective for annual periods beginning on or after
IAS 39	Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items	July 2008	1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement – Amendments for embedded derivatives when reclassifying financial instruments	March 2009	30 June 2009
IAS 39	Financial Instruments: Recognition and Measurement – Amendments relating from April 2009 Annual Improvements to IFRSs	April 2009	1 January 2010
IFRIC 14	IAS 19 – The Limit on a Defined benefit Asset, Minimum Funding Requirements and their Interaction		1 January 2010 (November 2009 Amendment with respect to voluntary prepaid contributions)
IFRIC 17	Distributions of Non-cash Assets to Owners		1 July 2009
IFRIC 18	Transfers of Assets from Customers		1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments		1 July 2010

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 annual 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 NedGroup Namibia financial statements.

3.1 Basis of consolidation

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

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

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3: Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, which are measured at fair value less cost to sell.

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

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

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

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

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

3.1.1 Investment in 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 statement of financial position at the cost as

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

3.1.1 Investment in associate (continued)

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

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

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

3.1.2 Interests in joint ventures

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

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

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

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see 3.2 below). Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

3.1.3 Goodwill

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

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

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

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

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

3.2 Financial instruments

Financial instruments as reflected on the statement of financial position include all assets and liabilities, including derivative instruments, but exclude investments in subsidiaries and associate companies, employee benefit plans, property and equipment, provisions, deferred taxation, taxation payable/receivable, intangible assets and leases. Financial instruments are accounted for under IAS 32: Financial Instruments: Presentation, IAS 39: Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments: Disclosures. The Group does not apply hedge accounting. This accounting policy should be read in conjunction with the categorised statement of financial position.

(i) Initial recognition

Financial assets are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument. All purchases of financial assets that require delivery within the time frame established

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

(i) Initial recognition (continued)

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. The Group's derivative transactions include foreign exchange contracts, currency and interest rate swaps.

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 income as they arise. Impairment losses calculated on the amortised cost basis are recognised in the statement of comprehensive income in impairment losses on loans and advances. Interest income and interest expense calculated on the amortised cost basis are reported in interest income and expense.

- ***Other financial liabilities***

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

- ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those 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.

- ***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 other comprehensive income along with the associated deferred taxation. Any foreign currency translation gains and losses or interest revenue, measured on an effective-yield basis, are reclassified to profit and loss 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

(iv) *Embedded derivatives (continued)*

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.

- *Fair value*

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

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

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

When market related measures are not available, observable market data is modified to incorporate relevant factors that a market participant in an arm's length exchange motivated by normal business considerations would consider

in determining the fair value of the financial instrument (non-observable market inputs). The International Private Equity and Venture Capital Valuation Guidelines and industry practice, which have demonstrated the capability to provide reliable estimates of prices obtained in actual market transactions, are used to determine the adjustments to observable market data. Consideration is given to the nature and circumstances of the financial instrument in determining the appropriate non-observable market input.

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

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

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

- the variability in the range of reasonable fair value estimates is not significant for that instrument, or
- the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

(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 reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

(vii) Impairment of financial assets (continued)

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

The amount of the cumulative loss that is removed from other comprehensive income 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.

- ***Maximum credit risk***

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

- ***Renegotiated financial assets***

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

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

- ***Credit ratings***

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

(vii) Impairment of financial assets (continued)

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

(viii) Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Compound instruments

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compounded instrument as a whole. This is recognised and included in equity, net of income taxation effects, and is not subsequently remeasured.

(ix) Offsetting financial instruments and related income

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to set-off and there is intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expense items are offset only to the extent that their related instruments have been offset in the statement of financial position.

(x) Collateral

Financial and non-financial assets are held as collateral in respect of certain recognised financial assets. Such collateral is not recognised by the Group, as the Group does not retain the risks and rewards of ownership, and is obliged to return such collateral to counterparties on settlement of the related obligations. Should a counterparty be unable to settle its obligations, the Group takes possession of collateral or calls on other credit enhancements as full or part settlement of such amounts. These assets are recognised when the applicable recognition criteria under IFRS are met, and the Group's accounting policies are applied from the date of recognition (refer to note 46.5 to the annual financial statements).

Collateral is also given to counterparties under certain financial arrangements, but such assets are not derecognised where the Group retains the risks and rewards of ownership. Such assets are at risk to the extent that the Group is unable to fulfil its obligations to counterparties (refer to note 8 to the annual financial statements).

(xi) Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on clients. The Group expects most acceptances to be settled simultaneously with the reimbursement from clients. Acceptances are disclosed as liabilities with the corresponding asset recorded in the statement of financial position.

(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 Instalment transactions

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

3.4 Property and equipment

3.4.1 Initial recognition and subsequent expenditure

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

Subsequent expenditure is capitalised when it is measurable and will result in probable future economic benefits. Expenditure incurred to replace a component of an item of property or equipment is capitalised to the cost of the item of property and equipment and the part replaced is derecognised. All other expenditure is recognised in profit or loss as an expense when incurred.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Property and equipment (continued)

3.4.2 Measurement after recognition

Equipment

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

Property

Property, whose fair values can be reliably measured, are stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date.

An external valuation is performed on 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 reporting date an internal valuation is performed and adjustments made to reflect any material changes in value.

An independent valuation of the Group's land and buildings was performed in prior years 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 one of the income capitalisation method or the depreciated replacement cost method.

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

Significant assumptions used by the independent valuers under the income capitalisation method include 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 property and equipment to investment properties any revaluation gain arising is initially recognised in profit or loss to the extent of previous charged impairment losses. Any residual excess is taken to the revaluation reserve. Revaluation deficits are recognised in the revaluation reserve to the extent of previously recognised gains and any residual deficit is accounted for in profit or loss. Investment properties that are reclassified to owner occupied property are revalued at the date of transfer, with any difference being taken to profit or loss.

3.4.4 Depreciation

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciable amounts of property and equipment are charged to profit or loss on a straight-line basis over the estimated useful lives of items of property and equipment, unless they are included in the carrying amount of another asset. Useful lives and residual values are assessed on an annual basis.

In the case of owner-occupied property, on revaluation any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the property concerned and the net amount restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount for each property. Any difference between the depreciation charge on the revalued amount and that which would have been charged under historic cost is transferred net of any related deferred 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:

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

3.4.5 Derecognition

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal.

On derecognition of a property or equipment, any gain or loss on disposal, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss in the period of the derecognition. In the case of property, any surplus in the revaluation reserve in respect of the individual property is transferred directly to other comprehensive income. Compensation from third parties for items of property and equipment that were impaired, lost or given up is included in profit or loss when the compensation becomes receivable.

3.5 Impairment of assets

The Group assesses all assets, other than financial instruments, for indications of an impairment loss or the reversal of a previously recognised impairment at each reporting date. Should there be indications of impairment, the assets' recoverable amounts are estimated. These impairments (where the carrying amount of an asset exceeds its recoverable amount) or the reversal of a previously recognised impairment are recognised in profit or loss for the year.

Intangible assets not yet available for use are tested annually for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Impairment of assets (continued)

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. The fair value less cost to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value-in-use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An asset whose cash flows are largely dependent on those of other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

A previously recognised impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior periods.

3.6 Leases

The Group as lessee

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

The Group as lessor

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

Assets leased out under operating leases are included under property and equipment in the statement of financial position. Initial direct costs incurred in negotiating and arranging are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income. Leased assets are depreciated over their expected useful lives on a basis consistent with similar assets.

3.7 Taxation

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.

3.7.1 Deferred taxation

Deferred taxation is provided 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 reporting 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 other comprehensive income. 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 other comprehensive income.

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.

3.7.2 Direct and indirect taxation

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

Indirect taxation includes Value Added Taxation paid to central government and has been expensed in the statement of comprehensive income, to the extent that it has not been claimed under the Value Added Taxation apportionment ratio.

3.8 Foreign currency transactions

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

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

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

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 other comprehensive income, and in profit or loss if the changes in fair value of the non-monetary item is recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at cost are recorded in the functional currency at the spot 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

A defined contribution plan has been established for eligible employees of the Group, with assets held in separate trustee-administered funds. Contributions in respect of defined contribution pension schemes are recognised as an expense in profit or loss as incurred.

Post-retirement medical benefits

The Group provides post-retirement medical benefits to eligible employees. Non-pension post-retirement benefits are accounted for according to their nature, either as defined contribution or defined benefit plans. The expected costs of post-retirement benefits that are defined benefit plans are accounted for in accordance with IAS 19: Employee Benefits. The projected unit credit method is used to determine the defined benefit obligations based on actuarial assessments, which incorporate not only the post-retirement benefit obligations known on the reporting date, but also information relevant to their expected future development. The expected costs of post-retirement benefits are accrued over the period of employment and are determined by independent qualified actuaries. Actuarial gains and losses and service costs are immediately realised in the profit and loss when incurred or received.

3.11 Provisions

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

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

3.12 Contingent liabilities

The Group discloses a contingent liability where:

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

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets are capitalised as part of the costs of these assets. Qualifying assets are assets that necessarily take a substantial period of time to prepare

for their intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale. All other borrowing costs are expensed in the period in which they are incurred.

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

3.14 Computer software and development cost

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge are recognised in the statement of comprehensive income 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. 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 statement of comprehensive income 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 only when it is probable that future economic benefits from the use of assets will increase beyond its original assessed standard of performance. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. Surpluses or deficits on the disposal of computer software are recognised in the statement of comprehensive income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

3.15 Revenue recognition

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

Revenue is shown net of value added tax.

Interest income

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.15 Revenue recognition (continued)***Non-interest income**Dividend income*

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

Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided, such as loan syndication fees. Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service.

Loan origination fees for loans that are probable of being drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the advance. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction, unless it forms an integral part of the effective interest rate of the underlying financial instruments.

Foreign exchange gains and losses

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

Rental income

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

Other

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

Fair value gains or losses on financial instruments at fair value through profit or loss, including derivatives are included in non-interest income. 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 income.

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.

3.16 Share-based payments (continued)

Equity-settled share-based payment transactions (continued)

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

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

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

Cash-settled share-based payment transactions with employees

The services received in cash-settled share-based payment transactions with employees and the liability to pay for those services, are recognised at fair value as the employee renders services. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the year. Where the equity instruments do not vest until the employee has completed a specified period of service, it is assumed that the services rendered by the employee, as consideration for those equity instruments, will be received in the future, during the vesting period. These services are accounted for in profit or loss as they are rendered during the vesting period, with a corresponding increase in the liability. Share-based payment expenses are adjusted for non-market related performance conditions.

Measurement of fair value of equity instruments granted

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

Share-based payments with persons or entities other than employees

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

3.17 Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Share capital

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

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

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

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

Dividends are recognised as distributions within equity in the period in which they are approved by the shareholders. Dividends for the year that are declared after the reporting date are disclosed in note 31.

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)

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

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

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

PGN 102: Life offices – HIV/AIDS

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

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

PGN 105: Recommended AIDS extra mortality bases

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

PGN 110: Reserving for minimum investment return guarantees

Insurance contracts classification

The Group issues contracts that transfer insurance risk or financial risk or, in some cases, both.

An insurance contract is a contract under which the Group ("insurer") accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event ("the insured event") adversely affects the policyholder. Such contracts may also transfer financial risk. The Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur.

