Development
Bank of Namibia

ANNUAL REPORT
2009

CONTENTS

PROFILE

The Development Bank of Namibia ("DBN or the Bank") provides finance for enterprises that create jobs and infrastructure. Jobs create income. Infrastructure, be it physical infrastructure such as roads, power and water, or social infrastructure such as medical facilities, enable industries, communities and individuals to grow and prosper.

Another very important function of the DBN is to provide capital to commercial lenders, so that they can use it to reduce the cost of loans that work towards development of the country.

The Bank provides finance to larger private and public sector enterprises, SMEs and even emerging micro enterprises. SME and microfinance loans are provided through partner organisations such as banks and micro-finance intermediaries.

As a custodian of funds from the government, and other lenders who have an interest in developing Namibia, the Bank holds itself accountable for the funds, and has a very robust system of governance to ensure that the organisation is well managed. It takes an active interest in the progress of its loans, and may assist if projects run into difficulties. The DBN has a track record of successes matched by very few organisations of a similar nature.

In order to ensure that its loans are used successfully the Bank carefully examines each application. It ensures that the business plan is viable; that the persons involved in the project have the skills needed to make the project a success, and that there is collateral or guarantees to cover for losses if the project or enterprise is not a success.

The key development factors that the Bank considers when making a loan are whether or not the loan will create jobs or infrastructure. Other factors which the DBN considers include Namibian ownership, and spread of jobs across the regions where there aren't many employment opportunities.

The Bank turns away certain types of projects, such as speculative investments, businesses that will have a negative social impact and projects that will have a damaging effect on the environment.

Nature of finance

DBN provides finance for

- Private sector start-ups and expansions
- Infrastructure development
- Equity deals
- Bridging finance
- Enterprise development finance
- Black economic empowerment enterprises
- Franchise facilities
- Small and medium enterprises
- Micro finance providers

Business approach

The hallmarks of DBN's approach are

- Business logic first
- Acceptance of innovation
- Risk mitigation
- Custom financing
- Financial principles
- Robust governance

Board & governance

The Bank is governed by a board of six directors composed of business leaders from the private sector, including representatives of the financial sector.

Its policies and practices are exercised in a transparent manner. Activities are conducted with due consideration for the requirements of public accountability, while taking account of projects' sensitive aspects.

For more on the DBN, visit www.dbn.com.na

BOARD OF DIRECTORS

Standing from left to right

John Walenga

Elize Angula

Asnake Getachew

Sitting from left to right

Jennifer Comalie

David Nuyoma

Muetulamba Shingenge-Haipinge

Previous directors

Sven Thieme

Estelle Tjipuka

Sara Elago

CHAIRPERSON OF THE BOARD'S MESSAGE

In 2009, global economies were struck by recession. The impact on Africa was slightly delayed, but it soon began to make itself felt as the cost of imports increased and the pricing on commodities originating in Africa softened. The impact on South African companies was severe. The decline in commodity prices, particularly diamonds and copper, combined with close linkages to South Africa and other regional economies, had a significant impact on Namibia. In addition, the Namibian Government lost significant revenue as a result of losses sustained by the Southern African Customs Union (SACU).

A number of Development Bank clients, particularly those in the export environment, felt the pinch. Heavy rains in the north, and the inflow of water from the Cuvelai Basin in Southern Angola also wreaked havoc, causing damage to infrastructure, work stoppages and slowing business in general.

The DBN worked tirelessly to restructure the loans of clients affected to help them weather the storm. The exercise had a positive outcome as it made the Bank even more conscious of clients' unique business environments and the need to respond to individual circumstances. The interventions, typically in the form of brief, scheduled delays on repayments, enabled the Bank to continue reaping the benefits of lending, while preserving the development impact of the lending and avoiding the need for claims against collateral and the concomitant loss of early employment gains.

The Bank's fifth anniversary sounded a positive note in the midst of these challenges. This milestone event marks the culmination of an intensive period of planning, fact finding and learning.

DBN's loan book grew steadily over the past five years and now stands at a gross value of N$ 721 million (2008 - N$ 375 million). The loan book includes a strong portfolio of projects spread across the private and public sectors, with the former constituting the bulk of the book.

The key underpinning of the loan book has been a rigid emphasis on sustainable lending. It has been recognised that traditional models of development don't necessarily lead to job and wealth creation: the phenomenon of development handouts has in many instances not involved the beneficiaries in development of futures which they themselves can sustain.

By insisting on the realism of business planning and sharing of risk in the form of collateral, the Bank has developed a portfolio of projects that immediately begins to attain the goal of sustainability, but also begins to yield dividends in the form of a repayment ratio that allows the Bank to apply its resources to further projects. In its most successful form, development is a hand-up, not a hand-out.

Although, in the face of standard perceptions of development, this approach is not popular with prospective borrowers, but the results shown by successful borrowers validate the Bank's adherence to prudent business principles. The Bank will continue to ensure that state funds are allocated in the best interest of the country and Vision 2030. The shareholder's commitment to the principle has been invaluable, and is a feature the Bank will continue to draw on.

In the past year, I succeeded founding chairperson, Sven Thieme, as chairperson of the DBN Board. While it is challenging bidding Thieme, and fellow directors Estelle Tjipuka and Sara Elago goodbye, the foundations which they laid are fundamental to the Bank. Their constant effort and insights have been instrumental in shaping the Bank and making it the strong entity it is today.

The remaining non-executive directors, Jennifer Comalie and Asnake Getachew, were joined by Muetulamba Shingenge-Haipinge and John Walenga, amplifying the skill in the DBN board. The range and depth of directors' abilities, which is reflected in the character of the Subcommittees, confirm the quality and integrity of the Bank's decision-making processes.

While the first group of directors focused on growing the loan book, the emphasis is now on consolidating the book. This includes developing strategies to address impairments, and scoping, assessing and packaging projects with significant inherent development impacts. Strengthening of the Bank's research capacity paves the way for such involvement.

The board's strategic direction for DBN to identify, develop and finance projects of national importance will be a unique opportunity for the Bank to develop key learnings for the future, while making a central contribution towards realising Vision 2030. This endeavour is in line with the Development Bank's core value of innovation, which sets the tenor for the outlook adopted by directors and staff alike.

In keeping with the undertaking to adopt excellent working methods, the Bank continues to review its processes to ensure that its practices conform to international standards. Turn-around times on the due diligence process are a priority for Board, and management has been tasked to streamline all internal processes to take into account time-sensitivity of applications.

The renewal of chief executive officer, David Nuyoma's, contract for another five years, validates the board's confidence in his leadership. The CEO has been instrumental in ensuring that the DBN retains its focus on its vision.

The Bank has shown that development finance can be sustainable in spite of the mixed record of similar institutions. It has shown that it is accountable, and that the transparency required for accountability is not incompatible with sound business practices. It has also shown that it is possible to develop a highly sophisticated, local, specialist financial entity while focussing on the imperatives of Vision 2030. It is 'for Namibia'.

Looking ahead, the Bank will continue to adapt to strategic challenges such as those that dominated the economic landscape in 2009. It will also uphold its commitment to finance sustainable projects, as this approach to lending will ensure that development will be able to continue for years to come.

The Bank was created to provide finance for private and public sector enterprises and infrastructure that materially contributes to development. Job creation, income generation, development of infrastructure, spread of Namibian ownership and spread of enterprise are benchmarks of the Bank's progress. On its fifth anniversary, I am pleased to state that the Bank has made an impact in all these fields.

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CORPORATE GOVERNANCE REPORT

DBN strictly adheres to the requirements of the legislation by which it is governed. It adheres to the Accounting Principles as set forth in the International Financial Reporting Standards (IFRS) and voluntarily subscribes to the Banking Institutions' Act in terms of its credit control framework.

Governance structures within DBN

Board of Directors

The DBN board is constituted according to the provisions of the DBN Act and consists of six directors, all of whom are currently appointed by the Minister of Finance, representing the Government of the Republic of Namibia as the sole shareholder in the Bank. In the event, however, of other stakeholders taking equity in the Bank, as provided for by the Act, the Minister will appoint directors proportionate to its shareholding.

DBN's governance structure is modelled on the principles put forth in the King Commission Reports on Corporate Governance. By adhering to the code, the directors recognise the need for conducting the affairs of the Bank with integrity and in accordance with generally accepted corporate practices.

The cornerstone of the Bank's governance framework is the Board Rules. The following Board committees are in place and are functioning:

- Audit, Risk and Compliance;
- Credit and Investment;
- Human Capital and Remuneration; and
- Special Development Fund Committees.

The board also believes that adhering to good governance practice involves more than compliance. The directors recognise the value of consistently employing the principles of good faith, care, skill and diligence in all their duties and believe that DBN's efforts will be sustainable only if they, unfailingly, do what is in the best interest of the Bank.

The directors are responsible for the annual financial statements, which are prepared in accordance with and comply with IFRS, the Development Bank of Namibia Act and the Namibian Companies Act. The accounting policies used are consistently applied, appropriate and supported by reasonable and prudent judgements and estimates.

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 effective systems of internal control. The Board has ultimate responsibility for the systems of internal control and reviews their operation primarily through the Audit Committee and various other risk monitoring committees.

During the year under review, internal controls within the Bank have operated effectively, and where internal controls did not, or could not, operate effectively, compensating controls have ensured that, in all significant respects, the Bank's assets have been safeguarded, proper accounting records have been maintained, and resources have been utilised efficiently.

Audit, Risk and Compliance Committee (AU)

In 2009, the AU was constituted of the following non-executive directors: chartered accountant, Jennifer Comalie, development economist, Asnake Getachew, and business executive, John Walenga. The committee chairperson was Jennifer Comalie. Development Bank CEO, David Nuyoma, also serves on the committee.

The AU is primarily tasked with oversight of the following:

- risk management;
- financial control, accounting systems and financial reporting;
- interal audit and internal control;
- compliance with policies, laws and regulations which have an impact on the DBN;
- external audit process; and
- ethics of the Bank on behalf of the board of directors.

In addition, the committee assists the board in providing strategic direction on the Bank's asset and liability management activities within the defined risk appetite, in order to strengthen DBN's financial position in pursuance of its development mandate.

PriceWaterhouseCoopers (PWC) was appointed to execute the internal audit function and to assist the CEO and the AU in the effective discharge of their responsibilities by performing independent appraisal activities of the Bank's management controls.

In 2009, DBN appointed KPMG as its external auditors.

Credit and Investment Committee (CI)

The Committee is chaired by Asnake Getachew and constituted of non-executive directors Jennifer Comalie and businesswoman, Muetulamba Shingenge-Haipinge; and David Nuyoma. The key function of the CI is the extension of credit and exercising investment decisions in order to maximise returns on available investment options.

Human Capital and Remuneration Committee (HC)

The HC determines and develops the Bank's remuneration strategy and related conditions of service competitive enough to attract, retain and motivate human capital of the quality required by the Bank. The HC is chaired by Muetulamba Shingenge-Haipinge. The other members are John Walenga, lawyer Elize Angula, who is also the board chairperson, and David Nuyoma.

