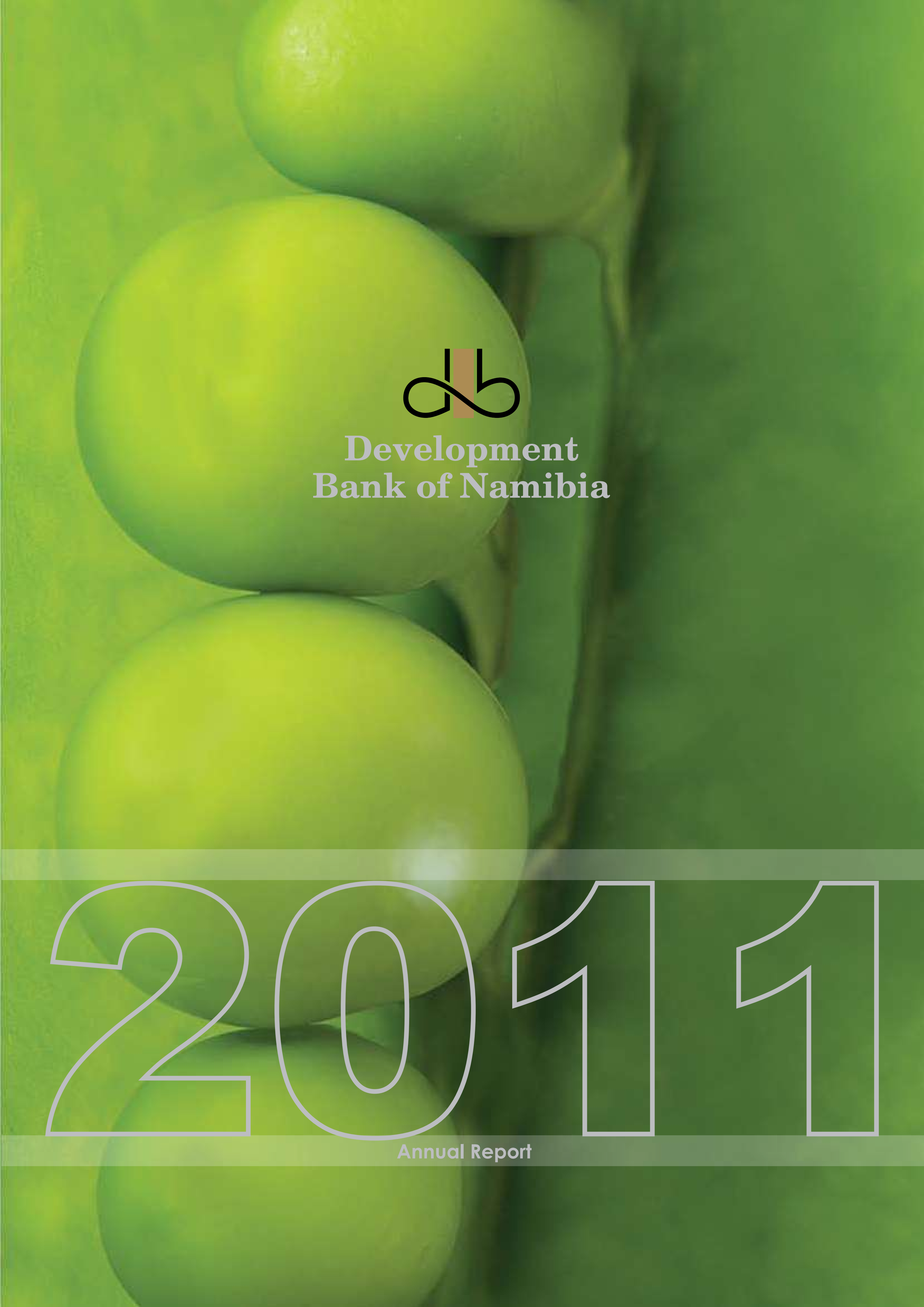

Development Bank of Namibia

2011

Annual Report

Mind your Ps

People

Planet

Profit

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Development Bank of Namibia: Good Business is Good for Development

The power of business to promote development is underestimated. In the common perception, development is biased towards social development: education, health and social infrastructure. A closer look at business and free enterprise shows that it is a remarkably powerful tool for promoting national development and growth.