Insurance contracts measurement

These contracts are valued in terms of the Financial Soundness Valuation ("FSV") basis, on a gross premium valuation methodology, described in PGN 104 and the liability is reflected as Policyholders' liabilities under insurance contracts.

The liability is based on assumptions of the best estimate of future experience, plus compulsory margins for prudent liabilities as required in terms of PGN 104.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.21 Policyholder insurance contracts (continued)**

The liability assumptions are reviewed annually. Any changes in assumptions and/or other changes to the liability calculation are reflected in the statement of comprehensive income as they occur.

Outstanding claims provision

Provision is made in the policyholders' liabilities under insurance contracts for the estimated cost of claims outstanding at the end of the year.

Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of related intangible present value of acquired in-force business assets. The liability is calculated in terms of the FSV basis described in PGN 104. The FSV basis meets the minimum requirement of liability adequacy test.

Acquisition costs

Acquisition costs for insurance contracts represent commission that relate to the securing of new contracts.

The FSV method for valuing insurance contracts makes explicit allowance for the deferral of acquisition costs and hence no explicit deferred acquisition cost asset is recognised in the statement of financial position for insurance contracts.

	2009 N\$'000	2008 N\$'000
4. CASH AND BALANCES WITH CENTRAL BANK		
<i>Financial assets classification:</i>		
<i>At fair value through profit and loss - held for trading</i>		
Bank notes and coins	77,702	140,379
Balances with central bank	52,139	47,158
	129,841	187,537

Included under cash and balances with central bank are mandatory reserve deposits with Bank of Namibia of N\$52 million (2008: N\$47 million).

5. DUE FROM OTHER BANKS		
<i>Financial assets classification: Loans and receivables</i>		
Placements with other banks	440,238	259,782

6. OTHER SHORT-TERM SECURITIES		
<i>Financial assets classification:</i>		
<i>At fair value through profit and loss - held for trading</i>		
6.1 Investment portfolio:		
Negotiable certificates of deposit	157,223	163,297
6.2 Expected maturity structure		
One year or less	61,701	163,297
Five years or less but over one year	95,522	–
	157,223	163,297

6.3 Valuation	
The estimation of the fair value of the negotiable certificates of deposit has proven to be reasonably close to the carrying value of such instruments.	

7. DERIVATIVE FINANCIAL INSTRUMENTS

Financial assets classification: At fair value through profit and loss - held for trading

These transactions have been entered into in the normal course of business and no material losses are anticipated other than those for which provision has been made in the statement of comprehensive income. There are no commitments or contingent commitments under derivative instruments that are settled otherwise than with cash. The principal types of derivative contracts into which the Group enters are described below:

Swaps

These are over-the-counter ("OTC") agreements between two parties to exchange periodic payments of interest, or payment for the change in value of a commodity, or related index, over a set period based on notional principal amounts. The Group enters into swap transactions in several markets. Interest rate swaps exchange fixed rates for floating rates of interest based on notional amounts. Basis swaps exchange floating or fixed interest calculated using different bases. Cross currency swaps are the exchange of interest based on notional values of different currencies.

Forwards

Forward contracts are OTC agreements and are principally dealt in by the Group in interest rates as forward rate agreements and in currency as forward foreign exchange contracts.

	2009 N\$'000	2008 N\$'000
7. DERIVATIVE FINANCIAL INSTRUMENTS (continued)		
7.1 Total carrying amount of derivative financial instruments		
Gross carrying amount of assets	3,782	6,460
Gross carrying amount of liabilities	(3,786)	(5,541)
Net carrying amount	(4)	919

A detailed breakdown of the carrying amount, notional principal and fair value of the various types of derivative financial instruments held by the Group is presented in the following tables.

7.2 Notional principal of derivative financial instruments

This represents the gross notional amounts of all outstanding contracts at year-end for the Group. This gross notional amount is the sum of the absolute amount of all purchases and sales of derivative instruments. The notional amounts do not represent amounts exchanged by the parties and therefore represent only the measure of involvement by the Group in derivative contracts and not its exposure to market or credit risks arising from such contracts. The amounts actually exchanged are calculated on the basis of the notional amounts and other terms of the derivative, which relate to interest rates, exchange rates, securities' prices or financial and other indices.

	2009 N\$'000 Notional principal	2009 N\$'000 Positive value	2009 N\$'000 Negative value
<i>Exchange rate contracts</i>			
Forwards	125,167	3,763	3,697
Spot	322,722	19	4
	447,889	3,782	3,701
<i>Interest rate contracts</i>			
Interest rate swaps	11,194	–	85
	459,083	3,782	3,786

	2008 N\$'000 Notional principal	2008 N\$'000 Positive value	2008 N\$'000 Negative value
<i>Exchange rate contracts</i>			
Forwards	70,054	6,209	5,511
Spot	3,144	14	30
	73,198	6,223	5,541
<i>Interest rate contracts</i>			
Interest rate swaps	13,171	237	–
	86,369	6,460	5,541

7.3 Carrying amount of derivative financial instruments

The amounts disclosed represent the value of all derivative instruments held at 31 December 2009. The fair value of a derivative financial instrument is the amount at which it could be exchanged in a current transaction between willing parties, other than a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and market-accepted option-pricing models.

	N\$'000 Exchange rate contracts	N\$'000 Interest rate contracts	N\$'000 Total
7.4			
Analysis of derivative financial instruments			
<i>Positive fair value of derivatives</i>			
2009			
<i>Maturity analysis</i>			
Under one year	2,559	–	2,559
One to five years	1,223	–	1,223
	3,782	–	3,782
2008			
<i>Maturity analysis</i>			
Under one year	6,223	–	6,223
One to five years	–	237	237
	6,223	237	6,460
<i>Negative fair value of derivatives</i>			
2009			
<i>Maturity analysis</i>			
Under one year	2,620	–	2,620
One to five years	1,081	85	1,166
	3,701	85	3,786
2008			
<i>Maturity analysis</i>			
Under one year	5,541	–	5,541
One to five years	–	–	–
	5,541	–	5,541
<i>Notional principal of derivatives</i>			
2009			
<i>Maturity analysis</i>			
Under one year	421,676	–	421,676
One to five years	26,213	11,194	37,407
	447,889	11,194	459,083
2008			
<i>Maturity analysis</i>			
Under one year	73,198	–	73,198
One to five years	–	13,171	13,171
	73,198	13,171	86,369

	2009 N\$'000	2008 N\$'000
8. GOVERNMENT AND PUBLIC SECTOR SECURITIES		
<i>Financial assets classification:</i>		
<i>At fair value through profit and loss - held for trading</i>		
8.1 Investment portfolio		
Treasury bills	419,793	300,959
Government registered stock	19,744	87,784
Other public sector securities	59,766	–
	499,303	388,743
8.2 Expected maturity structure		
One year or less	434,919	303,987
Five years or less but over one year	3,249	82,248
Over five years	61,135	2,508
	499,303	388,743
8.3 Valuation		
Unlisted		
– Book value	504,012	389,705
– Market valuation	499,303	388,743
Treasury bills with a maturity value of N\$345 million (2008: N\$68 million) have been encumbered to secure the current account with Bank of Namibia. No government registered stock or other public sector securities (2008: maturity value of N\$113.5 million) have been encumbered in 2009.		
Banking institutions may overdraw their current account against certain pledged eligible securities to cover possible shortages. Overdrafts are limited to 90% of the maturity or redemption value of the securities pledged. Daily interest is charged at the prevailing repo rate on the amount received from Bank of Namibia (90% of the maturity value).		
9. LOANS AND ADVANCES TO CUSTOMERS		
<i>Financial assets classification: Loans and receivables</i>		
9.1 Category analysis		
Home Loans	1,911,264	1,628,946
Other loans and overdrafts	1,855,346	1,650,239
Preference share finance	41,750	46,200
Leases and instalment debtors	999,371	1,037,462
Less: Unearned finance charges on leases and instalment debtors	(208,169)	(250,184)
Micro loans	322,594	237,946
	4,922,156	4,350,609
Impairment of loans and advances (note 31)	(75,797)	(65,091)
	4,846,359	4,285,518
9.2 Sectoral analysis		
Individuals	2,745,561	2,461,688
Manufacturing	162,529	174,864
Wholesale and trade	52,672	64,615
Retailers, catering and accommodation	117,702	120,755
Agriculture, hunting, forestry and fishing	421,180	251,836
Mining and quarrying	284,904	186,697
Financial services, insurances and real estates	377,309	397,113
Government and public sector	81,129	93,419
Building and property development	90,768	81,203
Transport, storage and communication	106,323	110,234
Other services	482,079	408,185
	4,922,156	4,350,609

	2009 N\$'000	2008 N\$'000
9. LOANS AND ADVANCES TO CUSTOMERS (continued)		
9.3 Expected maturity structure		
Less than three months but not repayable on demand or at short-term notice	468,471	247,382
One year or less but over three months	425,212	618,087
Five years or less but over one year	2,170,141	3,426,957
Over five years	1,858,332	58,183
	4,922,156	4,350,609
9.4 Geographical analysis		
Namibia	4,922,156	4,350,609
9.5 Non-performing advances		
9.5.1 Category analysis (included under note 9.1)		
Home Loans	42,166	50,459
Other loans and overdrafts	36,865	34,742
Net leases and instalment debtors	7,891	5,444
Micro loans	19,581	17,944
	106,503	108,589
9.5.2 Sectoral analysis (included under note 9.2)		
Individuals	81,093	82,681
Manufacturing	4,070	4,150
Wholesale and trade	1,504	1,533
Retailers, catering and accommodation	1,501	1,530
Agriculture, hunting, forestry and fishing	2,562	2,612
Mining and quarrying	397	405
Financial services, insurances and real estates	9,799	9,991
Government and public sector	–	–
Building and property development	1,889	1,926
Transport, storage and communication	2,566	2,616
Other services	1,122	1,145
	106,503	108,589
10. OTHER ASSETS		
<i>Financial assets classification: Loans and receivables</i>	116,122	249,656
Remittances in transit	58,602	151,277
Zero coupon bonds	32,389	86,898
Sundry debtors and other accounts	25,131	11,481
<i>Non - financial instruments</i>	23,599	34,265
Deferred staff compensation	8,387	13,155
Prepayments	2,251	3,150
Taxation	9,544	17,960
Deferred taxation asset	3,417	–
	139,721	283,921
11. INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND LISTED INVESTMENTS		
<i>Financial assets classification: At fair value through profit and loss - held for trading</i>		
Investment in associates	2,431	5,168
– Carrying value at beginning of the year	5,168	4,734
– Repayment of share premium	(3,000)	–
– Share of associate's profit	263	434
Listed investments	27,164	16,375
	29,595	21,543
Market valuation	29,595	21,543

Nature of business

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

Subsidiary companies

Nedbank Namibia Limited	Banking company
CBN Nominees (Proprietary) Limited	Safe custodian services
NedLoans (Proprietary) Limited	Administration company
Ten Kaiser Wilhelm Strasse (Proprietary) Limited	Property company
Walvis Bay Land Syndicate (Proprietary) Limited	Property company
NedProperties (Proprietary) Limited	Property company
Nedplan Insurance Brokers Namibia (Proprietary) Limited	Insurance broker
NedNamibia Life Assurance Company Limited	Insurance company
NedCapital Namibia (Proprietary) Limited	Financing company
NIB Mining Finance (Proprietary) Limited	Financing company
Tunga Management Company (Proprietary) Limited	Financing company

The directors value the investments in the subsidiary companies at cost.