Special Development Fund Committee (SDF)

The SDF is established and administered by the DBN in terms of the Bank's establishment legislation. It supports selected key sustainable projects and programmes determined to have developmental importance, where the risk may be high in relation to the expected return. The committee is responsible for supervising the Fund's activities. It is chaired by Asnake Getachew. Jennifer Comalie, Muetulamba Shingenge-Haipinge and David Nuyoma are the other members.

The board also believes that adhering to good governance practice involves more than compliance. The directors recognise the value of consistently employing the principles of good faith, care,skill and diligence in all their duties and believe that DBN's efforts will be sustainable only if they, unfailingly, do what is in the best interest of the Bank.

EVENTS AND MILESTONES

Changing of the watch

Elize Angula, of the law firm LorenzAngula, succeeded founding chairperson Sven Thieme, in August 2009.

Asked about her expectations of the board and functioning of DBN going forward, Angula said, "I view this as an opportunity to take stock and focus our resources on properly consolidating and further securing our current loan book. Consistent with our intent to be a world-class development finance institution, we will continue review of our existing policies to ensure that they serve the best interest of both the Bank and its beneficiaries. The decision of the Bank in terms of its strategic focus, is not that of the chairperson, but that of the members of the board acting collectively and as a team."

Speaking on his tenure as the chairperson of the DBN board, executive chairman of the Ohlthaver & List Group of Companies, Sven Thieme, said the period was marked by considerable challenges and remarkable rewards.

Commenting on the achievements during his tenure as chairperson from 2003 to 2009, Thieme singled out three landmarks. "We have had an incredible and great dynamic as a board of directors and a great executive team that created a bank with world class structures in terms of governance and remuneration. I count the extension of our first loans as a highlight, and also the fact that the DBN was the very first State Owned Enterprise, and one of the first corporations in Namibia, to have introduced International Financial Reporting Standards in 2006."

David Nuyoma, CEO of DBN noted Sven Thieme's contribution. "His tireless efforts and his insights have been instrumental in shaping the Bank and making it the strong entity it is today. We know that the time and commitment that he gave were invaluable."

David Nuyoma remained as CEO, following a five year extension of his contract, and continues to serve on the board. In addition to Elize Angula, other members are Jennifer Comalie, a chartered accountant and principal member of Core Catering, Asnake Getachew, a development economist and managing director of Getty Enterprise, Muetulamba Shingenge-Haipinge, managing director of CERET, and John Walenga, a media practitioner and managing director of Zebra Holdings.

Namibia Financial Sector Charter signed

Key players in the Namibian financial sector signed the Namibia Financial Sector Charter (NFSC) on 29 May 2009. The Charter was signed at the Development Bank of Namibia's head office, which is also the venue where the final draft of the Charter was completed in 2008.

The Namibian financial sector recognised that the current distribution of ownership and control of financial institutions is inequitable and does not reflect the demographics of the country.

The Charter, which is effective from 29 May 2009 and remains valid until 31 December 2019, sets out to redress this imbalance.

Third Namibian SME Expo launched

President Hifikepunye Pohamba, officially launched the third Namibia SME Expo on 5 August 2009. The SME Expo is a joint venture between The DBN, Bank Windhoek and First National Bank of Namibia (FNB Namibia) to provide a platform for Small and Medium Enterprises to showcase their goods or services, signifying the competitive Namibia SME sector. President Pohamba chats with an exhibitor with DBN CEO, David Nuyoma, in the background.

What is given, gets given back

The DBN donated N$ 1 million to the Ministry of Education in support of infrastructure upgrade at two schools in the northern regions that were severely affected by flooding early in 2009. The funds will be used to repair damages at the Onesi Secondary School in the Omusati Region and the Ohangwena Primary School in the Ohangwena Region, and rehabilitate the learning environment for 1,044 learners at the two schools.

DBN and China Development Bank sign memorandum of understanding

On 22 May 2009, the Development Bank of Namibia and China Development Bank (CDB) entered into a Memorandum of Understanding, which establishes the frame of reference for cooperation in financing of infrastructure, skills development and research on the role and significance of development finance institutions, among others. The signing is a result of discussions which began between the banks in 2006. Established in 1994, the CDB is one of the most successful development finance institutions in the world.

DBN supports innovation

Ottilie Haufiku of Ndeya Manufacturing presents what is definitely great peanut butter, but possibly also a pot of gold at the end of the rainbow. Haufiku, who manufactured her first batch of peanut butter towards the end of 2004, sources the ground nuts from the Etunda irrigation scheme in the Omusati Region. The Development Bank of Namibia decided to fund Haufiku's operations to enable her to increase production, and she became the first recipient of finance from the Bank's Innovation Fund.

EXECUTIVE MANAGEMENT

Sitting from left to right

Lindsay Crawford
Head: Credit & Risk Management

Gottlieb Hinda
Chief Operations Officer

Joy Sasman
Manager: Corporate Communications

David Nuyoma
Chief Executive Officer

Elriana Burger
Manager: Human Capital

Renier van Rooyen
Chief Financial Officer

CEO'S REPORT

The Development Bank's asset base grew to N$ 1 billion in 2009. The forecast in 2004 was that this would be achieved by 2010. The early realisation of this goal is a reflection of the shareholder's consistent support to and re-investment of surpluses in the Bank's growth: retained earnings of N$ 225 million were recorded in the past year.

The expanded asset base will enhance participation in Namibia's financial services sector and increase the level and depth of intervention in the market.

The growth of the gross loan book from N$ 375 million in 2008 to N$ 721 million by the end of 2009, an increase of 92 per cent, is another important measure of the DBN's progress. Cumulatively, the Bank had invested N$ 834 million in the Namibian economy since the disbursement of its first loans in 2005. This is confirmation of the constant commitment to enterprise development and the resulting impact on living standards.

I also ascribe the level of growth to the board's insistence on excellence and staffs' professionalism. The Bank sets challenging targets and works hard to attain them. It is performance driven and the personnel complement is united by a drive to make a meaningful impact with limited resources.

The key sectors benefiting in the past year include agro-industry, fisheries, infrastructure, manufacturing, services, telecommunications and tourism. Financing for bulk infrastructure development in emerging towns is set to have a profound bearing on the quality of life in these centres.

Forty-nine per cent of the projects financed have an impact on development at a national level. The projects financed are based in all 13 regions of the country, and those in outlaying areas received higher levels of funding than the Khomas region for the first time. This is in line with the Bank's objective to stimulate economic activity across the country.

Close to 20,000 jobs are expected to be provided through the projects on the Bank's book.

The Development Bank advanced its first micro-finance facility to the TrustCo Group of Companies in 2009 to support the upgrading of under-qualified teachers' skills. This intervention made it possible for TrustCo to reduce its interest rate by 10 per cent. 966 teachers across the country, of whom 89 per cent are based in rural areas and 60 per cent are women, benefited as a result.

The Bank's micro-finance policy is rooted in the objective to improve marginalised communities' access to finance. Through the facility, the Bank provides funding to intermediaries who pass the benefit on to grassroots initiatives.

In the SME sector, the DBN facilitated implementation of N$ 560 million worth of contracts through funding to small, medium and emerging businesses since 2006.

CEO'S REPORT

Funding is extended through the bridging finance facility, structured to mitigate installment risk through cessions of contract income, which reduces the burden of collateral on clients. The facility is an important instrument for empowerment as clients with a limited asset base can still access finance to implement contracts through which they can build up tangible security.

These clients perform a vital service to the country through the schools, clinics and roads they build. Mangalangandja Construction & Renovations, for example, recently completed a set of classrooms at the Twaalulilwa Primary School where students used to learn under a tree and in basic huts. Having their learning environment so radically transformed will have a positive impact on the students.

Whereas the bridging finance facility has potential for yielding far-reaching benefits to emerging entrepreneurs, current shortcomings present a challenge to the sustainability of the facility. These include the limited skill and discipline to complete work and, in some instances, poor workmanship. Inefficiencies in progress payments by contracting parties also result in serious cash flow problems for clients, which lead to a situation where the bulk of the Bank's non-performing loans are in the construction sector.

The year under review marks the completion of the second phase of lines of credit to improve SMEs' access to finance, to FNB Namibia and Bank Windhoek. N$ 87 million was extended to 128 SMEs, creating 996 jobs through the programme over a 12 month period. It is pleasing to note that 90 per cent of the loans advanced are to previously disadvantaged Namibians of which 20 per cent are women.

One of the most noteworthy projects approved in 2009 is the N$ 20 million facility to the International University of Management being used for construction of a new campus in Windhoek. Extension of the facility is rooted in the DBN's belief that education is a prerequisite for meaningful advancement, and that it requires participation by civil society and government alike.

Capacity building through the ongoing mentorship implemented with partner banks Bank Windhoek and FNB Namibia is aimed at addressing the need for entrepreneurial support at a national level. Limited business management experience significantly impacts on especially emerging entrepreneurs' performance.

The Bank also fosters skills development through support to the National Youth Council's entrepreneurship expansion initiatives and AfriSam's Entrepreneurship Development Programme for Grade 11 learners.

The DBN introduced an innovation fund to provide financial support to entrepreneurs with original business concepts and technology that may not have been fully tested and harnessed, but that have potential to deliver new or improved products and services to the market. In 2009, Ndeya Manufacturing became the first recipient of finance from the fund to manufacture peanut butter from locally-sourced ground nuts. The project embodies innovation as it involves transformation of a very basic resource into a product sold commercially. The ability to see a common situation in a new light, is what lies at the core of innovative thinking.

Globally, 2009 was one of the most difficult years the world economy ever experienced. Namibia was not spared the problems that beset other parts of the world. Locally, the challenges were exacerbated by flooding in the north and north-eastern parts of the country, and that resulted in clients experiencing serious delays and cost-overruns on contracts.

In recognition of these impediments, the DBN created a workout unit that forged even closer ties with clients to understand and address their needs. It was gratifying to see clients recover and once again become able to meet their obligations to the Bank towards the end of the year. The exercise reduced the number of clients in default by 45 per cent.

The Development Bank is financed from the National Treasury and it emphasises accountability in its relationships with clients, partners, its shareholder and suppliers. The resources available to the Bank are scarce and have to be kept in circulation. The Bank therefore creates channels that can help clients honour their commitments; to finance additional enterprises. Through this cycle, the development impact can be multiplied substantially.

The DBN recognises the value of performance and the need for each of its employees to contribute meaningfully to the overall mandate, purpose and standing of the institution. The past year was spent refining the performance management system introduced at inception. Titled the 'Performance for Excellence Framework', the system produced almost immediate results as demonstrated in the loan book growth target for the year being exceeded by more than N$ 100 million.