The obvious strength of business is that it provides jobs and incomes. Jobs and incomes provide employed individuals with the ability to sustain themselves and their families, and also the means to improve their circumstances, through education, health and housing. 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.

But there is more to it. In Namibia, most enterprises are located in major towns such as Windhoek, Swakopmund, Walvis Bay and Oshakati. Smaller towns have a shortage of employment opportunities. This translates into high levels of poverty in these centres, and a high level of migration to towns where jobs are available. The further impact is that when a business does open in a smaller centre, it has difficulty finding skilled staff, and runs a higher risk of failure.

The Bank provides finance to larger private and public sector enterprises, SMEs and even emerging micro enterprises. Microfinance loans are provided through partner organisations such as 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 robust system of governance to ensure that the organisation is well managed. It takes an active interest in the progress of its loans and 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 considering an application, 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.

By ensuring that it only finances 'good business', DBN ensures that it creates jobs across the regions, that Namibians take ownership of the wealth, that the jobs will be available for years to come, and that the loans that it makes are 'good for development'.

Board of Directors

Standing from left to right

Emma Haiyambo

John Walenga

Asnake Getachew

Muetulamba Shingenge-Haipinge

Sitting from left to right

Elize Angula
Chairperson

David Nuyoma
Chief Executive Officer

Chairperson of the Board's Message

The global economy remained volatile in 2011 as a consequence of the sovereign debt crisis, gradual oil price increases and an emerging rethink of global trade.

In Namibia, there was some slowing in growth in 2011, which is a result of the severe flooding in the north, and the state of the global economy. Gross Domestic Product (GDP) rose by between three to four per cent in what was a difficult year all round.

Namibia faces the key challenge of meaningfully addressing its unemployment rate and income inequality. As a consequence, sustainable job creation remains a national priority in order to improve living standards.

To better align to these national priorities, DBN took three considered steps to evolve to the new circumstances: preparation for a target balance sheet approach, project initiation, and changes to its structure and processes.

The target balance sheet approach aligns the Bank's operations with its mandate. It identifies which investments will best support the Bank's mandate and in which proportions, so that the Bank can determine how its activities should be managed sustainably.

Following the target balance sheet approach, the Bank now emphasises project identification and applies its financing to stimulate projects and sectors where there is not enough economic activity. Expansion of the research function during 2011 has been an important step in this direction.

The strategy also involves analysis of the sectors with the greatest impact on the Bank's loan book growth and quality. This resulted in reduced emphasis on high risk areas such as the construction industry and more emphasis on key strategic areas.

Increasingly, DBN will prioritise projects with an enduring development impact, as this is how it can contribute to change and make a meaningful difference in people's lives.

In addition to beefing up its research capacity, the Bank took two key steps to improve the quality of its activities and processes.

The financial results for 2011 reflect the considerable changes the Development Bank went through in the year.

Firstly, the Lending Department's processes were streamlined and the capacity of the function increased with a recruitment drive. This has improved the turnabout time on applications, and the volumes of approvals.

Secondly, introduction of the Business Support and Development Department contributed greatly to the DBN's ability to support its clients' growth and sustainability, through ongoing training offered by partner organisations.

Having the Department in place also impacted on the Bank's equity advances, through the appointment of directors with the required skill to act in the best interest of the companies in which DBN has investments.

The financial results for 2011 reflect the considerable changes the Development Bank went through in the year.

The year saw the end of the Bank's period of exponential growth, which is expected to stabilise over the next few years. Operational expenditure increased noticeably with the increase in staff numbers, mainly necessitated as a result of better appreciation for the skills set and complement required to run an efficient credit operation.

I firmly believe that the structural changes introduced in 2011 will enable the Bank to better manage the quality of its loan book and will have a positive impact on its financial health in the coming years.

Although the Bank still met the impairment ratio target set for the year, a substantial increase has been reported in impairments.

This is primarily due to repayment cycles which are influenced by late payment received by clients, particularly those using the Bridging Finance Facility for tenders, and subsequent delayed payment to DBN.

To address this, and improve the reflection in reporting, the Bank resolved to separate its credit and risk functions and augment the credit function to better manage the loan book.

With respect to the workings of the Board's Credit and Investment Committee (CI), plans are underway to delegate more of the Committee's powers to the Executive Management team. There had been delays in project approvals because of Directors' availability, and also because of the small number of Directors serving the DBN.