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
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Due to the unavailability of audited annual financial statements of Namclear (Proprietary) Limited for the year ended 31 December 2009 at the time of approval of the Group's 2009 annual financial statements, un-audited management accounts of Namclear have been used to provide statement of financial position and statement of comprehensive income information.

Nature of business

Joint ventures

NamPost Financial Brokers (Proprietary) Limited	Finance services broker
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Indebtedness does not include loans and advances paid in the normal course of business. These amounts were included in advances.

Nature of business

Listed investments

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



Issued ordinary share capital		Proportion held		Shares at cost		Aggregate profits after tax of subsidiary	
2009 '000	2008 '000	2009 %	2008 %	2009 N\$'000	2008 N\$'000	2009 N\$'000	2008 N\$'000
67,759	67,759	100	100	125,634	125,634	101,434	88,131
–	–	100	100	–	–	–	–
–	–	80	80	2,250	2,250	4,572	389
582	582	50	50	291	291	470	382
3,000	3,000	50	50	1,500	1,500	676	1,416
–	–	100	100	4,000	4,000	567	(1,522)
–	–	100	100	–	–	408	160
4,000	4,000	100	100	4,000	4,000	5,812	564
8	8	100	100	8	8	2,986	1,291
–	–	100	100	–	–	73	210
–	–	100	100	–	–	–	–

Issued ordinary share capital		Proportion held		Shares at cost		Indebtedness by associate	
2009 '000	2008 '000	2009 %	2008 %	2009 N\$'000	2008 N\$'000	2009 N\$'000	2008 N\$'000
16	16	25	25	1,162	4,162	–	–

Issued ordinary share capital		Proportion held		Shares at cost		Indebtedness by joint venture	
2009 '000	2008 '000	2009 %	2008 %	2009 N\$'000	2008 N\$'000	2009 N\$'000	2008 N\$'000
–	–	50	50	–	–	448	–

Issued ordinary share capital		Proportion held		Shares at cost		Fair value of shares	
2009 '000	2008 '000	2009 %	2008 %	2009 N\$'000	2008 N\$'000	2009 N\$'000	2008 N\$'000
172	172	0.02	0.02	20,966	17,368	27,164	16,375

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

	31 December 2009 N\$'000	31 December 2008 N\$'000
Summarised financial information in respect of Namclear (Proprietary) Limited:		
Total assets	16,429	25,471
Total liabilities	6,704	4,800
Net assets	9,725	20,671
Bank's share of associate's net assets	2,431	5,168
Total revenue	16,696	19,619
Total profit for the year	4,068	4,752
Share of associate's profit for the year	1,017	1,188
Less previous years losses not consolidated	(754)	(754)
Share of associate's profit	263	434

	Freehold land N\$'000	Freehold buildings N\$'000	Leasehold buildings N\$'000	Furniture, fittings and equipment N\$'000	Computer hardware N\$'000	Total N\$'000
12. PROPERTY AND EQUIPMENT						
2009						
Carrying amount at 1 January 2009	10,702	76,735	–	33,167	14,460	135,064
- at cost/revaluation	10,702	79,047	1,500	60,446	35,023	186,718
- accumulated depreciation	–	(2,312)	(1,500)	(27,279)	(20,563)	(51,654)
Additions at cost	–	–	–	2,358	1,875	4,233
Revaluation	–	–	–	–	–	–
Cost	–	–	–	–	–	–
Accumulated depreciation eliminated on revaluation	–	–	–	–	–	–
Disposals at net book value	–	–	–	(58)	(6)	(64)
Disposals at cost	–	–	–	(75)	(6)	(81)
Accumulated depreciation of disposals	–	–	–	17	–	17
Depreciation for the year	–	(1,698)	–	(5,634)	(4,416)	(11,748)
Carrying amount at 31 December 2009	10,702	75,037	–	29,816	11,913	127,468
- at cost/revaluation	10,702	79,047	1,500	62,729	36,892	190,870
- accumulated depreciation	–	(4,010)	(1,500)	(32,913)	(24,979)	(63,402)
2008						
Carrying amount at 1 January 2008	3,352	52,186	–	31,030	12,970	99,538
- at cost/revaluation	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	–	–	–	–	–	–
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/revaluation	10,702	79,047	1,500	60,446	35,023	186,718
- accumulated depreciation	–	(2,312)	(1,500)	(27,279)	(20,563)	(51,654)

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 2007.

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			
2009			
Carrying amount at 1 January 2009	6,268	12,583	18,851
- at cost	6,268	23,689	29,957
- accumulated amortisation	-	(11,106)	(11,106)
Additions at cost	-	746	746
Development cost incurred	33,353	-	33,353
Write-offs during the current year	-	(233)	(233)
Write-offs at cost	-	(847)	(847)
Accumulated amortisation on write-offs	-	614	614
Amortisation for the year	-	(1,670)	(1,670)
Carrying amount at 31 December 2009	39,621	11,426	51,047
- at cost	39,621	23,588	63,209
- accumulated amortisation	-	(12,162)	(12,162)
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
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)

	2009 N\$'000	2008 N\$'000
14. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE		
Opening balance at the beginning of the year	–	31,496
Land held for sale	–	7,350
Building held for sale	–	24,146
Transfer to freehold land (Note 12)	–	(7,350)
Transfer to freehold buildings (Note 12)	–	(24,146)
Closing balance at the end of the year	–	–
Land held for sale	–	–
Building held for sale	–	–
15. GOODWILL		
Carrying amount at beginning of year	27,623	27,623
- Cost	27,623	27,623
- Impairment losses	–	–
Arising on acquisitions	–	–
Carrying amount at end of year	27,623	27,623
- Cost	27,623	27,623
- Impairment losses	–	–
16. SHARE CAPITAL AND SHARE PREMIUM		
Ordinary shares	17,595	17,595
Share premium	99,536	99,536
	117,131	117,131
<p>The total number of authorised shares at year end was: 80 000 000 (2008: 80 000 000) ordinary shares of 25 cents each The total number of issued shares at year end was: 70 381 644 (2008: 70 381 644) ordinary shares of 25 cents each All issued shares are fully paid. Subject to the restrictions of the Companies Act, the unissued shares are under the control of the directors until the forthcoming annual general meeting.</p>		
17. GENERAL RISK RESERVE		
Balance at the beginning of the year	29,711	23,074
Movement during the year	8,659	6,637
Balance at the end of the year	38,370	29,711
<p>The general risk reserve is created to comply with the requirements of BID-2 of the Bank of Namibia regarding the general risk provision.</p>		
18. REVALUATION RESERVE		
Balance at the beginning of the year	28,370	27,888
Revaluation of land and buildings	–	1,008
Release of revaluation reserve	(918)	(526)
Balance at the end of the year	27,452	28,370

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

	2009 N\$'000	2008 N\$'000
19. SHARE-BASED PAYMENT RESERVE		
Balance at the beginning of the year	18,488	17,609
Movement during the year	1,347	879
Balance at the end of the year	19,835	18,488
<p>The share-based payment reserve, is a contribution from the parent and equals the amount at which the services from the employees are measured that arises from the grants of share options and restricted shares issued to employees under the BEE schemes detailed in note 42.</p>		
20. AVAILABLE-FOR-SALE RESERVE		
Balance at the beginning of the year	–	5,952
Movement during the year	6,198	(5,952)
Balance at the end of the year	6,198	–
<p>The available-for-sale reserve arises on revaluation of an available for sale investment comprising listed shares in Nedbank Group Limited for purposes of the BEE scheme. Refer to note 11 and 42.</p>		
21. DUE TO OTHER BANKS		
<i>Financial liabilities classification: Other liabilities</i>		
Deposits and borrowings from other banks	104	184,268
22. DUE TO CUSTOMERS		
<i>Financial liabilities classification: Other liabilities</i>		
22.1 Category analysis		
Current accounts	921,582	919,478
Savings accounts	219,773	188,837
Other deposits and loan accounts	2,836,380	2,445,591
Foreign currency liabilities	211,250	157,826
	4,188,985	3,711,732
22.2 Sectoral analysis		
Government and quasi government	216,515	226,931
Insurance and pension funds	1,136,566	675,399
Companies and close corporations	1,947,934	1,948,274
Individuals and other	887,970	861,128
	4,188,985	3,711,732
22.3 Maturity structure		
Repayable on demand	165,355	118,871
Three months or less but not repayable on demand	520,038	320,624
One year or less but over three months	3,503,592	3,272,237
Five years or less but over one year	–	–
	4,188,985	3,711,732
22.4 Geographical analysis		
Namibia	4,188,985	3,711,732
23. NEGOTIABLE CERTIFICATES OF DEPOSIT		
<i>Financial liabilities classification: Other liabilities</i>		
Negotiable certificates of deposits	1,354,320	985,752

	2009 N\$'000	2008 N\$'000
24. OTHER LIABILITIES		
<i>Financial liabilities classification: Other liabilities</i>	77,693	202,027
Creditors and other accounts	28,693	169,945
Taxation	704	72
Managerial fees - Nedbank Limited	48,296	32,010
<i>Non-financial instruments</i>	10,683	13,389
Deferred revenue	513	456
Bonus provision	4,445	7,016
- opening balance	7,016	7,761
- utilised	(5,609)	(7,138)
- unutilised amounts reversed	(991)	(623)
- charge to statement of comprehensive income	4,029	7,016
Leave pay accrual	5,725	5,917
- opening balance	5,917	5,432
- utilised	(2,083)	(3,205)
- prior year underprovision / (unutilised amounts reversed)	(172)	(2,227)
- charge to statement of comprehensive income	2,063	5,917
	88,376	215,416
25. DEFERRED TAXATION		
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	109,553	86,596
Movements during the year	(5,779)	22,957
- Temporary differences	(5,285)	23,240
- Revaluation of property - movement through other comprehensive income	(494)	(283)
Balance at end of the year	103,774	109,553
The balance comprises:		
Capital allowances	34,642	33,370
Credit impairments	(4,846)	(6,051)
Debentures	13,282	13,378
Prepaid expenses	11,413	27,623
Suspensive sales	51,964	42,279
Others	(2,681)	(1,046)
	103,774	109,553
26. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS		
Balance at beginning of the year	133	405
Transfer from/(to) statement of comprehensive income	20,294	(272)
Balance at the end of the year	20,427	133

27. PROVISION FOR POST-RETIREMENT MEDICAL BENEFITS

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

Valuation method and assumptions:

The actuarial valuation method used to value the liabilities is the Projected Unit Credit Method prescribed by IAS 19 Employee Benefits. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime. The actuarial valuation is obtained once every two years on a cyclical basis. The most recent valuation was obtained for the year ended 31 December 2009 performed by Arthur Els & Associates Consulting Actuaries on 31 December 2009.

The most significant assumptions used are:

Valuation interest rate: 9.4% per annum

Medical aid contribution inflation: 7.65% per annum

	2009 N\$'000	2008 N\$'000
Reconciliation of net liability in the balance sheet:		
Balance at beginning of the year	5,237	4,987
Movements during the year	1,986	250
Interest cost	403	393
Current service cost	107	114
Benefits paid	(384)	(257)
Actuarial loss	1,860	–
Balance at end of the year	7,223	5,237

28. 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

2009 N\$'000	2008 N\$'000
2,049	1,776

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

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

In the unlikely event of redemption prior to 15 September 2030, a contingent liability exists of N\$28.7 million (2008: N\$28.3 million).