In relation to its balance sheet and loan book size, the DBN, with a 25-strong staff complement, had a lean organisational structure. Each employee's full potential thus had to be realised. Capacity building remains a key consideration in an effort to maintain the level of skill required to realise the Bank's mandate.

Looking ahead, a further challenge lies in capital adequacy levels in the coming period as a result of the intensive growth experienced over the last couple of years. The legislation establishing the Bank makes provision for parties other than the Namibian government taking up shareholding in DBN. To this effect, the Bank's resource mobilisation strategy places emphasis on meeting required capital adequacy levels.

Going forward, there is tremendous scope for development finance. Namibia is a developing country with substantial infrastructure needs and a backlog in terms of value addition to its natural resources, offering excellent opportunities for entrepreneurs. The country's economic and political stability provides an ideal setting to explore these opportunities.

The full realisation of the amendment of Regulations 15 and 28, which are expected to release more capital for unlisted investments into the market, will undoubtedly help bring some of these prospects to fruition.

The Development Bank marked its fifth anniversary on 29 April 2009, having exceeded the financial and development targets set in its first business plan. This watershed year served as a reminder that due regard needs to be given to the manner in which economies and the environment are managed.

The DBN's enduring commitment to sustainability will see it maintain its undertaking to only support initiatives that are financially viable, economically feasible, socially equitable and environmentally responsible, as only such initiatives are likely to have lasting development impact.

The Development Bank is financed from the National Treasury and it emphasises accountability in its relationships with clients, partners, its shareholder and suppliers. The resources available to the Bank are scarce and have to be kept in circulation. The Bank therefore creates channels that can help clients honour their commitments; to finance additional enterprises. Through this cycle, the development impact can be multiplied substantially.

DEVELOPMENT IMPACT REPORT

Total approvals comprised of 65 facilities amounting to N$ 427.10 million in 2009. At 53 per cent, the bulk of the funding went towards the public sector.

The key economic sectors benefiting through funding in the past year include agro-industry, fisheries, infrastructure, manufacturing, services, telecommunications and tourism.

The funding in 2009 is set to create 5,551 job opportunities, with new jobs to account for 18 per cent of the total.

At the end of 2009, the DBN's gross loan book stood at N$ 721 million. This amount represents the value of the loans disbursed to clients. Not all loans approved are disbursed, as clients do not always take up approved facilities, for a number of reasons.

In terms of the regional spread for the private sector facility, the Otjozondjupa Region received slightly more than half of the funds for 2009 due to the funding approved for Ohorongo Cement. The Khomas Region received less than one-sixth of the funding, reflecting more diversification in terms of regional funding.

Two-thirds of the funds for the public sector, went towards a project that has national outreach, in the telecommunications sector.

The regional spread in the SME sector shows the Khomas Region receiving close to a third of the funds. It is, however, encouraging to see that the rest of the funding is evenly spread throughout the country.

Corporate Social Investment

DBN's primary goal is to contribute to sustainable economic growth and development in Namibia. Certain aspects of its activities are therefore inherently of a corporate social responsibility nature. DBN's corporate social investment activities seek to fill gaps and improve lives.

The Bank also fosters skills development through support to the National Youth Council's entrepreneurship expansion initiatives and AfriSam's Entrepreneurship Development Programme for Grade 11 learners.

The DBN offered support to the following projects in the past year:

- AfriSam Namibia: Entrepreneurial Development Programme
- Bank Windhoek Kidz Fun Fair
- Lüderitz Annual Crayfish Festival
- Ministry of Education: flood affected schools, Onesi Secondary School and Ohangwena Primary School
- Museum Association of Namibia
- Namibia SME Expo 2009
- National Theatre of Namibia
- National Youth Council: Youth Expo
- Okakarara Trade Fair
- Omaheke Economic Forum
- Sam Nujoma Innovative Enterprise Awards
- SMEs Compete: Business Angels Fund
- ToV Multipurpose Centre: Solar panels for project working with orphans in Tsumeb

The 65 projects approved for financing in 2009 are expected to generate 5,551 job opportunities countrywide.

- *Approvals of N$ 427.10 million*
- *53 per cent of the funding went to the private sector*
- *Developmental impact in all 13 regions*

SELECTED PROJECTS FINANCED

Afro Installations

Afro Installations is a subcontractor to a tender from the City of Windhoek awarded to 2M Civil Contractors for the Rehabilitation of the Khomasdal and Wanaheda Sewer Pump Stations. The client used the loan for working capital and to purchase equipment.

Anieb Bird Watching Camp

The Municipality of Walvis Bay contracted Anieb Bird Watching Camp to remove sludge and manure at all bird watch sites in the coastal town. The contract commenced in September 2009.

Aluminium and Glass Supplies

Aluminium and Glass Supplies operates as a manufacturer and supplier of finished products and fitments throughout Namibia, specialising in standard and non-standard aluminium and glass products ranging from windows to doors as well as subcontracting on large building and house contracts.

Because of the overwhelming demand for aluminium products, the business needs to purchase additional machinery to cater for this demand by expanding operations.

City Truck and Car Repairs

City Truck and Car Repairs secured a tender from the City of Windhoek to refurbish 16 municipal buses. The loan enabled the client to complete the tender successfully.

The company has implemented similar contracts for the Ministries of Finance and Defence as well as companies like TransNamib and Roads Contractor Company. Combined, City Truck and Car Repairs' three-man technical team has close to 40 years experience in the industry.

SELECTED PROJECTS FINANCED

International University of Management

The International University of Management is busy constructing its new campus in Dorado Park.

The loan will be used to finance the construction of phase one of the new campus.

Ondero Investment Holdings

Ondero Investment Holdings secured a ten year franchise agreement for Panarotti's restaurant from September 2009.

DBN funding will be used to renovate the facility, purchase equipment and stock, as well as for working capital.

Ohorongo Cement

DBN's participation in Ohorongo Cement will go towards the purchase of production machinery and equipment for the construction of a world-class cement plant with a capacity of 700,000 tonnes per year. The project will create 1,500 jobs during construction, over a period of two years, and 300 permanent jobs.

The DBN provided finance for Ohorongo because the project provides jobs for Namibians; infrastructure for Namibia; skills transfer to Namibians; value addition to Namibian resources; will improve Namibia's balance of payments through import substitution and increases Namibia's potential for export earnings through sales to Angola and Zambia.

Pamona Trading Enterprises

Pamona secured a contract with the Ministry of Defence to erect six army barracks, three at Gobabis in the Omaheke Region and another three at Otavi, in the Otjozondjupa Region. Pamona obtained a DBN loan to import materials for the construction.

Pinehas and Hoadom Contractors

The promoter secured a contract from the Roads Authority to maintain bitumen roads in the Usakos district, Erongo Region.

The loan will be used to purchase equipment and for working capital.

Telecom Namibia Limited

Telecom is in the process of upgrading its tele-communications infrastructure. It is deploying a new Internet Protocol-based network to address the changing needs of its customers in a new competitive landscape. The state of the art network will cater for fixed and mobile high-speed data, voice data, web services and new generation communication devices ranging from computers to portable devices. The facility will be used to finance the programme.

Trans Atlantic Enterprises

Trans Atlantic Enterprises designed the revolutionary 'Kavango Block Brick-Isometric wall system' also referred to as the 'K-Brick', used in the construction of affordable housing, schools and clinics. The loan being will enable the company to acquire the manufacturing plant and specialised tools to start the manufacturing of the Kavango Block Bricks.


Development Bank of Namibia

ANNUAL FINANCIAL STATEMENTS
31 December 2009

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DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the Development Bank of Namibia ("the Bank") are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards and in a manner required by the Development Bank of Namibia Act No. 8 of 2002 and the Namibian Companies Act. The Bank's independent external auditors have audited the financial statements and their report appears on page 21.

The directors of the Bank are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

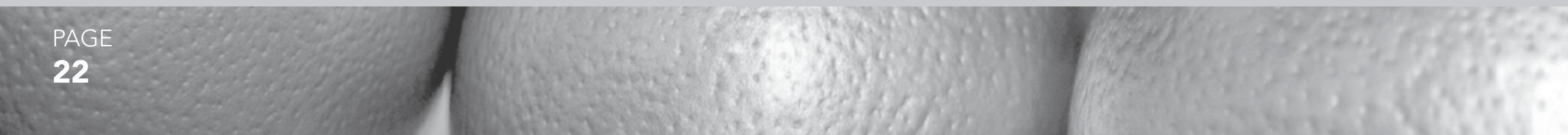
The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for the foreseeable future.

Elize Angula
Chairperson
12 April 2010

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 22 to 54 were approved by the board of directors and are signed on their behalf by:

David Nuyoma
Chief Executive Officer
12 April 2010



INDEPENDENT AUDITORS' REPORT

To the Member of the Development Bank of Namibia Limited

Report on the Financial Statements

We have audited the annual financial statements of the Development Bank of Namibia Limited, which comprise the statement of financial position as at 31 December 2009 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors report as set out on pages 22 to 54.

Directors' Responsibility for the Financial Statements

The company's 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 Development Bank of Namibia Act No. 8 of 2002 and the Namibian Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted the 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 whether the financial statements are free from 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 risk 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 the 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 the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statements presentation.

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

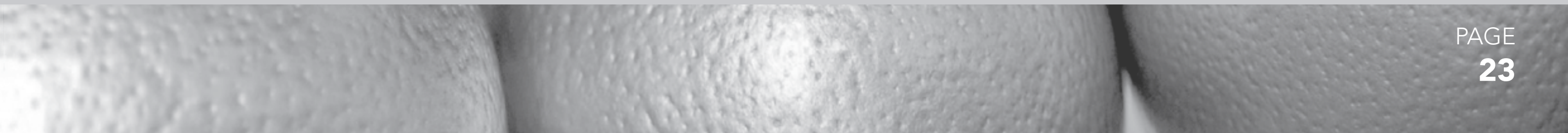
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Development Bank of Namibia, Act, No. 8 of 2002, and the Namibian Companies Act.

KPMG

KPMG
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Windhoek
12 April 2010



DIRECTORS' REPORT

The directors have pleasure in presenting their report on the activities of the Bank for the year ended 31 December 2009.

BACKGROUND AND OPERATIONS

The Bank was constituted in terms of the Development Bank of Namibia Act, 2002 (Act No. 8 of 2002). The Government of Namibia is currently the sole shareholder. The objective of the Bank is to contribute to the economic growth and social development of Namibia and the welfare of the Namibian people through the provision of development funding.

RESULTS

The results of the Bank are fully set out in the attached annual financial statements.

DIVIDENDS

No dividends were declared or paid in respect of the financial year under review (2008: nil).

SHARE CAPITAL

The authorised share capital of the Bank remains unchanged at N$ 150 million whilst the issued share capital was increased from the N$ 137.5 million in the prior year to N$ 141 million in the current year by the issue of additional 35 ordinary shares for N$100 000 each at a premium of N$ 4 185,714.29 each. The Government of the Republic of Namibia is currently the sole shareholder of the company.