The Development Bank's Directors remain committed to growing and developing the Bank. There may, however, be a need to increase the number of Executive Directors on the Board to better cope with the workload.

The Board is deeply appreciative of the support it receives from the Bank's internal and external auditors, which also helped it put the required risk monitoring tools in place and continues to guide Directors on international best practice.

As was the case for the many countries that embraced change in 2011, the year was a transitional one for the Development Bank of Namibia. The new approach and focus are expected to fundamentally change the way we work and the impact we have on people's lives.

Corporate Governance Report

Introduction

The Development Bank of Namibia Limited (the DBN) is committed to the highest standards of corporate governance, including those promoted in the King Report on Governance for South Africa, 2009 (King II). The DBN has established processes that fulfill the King II requirements bearing in mind that DBN is a State-Owned Enterprise (SOE) with a single shareholder.

Particulars regarding DBN's compliance to King II are set out in the Annual Report and where there has not been compliance, explanations have been provided. Sustainability, a key requirement of King II, is included in the company's strategy.

The DBN is governed by the Development Bank of Namibia Act and has as its sole shareholder the Government of the Republic of Namibia with the shareholder representative being the Minister of Finance. It is a public entity incorporated under the Companies Act with a share capital.

A Shareholder's Compact, containing the shareholder's expectations in the form of predetermined objectives and key performance indicators thus ensuring alignment between the Board of Directors and the shareholder representative, has been formalised.

Company secretary certificate

I hereby certify that, to the best of my knowledge and belief, the Development Bank of Namibia Limited has lodged with the Registrar of Companies, at Windhoek, Namibia, all returns required in terms of the Companies Act 28 of 2004, as amended, for the year ended 31 December 2011, and that all such returns are factual and current.

Roberta Brusa
Company Secretary

8 May 2012
Windhoek
Namibia

Corporate Governance Report

Statement of compliance

The Board is of the opinion that it is substantially compliant in all material respects with the principles of the King II Report, the Namibian Companies Act, no. 28 of 2004, and the Development Bank of Namibia Limited Act, no. 8 of 2002, for the year under review.

Furthermore, where there have been deviations from the King II Report, an explanation has been provided.

Governance structure

DBN mandate

The main object of the Bank is to contribute to the economic growth and social development of Namibia and for the sustainable promotion of the welfare of the Namibian people by:

Mobilising financial and other resources from the private and public sectors nationally and internationally ;
Appraising, planning and monitoring the implementation of development schemes, export projects and other economic programmes of national importance ;
Facilitating the participation of the private sector and community organsations in development schemes, export projects and other economic programmes of national importance;
Assisting in the development of money and capital markets.

<table>
<tr><th colspan="6">SHAREHOLDER</th></tr>
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</table>

Board of Directors

The Board's main mandate is to ensure the sustainability and successful continuation of the business activities by providing strategic direction to the Bank's Executive Management. Non-executive Directors are appointed to the Board by the Shareholder in terms of Section 10 of the Development Bank of Namibia Limited Act, 2002, for a period of five years but can be re-elected.

BOARD	
Elize Angula	Chairperson, non-executive independent director
David Nuyoma (CEO)	Executive director
Emma Haiyambo	Non-executive independent director
Asnake Getachew	Non-executive independent director
Muetulamba Shingenge-Haipinge	Non-executive independent director
John Walenga	Non-executive independent director

Corporate Governance Report

Board Committees

AUDIT, RISK AND COMPLIANCE COMMITTEE	
Emma Haiyambo	Acting Chairperson, non-executive independent director
David Nuyoma (CEO)	Executive director
Asnake Getachew	Non-executive independent director
John Walenga	Non-executive independent director

Ms Jenny Comalie, the Chairperson of the Committee, resigned effective 1 May 2011. Ms Emma Haiyambo has been Acting Chairperson of the Committee till April 2012. Mr Albertus Basson has since been appointed as the chairperson.

CREDIT AND INVESTMENT COMMITTEE	
Asnake Getachew	Chairman
Muetulamba Shingenge-Haipinge	Non-executive independent director
David Nuyoma (CEO)	Executive director
Emma Haiyambo	Non-executive independent director
John Walenga	Non-executive independent director (by invitation)

HUMAN CAPITAL AND REMUNERATION COMMITTEE	
Muetulamba Shingenge-Haipinge	Chairperson, non-executive independent director
John Walenga	Non-executive independent director
David Nuyoma (CEO)	Executive director
Elize Angula	Non-executive independent director

Board composition and training

The Bank's Articles of Association provide that there shall be seven directors. Currently the Board comprises of five Non-executive Independent Directors and one Executive Director.