	2009 N\$'000	2008 N\$'000
29. NET INTEREST INCOME		
<i>Interest and similar income</i>		
<i>Financial assets classification: Loans and receivables</i>	572,420	661,099
Due from other banks	31,948	31,151
Home loans	193,022	213,744
Other loans and overdrafts	183,641	226,138
Preference share finance	2,274	3,085
Lease and instalment debtors	86,666	95,603
Micro loans	67,345	71,254
Other assets	7,524	20,124
<i>Financial assets classification: Fair value through profit or loss - held for trading</i>	54,152	47,786
Government and public sector securities	38,624	33,943
Short-term funds and securities	15,528	13,843
Total interest and similar income	626,572	708,885
<i>Interest expense and similar charges</i>		
<i>Financial liabilities classification: Other liabilities</i>	313,150	405,368
Deposit and loan accounts	170,281	214,939
Current and savings accounts	17,486	73,757
Negotiable certificates of deposit	109,401	78,978
Other liabilities	15,708	37,405
Long-term debt instruments	274	289
Total interest expense and similar charges	313,150	405,368
Net interest income	313,422	303,517
30. NON-INTEREST INCOME		
Commission and fees	135,662	74,006
Dividends	5,280	4,297
Exchange earnings	36,906	35,849
- Exchange commission	7,657	7,253
- Foreign exchange profit	29,249	28,596
Loss on sale of property and equipment	(171)	(1,016)
Sundry trading gains	4,050	4,248
Changes in fair value of:	1,612	(475)
- Financial assets and liabilities designated as fair value through profit or loss - held for trading	619	518
- Listed investment	993	(993)
Other income	3,227	4,773
Total non-interest income	186,566	121,682

	Home loans N\$'000	Other loans and overdrafts N\$'000	Leases and instalment debtors N\$'000	Micro loans N\$'000	Total N\$'000
31. IMPAIRMENT OF LOANS AND ADVANCES					
31.1 Movements					
2009					
Balance at beginning of the year	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
Debts recovered	313	4,163	4,073	5,029	13,578
Debts written off	(2,128)	(4,229)	(3,266)	(13,215)	(22,838)
Statement of comprehensive income charge	4,945	3,996	823	10,202	19,966
- specific impairment	768	12,904	(390)	11,274	24,556
- portfolio impairment	4,177	(8,908)	1,213	(1,072)	(4,590)
Balance at end of the year (note 9)	15,373	34,808	9,737	15,879	75,797
- specific impairment	7,274	27,290	4,682	14,107	53,353
- portfolio impairment	8,099	7,518	5,055	1,772	22,444
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)
Statement of comprehensive income 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

Included under the statement of comprehensive income charge for specific impairment is interest amounting to N\$12.1 million (2008: N\$12.3 million) and under the specific impairment balance is interest in suspense amounting to N\$23.1 million (2008: N\$17.2 million).

	Specific impairments		Portfolio impairments	
	2009 N\$'000	2008 N\$'000	2009 N\$'000	2008 N\$'000
31.2 Sectoral analysis				
Individuals	44,310	31,737	6,686	8,055
Manufacturing	475	332	902	1,086
Wholesale and trade	1,065	744	219	264
Retailers, catering and accommodation	310	217	2,535	3,053
Agriculture, forestry and fishing	72	50	1,692	2,038
Mining and quarrying	126	88	1,015	1,222
Financial services, insurance and real estate	4,668	3,263	6,057	7,296
Government and public sector	-	-	964	1,161
Building and property development	193	135	701	844
Transport, storage and communication	1,597	1,116	980	1,181
Other services	537	375	693	834
	53,353	38,057	22,444	27,034

	2009 N\$'000	2008 N\$'000
32. OPERATING EXPENDITURE		
Expenses include the following items which are separately disclosable:		
Auditors' remuneration	4,056	4,726
- Audit fees - current year	2,064	1,894
- Audit fees - prior year	1,377	1,981
- Other services	615	851
Post-retirement medical aid benefit	2,370	507
- Interest cost	403	393
- Current service cost	107	114
- Actuarial loss	1,860	-
Depreciation	11,748	9,866
Amortisation of computer software	1,670	3,372
Staff costs	135,605	138,822
Operating lease charges	11,134	10,257
- Fixed property	8,323	8,127
- Other	2,811	2,130
Remuneration other than to employees for:		
- Managerial services	30,824	24,916
Value-added tax charge in respect of current expenditure net of input credits	8,979	8,097
Directors' fees paid by the Bank	2,852	2,599
- For services as directors	984	936
- Managerial services	1,868	1,663
Key management	10,516	8,821
- Basic salary and other benefits	9,726	8,297
- Employer pension contribution	703	406
- Employer medical aid contribution	87	118
Other expenses	70,431	68,176
	290,185	280,159
33. TRANSFER TO POLICYHOLDER'S LIABILITY		
Transfer to policyholder liabilities under insurance contracts	20,294	(272)
34. BEE TRANSACTION COST		
BEE share-based payment expenses	877	879
Other costs*	5,364	-
	6,241	879

* Other costs include PAYE, interest and penalties paid on behalf of employees who received shares in terms of the Bank's various share-based payment schemes. Refer to note 42.

	2009 N\$'000	2008 N\$'000
35. TAXATION		
35.1 Charge for the year		
Normal taxation - prior year under provision	1,389	-
Normal taxation - current year	50,959	14,249
Deferred taxation - current	(5,285)	23,240
	47,063	37,489
	%	%
35.2 Reconciliation of rate of taxation		
Namibian normal rate of taxation	35.0	35.0
Reduction in rate for the year:	(7.9)	(6.9)
- Non-taxable income	(5.4)	(4.3)
- Other permanent differences	(2.5)	(2.6)
- Non-deductible expenses	1.7	2.2
Effective rate of taxation	28.8	30.3
	N\$'000	N\$'000
36. DIVIDENDS		
No dividend was declared for 2009 (2008: Nil)	-	-
	Cents per share	Cents per share
37. EARNINGS PER SHARE		
Basic earnings per share	163.42	121.15
Diluted earnings per share	163.42	121.15
Basic earnings per share	N\$'000	N\$'000
Earnings used in the calculation of basic earnings per share	115,015	85,268
	'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.

	2009 N\$'000	2008 N\$'000
38. CASH FLOW INFORMATION		
38.1 Reconciliation of net income before taxation to cash generated by operating activities		
Net income before taxation	163,565	123,734
Adjustments for non-cash items:	36,934	73,632
- Accrued interest	(8,883)	19,012
- Negotiable certificates of deposit	(724)	(784)
- Income from associates	(263)	(434)
- Loss/(Profit) on disposal of property and equipment	171	1,016
- Fair value adjustment to financial instruments	1,612	(475)
- Impairment of loans and advances	19,966	21,133
- Non-cash movement in provisions	5,024	9,645
- Non-cash movement in leave pay accrual	1,891	3,690
- Fair value movement in derivatives	(923)	(152)
- Non-cash movement in deferred staff compensation	4,768	6,864
- Share-based payment reserve movement	877	879
- Depreciation	11,748	9,866
- Computer software amortisation	1,670	3,372
Other Adjustments	(52,075)	(13,960)
- Movement in long-term subordinated debt instruments	273	289
- Current income tax charge	(52,348)	(14,249)
Movement in operating assets	113,719	(65,703)
- Deposit, current and other accounts	845,821	116,902
- Advances and other accounts	(732,102)	(182,605)
Cash flow from operating activities	262,143	117,703
38.2 Cash received from customers		
Interest received	578,304	665,961
Commission and fees received	143,319	81,259
Other income received	32,687	37,409
	754,310	784,629
38.3 Cash paid to customers		
Interest paid on deposits	(273,765)	(343,432)
38.4 Taxation paid		
Amounts prepaid/(outstanding) - beginning of year	17,888	11,019
Charge to statement of comprehensive income	(52,348)	(14,249)
Amounts prepaid - end of year	(9,544)	(17,888)
	(44,004)	(21,118)

	2009 N\$'000	2008 N\$'000
38. CASH FLOW INFORMATION (continued)		
38.5 Cash movements in operating liabilities		
Current accounts	2,050	72,110
Savings deposits	30,849	38,912
Other deposits and loan accounts	378,639	(500,461)
Foreign currency accounts	53,424	(9,112)
Negotiable certificates of deposit	341,748	532,780
	806,710	134,229
38.6 Purchase of non-dealing securities		
Other short-term securities	(109,515)	(178,630)
Government and public sector securities	8,936	6,850
	(100,579)	(171,780)
38.7 Cash and short-term funds		
For the purpose of the statement of cash flows, cash and short-term funds comprises the following balances with less than 90 days maturity:		
Bank notes and coins (note 4)	77,702	140,379
Balances with central bank (note 4)	52,139	47,158
Due from other banks (note 5)	440,238	259,782
	570,079	447,319
39. COMMITMENTS		
39.1 Capital expenditure		
Contracted		
- Property and equipment	-	86
Not yet contracted		
- Property and equipment	34,100	5,069
- Intangible assets	-	5,755
	34,100	10,910
Funds to meet capital expenditure will be provided from internal resources.		
39.2 Bond commitments		
Bonds granted, not yet paid out	49,546	35,919
39.3 Undrawn facilities		
Original term of maturity of one year or less	701,371	673,321
Interest and foreign exchange rate related items including swaps, options and futures	-	237

	2009 N\$'000	2008 N\$'000
39. COMMITMENTS (continued)		
39.4 Operating leases		
The Group has entered into leases over fixed property and other equipment for various periods. The charges will increase in future in line with negotiated escalations and expansions. The future minimum lease payments in respect of operating leases are as follows:		
Premises		
2009	–	8,903
2010	13,063	5,424
2011	9,998	3,970
2012	3,144	1,802
Thereafter	–	–
	26,205	20,099
40. PENSION FUND		
All eligible employees are members of the Nedbank Namibia Pension Fund, a defined contribution plan, which has been registered in Namibia in accordance with the requirements of the Pension Fund Act.		
The fund is governed by the Pension Fund Act, 1956, which requires an actuarial valuation every three years. The findings of independent consulting actuaries, based on their appraisal of the fund during January 2008, confirmed that the fund was financially sound.		
The total value of contributions to the pension fund during the year amounted to:		
Number of members	521	699
Employer contributions	9,665	9,552
Employee contributions	6,480	6,292
41. CONTINGENT LIABILITIES		
Confirmed letters of credit	3,827	7,105
Liabilities under guarantees	320,681	228,945
Legal actions against the Group	1,680	1,601
	326,188	237,651

42. SHARE-BASED PAYMENTS

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

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

42.1 Description of arrangements

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

42. SHARE-BASED PAYMENTS (continued)

42.1 Description of arrangements (continued)

Scheme	Trust	Description	Vesting requirements	Maximum term
42.1.2 Black Economic Empowerment schemes - Employees				
Black Management Scheme (Black Management)	Ofifiya Black Management Trust	Restricted shares and share options were granted to certain black employees on middle and senior management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which 1/3 of the shares become unrestricted and 1/3 of the options vest.	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 an eligible employee.	3 years