BOARD MEMBERS AND SECRETARY

The members of the board of the Development Bank of Namibia Limited during the year and at the date of this report were as follows:

E Angula (Chairperson)
J Comalie
A Getachew
M Shingenge-Haipinge (appointed 9 July 2009)
J Walenga (appointed 9 July 2009)
D Nuyoma (Chief Executive Officer)
S Thieme (term ended 9 July 2009)
S Elago (term ended 9 July 2009)
E Tjipuka (term ended 9 July 2009)
J Sasman (Company secretary)

Postal address:
P O Box 235
Windhoek
NAMIBIA

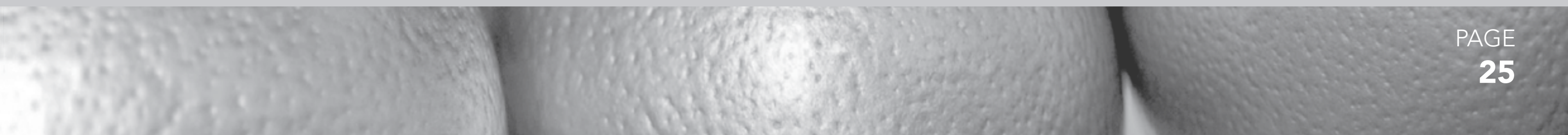
Business address:
Development Bank Building
12 Daniel Munamava Street
Windhoek
NAMIBIA

SUBSEQUENT EVENTS

The directors are not aware of any fact or circumstance, which occurred between the date of the financial statements and the date of this report, which may require adjustment to the annual financial statements.

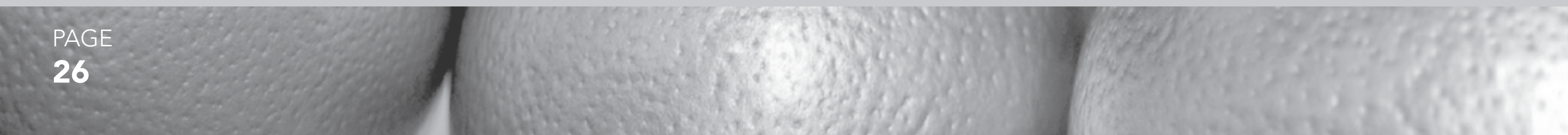
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December

N$	*Note*	2009	2008
Interest income	4	82,744,770	80,001,143
Fee and commission income	5	2,694,472	2,314,428
Other operating income	6	1,169,285	3,755,051
Operating income		86,608,526	86,070,623
Impairment of advances	11	(20,929,999)	(15,503,591)
Operating expenses	7	(24,778,024)	(20,593,821)
Profit before income tax		40,900,503	49,973,211
Income tax expense	8	-	-
Profit for the period		40,900,503	49,973,211
Other comprehensive income, net of income tax			
Revaluation gain on property	13	1,304,719	-
Total profit and comprehensive income attributable to the equity holder of the Bank		42,205,222	49,973,211



STATEMENT OF FINANCIAL POSITION
As at 31 December

N$	Note	2009	2008
Assets			
Cash and cash equivalents	9	333,423,210	462,158,797
Loans and advances	10	670,544,914	348,482,174
Trade and other receivables	15	5,822,189	10,187,629
Investment property	12	7,600,000	7,550,000
Property and equipment	13	25,041,258	24,277,601
Intangible assets	14	2,929,086	225,205
Total assets		1,045,360,657	852,881,406
Liabilities			
Trade and other payables	16	4,275,765	4,001,737
Equity			
Share capital and share premium	17	814,525,938	664,525,938
Retained earnings		225,254,235	184,353,731
Property revaluation reserve	18	1,304,719	-
Total equity attributable to the equity holder of the Bank		1,041,084,892	848,879,669
Total liabilities and equity		1,045,360,657	852,881,406



STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

N$	Share capital	Share premium	Revaluation reserve	Retained earnings	Total
Balance at 1 January 2008	134,000,000	380,525,938	-	134,380,520	648,906,458
Total comprehensive income for the period					
Profit or loss	-	-	-	49,973,211	49,973,211
Transactions with owner, recorded directly in equity					
New shares issued	3,500,000	146,500,000	-	-	150,000,000
Balance at 31 December 2008	137,500,000	527,025,938	-	184,353,731	848,879,669

	Share capital	Share premium	Revaluation reserve	Retained earnings	Total
Balance at 1 January 2009	137,500,000	527,025,938	-	184,353,731	848,879,669
Total comprehensive income for the period					
Profit or loss	-	-	-	40,900,503	40,900,503
Other comprehensive income, net of income tax					
Revaluation gain on property	-	-	1,304,719	-	1,304,719
Transactions with owner, recorded directly in equity					
New shares issued	3,500,000	146,500,000	-	-	150,000,000
Balance at 31 December 2009	141,000,000	673,525,938	1,304,719	225,254,235	1,041,084,892

STATEMENT OF CASH FLOWS
For the year ended 31 December

N$	Note	2009	2008
Cash flows from operating activities			
Profit for the period		42,205,222	49,973,211
Adjustments for:			
Depreciation and amortisation		1,586,037	806,861
Bad debts written off		-	197,323
Fair value gain on property		(1,354,719)	(539,520)
Net impairment loss on loans and advances		20,929,999	15,503,591
Net interest income		(82,744,770)	(83,052,125)
		(19,378,230)	(17,110,659)
Change in loans and advances		(322,062,740)	(172,437,704)
Change in other assets		4,365,440	529,549
Change in other liabilities and provisions		274,028	1,210,920
		(336,801,502)	(187,807,894)
Interest received		62,407,754	67,349,781
Net cash used in operating activities		(274,393,749)	(120,458,113)
Cash flows from investing activities			
Acquisition of property and equipment		(827,105)	(13,347,188)
Proceeds from the sale of property and equipment		-	48,074
Acquisition of intangible assets		(3,514,734)	(113,505)
Net cash used in investing activities		(4,341,838)	(13,412,619)
Cash flows from financing activities			
Proceeds from issue of shares		150,000,000	150,000,000
Net cash from financing activities		150,000,000	150,000,000
Net increase / (decrease) in cash and cash equivalents		(128,735,587)	16,129,268
Cash and cash equivalents at 1 January	9	462,158,797	446,029,529
Cash and cash equivalents at 31 December	9	333,423,210	462,158,797

1. REPORTING ENTITY

Development Bank of Namibia is a limited company incorporated in Namibia. The nature of the Bank's operations, its owners and addresses of its registered office and principal place of business are disclosed in the report of the directors.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

2.2 Basis of measurement

The financial statements are prepared on the historical cost basis except for the following:

- Property is measured at re-valued amounts (refer to note 13).
- Investment properties are measured at fair value.
- Financial instruments are measured at amortised cost.

2.3 Functional and presentation currency

These financial statements are presented in Namibian Dollar, which is the Bank's functional currency.

2.4 Critical judgements and estimates

2.4.1 Use of judgements and estimates

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.4.2 Critical judgements and estimates in applying accounting policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that could have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Interest

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity. The Bank suspends the accrual of contractual interest on non-recoverable advances. Instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances. Dividends received on these instruments are included in interest income.

Interest income presented in the statement of comprehensive income includes interest on financial assets measured at amortised cost calculated on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Fees and Commission

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

3.3 Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

3.4 Grants

Grants received from donors are recorded as income when the grant has been received. Where applicable, costs relating to these grants are charged to expenses.

3.5 Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of net trading income, net income from other financial instruments at fair value through profit or loss or other operating income based on the underlying classification of the equity investment.

3.6 Financial assets and financial liabilities

3.6.1 Recognition

Financial instruments are initially recognised when the Bank becomes party to the contractual terms of the instruments and are measured at fair value, excluding transaction costs. Subsequent to initial recognition, these instruments are measured at amortised cost.

3.6.2 De-recognition

Financial assets (or a portion thereof) are de-recognised when the Bank realises the rights to the benefits specified in the contract, the rights expire or the Bank surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On de-recognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in the profit or loss.

Financial liabilities (or a portion thereof) are de-recognised when the obligation specified in the contract is discharged, cancelled or expires. On de-recognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it are included in the profit or loss.

3.6.3 Offsetting

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

3.7 Investments

Unlisted investments are shown at fair value, unless their fair value cannot be reliably determined, in which case they are shown at cost less accumulated impairment losses. Investments that meet the criteria for classification as held-to-maturity financial assets are carried at amortised cost, using the effective interest method, less any impairment.

Investments are adjusted to take account of discounts earned or premiums paid, over their remaining life, so that book value at maturity equals the redemption value.

3.8 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, callable on demand and highly liquid financial assets with original maturities of less than four months which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are measured at amortised cost in the statement of financial position.

3.9 Loans and advances

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are initially measured at fair value plus incremental direct transaction costs and subsequently measured at their amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

3.10 Financial liabilities and equity

Financial liabilities and equity instruments issued by the Bank are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

3.11 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. Contingent liabilities are not recognised in the statement of financial position, but disclosed in note 18.

3.12 Commitments

Items are classified as commitments where the group has committed itself to future transactions. Commitments are not recognised in the statement of financial position, but disclosed in note 19.

3.13 Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

3.14 Leasing

3.14.1 The Bank as lessor

Lease payments received from operating leases are recognised in profit or loss on a straight-line basis over the term of the relevant lease or another basis if more representative of the time pattern of the user's benefit.

3.14.2 The Bank as lessee

Lease payments payable under operating leases are recognised in profit or loss on a straight-line basis over the term of the relevant lease or another basis if more representative of the time pattern of the user's benefit. Contingent lease payments are recognised in profit or loss as they occur.

3.15 Property and equipment

3.15.1 Recognition and measurement

Property is measured at re-valued amounts whilst equipment are measured at cost and depreciated on the straight-line basis at rates considered appropriate over their estimated useful lives.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised net within other income in profit or loss.

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Property and equipment (continued)

3.15.2 Subsequent costs

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the items will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in profit or loss as incurred.

3.15.3 Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful life of each part of an item of property and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Furniture and equipment	5 years (20%)
Computer equipment	3 years (33.3%)
Motor vehicles	4 years (25%)

The carrying amounts of the assets are reviewed at each reporting date to determine whether there is any indication of impairment, in which case their recoverable amounts are estimated.

The estimate useful lives, residual values and depreciation method are reviewed at each reporting date, with effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives and residual values for assets are reviewed regularly taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments and the specific industries where the assets are used.

3.16 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is re-measured to its fair value at each reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

3.17 Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. On acquisition the software is capitalised at purchase price. The useful life has been set at three years and the asset is amortised on a straight line basis with zero residual value.

3.18 Pension fund

It is the policy of the Bank to provide retirement benefits for employees through a defined contribution plan being a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when due in respect of service rendered before the end of the reporting period.