The Non-executive Directors have diverse skills, experience and backgrounds and have unrestricted access to information, documents, and records of the Bank. The Executive Director, the CEO, provides operational understanding and the Board of the Development Bank of Namibia Limited is therefore satisfied that there is an appropriate combination of knowledge, skills, and attributes to deliver its mandate.

The Board performs its obligations as a collective and continues to constructively engage the Chief Executive Officer and other members of Executive Management.

The Board is of the opinion that every Director must be aware and be knowledgeable of the company's business environment, the fiduciary duties as elucidated in the Companies' Act, no 28 of 2004, and King II, sustainability issues, and that all Directors are informed, on a continuous basis, in respect of the activities of the company. Directors are encouraged to attend seminars and courses at the expense of the company.

Ongoing training also takes the form of trips across the country to visit the Bank's clients. This provides Non-executive Directors with an opportunity to interact with the Bank's clients and witness the execution of the company's mandate.

Conflict of interest

In terms of Part 6, sections 242 to 248 of the Company's Act 28, of 2004 as amended, all Directors are required to disclose their interests in contracts. The Company Secretary maintains a register of interests in contracts as per section 248 of the Companies Act. Furthermore, Directors are required to declare all interests at the meetings they attend and this is recorded in writing, as required by legislation.

Directors who have a conflict of interest on any matter to be discussed at a given meeting, are required to inform the Company Secretary prior to the meeting and the Director is recused when the matter is discussed.

Code of ethics

The Bank has a sound culture of entrenched values which are reflected in the approved Code of Ethics ('the Code'). All employees are made aware of the Code during their induction and are provided with a copy. The Code is reviewed and updated annually.

Key activities of the Board

In setting the strategic direction of the Bank, the Board focused on specific areas in the 2011 financial year, the predominant topic being the Bank's growth goal and sustainable development.

Certain functions of the Board in the 2011 financial year included:

- Approval of the Strategic Business Plan 2012 to 2016;
- Approval of the Capital and Operational Budget for 2011;
- Approval of Shareholder's Compact;
- Approval of the Bank's risk management process.

Executive Management

Back row from left to right

Joy Sasman
Manager: Corporate Communications

Martin Inkumbi
Head: Lending

Renier van Rooyen
Chief Financial Officer

Elriana Burger
Manager: Human Capital

Michal Humavindu
Manager: Research

John Jacobs
Head: Risk Management

Front row from left to right

David Nuyoma
Chief Executive Officer

Roberta Brusa
Company Secretary

Photo insert on the right

Gottlieb Hinda
Manager: Business Support and Development

CEO's Report

It also underscores the DBN's belief that good business is good for development.

Enterprise development is central to the mandate of the Development Bank, so I am pleased to announce that the Bank has seen significant growth in the number of enterprises on its book, as well as in its volume of business activity in the past year.

The loan book grew by close to 40 per cent in 2011. One of the features of this growth was projects identified and financed for their strategic value. To this effect, some of the projects inaugarated in 2011 include, Armstrong Construction in the Kavango Region, Ekango Salt (Walvis Bay Salt Refinery) in the Erongo Region, Ohorongo Cement in the Otjozondjupa Region, Omhalanga Mills in the Oshana Region, Quality Bag Manufacturers in the Oshikoto Region, SP Bricks in the Ohangwena Region, and Tungeni Resorts at the Von Bach Dam in the Otjozondjupa Region.

The Bank financed projects in all regions, in keeping with its objective of spreading economic activity and job creation across the country. A healthy sectoral spread was achieved, with no one sector dominating the entities financed. Effective female ownership increased from 27 per cent in 2010 to 34.7 per cent in 2011.

The asset base grew by 32 per cent in 2011. This trend is consistent with the year-on-year growth rate, which has averaged 31 per cent since DBN's inception in 2004.

The Bank continues to benefit from an unencumbered balance sheet and sincerely appreciates its Shareholder's trust and commitment to adequately capitalise the DBN.

The Development Bank is focusing on growing a quality loan book, and management of impairments is treated as a key indicator. The overall impairment ratio for 2011 was 4.7 per cent, which is better than the strategic target of 5 per cent and well within the 7 per cent benchmark of the Association of African Development Finance Institutions (AADFI).