		2009		2008	
		Number of instruments	Weighted average exercise price N\$	Number of instruments	Weighted average exercise price N\$
42.	SHARE-BASED PAYMENTS (continued)				
42.3	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	23,350	134.00	23,350	134.30
	Granted	47,512	–	–	–
	Forfeited	(3,300)	–	–	–
	Exercised	–	–	–	–
	Expired	–	–	–	–
	Outstanding at end of year	67,562	134.00	23,350	134.30
	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\$)		–		–

		2009		2008	
		Number of instruments	Weighted average remaining contractual life (years)	Number of instruments	Weighted average remaining contractual life (years)
42.	SHARE-BASED PAYMENTS (continued)				
42.4	Instruments outstanding at the end of the year by exercise price				
	Black Business Partner Scheme				
	278.98	199,929	6.93	199,929	7.93
	Affinity Group Scheme				
	282.47	74,048	6.93	74,048	7.93
	Education Scheme				
	282.47	98,730	6.93	98,730	7.93
	Discretionary Scheme				
	282.58	–	10.00	–	10.00
	LTIP Scheme				
	0.00	44,212	2.17	–	–
	134.30	23,250	4.00	23,250	3.61
	Black Management Scheme				
	0.00	17,396	2.00	17,396	3.00
	101.29	58,004	4.00	58,004	5.00
		75,400	3.54	75,400	4.00
	Broad-based Scheme				
	0.00	39,816	–	39,816	–
42.5	Instruments granted during the year				
		LTIP Scheme			
		2009	2008		
	Number of instruments granted	47,512	–		
	Weighted average fair value per instrument granted (R)	70.00	–		
	Weighted average share price (R)	70.00	–		
	Weighted average exercise price (R)	–	–		
	Weighted average expected volatility (%)*	52.00	–		
	Weighted average life (years)	3.00	–		
	Weighted average expected dividends (%)**	–	–		
	Weighted average risk-free interest rate (%)	8.06	–		
	Number of participants	23	–		
	Weighted average vesting period (years)	3.00	–		
	Possibility of not vesting (%)	45	–		
	Expectation of meeting performance criteria (%)	55	–		

No other instruments were granted in 2009 (2008: Nil)

43. RELATED PARTY DISCLOSURE

43.1 Parent company

NedNamibia Holdings Limited's majority shareholder is Nedbank Group Limited (100%) (2008: 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.

43.2 Identity of related parties with whom transactions have occurred

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

43.3 Related party balances

	2009 N\$'000	2008 N\$'000
Loans from related parties		
Nedbank Group Limited (holding company)	821	8,992
Nedbank Group Limited (holding company) (<i>structured loans</i>)	-	165,666
Nedbank Group Limited (holding company) (<i>provision for management fees</i>)	45,508	34,630
Nedbank Group Limited (<i>Derivative instruments included under note 7</i>)	2,597	1,509
Old Mutual Namibia Limited (fellow subsidiary)	241,853	133,679
Nedbank London (fellow subsidiary)	46	46
Nedbank London (fellow subsidiary) (<i>Derivative instruments included under note 7</i>)	62	25
NIB Holdings (Namibia) (Proprietary) Limited (fellow subsidiary)	12	6,895
Woodlands Investments Company (Proprietary) Limited (fellow subsidiary)	9,064	11,800
Nedbank Namibia Pension Fund (pension fund)	2,492	1,974
Balances with directors	388	734
Balances with key management	91	381
Loans to related parties		
Nedbank Group Limited (holding company) (<i>Zero-coupon bonds</i>)	34,161	91,029
Nedbank Group Limited (holding company) (<i>Internal settlement account</i>)	24,852	40,364
Nedbank Group Limited (holding company) (<i>Negotiable certificates of deposit</i>)	31,600	81,633
Nedbank Group Limited (holding company) (<i>Overnight deposit</i>)	-	18,805
Nedbank Group Limited (<i>Derivative instruments included under note 7</i>)	623	5,541
Nedbank London (fellow subsidiary) (<i>Derivative instruments included under note 7</i>)	62	-
Balances with directors	11,626	18,944
Balances with key management	8,321	11,961

43. RELATED PARTY DISCLOSURE (continued)

43.4 Related party transactions

	Interest income	
	2009 N\$'000	2008 N\$'000
Related party		
Nedbank Group Limited (holding company)		
Interest income on internal settlement account	13,025	9,276
Interest income on zero coupon bonds	7,524	11,615
Interest income on negotiable certificates of deposit	3,186	4,415
Interest paid on current account	–	–
Management fees	–	–
Old Mutual Limited (fellow subsidiary)		
Interest expense on current account	–	–
NIB Holdings (Namibia) (Proprietary) Limited (fellow subsidiary)		
Interest expense on current account	–	–
Woodlands Investments Company (Proprietary) Limited (fellow subsidiary)		
Interest expense on current account	–	–
Nedbank Namibia Pension Fund (pension fund)		
Pension contributions	–	–
Transactions with directors		
Services as directors	–	–
Other services	–	–
Staff costs	–	–
Rent (Tusk Investments (Proprietary) Limited)	–	–

Other income		Interest expense		Expenses & dividends paid	
2009	2008	2009	2008	2009	2008
N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	640	1,650	-	-
-	-	-	-	30,824	24,916
-	-	18,781	24,154	-	-
-	-	114	691	-	-
-	-	497	7,159	-	-
-	-	-	-	9,665	8,829
-	-	-	-	984	936
-	-	-	-	1,868	1,663
-	-	-	-	10,516	8,821
-	-	-	-	661	604

44. CAPITAL RISK MANAGEMENT

The capital adequacy is managed in terms of the Banking Institutions Act, 1998 ("Act"). The aim of capital risk management is to ensure that the Group's major subsidiary, Nedbank Namibia Limited ("the Bank"), maintains a level of capital which:

- (i) is adequate to protect its depositors and creditors;
- (ii) is commensurate with the risk activities and profile of the Bank; and
- (iii) promotes public confidence in the Bank and the banking system.

Capital is managed under the following definitions:

Tier 1 (core) capital

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

Tier 2 (supplementary) capital

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

Total Qualifying Capital

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

Capital measures

The ratios used for measuring capital adequacy are:

- Leverage (equity) capital ratio (i.e. Tier 1 capital divided by gross assets; for purposes herein, "gross assets" means total assets plus general and specific provisions).
- Tier 1 risk-based capital ratio (i.e. Tier 1 capital divided by total risk-weighted assets).
- 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.

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

	2009 %	2008 %
Leverage capital	8.29	7.78
Tier 1 risk-based capital	13.60	12.68
Total risk-based capital	16.11	15.36

	Notes	At fair value through profit and loss - held for trading N\$'000	Loans and receivables N\$'000	Available- for-sale N\$'000	Financial liabilities at amortised cost N\$'000	Non- financial assets and liabilities N\$'000	Total N\$'000
45. STATEMENT OF FINANCIAL POSITION - CATEGORIES OF FINANCIAL INSTRUMENTS							
2009							
ASSETS							
Cash and balances with central bank	4	129,841	–	–	–	–	129,841
Due from other banks	5	–	440,238	–	–	–	440,238
Other short-term securities	6	157,223	–	–	–	–	157,223
Derivative financial instruments	7	3,782	–	–	–	–	3,782
Government and public sector securities	8	499,303	–	–	–	–	499,303
Loans and advances to customers	9	–	4,846,359	–	–	–	4,846,359
Other assets	10	–	116,122	–	–	23,599	139,721
Investment in subsidiaries, associates, joint venture and listed investments	11	–	–	–	–	29,595	29,595
Property and equipment	12	–	–	–	–	127,468	127,468
Computer software and development cost	13	–	–	–	–	51,047	51,047
Goodwill	15	–	–	–	–	27,623	27,623
Total assets		790,149	5,402,719	–	–	259,332	6,452,200
LIABILITIES							
Derivative financial instruments	7	3,786	–	–	–	–	3,786
Due to other banks	21	–	–	–	104	–	104
Due to customers	22	–	–	–	4,188,985	–	4,188,985
Negotiable certificates of deposits	23	–	–	–	1,354,320	–	1,354,320
Other liabilities	24	–	–	–	77,693	10,683	88,376
Deferred taxation	25	–	–	–	–	103,774	103,774
Policyholder liabilities under insurance contracts	26	–	–	–	–	20,427	20,427
Provision for post-retirement medical benefits	27	–	–	–	–	7,223	7,223
Long-term subordinated debt instruments	28	–	–	–	2,049	–	2,049
Total liabilities		3,786	–	–	5,623,151	142,107	5,769,044

	Notes	At fair value through profit and loss - held for trading N\$'000	Loans and receivables N\$'000	Available- for-sale N\$'000	Financial liabilities at amortised cost N\$'000	Non- financial assets and liabilities N\$'000	Total N\$'000
45. STATEMENT OF FINANCIAL POSITION - CATEGORIES OF FINANCIAL INSTRUMENTS (continued)							
2008							
ASSETS							
Cash and balances with central bank	4	187,537	–	–	–	–	187,537
Due from other banks	5	–	259,782	–	–	–	259,782
Other short-term securities	6	163,297	–	–	–	–	163,297
Derivative financial instruments	7	6,460	–	–	–	–	6,460
Government and public sector securities	8	388,743	–	–	–	–	388,743
Loans and advances to customers	9	–	4,285,518	–	–	–	4,285,518
Other assets	10	–	249,656	–	–	34,265	283,921
Investment in subsidiaries, associates, joint venture and listed investments	11	–	–	–	–	21,543	21,543
Property and equipment	12	–	–	–	–	135,064	135,064
Computer software and development cost	13	–	–	–	–	18,851	18,851
Goodwill	15	–	–	–	–	27,623	27,623
Total assets		746,037	4,794,956	–	–	237,346	5,778,339
LIABILITIES							
Derivative financial instruments	7	5,541	–	–	–	–	5,541
Due to other banks	21	–	–	–	184,268	–	184,268
Due to customers	22	–	–	–	3,711,732	–	3,711,732
Negotiable certificates of deposits	23	–	–	–	985,752	–	985,752
Other liabilities	24	–	–	–	202,027	13,389	215,416
Deferred taxation	25	–	–	–	–	109,553	109,553
Policyholder liabilities under insurance contracts	26	–	–	–	–	133	133
Provision for post-retirement medical benefits	27	–	–	–	–	5,237	5,237
Long-term subordinated debt instruments	28	–	–	–	1,776	–	1,776
Total liabilities		5,541	–	–	5,085,555	128,312	5,219,408

