The condensed consolidated financial statements of NedNamibia Holdings Limited and its subsidiaries (“the Group”) have been prepared in accordance with and comply with International Financial Reporting Standards (“IFRS”) adopted by the International Accounting Standards Board (“IASB”), the interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB and the requirements of the Namibian Companies Act.

The same accounting policies, presentations and method of computation have been followed in these condensed financial statements as were applied in the preparation of the Group’s annual financial statements for the financial year ended 31 December 2010.

FINANCIAL PERFORMANCE

The first half of 2011 has been challenging for the NedNamibia Holdings Group. Earnings levels have been under significant pressure and changes in various industry dynamics have necessitated changes to key business focus areas.

Net interest income has reduced due to severely compressed margins following the request of Bank of Namibia to reduce the spread between the repo and prime interest rate. Responsible asset and liability management has meant that the cost of funding and liquidity has been maintained, while the benefit of the rate reductions has been passed to our customers. Fees and commissions have also reduced after the Group’s activities in the micro-lending industry have been curtailed as a result of various uncertainties.

In this environment where income growth has been under real pressure, credit discipline has been maintained and has resulted in a reduction in the year-on-year impairment charge to the income statement. Operating expenses have also been controlled effectively which has resulted in an increase well below the overall inflation rate.

In line with the Group’s strategic capital and risk management objectives, the capital adequacy ratio has been strengthened to 14.2%.

Although the results for the first half of 2011 are disappointing, the strategic initiatives which have been implemented are expected to bear fruit in the future. This will enable the Group to achieve its goal of delivering sustainable results and consistent stakeholder value.

GOING CONCERN

The financial statements have been prepared on the going concern basis. The directors are of the opinion that the Group has adequate resources in place to continue in operation for the foreseeable future.

ECONOMIC OUTLOOK

The outlook for the world economy has darkened considerably during the first half of the year and chances of another recession in the US, UK and Eurozone increased, which was compounded by the critical issue of sovereign debt defaults by Greece and other Eurozone economies. This will undoubtedly have an impact on the global banking system. Growth in South Africa and Namibia also slowed obliging central banks to maintain interest rates at historic lows. Output in Namibia appears to be slowing across a range of sectors and lower world growth will exacerbate this trend.

Government’s TIEPEG spending programme and a weaker exchange rate may to some extent act to counter this slowdown. The expectation of lower world growth is likely to mean interest rates stay lower for longer and raise the possibility of further cuts despite expectations that inflation will rise above the target band in South Africa towards the end of the year.

APPRECIATION

We thank Namibians for accepting us as a partner in business and in allowing us to assist with their social well being. The Board also would like to thank management and staff for demonstrating through their hard work and dedication their willingness to “make things happen”. Thanks are also due to the regulators for the constructive and engaging manner in which they continue to provide guidance to the banking sector.

KEY PERFORMANCE HIGHLIGHTS

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (compared to December 2010)

Increase in the net asset value per share to 1 253.6 cents per share

Annualised growth in loans and advances to customers of 5.6%

Capital adequacy ratio of 14.2%

STATEMENT OF COMPREHENSIVE INCOME HIGHLIGHTS (compared to June 2010)

Net interest income reduced by 5.4%

Non-interest revenue reduced by 7.5%

Impairment of advances reduced by 52.0%

Operating expenses increased by only 2.0%

Profit after taxation reduced by 19.0%