CEO's Report

The Bank's interest income, factoring in suspended interest income, of N$ 4.5 million, amounted to N$ 93 million, compared to N$ 88 million in 2010. This is in line with the budget expectation, although average interest rates were lower throughout the entire 2011 than in 2010.

The 2010 results, however, reflected an extraordinary profit due to the reversal of impairments in prior years. The reversal of N$ 22 million was made, which in effect, resulted in a net positive impairment movement in the profit for the year 2010.

New impairment provisions of N$ 33 million were made, which, if compared to 2010, means that N$ 35 million more went through profit in 2011. This was not reflected in 2010.

Management is confident that much of these impaired accounts will yield during the course of 2012, primarily as a result of payment cycles that delay remittances to the Bank. This is particularly the case with Bridging Finance Facilities where clients received payment late for completed tenders.

The achievements of 2011 should be seen against the background of global economic strain and economic regions such as the Eurozone and the US experiencing high degrees of volatility and uncertainty.

Within Namibia, the economy has rebounded and has shown a growth rate of 4.4 per cent. In terms of income for banks, interest rates have generally remained low, which had dampening impact on the DBN's own income, despite the increase in the volume of transactions.

It is also important to note that the need to provide finance for emerging entrepreneurs, particularly contractors who secure contracts, exposes the Bank to higher risk. In the DBN loan book, the construction sector performed worst of all, at a staggering 39% non-performing loan ratio. This is attributable to poor workmanship and financial indiscipline in some instances as well as bureaucracy on the part of contracting agencies, particularly in payment cycles.

The Bank continues to explore means to enhance financial controls and strengthen its risk management framework. Stemming from this, the credit risk management function was separated from the enterprise-wide risk management function. This allows for more stringent checks and balances.

The Bank worked with its internal auditors, Deloitte, to ensure independence, depth of skill and expertise in all areas of financial control. DBN continued to expand its use of SAP, with the lending function coming on board in the past year. This development increased efficiency and reliability of operations, and the Bank expects to continue to reap dividends through the gradual institutionalisation of the MIS in the organisation.

To ensure that the Development Bank remains sustainable and aligned to its overall strategy and mandate, it introduced a management and planning model, the target balance sheet framework, to keep it focused on its strategic imperatives. The full impact of this initiative will be realised during the course of 2012 and the following years.

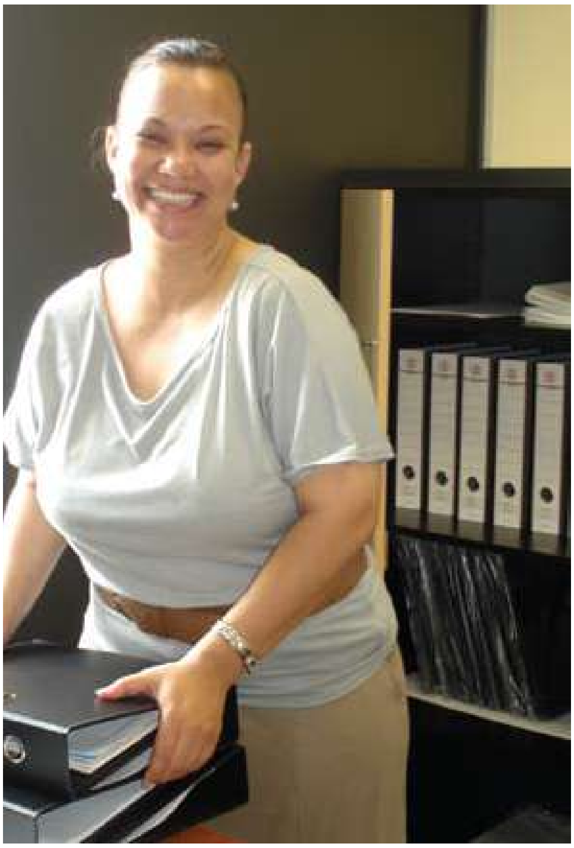
In line with the premium it places on partnership, the DBN formalised its working relationship with the Industrial Development Corporation (IDC) of South Africa in September 2011. Apart from co-financing projects and general cooperation on matters of mutual interest, the IDC has, in principle, approved a facility of N$ 200 million for the DBN.