46. CREDIT RISK

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

46.1 Credit risk management

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

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

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

	NGR 0 N\$'000	NGR 1 N\$'000	NGR 7 N\$'000	NGR 10 N\$'000	NGR 13 N\$'000	NGR 14 N\$'000
46. CREDIT RISK (continued)						
46.2 Credit risk analysis (continued)						
Classification: Neither past due nor impaired 2009						
Cash and balances with central bank	129,841	–	–	–	–	–
Due from other banks	–	–	440,238	–	–	–
Other short-term securities	–	–	157,223	–	–	–
Derivative financial instruments	–	–	3,782	–	–	–
Government and public sector securities	–	–	–	499,303	–	–
Loans and advances to customers	154	5,415	61,561	–	135,524	13,685
- Home loans	–	1,227	–	–	2,591	1,927
- Other loans and overdrafts	–	4,188	61,561	–	49,227	9,532
- Preference share finance	–	–	–	–	–	–
- Net leases and instalment debtors	154	–	–	–	83,706	2,226
- Micro loans	–	–	–	–	–	–
Other assets	–	83,733	–	–	–	–
Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	–
Property and equipment	–	–	–	–	–	–
Computer software and development cost	–	–	–	–	–	–
Goodwill	–	–	–	–	–	–
	129,995	89,148	662,804	499,303	135,524	13,685
2008						
Cash and balances with central bank	187,537	–	–	–	–	–
Due from other banks	–	–	259,782	–	–	–
Other short-term securities	–	–	163,297	–	–	–
Derivative financial instruments	–	–	6,460	–	–	–
Government and public sector securities	–	–	–	388,743	–	–
Loans and advances to customers	–	18	–	–	19,523	11,835
- Home loans	–	–	–	–	1,445	3,914
- Other loans and overdrafts	–	18	–	–	15,070	3,473
- Preference share finance	–	–	–	–	–	–
- Net leases and instalment debtors	–	–	–	–	3,008	4,448
- Micro loans	–	–	–	–	–	–
Other assets	–	162,758	–	–	–	–
Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	–
Property and equipment	–	–	–	–	–	–
Computer software and development cost	–	–	–	–	–	–
Goodwill	–	–	–	–	–	–
	187,537	162,776	429,539	388,743	19,523	11,835

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
-	-	-	-	-	-	-	-	-	-	129,841
-	-	-	-	-	-	-	-	-	-	440,238
-	-	-	-	-	-	-	-	-	-	157,223
-	-	-	-	-	-	-	-	-	-	3,782
-	-	-	-	-	-	-	-	-	-	499,303
99,447	37,864	41,836	81,519	7,179	16,523	12,777	3,788,367	9,647	-	4,311,498
5,261	5,087	1,999	1,472	1,425	-	651	1,666,008	958	-	1,688,606
54,993	30,210	34,628	32,085	3,215	15,137	8,054	1,343,326	8,689	-	1,654,845
-	-	-	41,750	-	-	-	-	-	-	41,750
39,193	2,567	5,209	6,212	2,539	1,386	4,072	568,213	-	-	715,477
-	-	-	-	-	-	-	210,820	-	-	210,820
-	-	-	32,389	-	-	-	-	-	23,599	139,721
-	-	-	-	-	-	-	-	-	29,595	29,595
-	-	-	-	-	-	-	-	-	127,468	127,468
-	-	-	-	-	-	-	-	-	51,047	51,047
-	-	-	-	-	-	-	-	-	27,623	27,623
99,447	37,864	41,836	113,908	7,179	16,523	12,777	3,788,367	9,647	259,332	5,917,339
-	-	-	-	-	-	-	-	-	-	187,537
-	-	-	-	-	-	-	-	-	-	259,782
-	-	-	-	-	-	-	-	-	-	163,297
-	-	-	-	-	-	-	-	-	-	6,460
-	-	-	-	-	-	-	-	-	-	388,743
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
-	-	-	86,898	-	-	-	-	-	34,265	283,921
-	-	-	-	-	-	-	-	-	21,543	21,543
-	-	-	-	-	-	-	-	-	135,064	135,064
-	-	-	-	-	-	-	-	-	18,851	18,851
-	-	-	-	-	-	-	-	-	27,623	27,623
96,476	38,614	62,794	145,704	413	5,998	33	3,545,409	222	237,346	5,332,962

	2009 N\$'000	2008 N\$'000
46. CREDIT RISK (continued)		
46.2 Credit risk analysis (continued)		
Classification: Renegotiated		
Cash and balances with central bank	–	–
Due from other banks	–	–
Other short-term securities	–	–
Derivative financial instruments	–	–
Government and public sector securities	–	–
Loans and advances to customers	9,067	1,926
- Home loans	5,071	1,838
- Other loans and overdrafts	3,909	50
- Preference share finance	–	–
- Net leases and instalment debtors	–	38
- Micro loans	87	–
Other assets	–	–
Investment in subsidiaries, associates, joint ventures and listed investments	–	–
Property and equipment	–	–
Computer software and development cost	–	–
Goodwill	–	–
	9,067	1,926
Classification: Past due		
Cash and balances with central bank	–	–
Due from other banks	–	–
Other short-term securities	–	–
Derivative financial instruments	–	–
Government and public sector securities	–	–
Loans and advances to customers	55,864	58,044
- Home loans	27,749	42,953
- Other loans and overdrafts	22,009	4,799
- Preference share finance	–	–
- Net leases and instalment debtors	3,401	6,786
- Micro loans	2,705	3,506
Other assets	–	–
Investment in subsidiaries, associates, joint ventures and listed investments	–	–
Property and equipment	–	–
Computer software and development cost	–	–
Goodwill	–	–
	55,864	58,044

	2009 N\$'000	2008 N\$'000
46. CREDIT RISK (continued)		
46.2 Credit risk analysis (continued)		
Classification: Impaired		
Cash and balances with central bank	-	-
Due from other banks	-	-
Other short-term securities	-	-
Derivative financial instruments	-	-
Government and public sector securities	-	-
Loans and advances to customers	554,794	452,424
- Home loans	194,909	176,711
- Other loans and overdrafts	178,492	204,420
- Preference share finance	-	-
- Net leases and instalment debtors	72,324	48,392
- Micro loans	109,069	22,901
Impairment of advances (note 29)	(75,797)	(65,091)
- Home loans	(15,373)	(12,243)
- Other loans and overdrafts	(34,808)	(30,878)
- Preference share finance	-	-
- Net leases and instalment debtors	(9,737)	(8,107)
- Micro loans	(15,879)	(13,863)
Other assets	-	-
Investment in subsidiaries, associates, joint ventures and listed investments	-	-
Property and equipment	-	-
Computer software and development cost	-	-
Goodwill	-	-
	478,997	387,333

	2009 N\$'000	2008 N\$'000
46. CREDIT RISK (continued)		
46.3 Credit risk: Maximum exposure		
Cash and balances with central bank	129,802	187,537
Due from other banks	457,918	259,782
Other short-term securities	157,223	6,460
Derivative financial instruments	3,782	163,297
Government and public sector securities	492,397	388,743
Loans and advances to customers	4,854,749	4,350,609
Other assets	139,721	283,921
Investment in subsidiaries and associates		
Investment in listed investments	–	–
Property and equipment	–	–
Computer software and development cost	–	–
Goodwill	–	–
	6,235,592	5,640,349

46.4 Credit risk: Collateral held in respect of 46.3

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

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

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

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

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

Micro loans: Unsecured

Cash and balances with central bank	–	–
Due from other banks	–	–
Other short-term securities	–	–
Derivative financial instruments	–	–
Government and public sector securities	–	–
Loans and advances to customers	4,844,503	4,285,518
- Home loans	1,895,891	1,616,703
- Other loans and overdrafts	1,820,538	1,619,361
- Preference share finance	41,750	46,200
- Net leases and instalment debtors	783,311	779,171
- Micro loans	303,013	224,083
Other assets	–	–
Investment in subsidiaries and associates	–	–
Investment in listed investments	–	–
Property and equipment	–	–
Computer software and development cost	–	–
	4,844,503	4,285,518

46. CREDIT RISK (continued)

46.5 Credit risk: Fair value of collateral

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

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

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

47. LIQUIDITY RISK

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

47.1 Liquidity risk management

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

	Up to 3 months N\$'000	3 - 6 months N\$'000	6 - 12 months N\$'000	1 - 5 years N\$'000	Over 5 years N\$'000	Equity/Non- determined N\$'000	Total N\$'000
47. LIQUIDITY RISK (continued)							
47.2 Expected liquidity risk							
2009							
ASSETS							
Cash and balances with central bank	129,841	–	–	–	–	–	129,841
Due from other banks	440,238	–	–	–	–	–	440,238
Other short-term securities	31,600	30,101	–	95,522	–	–	157,223
Derivative financial instruments	2,559	–	–	1,223	–	–	3,782
Government and public sector securities	361,121	46,177	27,621	3,249	61,135	–	499,303
Loans and advances to customers	468,471	137,335	287,877	2,170,141	1,858,332	(75,797)	4,846,359
Other assets	83,733	–	32,389	–	–	23,599	139,721
Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	29,595	29,595
Property and equipment	–	–	–	–	–	127,468	127,468
Computer software and development cost	–	–	–	–	–	51,047	51,047
Goodwill	–	–	–	–	–	27,623	27,623
Total assets	1,517,563	213,613	347,887	2,270,135	1,919,467	183,535	6,452,200
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital	–	–	–	–	–	17,595	17,595
Share premium	–	–	–	–	–	99,536	99,536
General risk reserve	–	–	–	–	–	38,370	38,370
Revaluation reserve	–	–	–	–	–	27,452	27,452
Share-based payment reserve	–	–	–	–	–	19,835	19,835
Available-for-sale reserve	–	–	–	–	–	6,198	6,198
Retained income	–	–	–	–	–	468,394	468,394
Shareholder's interest	–	–	–	–	–	677,380	677,380
Non-controlling interest	–	–	–	–	–	5,776	5,776
Total shareholder's equity and non-controlling interest	–	–	–	–	–	683,156	683,156
Liabilities							
Derivative financial instruments	2,620	–	–	1,166	–	–	3,786
Due to other banks	104	–	–	–	–	–	104
Due to customers	685,393	1,979,453	1,524,139	–	–	–	4,188,985
Negotiable certificates of deposits	382,147	323,935	567,802	80,436	–	–	1,354,320
Other liabilities	77,693	–	–	–	–	10,683	88,376
Deferred taxation	–	–	–	–	–	103,774	103,774
Policyholder liabilities under insurance contracts	–	–	–	–	–	20,427	20,427
Provision for post-retirement medical benefits	–	–	–	–	7,223	–	7,223
Long-term subordinated debt instruments	–	–	–	–	2,049	–	2,049
Total liabilities	1,147,957	2,303,388	2,091,941	81,602	9,272	134,884	5,769,044
Total equity and liabilities	1,147,957	2,303,388	2,091,941	81,602	9,272	818,041	6,452,200
Net liquidity gap	369,606	(2,089,775)	(1,744,054)	2,188,533	1,910,195	(634,505)	–
Cumulative net liquidity gap	369,606	(1,720,169)	(3,464,223)	(1,275,690)	634,505	–	–