3.19 Impairment of non-financial assets

The carrying amount of the assets of the Bank is reviewed at each reporting date to determine whether there is any indication of impairment, in which case their recoverable amounts are estimated.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. 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 had no impairment loss been recognised.

The recoverable amount is the higher of its net realisable value and its value in use. Net realisable value is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

the asset. In assessing value-in-use, the expected future cash flows from the asset are discounted to their present value using pre-tax discount rates that reflects current market assessments of the time value of money and the risks specific to the asset.

For 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.

3.20 Impairment losses on loans and advances

3.20.1 Performing loans

The Bank assesses its credit portfolios for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.

3.20.2 Non-performing loans

Loans are individually impaired if amounts are due and unpaid for three or more months or if there is evidence before this period that the customer is unlikely to repay its obligations. Estimates of future cash flows on individually impaired loans are based on internal historical loss experience, supplemented by analysis of comparable external data for assets with similar credit risk characteristics.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3.21 Provisions

Provisions are recognised when the Bank 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 be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3.22 Properties in possession

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

3.23 Foreign currency

Foreign currency transactions are recorded at the rate of exchange prevailing at the date of the transaction. At reporting date, monetary assets and liabilities denominated in foreign currency are reported using the closing exchange rate. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, unrealised foreign exchange differences on unsettled foreign monetary assets and liabilities, are recognised in profit or loss.

3.24 Non-current asset held for sale

Non-current assets held for sale are recognised at the lower of carrying value and fair value less costs to sell. Impairment losses or profits on initial classification as held for sale are included in profit or loss.

3.25 Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee liabilities are recognised initially at fair value and subsequently the Bank performs liability adequacy tests on financial guarantee contract liabilities to ensure that the carrying amount of the liabilities is sufficient in view of the future cash flows when performing the liability adequacy test. The Bank discounts all expected contractual cash flows and compares this amount to the carrying value of the liability; where a shortfall is identified, an additional provision is made.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.26 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these financial statements.

At the date of authorisation of the financial statements of the entity for the year ended 31 December 2009, the following Standards and Interpretations were in issue but not yet effective:

Standard/Interpretation		Effective date
IFRIC 17	*Distribution of Non-Cash Assets to Owners*	Annual periods beginning on or after 1 July 2009*
IAS 27 amendment	*Consolidated and Separate Financial Statements*	Annual periods beginning on or after 1 July 2009*
IAS 39 amendment	*Eligible Hedged Items*	Annual periods beginning on or after 1 July 2009*
There are 15 individual amendments to 12 standards.	*Improvements to International Financial Reporting Standards 2009*	Amendments are effective for annual periods beginning on or after 1 January 2010, or for annual periods beginning on or after 1 July 2009
IFRS 3	*Business Combinations*	Annual periods beginning on or after 1 July 2009*
IFRS 1 amendment	Additional Exemptions for First-time Adopters	Annual periods beginning on or after 1 January 2010*
IFRS 2 amendment	Group Cash-settled Share-based Payment	Annual periods beginning on or after 1 January 2010*
Improvements IFRS 5	*Improvements to IFRSs 2008 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*	Annual periods beginning on or after 1 July 2009*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*	Annual periods beginning on or after 1 July 2010*
IFRIC 14 amendment	*Prepayments of a Minimum Funding Requirement*	Annual periods beginning on or after 1 January 2011*
IAS 24 (AC 126) (revised)	*Related Party Disclosures*	Annual periods beginning on or after 1 January 2011
IFRS 9 (AC 146)	*Financial Instruments*	Annual periods beginning on or after 1 January 2013

* These Standards and Interpretations are not applicable to the Bank and will therefore have no impact on future financial statements.

The amendments to the following Standards and Interpretations have been applied for the first time in the current year financial statements:

- IAS 1 – Presentation of Financial Statements;
- IFRS 7 – Financial Instruments: Disclosures.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December

N$	2009	2008

4. Interest income

	2009	2008
Cash and cash equivalents	37,597,129	53,783,564
Loans and advances to banks	5,893,798	7,052,597
Loans and advances to customers	39,253,842	19,164,982
	82,744,770	80,001,143

5. Fee and commission income

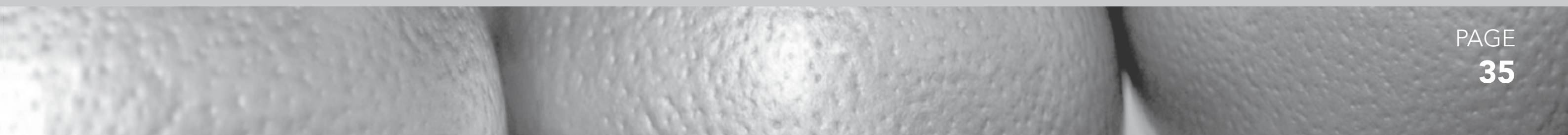
	2009	2008
Guarantee fees	861,010	458,139
Front-end fees	1,470,786	1,043,275
Other fees received	362,676	813,014
	2,694,472	2,314,428

6. Other operating income

	2009	2008
Gain on revaluation of investment property	50,000	539,520
Rent received	640,920	170,780
Profit on sale of assets	-	1,430
Amounts written off recovered	478,365	3,043,321
	1,169,285	3,755,051

7. Operating expenses

		2009	2008
Auditors' remuneration	- audit fees	247,196	186,430
	- other services	47,192	44,060
Bad debts written off		-	197,323
Directors' fees	- for services as directors	629,397	416,037
	- for management services	1,433,634	1,331,231
Depreciation and amortisation		1,586,037	806,861
Bank interest paid		6,013	21,143
Professional services		830,264	1,197,745
Salaries and personnel costs		12,877,297	10,123,944
Operating leases	- buildings	-	484,557
	- equipment	459,843	430,383
	- motor vehicle	26,959	35,641
Other expenditure		6,634,192	5,318,466
Total operating expenditure		24,778,024	20,593,821
Number of employees		25	25



N$	2009	2008
7. Operating expenses (continued)		
7.1 Directors emoluments		
7.1.1 Chief executive officer - D Nuyoma		
Pensionable salary	928,995	829,494
Bonus	286,727	307,207
Company contributions to pension and medical aid schemes	217,912	194,530
Fees as director	-	-
	1,433,634	1,331,231
7.1.2 Non-executive directors (** Term expired on 9 July 2009)*		
E Angula (Chairperson)	97,570	68,352
J Comalie	137,947	95,425
S Elago *	25,406	43,599
A Getachew	143,029	77,626
S Thieme (Chairperson) *	46,819	65,052
E Tjipuka *	38,109	65,984
M Shingenge-Haipinge	87,407	-
J Walenga	53,109	-
	629,397	416,037
7.1.3 Schedule of director's fees		
Chairperson's quarterly fee	9,528	8,507
Chairperson's sitting fee	3,493	3,119
Director's quarterly fee	6,352	5,671
Director's sitting fee	2,540	2,268
Subcommittee sitting fee	2,540	2,268
Strategic meetings (session rate)	10,000	10,000

7.1.4 Board committees and membership

AU: *Audit, Risk and Compliance Committee:*
Jennifer Comalie, Chairperson; David Nuyoma, Executive Director; Asnake Getachew; John Walenga; Elize Angula*; Estelle Tjipuka*

CI: *Credit & Investment Committee:*
Asnake Getachew, Chairperson; David Nuyoma, Executive Director; Jennifer Comalie, Elize Angula*; Muetulamba Shingenge-Haipinge

HC: *Human Capital & Remuneration Committee:*
Muetulamba Shingenge-Haipinge, Chairperson; David Nuyoma, Executive Director; Elize Angula; John Walenga; Sven Thieme*; Sara Elago*

SDF: *Special Development Fund Committee (Combined with CI on 18 August 2009):*
Asnake Getachew, Chairperson; David Nuyoma, Executive Director; Jennifer Comalie; Muetulamba Shingenge-Haipinge

**Membership status changed during the reporting period as explained in the director's report.*

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7. Operating expenses (continued)

7.1.5 Record of attendance

	Board	AU	CI	HC	SDF	Annual General Meeting	Strategic Planning Session
No. of meetings	6	4	13	4	3	1	1
Sven Thieme Term ended as chairperson 9 July 2009	2	-	-	3	-	1	-
David Nuyoma	6	4	12	4	3	1	1
Elize Angula Appointed chairperson 9 July 2009	5	2	-	4	-	1	1
Jennifer Comalie Appointed AU chairperson 18 August 2009	6	3	13	-	3	1	1
Sara Elago Term ended as director 9 July 2009	2	-	-	3	-	-	-
Asnake Getachew Appointed CI chairperson 18 August 2009	6	4	13	-	3	1	1
Estelle Tjipuka Term ended as director 9 July 2009	2	2	2	-	1	1	-
John Walenga Appointed 9 July 2009	4	2	-	1	-	-	1
Muetulamba Shingenge-Haipinge Appointed 9 July 2009 Appointed HC chairperson 18 August 2009	4	-	7	1	2	-	1

8. Taxation

No provision for taxation has been made in the annual financial statements, as the bank is exempt from taxation in terms of section 16 (1)(e)(i) of the Income Tax Act (Act No. 24 of 1981) as amended as well as section 4 of the Development Bank of Namibia Act, 2002 (Act No. 8 of 2002).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December

N$	2009	2008
9. Cash and cash equivalents		
Cash and short term fixed deposits with local banks	333,423,210	462,158,797
10. Loans and advances		
10.1 Category analysis		
Instalment sales	64,878,100	69,507,278
Preference share advances	52,161,251	26,561,251
Term loans	464,352,830	172,925,422
Loans and advances to banks acting as intermediaries	139,999,968	106,479,762
Notional value of advances	721,392,150	375,473,713
Contractual interest suspended	(4,573,662)	(1,647,964)
Gross advances	716,818,488	373,825,749
Impairment of advances (Note 11)	(46,273,574)	(25,343,575)
- Provided for non-performing loans	(26,350,458)	(9,421,818)
- Discounting of loans taken over from Development Fund of Namibia	(2,936,518)	(3,248,681)
- Discounting of loans to banks	(16,986,597)	(12,673,076)
Net advances	670,544,914	348,482,174
10.2 Sectoral analysis		
Agriculture including fishing	108,336,359	37,771,591
Building and property development	78,544,049	42,815,758
Government and public authorities	75,489,474	82,177,574
Individuals	-	899,906
Manufacturing and commerce	34,236,947	30,411,881
Mining	23,267,430	17,342,448
Transport and communication	187,097,401	4,033,836
Medical services	24,324,312	24,586,037
Financial Institutions	139,999,968	106,479,762
Hotel and tourism	33,080,818	28,954,920
Other services	17,015,393	-
Notional value of advances	721,392,150	375,473,713
Contractual interest suspended	(4,573,662)	(1,647,964)
Gross advances	716,818,488	373,825,749
Impairment of advances (Note 11)	(46,273,574)	(25,343,575)
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- Discounting of loans to banks	(16,986,597)	(12,673,076)
Net advances	670,544,914	348,482,174

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December

N$	2009	2008
10. Loans and advances (continued)		
10.3 Maturity structure		
Repayable on demand	-	-
One year or less but not repayable on demand	49,533,253	56,083,195
Five years or less but over one year	219,828,459	137,177,562
Over five years	398,848,015	155,221,417
Net advances	670,544,914	348,482,174
10.4 Geographical analysis		
Namibia – net advances	670,544,914	348,482,174
10.5 Receivable analysis		
Short-term portion	61,494,672	81,842,880
Long-term portion	606,715,056	266,639,294
Net advances	670,544,914	348,482,174

10.6 Instalment sales

Included in loans and advances are instalment sale agreements which are stated at amounts net of finance charges.