In the same spirit, the Bank entered into service level agreements with SME service providers, the Indigenous People's Business Foundation (IPBF), the Institute for Management and Leadership Training (IMLT), SMEs Compete, and the University of Namibia's Northern Campus, to provide training and mentorship to emerging entrepreneurs to improve their chances of success.

This empowerment intervention is expected to have lasting benefits for the entrepreneurs involved and impact positively on their businesses.

It also underscores the DBN's belief that good business is good for development.

Milestones attained



Operational growth

When DBN first opened its doors for business in 2004, it had nine employees. Within the space of a few short years, increased demand for DBN's services and growth of staff numbers to 19, led the DBN to its head office at 12 Daniel Munamava Street. With its staff complement growing to 47 in 2011, the Bank's support services made room by moving into the building adjacent to its head office. Departments responsible for direct interface with clients remained in the main building to facilitate access to the Bank's services.

Stakeholder engagement

In keeping with its commitment to provide financing across Namibia and dialogue with stakeholders, the DBN undertook visits to meet with clients, regional governors, local authorities and business associations in 14 towns across the country in the past year. The visits kicked off in Gobabis, where the Bank looked at the key role the town could play as a commerce and transport hub for regionalisation in light of geospatial developments such as the Trans Kalahari Highway.

Workshops for entrepreneurs themed, *Making a success of your business,* were held parallel to the visits as part of the DBN's undertaking to promote sustainability of businesses and capacity development.

Milestones attained

Business Support and Development

In May 2011, DBN signed the first of its service level agreements for the provision of training to DBN clients for business training and mentorship with the University of Namibia's Small Business Development Centre – Northern Campus (SBDC). The agreements aim at developing business skills, particularly for SMEs and emerging enterprises.

At the signing, DBN CEO, David Nuyoma, noted that the agreement is a smart partnership that brings development agents together for the benefit of the local business community. "Development cannot take place in isolation, as it has a better chance of success if institutions join hands," he said.

"The programmes that are to be implemented form part of the university's service to the community. Universities are catalysts in society through the development of human resources and also through the provision of services like those of the SBDC," UNAM Acting Vice-Chancellor, Professor Osmond Mwandemele, said.

Support for innovation

The DBN supported the Namibia Business Innovation Centre (NBIC) with N$ 250,000 through its Corporate Social Investment programme. Innovation is one of the DBN's core values, stating that, 'While we have continuity of purpose, we are always ready to adopt better methods and to stop doing what is no longer effective'.

Credit-plus approach

The Namibia SME Expo, in its sixth year in 2011, attracted close to 80 exhibitors from all over the country. Subsidised by DBN, Bank Windhoek and FNB Namibia and organised by SMEs Compete, the expo offer SMEs an opportunity to showcase their goods and services and to network with managers of corporate or larger established firms to secure new business from public and private sector customers.

Participants had an added benefit in the 2011 expo as they could liaise directly with SME service providers that participated in the expo for the first time.

Offering SMEs support through events like the expo, forms part of the DBN's credit-plus approach, which is based on the notion that finance should go hand in hand with business support and skills development to increase businesses' chance of success.

Partnership

The DBN signed a memorandum of understanding with the South African Industrial Development Corporation (IDC) in September. The MOU formalises a relationship dating back to 2004, when the IDC offered support during the Bank's establishment phase.

In terms of the memorandum, DBN and IDC will co-operate on analysis and loan structuring of deals with a view to co-financing larger Namibian projects. In addition, the entities will share and exchange skills. IDC will also establish a line of credit for use for Namibian projects.

Ongwediva MediPark

The DBN Board visited the Ongwediva MediPark, which the Bank assisted with a turn-around strategy. Implementation of the strategy was financed with N$12.5 million, which was used to purchase new equipment and for working capital aimed at improving service delivery and optimally capitalising from the venture. Since the changes were instituted, the hospital has increased its turnover fourfold, and is a picture of financial health. Currently, the MediPark has more than 30 doctors who use its facilities and has an average patient occupancy of 78 per cent.

Shareholders support for sustainable growth

DBN's loan book reached the N$ 1 billion mark in the first quarter of 2011. In order to ensure that it maintains a healthy book, annual impairment rate targets are set, while the Bank works closely with clients to identify and act on projects facing difficulty, early.