	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
47. LIQUIDITY RISK (continued)							
47.2 Expected liquidity risk (continued)							
2008							
ASSETS							
Cash and balances with central bank	187,537	–	–	–	–	–	187,537
Due from other banks	259,782	–	–	–	–	–	259,782
Other short-term securities	20,129	–	143,168	–	–	–	163,297
Derivative financial instruments	6,223	–	–	237	–	–	6,460
Government and public sector securities	191,036	50,803	62,148	82,248	2,508	–	388,743
Loans and advances to customers	247,382	311,087	307,000	3,426,957	58,183	(65,091)	4,285,518
Other assets	162,758	–	–	86,898	–	34,265	283,921
Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	21,543	21,543
Property and equipment	–	–	–	–	–	135,064	135,064
Computer software and development cost	–	–	–	–	–	18,851	18,851
Goodwill	–	–	–	–	–	27,623	27,623
Total assets	1,074,847	361,890	512,316	3,596,340	60,691	172,255	5,778,339
EQUITY AND LIABILITIES							
Capital and reserves							
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
Non-controlling interest	–	–	–	–	–	4,605	4,605
Total shareholder's equity and non-controlling interest	–	–	–	–	–	558,931	558,931
Liabilities							
Derivative financial instruments	5,541	–	–	–	–	–	5,541
Due to other banks	183,955	313	–	–	–	–	184,268
Due to customers	118,871	320,624	3,272,237	–	–	–	3,711,732
Negotiable certificates of deposits	419,306	113,896	380,005	72,545	–	–	985,752
Other liabilities	202,027	–	–	–	–	13,389	215,416
Deferred taxation	–	–	–	–	–	109,553	109,553
Policyholder liabilities under insurance contracts	–	–	–	–	–	133	133
Provision for post-retirement medical benefits	–	–	–	–	5,237	–	5,237
Long-term subordinated debt instruments	–	–	–	–	1,776	–	1,776
Total liabilities	929,700	434,833	3,652,242	72,545	7,013	123,075	5,219,408
Total equity and liabilities	929,700	434,833	3,652,242	72,545	7,013	682,006	5,778,339
Net liquidity gap	145,147	(72,943)	(3,139,926)	3,523,795	53,678	(509,751)	–
Cumulative net liquidity gap	145,147	72,204	(3,067,722)	456,073	509,751	–	–

	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
47. LIQUIDITY RISK (continued)								
47.3 Contractual liquidity risk analysis for financial liabilities 2009								
LIABILITIES								
Derivative financial instruments	–	2,620	–	–	1,166	–	–	3,786
Due to other banks	–	106	–	–	–	–	–	106
Due to customers	3,332,612	452,607	311,699	106,561	–	–	–	4,203,479
Negotiable certificates of deposits	65,177	319,663	334,126	598,169	89,390	–	–	1,406,525
Other liabilities	77,693	–	–	–	–	–	10,683	88,376
Deferred taxation	–	–	–	–	–	–	103,774	103,774
Policyholder liabilities under insurance contracts	–	–	–	–	–	–	20,427	20,427
Provision for post-retirement medical benefits	–	–	–	–	–	–	7,223	7,223
Long-term subordinated debt instruments	–	–	–	–	–	40,000	–	40,000
Total liabilities	3,475,482	774,996	645,825	704,730	90,556	40,000	142,107	5,873,696
2008								
LIABILITIES								
Derivative financial instruments	–	5,541	–	–	–	–	–	5,541
Due to other banks	183,998	103	225	–	–	–	–	184,326
Due to customers	3,266,922	196,303	30,328	243,624	–	–	–	3,737,177
Negotiable certificates of deposits	–	440,104	122,117	421,195	90,173	–	–	1,073,589
Other liabilities	202,027	–	–	–	–	–	13,389	215,416
Deferred taxation	–	–	–	–	–	–	109,553	109,553
Policyholder liabilities under insurance contracts	–	–	–	–	–	–	133	133
Provision for post-retirement medical benefits	–	–	–	–	–	–	5,237	5,237
Long-term subordinated debt instruments	–	–	–	–	–	40,000	–	40,000
Total liabilities	3,652,947	642,051	152,670	664,819	90,173	40,000	128,312	5,370,972

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

48. 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 49 and note 50 for disclosure regarding these risks.

49. 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.

49.1 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
49. CURRENCY RISK (continued)						
49.2 Currency risk profile						
2009						
ASSETS						
Cash and balances with central bank	89,450	5,762	34,123	506	–	129,841
Due from other banks	203,364	49,160	120,863	262	66,589	440,238
Other short-term securities	157,223	–	–	–	–	157,223
Derivative financial instruments	3,782	–	–	–	–	3,782
Government and public sector securities	499,303	–	–	–	–	499,303
Loans and advances to customers	4,844,297	593	1,469	–	–	4,846,359
Other assets	139,721	–	–	–	–	139,721
Investment in subsidiaries, associates, joint ventures and listed investments	29,595	–	–	–	–	29,595
Property and equipment	127,468	–	–	–	–	127,468
Computer software and development cost	51,047	–	–	–	–	51,047
Goodwill	27,623	–	–	–	–	27,623
Total assets	6,172,873	55,515	156,455	768	66,589	6,452,200
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	17,595	–	–	–	–	17,595
Share premium	99,536	–	–	–	–	99,536
General risk reserve	38,370	–	–	–	–	38,370
Revaluation reserve	27,452	–	–	–	–	27,452
Share-based payment reserve	19,835	–	–	–	–	19,835
Available-for-sale reserve	6,198	–	–	–	–	6,198
Retained income	468,394	–	–	–	–	468,394
Shareholder's interest	677,380	–	–	–	–	677,380
Non-controlling interest	5,776	–	–	–	–	5,776
Total shareholder's equity and non-controlling interest	683,156	–	–	–	–	683,156
LIABILITIES						
Derivative financial instruments	3,786	–	–	–	–	3,786
Due to other banks	104	–	–	–	–	104
Due to customers	3,977,637	55,005	155,896	447	–	4,188,985
Negotiable certificates of deposits	1,354,320	–	–	–	–	1,354,320
Other liabilities	88,376	–	–	–	–	88,376
Deferred taxation	103,774	–	–	–	–	103,774
Policyholder liabilities under insurance contracts	20,427	–	–	–	–	20,427
Provision for post-retirement medical benefits	7,223	–	–	–	–	7,223
Long-term subordinated debt instruments	2,049	–	–	–	–	2,049
Total liabilities	5,557,696	55,005	155,896	447	–	5,769,044
Total equity and liabilities	6,240,852	55,005	155,896	447	–	6,452,200
Net statement of financial position	(67,979)	510	559	321	66,589	–
Off balance sheet net notional position	–	–	–	–	–	–
Rates of exchange	–	10.63	7.38	11.89	–	–

	N\$ N\$'000	EUR N\$'000	US\$ N\$'000	GBP N\$'000	Other N\$'000	Total N\$'000
49. CURRENCY RISK (continued)						
49.2 Currency risk profile (continued)						
2008						
ASSETS						
Cash and balances with central bank	92,078	6,965	88,164	324	6	187,537
Due from other banks	202,160	23,218	8,512	332	25,560	259,782
Other short-term securities	163,297	–	–	–	–	163,297
Derivative financial instruments	6,460	–	–	–	–	6,460
Government and public sector securities	388,743	–	–	–	–	388,743
Loans and advances to customers	4,235,019	1,883	48,616	–	–	4,285,518
Other assets	283,921	–	–	–	–	283,921
Investment in subsidiaries, associates, joint ventures and listed investments	21,543	–	–	–	–	21,543
Property and equipment	135,064	–	–	–	–	135,064
Computer software and development cost	18,851	–	–	–	–	18,851
Goodwill	27,623	–	–	–	–	27,623
Total assets	5,574,759	32,066	145,292	656	25,566	5,778,339
EQUITY AND LIABILITIES						
Capital and reserves						
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
Non-controlling interest	4,605	–	–	–	–	4,605
Total shareholder's equity and non-controlling interest	558,931	–	–	–	–	558,931
LIABILITIES						
Derivative financial instruments	5,541	–	–	–	–	5,541
Due to other banks	184,268	–	–	–	–	184,268
Due to customers	3,492,908	31,131	143,752	564	43,377	3,711,732
Negotiable certificates of deposits	985,752	–	–	–	–	985,752
Other liabilities	215,416	–	–	–	–	215,416
Deferred taxation	109,553	–	–	–	–	109,553
Policyholder liabilities under insurance contracts	133	–	–	–	–	133
Provision for post-retirement medical benefits	5,237	–	–	–	–	5,237
Long-term subordinated debt instruments	1,776	–	–	–	–	1,776
Total liabilities	5,000,584	31,131	143,752	564	43,377	5,219,408
Total equity and liabilities	5,559,515	31,131	143,752	564	43,377	5,778,339
Net statement of financial position	15,244	935	1,540	92	(17,811)	–
Off balance sheet net notional position	–	–	–	–	–	–
Rates of exchange	–	13.19	9.40	13.65	–	–

	Possible effect on the statement of comprehen- sive income* N\$'000	Reasonable possible change (increase/decrease)				Balance as at reporting date N\$'000
		EUR	US\$	GBP	Other	
		N\$	N\$	N\$	N\$	
49. CURRENCY RISK (continued)						
49.3 Currency risk sensitivity analysis 2009						
ASSETS						
Cash and balances with central bank	6,143	1.14	1.15	1.18	–	129,841
Due from other banks	25,358	1.14	1.15	1.18	–	440,238
Other short-term securities	–	–	–	–	–	157,223
Derivative financial instruments	–	–	–	–	–	3,782
Government and public sector securities	–	–	–	–	–	499,303
Loans and advances to customers	307	1.14	1.15	1.18	–	4,846,359
Other assets	–	–	–	–	–	139,721
Investment in subsidiaries, associates, joint ventures and listed investments	–	–	–	–	–	29,595
Property and equipment	–	–	–	–	–	127,468
Computer software and development cost	–	–	–	–	–	51,047
Goodwill	–	–	–	–	–	27,623
Total assets	31,808					6,452,200
LIABILITIES						
Derivative financial instruments	–	–	–	–	–	3,786
Due to other banks	–	–	–	–	–	104
Due to customers	28,532	1.14	1.15	1.18	–	4,188,985
Negotiable certificates of deposits	–	–	–	–	–	1,354,320
Other liabilities	–	–	–	–	–	88,376
Deferred taxation	–	–	–	–	–	103,774
Policyholder liabilities under insurance contracts	–	–	–	–	–	20,427
Provision for post-retirement medical benefits	–	–	–	–	–	7,223
Long-term subordinated debt instruments	–	–	–	–	–	2,049
Total liabilities	28,532					5,769,044

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

* The possible effect on the statement of comprehensive income has been determined by applying the possible change in currency to the outstanding balance reported at year end. The possible change in currency can be either positive or negative and the figures reflected above are in absolute format. The possible change is based on forward rates for a 12 month period instrument by applying expectations determined by Nedbank Group Limited.

50. 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.

50.1 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 statement of financial position 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.