2009	Within 1 Year	More than 1 Year	Total
Analysis of instalment sales			
Instalment payments receivable	14,067,067	66,289,100	80,356,167
Less: Unearned finance charges	(6,430,358)	(12,082,160)	(18,512,518)
Arrear amounts	3,034,451	-	3,034,451
Total	10,671,160	54,206,940	64,878,100
2008			
Analysis of instalment sales			
Instalment payments receivable	17,192,237	78,569,243	95,761,480
Less: Unearned finance charges	(6,496,056)	(19,758,146)	(26,254,202)
Total	10,696,181	58,811,097	69,507,278

The Bank has not sold or pledged any advances to third parties.

N$ 2009

11. Impairment of advances

	Total Impairment	Specific Impairment	Portfolio Impairment	Profit of Loss
Opening balance	25,343,575	25,343,575	-	
Unwinding of discounted present value loans	(4,403,855)	(4,403,855)		(4,403,855)
- Off-market Development Fund loans	(312,162)	(312,162)	-	(312,162)
- Off-market loans to banks	(4,091,693)	(4,091,693)	-	(4,091,693)
New impairments created	25,333,854	25,333,854		25,333,854
- Non-performing loans	16,928,640	16,928,640	-	16,928,640
- Off-market loans to banks	8,405,214	8,405,214	-	8,405,214
- Provisions released	-	-	-	-
Closing balance	46,273,575	46,273,575	-	20,929,999

2008

	Total Impairment	Specific Impairment	Portfolio Impairment	Profit of Loss
Opening balance	10,389,815	10,389,815	-	-
Amounts written off on Development Fund loans	(549,830)	(549,830)	-	-
Unwinding of discounted present value loans	(3,050,982)	(3,050,982)		(3,050,982)
- Off-market Development Fund loans	(1,167,590)	(1,167,590)	-	(1,167,590)
- Off-market loans to banks	(1,883,393)	(1,883,393)	-	(1,883,393)
New impairments created	18,554,572	18,554,572		18,554,572
- Non-performing loans	9,421,818	9,421,818	-	9,421,818
- Off-market loans to banks	9,158,794	9,158,794	-	9,158,794
- Provisions released	(26,040)	(26,040)	-	(26,040)
Closing balance	25,343,575	25,343,575	-	15,503,590

Non-performing loans by sector	Credit Risk	Security	Contractual Interest Suspended	Specific Impairment
2009				
Building and property development	22,965,845	4,491,000	2,358,413	14,012,512
Manufacturing and commerce	13,983,432	-	2,215,249	11,768,183
Mining	2,931,345	4,800,000	-	-
Hotel and tourism	3,894,763	3,325,000	-	569,763
Total non-performing loans	43,775,384	12,616,000	4,573,662	26,350,458

N$

11. Impairment of advances (continued)

Non-performing loans by sector	Credit Risk	Security	Contractual Interest Suspended	Specific Impairment
2008				
Building and property development	8,063,956	2,614,351	1,092,087	3,905,480
Manufacturing and commerce	6,072,215	-	555,877	5,516,338
Total non-performing loans	14,136,171	2,614,351	1,647,964	9,421,818

Non-performing loans by category	Credit Risk	Security	Contractual Interest Suspended	Specific Impairment
2009				
Instalment Sale	3,193,205	-	74,986	1,761,170
Term loans	40,582,180	12,616,000	4,498,676	24,589,288
	43,775,384	12,616,000	4,573,662	26,350,458
2008				
Instalment sales	4,115,675	2,614,351	612,956	862,330
Term loans	10,020,496	-	1,035,008	8,559,488
Total non-performing loans	14,136,171	2,614,351	1,647,964	9,421,818

12. Investment property

	2009	2008
Fair value at the beginning of the year	7,550,000	7,010,480
Change in fair value	50,000	539,520
Fair value at end of the year	7,600,000	7,550,000
Investment property known as DFN Centre consists of office buildings only. Erf number 7640, Windhoek with the floor space of 763 square meters (Sectional title).		
Rental income received on investment property (included in note 6 “other operating income”)	640,920	170,780
Operating expenses that generated rental income	(316,386)	(167,523)
	324,534	3,257

The property was leased out and occupied during the year. The property was valued by an external, qualified valuator, Mr Benjamin Joseph (sworn appraiser) on a replacement value basis on 28 January 2010. There are no restrictions on realisation of the investment property. There are no material contractual obligations on the property.

N$

13. Property and equipment

	Land and Buildings	Furniture & Equipment	Total
Cost or revalued amount			
Balance at 1 January 2008	11,168,912	1,249,742	12,418,654
Additions	10,526,368	2,820,820	13,347,188
Disposals	-	(236,356)	(236,356)
Balance at 1 January 2009	21,695,280	3,834,206	25,529,486
Additions		232,904	232,904
Disposals		-	-
Revaluation gain	1,304,719	-	1,304,719
Balance at 31 December 2009	22,999,999	4,067,110	27,067,109
Accumulated depreciation and impairment			
Balance at 1 January 2008	-	(785,040)	(785,040)
Eliminated on disposals of assets	-	189,712	189,712
Depreciation expense	-	(656,557)	(656,557)
Balance at 1 January 2009	-	(1,251,885)	(1,251,885)
Eliminated on disposals of assets	-	-	-
Depreciation expense	-	(773,966)	(773,966)
Balance at 31 December 2009	-	(2,025,851)	(2,025,851)
Carrying amount			
As at 31 December 2008	21,695,281	2,582,320	24,277,601
As at 31 December 2009	22,999,999	2,041,259	25,041,258
Carrying amount measured at cost			
As at 31 December 2008	21,695,281	2,582,320	24,277,601
As at 31 December 2009	20,827,470	2,041,259	22,868,729

The property represents land and buildings situated on Erf number 5444 Windhoek and were valued by an external, qualified valuator, Mr Benjamin Joseph (sworn appraiser) on a replacement value basis on 28 January 2010. During the period, the Bank carried out a review of the useful lives of furniture and equipment. The review has not led to any change in estimations of the useful lives of any class of assets. No assets of the Bank are encumbered nor do carry any restrictions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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N$	2009	2008

14. Intangible assets

Software

Cost		
Opening balance	491,268	377,763
Additions	3,514,734	113,505
Closing balance	4,006,002	491,268
Accumulated amortisation and impairment		
Opening balance	(266,063)	(115,834)
Amortisation for the year	(810,851)	(150,229)
Closing balance	(1,076,916)	(266,063)
Carrying amount	2,929,086	225,205

15. Trade and other receivables

Prepaid expenses	-	127,065
Other receivables	210,346	531,647
Deposits	1,800	800
Accrued interest	5,610,043	9,528,117
	5,822,189	10,187,629

16. Trade and other payables

Trade payables	918,172	1,032,619
Receiver of revenue	128,585	94,214
Salary related payables	3,229,008	2,874,904
	4,275,765	4,001,737

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The directors consider that the carrying amount of trade payables approximates their fair value.

17. Share capital and share premium

Share capital

Authorised		
1 500 Ordinary shares of N$100 000 each	150,000,000	150,000,000
Issued		
Share capital: 1 410 (2008: 1 375) Ordinary shares of N$100 000 each	141,000,000	137,500,000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December

17. Share capital and share premium (continued)

N$	2009	2008
Share premium		
Share premium: 50 Ordinary shares of N$4 236 518.76 each	211,825,938	211,825,938
Share premium: 25 Ordinary shares of N$4 230 000.00 each	105,750,000	105,750,000
Share premium: 15 Ordinary shares of N$4 196 667.67 each	62,950,000	62,950,000
Share premium: 35 Ordinary shares of N$4 185714.29 each	146,500,000	146,500,000
Share premium: 35 Ordinary shares of N$4 185714.29 each	146,500,000	-
	673,525,938	527,025,938
Total share capital and share premium	814,525,938	664,525,938

The company has one class of ordinary shares which carry no right to fixed income. Authorised shares not yet issued, are under the control of the board of directors in consultation with the Minister of Finance. All shares are fully paid up.

18. Revaluation reserve

	2009	2008
The revaluation reserve relates to the revaluation of property and equipment, specifically land and buildings.	1,304,719	-

19. Loan commitments

	2009	2008
Commitments in respect of loans approved but not yet signed by borrower:	288,478,269	50,770,575
Guarantees issued	26,380,864	27,226,679

All financial guarantees mature within 12 months from the reporting date.

20. Capital commitments

	2009	2008
Capital expenditure authorised:		
- not yet contracted for	4,882,100	2,740,716

21. Lease commitments

	2009	2008
Operating lease commitments:		
Vehicles	30,971	36,340
Office equipment and leased lines	1,184,739	1,021,315
	1,215,711	1,057,656
To be incurred as follows:		
Up to 1 year	555,974	388,929
2 – 5 years	659,737	668,727
	1,215,711	1,057,656

The Bank leases motor vehicles under a full maintenance lease agreement which is renewable annually. Leased lines and office equipment leases typically run for a three year period with the option to renew.

22. Financial risk management

22.1 Introduction and overview

The Bank has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The risk management and investment management committees monitors and manages the financial risks relating to the operations of the Bank through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. Both the risk and investment management committees report to the asset and liability committee on a monthly basis.

The Bank is governed by policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Bank does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The asset and liability committee reports quarterly to the Audit Committee, a board represented body that monitors risks and policies implemented to mitigate risk exposures.

22.2 Credit risk

Credit risk comprises the potential loss on financing due to counter party default. All applications are thoroughly investigated covering financial, technical, marketing and management risks, which are reported on as part of the submission for approval to the relevant delegated authorities. In assessing project finance, detailed feasibility studies are undertaken.

As a development finance institution, the Bank has a different risk profile compared to a commercial bank. In the course of its development finance activities the Bank may incur bad debts, which are controlled through a stringent bad debt policy and contained within acceptable limits. At year-end the Bank did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

The Bank only deposits cash surpluses with major banks and investment houses of high quality credit standing.

Management of credit risk

Credit risk is managed by means of a governance structure with clearly defined mandates and delegated authorities. The board of directors has delegated responsibility for the management of credit risk to its Credit Investment Committee. An authorisation structure has been established for the approval and renewal of credit facilities within the limits of the delegated authority. Tiered authorisation limits are allocated to divisional executives, the CEO and the Credit Investment Committee. Credit authorisations falling outside of the mandates of the CEO and Credit Investment Committee require approval by the board.