Development Impact Report

The DBN's annual approval rate recorded a sharp increase between 2010 and 2011, with a 68.9 per cent year-on-year increase to N$ 616.7 million. This growth is a result of the increase in the number of entities financed, which grew from 153 in 2010 to 282 in 2011.

The bulk of the approvals went to the SME sector, with 46.6 per cent, followed by the public sector at 38.4 per cent and the private sector at 15.1 per cent. The facilities approved during the course of 2011 bring the total approvals since the DBN's inception to N$ 2.4 billion; up 34.2 per cent from 2010.

The tertiary industry remains dominant with approvals of N$ 397 million, representing 64.4 per cent of total approvals for 2011. Year-on-year, this represents growth of 118.6 per cent. The provision of business services remains important and DBN supported a number of projects in road construction and maintenance during the year.

The regional distribution of loans improved slightly in 2011 compared to the previous year, with projects impacting all regions making up 40.5 per cent, followed by the Khomas region at 19.9 per cent.

Manufacturing remained the most dominant sector in 2011, taking up 23.9 per cent of the total loans approved, followed by tourism at 16.4 per cent and construction at 13.1 per cent.

The number of jobs provided, grew by a significant 60.8 per cent between 2010 and 2011, reaching 8052. Of this, 2119 are new and 2921 temporary jobs, while 3,012 jobs were retained.

The ratio of Black Economic Empowerment (BEE) involvement in the total approvals declined marginally to 93.2 per cent compared to 98.0 per cent in the previous year. However, the Bank financed more companies with a larger effective empowerment component in 2011, at 93.2 per cent, compared to 77 per cent in 2010.

Approvals to companies with BEE participation amounted to N$ 354.1 million, of which N$ 344.9 million represents effective BEE involvement. Financing entities with female shareholding decreased during 2011 as the percentage of effective female participation in projects stood at 24 per cent compared to 27 per cent in 2010.

At the end of 2011, the DBN's gross loan book stood at N$ 1.34 billion, which is the actual amount disbursed to clients. From this it is evident that not all loans approved translate into immediate disbursement.

Development Impact Report Indicators

DEVELOPMENT IMPACT: JAN - DEC 2011		
Summary of approvals		**Number**
Total Facilities		310
Total Entities		282
Approvals by facility	**N$ m**	**Percentage of total**
Public Sector	236.6	38.4
Private Sector	92.9	15.1
SME	287.2	46.6
Total	**616.7**	**100.0**
Approvals by industry	**N$ m**	**Percentage of total**
Primary	4.2	0.7
Secondary	215.5	35.0
Tertiary	397.0	64.4
Total	**616.7**	**100.0**
Aprrovals by sector	**N$ m**	**Percentage of total**
Agriculture	1.4	0.2
Business services	30.7	5.0
Community, social & personal services	13.2	2.1
Construction	80.6	13.1
Education	33.3	5.4
Electricity	4.1	0.7
Financial intermediation	35.2	5.7
Health	5.3	0.9
Hotels & restaurants	18.9	3.1
Manufacturing	147.3	23.9
Mining & quarrying	1.4	0.2
Real estate and business services	52.4	8.5
Telecommunications	0.5	0.1
Tourism	101.1	16.4
Transport	26.6	4.3
Water	3.0	0.5
Wholesale, retail trade, repairs	61.8	10.0
Total	**616.7**	**100**

DEVELOPMENT IMPACT: JAN - DEC 2011		
Regional spread	**N$ m**	**Percentage of total**
Caprivi	8.6	1.4
Erongo	20.7	3.4
Hardap	11.0	1.8
Karas	11.2	1.8
Kavango	24.0	3.9
Khomas	122.5	19.9
Kunene	5.3	0.9
More than one region	38.1	6.2
National	250.0	40.5
Ohangwena	9.4	1.5
Omaheke	5.4	0.9
Omusati	28.1	4.5
Oshana	53.8	8.7
Oshikoto	14.7	2.4
Otjozondjupa	14.1	2.3
Total	**616.7**	**100.0**

Employment	Number	Percentage of total
New	2119	26.3
Retained	3012	37.4
Temporary	2921	36.3
Total Jobs	**8052**	**100.0**

Tenders supported	N$ m
Bridging finance approvals	172.9
Value of tenders supported	768.0
Bridging finance leverage ratio	4.4