50.2

	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
Interest rate risk analysis							
2009							
ASSETS							
Cash and balances with central bank	–	–	–	–	–	129,841	129,841
Due from other banks	440,238	–	–	–	–	–	440,238
Other short-term securities	157,223	–	–	–	–	–	157,223
Derivative financial instruments	–	–	–	–	–	3,782	3,782
Government and public sector securities	361,121	46,177	27,621	3,249	61,135	–	499,303
Loans and advances to customers	4,773,527	1,417	–	–	–	71,415	4,846,359
Other assets	–	–	32,389	–	–	107,332	139,721
Investment in subsidiaries, associates, joint venture and listed investments	–	–	–	–	–	29,595	29,595
Property and equipment	–	–	–	–	–	127,468	127,468
Computer software and development cost	–	–	–	–	–	51,047	51,047
Goodwill	–	–	–	–	–	27,623	27,623
Total assets	5,732,109	47,594	60,010	3,249	61,135	548,103	6,452,200
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital	–	–	–	–	–	17,595	17,595
Share premium	–	–	–	–	–	99,536	99,536
General risk reserve	–	–	–	–	–	38,370	38,370
Revaluation reserve	–	–	–	–	–	27,452	27,452
Share-based payment reserve	–	–	–	–	–	19,835	19,835
Available-for-sale reserve	–	–	–	–	–	6,198	6,198
Retained income	–	–	–	–	–	468,394	468,394
Shareholder's interest	–	–	–	–	–	677,380	677,380
Non-controlling interest	–	–	–	–	–	5,776	5,776
Total shareholder's equity and non-controlling interest	–	–	–	–	–	683,156	683,156
LIABILITIES							
Derivative financial instruments	–	–	–	85	–	3,701	3,786
Due to other banks	104	–	–	–	–	–	104
Due to customers	3,576,221	199,719	87,065	15,769	–	310,211	4,188,985
Negotiable certificates of deposits	801,443	273,843	279,034	–	–	–	1,354,320
Other liabilities	–	–	–	–	–	88,376	88,376
Deferred taxation	–	–	–	–	–	103,774	103,774
Policyholder liabilities under insurance contracts	–	–	–	–	–	20,427	20,427
Provision for post-retirement medical benefits	–	–	–	7,223	–	–	7,223
Long-term subordinated debt instruments	–	–	–	–	2,049	–	2,049
Total liabilities	4,377,768	473,562	366,099	23,077	2,049	526,489	5,769,044
Total equity and liabilities	4,377,768	473,562	366,099	23,077	2,049	1,209,645	6,452,200
On statement of financial position interest sensitivity gap	1,354,341	(425,968)	(306,089)	(19,828)	59,086	(661,542)	–
Cumulative on statement of financial position interest sensitivity gap	1,354,341	928,373	622,284	602,456	661,542	–	–

	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
50. INTEREST RATE RISK (continued)							
50.2 Interest rate risk analysis (continued)							
2008							
ASSETS							
Cash and balances with central bank	–	–	–	–	–	187,537	187,537
Due from other banks	259,782	–	–	–	–	–	259,782
Other short-term securities	20,129	–	143,168	–	–	–	163,297
Derivative financial instruments	–	–	–	237	–	6,223	6,460
Government and public sector securities	191,036	50,803	62,148	82,248	2,508	–	388,743
Loans and advances to customers	4,230,032	–	–	–	–	55,486	4,285,518
Other assets	–	–	–	75,283	–	208,638	283,921
Investment in subsidiaries, associates, joint venture and listed investments	–	–	–	–	–	21,543	21,543
Property and equipment	–	–	–	–	–	135,064	135,064
Computer software and development cost	–	–	–	–	–	18,851	18,851
Goodwill	–	–	–	–	–	27,623	27,623
Total assets	4,700,979	50,803	205,316	157,768	2,508	660,965	5,778,339
EQUITY AND LIABILITIES							
Capital and reserves							
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
Non-controlling interest	–	–	–	–	–	4,605	4,605
Total shareholder's equity and non-controlling interest	–	–	–	–	–	558,931	558,931
LIABILITIES							
Derivative financial instruments	–	–	–	–	–	5,541	5,541
Due to other banks	183,955	313	–	–	–	–	184,268
Due to customers	2,687,093	350,008	136,014	40,228	926	497,463	3,711,732
Negotiable certificates of deposits	419,306	113,896	380,005	72,545	–	–	985,752
Other liabilities	–	–	–	–	–	215,416	215,416
Deferred taxation	–	–	–	–	–	109,553	109,553
Policyholder liabilities under insurance contracts	–	–	–	–	–	133	133
Provision for post-retirement medical benefits	–	–	–	–	5,237	–	5,237
Long-term subordinated debt instruments	–	–	–	–	1,776	–	1,776
Total liabilities	3,290,354	464,217	516,019	112,773	7,939	828,106	5,219,408
Total equity and liabilities	3,290,354	464,217	516,019	112,773	7,939	1,387,037	5,778,339
On statement of financial position interest sensitivity gap	1,410,625	(413,414)	(310,703)	44,995	(5,431)	(726,072)	–
Cumulative on statement of financial position interest sensitivity gap	1,410,625	997,211	686,508	731,503	726,072	–	–

	Possible effect on the statement of comprehensive income*	Reasonable possible change	Rate sensitive	Non- interest sensitive	Fixed rate	Variable rate	Balance as at reporting date
	N\$'000	%	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
50. INTEREST RATE RISK (continued)							
50.3 Interest rate risk sensitivity							
2009							
ASSETS							
Cash and balances with central bank	–	–	–	129,841	–	–	129,841
Due from other banks	2,201	0.5	440,238	–	–	440,238	440,238
Other short-term securities	1,572	1.0	157,223	–	–	157,223	157,223
Derivative financial instruments	–	–	–	3,782	–	–	3,782
Government and public sector securities	4,993	1.0	499,303	–	499,303	–	499,303
Loans and advances to customers	23,875	0.5	4,774,944	71,415	–	4,774,944	4,846,359
Other assets	–	–	32,389	107,332	32,389	–	139,721
Investment in subsidiaries, associates, joint venture and listed investments	–	–	–	29,595	–	–	29,595
Property and equipment	–	–	–	127,468	–	–	127,468
Computer software and development cost	–	–	–	51,047	–	–	51,047
Goodwill	–	–	–	27,623	–	–	27,623
Total assets	32,641		5,904,097	548,103	531,692	5,372,405	6,452,200
LIABILITIES							
Derivative financial instruments	–	0.5	85	3,701	–	85	3,786
Due to other banks	–	–	104	–	104	–	104
Due to customers	19,394	0.5	3,878,774	310,211	2,090,874	1,787,900	4,188,985
Negotiable certificates of deposits	13,543	1.0	1,354,320	–	–	1,354,320	1,354,320
Other liabilities	–	–	–	88,376	–	–	88,376
Deferred taxation	–	–	–	103,774	–	–	103,774
Policyholder liabilities under insurance contracts	–	–	–	20,427	–	–	20,427
Provision for post-retirement medical benefits	36	0.5	7,223	–	–	7,223	7,223
Long-term subordinated debt instruments	–	–	2,049	–	2,049	–	2,049
Total liabilities	32,973		5,242,555	526,489	2,093,027	3,149,528	5,769,044

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

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

cont ents

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Statement of Financial Position

AS AT 31 DECEMBER 2009

	Notes	2009 N\$'000	2008 N\$'000
ASSETS			
Due from other banks	4	1,525	–
Other assets	5	896	657
Investment in subsidiaries	16	133,642	133,642
Total assets		136,063	134,299
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	6	17,595	17,595
Share premium	6	99,536	99,536
Retained income		18,926	17,025
Shareholder's interest		136,057	134,156
LIABILITIES			
Due to other banks	7	–	138
Other liabilities	8	6	5
Total liabilities		6	143
Total equity and liabilities		136,063	134,299

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 N\$'000	2008 N\$'000
Interest and similar income		98	5
Interest expense and similar charges		15	885
Net interest income	9	83	(880)
Non-interest income	10	2,033	10,164
Net income		2,116	9,284
Operating expenditure	11	188	349
Net income before taxation		1,928	8,935
Taxation	12	27	–
Total profit after taxation		1,901	8,935
Other comprehensive income		–	–
Total comprehensive income		1,901	8,935
Total profit after taxation attributable to:			
Owners of the parent		1,901	8,935
Total profit after taxation		1,901	8,935
Total comprehensive income attributable to:			
Owners of the parent		1,901	8,935
Total comprehensive income		1,901	8,935

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital N\$'000	Share premium N\$'000	Retained income N\$'000	Total shareholder's interest N\$'000
Balance at 1 January 2008	17,595	99,536	8,090	125,221
Net income for the year attributable to the equity holders of the parent	–	–	8,935	8,935
Balance at 31 December 2008	17,595	99,536	17,025	134,156
Net income for the year attributable to the equity holders of the parent	–	–	1,901	1,901
Balance at 31 December 2009	17,595	99,536	18,926	136,057

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 N\$'000	2008 N\$'000
Cash generated by operating activities	13.1	–	–
Cash received from customers	13.2	98	5
Cash paid to customers	13.3	(15)	(885)
Cash paid to employees and suppliers		(188)	(349)
Dividends received		2,033	10,164
Cash movements in advances and other accounts		(1,779)	(632)
Cash movements in operating liabilities	13.4	(149)	(8,303)
Cash and short-term funds generated		–	–
Cash and short-term funds at beginning of the year		–	–
Cash and short-term funds at end of the year		–	–

	2009 N\$'000	2008 N\$'000
10. NON-INTEREST INCOME		
Dividends	2,033	10,164
11. EXPENSES		
Expenses include the following items which are separately disclosable:		
Auditors' remuneration - prior year	42	153
Staff costs	-	49
Directors' fees paid by the Bank	98	96
Other expenses	48	51
	188	349
12. TAXATION		
12.1 Charge for the year		
Normal taxation - current year	27	-
12.2 Reconciliation of rate of taxation		
Namibian normal rate of taxation	35.0	35.0
Reduction in rate for the year:	(33.6)	(35.0)
- Non-taxable income	(33.6)	(35.0)
Effective rate of taxation	1.4	-
13. CASH FLOW INFORMATION		
13.1 Reconciliation of profit before taxation to cash generated by operating activities		
Profit before taxation	1,928	8,935
Movement in operating assets	(1,928)	(8,935)
- Deposit, current and other accounts	(149)	(8,303)
- Advances and other accounts	(1,779)	(632)
Cash flow from operating activities	-	-
13.2 Cash received from customers		
Interest received	98	5
13.3 Cash paid to customers		
Interest paid on deposits	(15)	(885)
13.4 Cash movement in operating liabilities		
Current accounts	(149)	(8,188)
Other deposits and loan accounts	-	(115)
	(149)	(8,303)

14. LIQUIDITY, CREDIT AND MARKET RISK INFORMATION

The assets and liabilities of the company consist mainly of non-financial assets and liabilities which are not subject to liquidity, credit and market risk for IFRS 7 purposes. Accounts receivable and creditors and accruals are repayable on demand or short notice.

	2009 N\$'000	2008 N\$'000
15. RELATED PARTY TRANSACTIONS		
15.1 Related party balances		
Loans from related parties		
Nedbank Namibia Limited (subsidiary) (bank account)	–	138
Loans to related parties		
Nedbank Namibia Limited (subsidiary) (bank account)	1,525	–
Nedbank Namibia Limited (subsidiary) (sundry debtor)	896	657
15.2 Related party transactions		
Nedbank Namibia Limited (subsidiary) (interest income)	98	5
Nedbank Namibia Limited (subsidiary) (interest expense)	15	885
16. INVESTMENT IN SUBSIDIARIES		
Investment in subsidiaries	133,642	133,642
– Carrying value at beginning of the year	133,642	129,642
– Transfer from non-current assets held for sale	–	4,000
Market valuation	133,642	133,642

Nature of business

Subsidiary companies

NedProperties (Proprietary) Limited	Property company
NedNamibia Life Assurance Company 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

Total



Issued ordinary share capital		Proportion held		Shares at cost		Aggregate profits after tax of subsidiary	
2009	2008	2009	2008	2009	2008	2009	2008
N\$'000	N\$'000	%	%	N\$'000	N\$'000	N\$'000	N\$'000
-	-	100	100	4,000	4,000	567	(1,522)
4,000	4,000	100	100	4,000	4,000	5,812	564
67,759	67,759	100	100	125,634	125,634	101,434	88,131
8	8	100	100	8	8	2,986	1,291
-	-	100	100	-	-	73	210
-	-	100	100	-	-	408	160
				133,642	133,642		

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