The Credit and Risk business unit, which also reports to the Audit Committee, is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, determining collateral requirements, credit assessment, measurement, quantification and reporting;
- Limiting concentrations of exposure to counterparties and sectors; making recommendations on appropriate corrective action where deemed prudent; and
- Undertaking pre-signature risk analyses and post-signature asset monitoring (asset management) and portfolio analyses.

22. Financial risk management (continued)

22.2 Credit risk (continued)

Exposure to credit risk

	2009 N$	2008 N$
Cash and short term funds	333,423,210	462,158,797
Advances		
- Instalment sales	64,878,100	69,507,278
- Term loans	464,352,830	172,925,422
- Preference share advances	52,161,251	26,561,251
- Loans to banks	139,999,968	106,479,762
Trade and other receivables	5,822,189	10,187,629
Guarantees	26,380,864	27,226,679
Irrevocable commitments	44,243,564	157,661,678
	1,131,261,976	1,032,708,496

At a transactional level, all credit decisions, irrespective of nominal size, are based on a comprehensive and documented appraisal process. In evaluating and monitoring credit risk, the Bank employs a directive issued by the Bank of Namibia under the Banking Institutions Act, being the Determination on Asset Classification, Provisioning and Suspension of Interest (BID-2) as well as internally developed methodologies, specifically calibrated to allow differentiation between different client categories (e.g. local authorities, parastatals, utilities etc.) to ensure a thorough risk assessment of each client.

Loans and advances are classified and grouped into categories which reflects the performance and substance of the asset and are used to determine specific impairments. The risk categories are:

A - Pass or Acceptable: These are loans that are performing in accordance with contractual terms, and are expected to continuing doing so.

B - Special Mention: Loans in this category are currently protected, but exhibit potential weaknesses which if not corrected, may weaken the asset.

C - Substandard: Loans, or other assets, in this category are not adequately protected by the current sound worth and paying capacity of the obligor.

D - Doubtful: Loans, or other assets, in this category have all the weaknesses inherent in a sub-standard asset plus the added characteristic that the asset is not well secured.

E - Loss: Loans, or other assets, which are considered uncollectible or of such little value that their continuance as a bankable asset is not warranted shall be classified as Loss.

22. Financial risk management (continued)

22.2 Credit risk (continued)

	Total	Instalment sales	Preference shares	Term loans	Loans to banks
2009					
Category					
A	641,141,093	48,323,421	52,161,251	400,656,453	139,999,968
B	36,475,673	13,361,475	-	23,114,197	-
C	15,540,070	-	-	15,540,070	-
D	22,179,131	3,193,205	-	18,985,926	-
E	6,056,183	-	-	6,056,183	-
	721,392,150	64,878,100	52,161,251	464,352,830	139,999,968
2008					
Category					
A	351,462,105	61,245,152	26,561,251	157,175,940	106,479,762
B	12,387,086	8,262,126	-	4,124,960	-
C	5,552,309	-	-	5,552,309	-
D	3,411,297	-	-	3,411,297	-
E	2,660,916	-	-	2,660,916	-
	375,473,713	69,507,278	26,561,251	172,925,422	106,479,762

At the client or transactional level, these assessments serve as one of the Bank's primary mechanisms through which client credit quality is monitored. At the portfolio level, results of the semi-annual review program are aggregated on the basis of consistent criteria, viz. default probabilities, industry and geographical sector, and the portfolio assessed to measure and monitor changes in its credit quality and diversification.

Past due but not impaired loans

Past due but not impaired loans are those for which contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank.

22. Financial risk management (continued)

22.2 Credit risk (continued)

Age analysis of loans and advances

2009	Neither past due nor impaired	Past due but not impaired: 31-60 days	61-90 days	91-120 days	More than 120 days	Impaired	Gross Advances
Instalment sales	60,235,139	115,824	155,030	156,646	2,058,601	2,081,875	64,803,114
Preference shares	52,161,251	-	-	-	-	-	52,161,251
Term loans	409,342,140	1,617,092	2,859,871	2,522,934	16,307,016	27,205,102	459,854,155
Loans to banks	123,013,371	-	-	-	-	16,986,597	139,999,968
	644,751,901	1,732,916	3,014,901	2,679,580	18,365,617	46,273,574	716,818,488

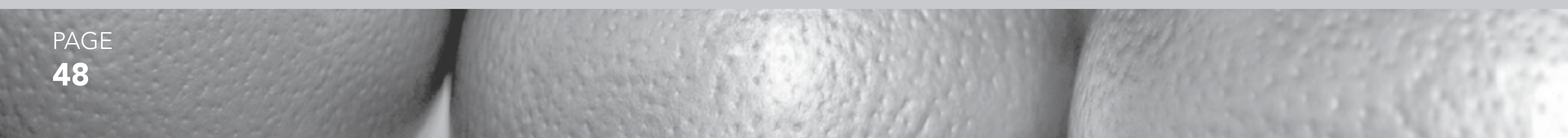
2008	Neither past due nor impaired	Past due but not impaired: 31-60 days	61-90 days	91-120 days	More than 120 days	Impaired	Gross Advances
Instalment sales	65,022,639	133,550	121,054	94,432	26,113	3,502,719	68,900,507
Preference shares	26,561,251	-	-	-	-		26,561,251
Term loans	160,074,529	636,949	1,135,775	245,687	623,509	9,167,780	171,884,229
Loans to banks	93,806,686	-	-	-	-	12,673,076	106,479,762
	345,465,105	770,499	1,256,829	340,119	649,622	25,343,575	373,825,749

As part of the credit risk decision process, the Bank also requires collateral in the form of eligible assets or third-party guarantees when deemed prudent.

All lending decisions are further subject to an independent risk review performed by the Credit and Risk Unit. This review aims to ensure that all significant risks have been identified and, where deemed prudent, appropriately mitigated.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.



22. Financial risk management (continued)

22.2 Credit risk (continued)

Write-off policy
The Bank writes off a loan balance and any related allowances for impairment losses, when Credit determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status.

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, investment securities, session of contract income and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and thereafter on an annual basis. Collateral generally is not held over loans and advances to banks.

Cash and cash equivalents
The risk in this category is perceived to be low due to the following factors:

- the primary objective of the money market is to invest temporary cash holdings in such a way as to limit any possible investment losses and to ensure the timely availability of funds;
- funds are only invested with approved financial and public sector institutions according to pre-determined limits approved annually by the board of directors;
- dealing in money market derivative instruments is not allowed unless prior approval is obtained from the board or from executive management for subsequent reporting to the board.

22.3 Liquidity risk

Liquidity risk is defined as the risk of failure to meet all financial obligations on a timely basis, when due, and in the currency due without incurring above normal costs. In the case of the Bank, this risk specifically arises from the inability to honour obligations with respect to commitments to borrowers, lenders and investors, and operational expenditure.

In order to shield the Bank against the risk of a liquidity shortfall, the Bank's liquidity risk management objective is to maintain a level of liquid assets sufficient to meet the Bank's cash requirements for a period of at least 12 months. To this effect, the Bank's policy requires the maintenance of prudential liquidity levels based on 12-month projected net cash requirements.

Liquidity is held primarily in the form of money market instruments such as call deposits and fixed short-term deposits. Investments are guided by instrument, tenor and duration limits aimed at ensuring sufficient liquidity, consistent with the Bank's liquidity requirements from time to time. In addition to holding a minimum level of liquidity in the form of cash and near cash equivalents as described above, the Bank has at its disposal a variety of funding sources should the need arise. These include uncommitted credit lines with reputable financial institutions, committed loan facilities with multilateral, bilateral and other development finance institutions.

The Bank uses cash flow forecasts and cumulative maturity gap analysis to assess and monitor its liquidity requirements and risk levels. A maturity gap profile report forms part of the asset and liability report, which is reviewed and analysed by the Asset and Liability Committee ("ALCO") on a monthly basis. The table below sets out the net liquidity gap based on the remaining period from year-end to contractual maturity. "Demand" denotes assets or liabilities with a contractual maturity of 32 days or less.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December

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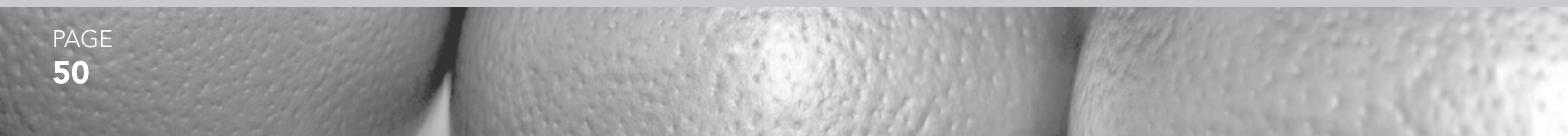
22. Financial risk management (continued)
22.3 Liquidity risk (continued)

2009 Discounted	Term to Maturity				
ASSETS	Carrying amount	Demand	1-12 months	2-5 years	Over 5 years
Financial Assets					
Cash and bank balances	333,423,210	8,294,197	325,129,013	-	-
Advances	670,544,914	-	49,533,253	219,828,459	398,848,015
Trade and other receivables	5,822,189	-	5,822,189	-	-
Non-financial Assets					
Property and equipment	25,041,258	-	-	2,041,258	23,000,000
Intangible assets	2,929,086	-	-	2,929,086	-
Investment property	7,600,000	-	-	-	7,600,000
Total assets	1,045,360,657	8,294,197	380,484,455	224,798,804	429,448,015
Liabilities and shareholders' equity					
Trade and other payables	(4,275,765)	-	(4,275,765)	-	-
Shareholders' equity	(1,041,084,892)	-	-	-	(1,041,084,892)
Total liabilities and shareholders' equity	(1,045,360,657)	-	(4,275,765)	-	(1,041,084,892)
Net liquidity gap	-	8,294,197	376,208,690	224,798,804	(611,636,876)

2008 Discounted	Term to Maturity				
ASSETS	Carrying amount	Demand	1-12 months	2-5 years	Over 5 years
Financial Assets					
Cash and bank	462,158,797	2,089,355	460,069,442	-	-
Advances	348,482,174	-	56,083,195	137,177,562	155,221,417
Trade and other receivables	10,187,629	127,065	10,060,564	-	-
Non-financial Assets					
Property and equipment	24,277,601	-	-	2,582,320	21,695,281
Intangible assets	225,205	-	-	225,205	-
Investment property	7,550,000	-	-	-	7,550,000
Total assets	852,881,406	2,216,420	526,213,201	139,985,087	184,466,698
Liabilities and shareholders' equity					
Trade and other payables	(4,001,737)	-	(4,001,737)	-	-
Shareholders' equity	(848,879,669)	-	-	-	(848,879,669)
Total liabilities and shareholders' equity	(852,881,406)	-	(4,001,737)	-	(848,879,669)
Net liquidity gap	-	2,216,420	522,211,464	139,985,087	(664,412,971)



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22. Financial risk management (continued)

22.3 Liquidity risk (continued)

2009 Undiscounted	Term to Maturity				
ASSETS	Carrying amount	Demand	1-12 months	2-5 years	Over 5 years
Financial assets					
Cash and bank balances	333,423,210	8,294,197	325,129,013	-	-
Advances	721,392,150	-	70,294,111	249,424,715	401,673,324
Trade and other receivables	5,822,189		5,822,189	-	-
Non-financial assets					
Property and equipment	25,041,258	-	-	2,041,259	22,999,999
Intangible assets	2,929,086	-	-	2,929,086	-
Investment property	7,600,000	-	-	-	7,600,000
Total assets	1,096,207,893	8,294,197	401,245,313	254,395,060	432,273,323
Liabilities and shareholders' equity					
Trade and other payables	(4,275,765)	-	(4,275,765)	-	-
Shareholders' equity	(1,041,084,892)	-	-	-	(1,041,084,892)
Total liabilities and shareholders' equity	(1,045,360,657)	-	(4,275,765)	-	(1,041,084,892)
Net liquidity gap	50,847,236	8,294,197	396,969,548	254,395,060	(608,811,569)

2008 Undiscounted	Term to Maturity				
ASSETS	Carrying amount	Demand	1-12 months	2-5 years	Over 5 years
Financial assets					
Cash and bank	462,158,797	2,089,355	460,069,442	-	-
Advances	373,825,749	-	60,161,879	147,153,883	166,509,987
Trade and other receivables	10,187,629	127,065	10,060,564	-	-
Non-financial assets					
Property and equipment	24,277,601	-	-	2,582,320	21,695,281
Intangible assets	225,205	-	-	225,205	-
Investment property	7,550,000	-	-	-	7,550,000
Total assets	878,224,981	2,216,420	530,291,885	149,961,408	195,755,268
Liabilities and shareholders' equity					
Trade and other payables	(4,001,737)	-	(4,001,737)	-	-
Shareholders' equity	(848,879,669)	-	-	-	(848,879,669)
Total liabilities and shareholders' equity	(852,881,406)	-	(4,001,737)	-	(848,879,669)
Net liquidity gap	25,343,575	2,216,420	526,290,148	149,961,408	(653,124,401)

22. Financial risk management (continued)

22.4 Market risks

The asset and liability committee reports quarterly to the audit committee, a board represented body that monitors risks and policies implemented to mitigate risk exposures.

Market risk represents the potential loss due to fluctuations in interest, foreign currency rates and equity, bond and commodity prices.

Currency risk

The Bank does not incur currency risk as it does not have transactions in foreign currencies.

Interest rate risk

Changes in money market interest rates are monitored on a daily basis. Systems have also been developed to monitor the spread between the cost of borrowing and the return on the loan book. The investment and treasury policy is currently under review to reduce the pressure on the interest rate spread.

As part of the process of managing the Bank's interest rate risk, interest rate characteristics of new investments and the refinancing of existing investments are positioned according to expected movements in interest rates.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily.

Sensitivity analysis for interest rates

The interest rate sensitivity analyses have been determined based on the exposure to interest rates at the reporting date. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Bank's profit for the year ended 31 December 2009 would decrease/increase by N$ 4,210,935 (2008: decrease/increase by N$ 2,088,790). This is mainly attributable to the Bank's exposure to interest rates on its variable rate investment portfolio and floating price structure of loans advanced.

The Bank's sensitivity to interest rates has not changed during the current period. Loans and advances are normally priced at variable rates linked to market rates such as prime lending rate or Johannesburg Interbank Agreed Rate (JIBAR) and are re-priced as and when these interest rates change. The term to re-pricing of the majority of interest earning assets are therefore either immediate on demand or on a short-term base.

22. Financial risk management (continued)

Interest rate sensitivity

2009	Term to Repricing						
N$ Assets	Average effective interest rate	Carrying amount	Demand	1-12 months	2-5 years	Over 5 years	Non-interest earning/ bearing
Cash and cash equivalents	9.5%	333,423,210	8,294,197	325,129,013	-	-	-
Advances	8.3%	670,544,914	663,725,335	-	6,819,579	-	-
Trade and other receivables	-	5,822,189	-	-	-	-	5,822,189
Property and equipment	-	25,041,258	-	-	-	-	25,041,258
Intangible assets	-	2,929,086	-	-	-	-	2,929,086
Investment property	-	7,600,000	-	-	-	-	7,600,000
Total assets		1,045,360,657	672,019,532	325,129,013	6,819,579	-	41,392,533
Liabilities and shareholders' equity							
Trade and other payables	-	(4,275,765)	-	-	-	-	(4,275,765)
Shareholders' equity	-	(1,041,084,892)	-	-	-	-	(1,041,084,892)
Total liabilities and shareholders' equity		(1,045,360,657)	-	-	-	-	(1,045,360,657)
Net interest sensitivity gap		-	672,019,532	325,129,013	6,819,579	-	(1,003,968,124)

2008	Term to Repricing						
N$ ASSETS	Average effective interest rate	Carrying amount	Demand	1-12 months	2-5 years	Over 5 years	Non-interest earning/ bearing
Cash and bank	11.8%	462,158,797	2,089,355	460,069,442	-	-	-
Advances	10.0%	348,482,174	282,542,081	-	55,283,726	10,656,367	-
Trade and other receivables		10,187,629	-	9,528,117	-	-	659,512
Property and equipment		24,277,601	-	-	-	-	24,277,601
Intangible assets		225,205	-	-	-	-	225,205
Investment property		7,550,000	-	-	-	-	7,550,000
Total assets		852,881,406	284,631,436	469,597,559	55,283,726	10,656,367	32,712,318
Liabilities and shareholders' equity							
Trade and other payables		(4,001,737)	-	-	-	-	(4,001,737)
Shareholders' equity		(848,879,669)	-	-	-	-	(848,879,669)
Total liabilities and shareholders' equity		(852,881,406)	-	-	-	-	(852,881,406)
Net interest sensitivity gap		-	284,631,436	469,597,559	55,283,726	10,656,367	(820,169,088)

22. Financial risk management (continued)

22.5 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with the Bank's policies is supported by a programme of periodic reviews undertaken by Internal audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

The carrying value of financial assets and financial liabilities closely approximate their fair values as at the reporting date.

22.6 Capital management

The Bank's objective in managing its capital is to safeguard the Bank's ability to continue as a going concern, through ensuring a sufficient cushion against unexpected losses, and to provide for an acceptable growth rate in the Bank's development finance activities. The Bank monitors and manages its capital adequacy within the applicable policy guidelines, a resource mobilisation strategy and in line with the capital adequacy framework approved by the Board.

The Bank has adopted a self-imposed capital adequacy framework that differentiates between the risks assumed on different asset classes and provides for market and operational risk, whilst at the same time adheres voluntarily to the overarching regulatory capital requirement applicable to local financial institutions.

Capital comprises of share capital and retained earnings with no debt equity as at the end of the period.

23. Retirement fund

Retirement benefits are provided for employees by a separate fund, known as the Development Bank of Namibia Retirement Fund, to which the Bank contributes. The fund is administered under the Namibian Pension Fund Act, No. 24 of 1956. The fund is exempted from actuarial valuations. All employees contribute to the Fund. Total Bank contributions for the year amounted to N$ 1,445,566 (2008: N$ 1,210,753).

24. Related party information

During the year the Bank, in its ordinary course of business, entered into various transactions. These transactions were undertaken on commercial terms and conditions.

24.1 Compensation to key management personnel

The remuneration of key executives is determined by the board of directors, having regard to the performance of individuals and market trends. During the period under review, some key executive positions were temporarily vacant. The remuneration of the executive director and other members of key management during the year were as follows:

	2009 N$	2008 N$
Compensation	4,380,387	3,898,583
Short-term benefits	950,476	987,753
	5,330,863	4,886,336

24.2 Compensation to directors

The remuneration of directors is determined by the shareholder. Refer to note 7.1 for directors' emoluments.

24.3 Shareholder

The Government of the Republic of Namibia holds 100% of the issued share capital of the Bank Equity contribution from the Government of the Republic of Namibia was increased from the N$ 137.5 million in the prior year to N$ 141 million in the current year by the issue of an additional 35 ordinary shares of N$ 100,000 each at a premium of N$ 4,185,714 per share.

24.4 Related-party transactions

In order to avoid conflicts of interests and with a view to ensuring transparency at all times, a register of directors' and manager's interests in other business entities containing the nature of such interests, as well as the nature and the extent of the beneficial shares held in the business entity, is submitted and circulated at each meeting of the board of directors for reviewing and updating where necessary.

Where directors have an interest in any matter before the board for consideration, directors concerned recues themselves from the meeting and thus have no influence on the decision on the particular matter. In addition, all applications for finance in which directors have an interest, irrespective of the amount involved, are submitted to the board for consideration after being reviewed by a committee of non-interested directors.

All directors and officers of the Bank have confirmed that they had no interest in any contract of significance with the Bank which could have resulted in a conflict of interest during the year.

24.5 Related entities

Other State-owned Enterprises ("SOEs") in which the Government of the Republic of Namibia holds the majority of the issued share capital are deemed to be related parties under common control. Transactions undertaken with these SOEs were done on a developmental basis at arm's length and under commercial terms and conditions.

24. Related party information (continued)

	2009		2008	
	N$	N$	N$	N$
Related party	Outstanding Balance	Interest charged	Outstanding Balance	Interest charged
CENORED (Pty) Ltd	1,815,763	248,284	3,346,352	495,238
Namibia Post Limited	4,959,609	698,555	8,084,086	1,231,912
Namibia Power Corporation Limited	64,114,373	4,113,573	-	-
Namibian Ports Authority	6,334,374	871,640	8,017,373	984,006
Namibian Ports Authority	39,372,177	4,699,331	40,833,100	889,226
National Housing Enterprise of Namibia	29,936,817	242,515	11,643	528
National Housing Enterprise of Namibia	2,062,671	46,923	2,627,351	58,255
Seaflower Whitefish Corporation	31,608,412	1,386,866	-	-
Seaflower Whitefish Corporation	25,600,000	-	-	-
Telecom Namibia Limited	120,517,808	517,808	-	-
Transnamib Holdings Limited	14,558,944	1,435,616	14,446,860	285,859
	340,880,948	14,261,110	77,366,765	3,945,025

25. Use of estimates and judgements

25.1 Valuation of financial instruments

The Bank's accounting policy on fair value measurements is discussed in accounting policy 3.6.1.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Currently the Bank does not carry any financial instruments that are valued at fair value subsequent to initial recognition. The disclosure requirement of IFRS7 Financial Instruments: Disclosures to categorise financial instruments into the different levels is therefore not applicable.

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