Black Economic Empowerment	
Number of facilities with BEE shares	289
BEE facilities as % of total facilities	93 %
Approvals to facilities with BEE (N$)	354.1 m
Effective BEE (N$)	344.9 m
* Effective BEE as % of approvals	91 %
No of facilities with female BEE shares	85
Approvals to facilities with female BEE (N$)	131.9 m
Effective female BEE (N$)	90.9 m
* Effective female BEE as % of approvals	24%

NOTE: Effective BEE (N$) - BEE Percentage Shareholdings x Approved Facilities

* *Excluding Public Sector*

Selected Projects Financed

Eastern Glass & Aluminium: Ondangwa & Outapi

The company received financing of N$ 3 million to expand its aluminum factory in Oshakati and to establish a branch in Ondangwa and an outlet at Outapi in the Omusati Region. The loan was used to purchase machinery, equipment and for working capital.

Jessovita Investments: Outapi

The academy received a loan of N$ 5 million to expand its primary school and to offer classes up to Grade 10. The school started with 15 needy children in 2002 as a pre-school and was upgraded to a primary school in 2007 and registered with the Ministry of Education. The new premises was completed towards the end 2011. The school accommodates 250 learners.

Exclusive Health & Wellness: Windhoek

The DBN financed the start-up with N$ 3.3 million to cover furniture and fitting costs, purchase of gym equipment and for working capital for the new health and fitness centre in the Windhoek CBD.

Karakulia Weavers: Swakopmund

An employee who worked with the weaving company for 20 years was offered an opportunity to purchase the establishment. With an own contribution of N$ 100,000 and financing of N$ 400,000 from the DBN, he bought the company.

KSNS Auto Repair: Katima Mulilo

KSNS Auto Spares and Exhaust is part of an expansion of 435 Repairs and Breakdown Services, which was started in 2007. The garage offers repair services, breakdown services and sells spare vehicle parts such as engines, engine parts, gear boxes and exhaust systems. The DBN financed the project with N$1 150 000 in 2011 to set up a workshop and a spare parts shop, as well as to purchase equipment and stock. With the facility the project invested in a trailer, towing equipment, and began importing vehicle parts. The owner, Fatty Nyambe, is a seasoned and qualified mechanic, having been in the trade for more than 27 years.

Meat Corporation of Namibia: National

The DBN financed Meatco with a facility of N$ 120.3 million for the expansion of its operations set to support the development of the national commercial livestock sector as well as communal and emerging farmers.

Magnet Bureau de Change: Windhoek

Magnet Bureau de Change was incorporated in 2010 to operate a *bureau de change* business in Namibia and to carry out money transfer services through Western Union. DBN financed the company with N$ 3 million to purchase IT equipment, furniture and fittings, working capital and trading money.

MLN Extreme Safety Wear: Windhoek and Ondangwa

MLN Extreme Safety Wear produces and sells safety clothing and boots, and in 2011 began providing corporate wear and branding services. The business received a contract valued at over N$ 1.5 million, to supply safety wear and boots. The company received financing totalling N$ 1 million of which N$ 300,000 was used for bridging finance to enable them to carry out standing orders.

Selected Projects Financed

Morne Du Toit t/a Deon's Garage: Otjiwarongo

DBN financed the promoter with N$ 3 million to buy out Deon's Garage and Airite Otjiwarongo. The purchase included equipment, machinery and fixed property for both businesses.

Ozohere Lodge and Campsite: Otjikakaneno

The enterprise, based in the Otjikakaneno Communal area north of Uis in the Erongo region, received financing to complete the construction of a restaurant, set up a solar borehole and for working capital. Ozohere Lodge and Campsite was financed with a loan of N$ 190 183.

Ongwediva Town Council (OTC): Installation of Bulk infrastructure to service Extension 11

Through the DBNs Local Authority Finance, the OTC received a loan of N$ 20 million in 2005, to be used to install bulk infrastructure such as roads, water, sewer reticulation and electricity of its extension Extension 11, to create 365 erven for middle to upper income housing, business and recreational purposes. The Town Council has since repaid the facility.

Quality Bag Manufacturers: Ondangwa

Guinas Investments received DBN finance amounting to N$ 7 047 560 to manufacture and supply poly-woven bags. The bags are used by millers, farmers and businesses that manufacture products such as salt, sugar, as well as by individuals. The bags are produced to carry products ranging between 5 and 150 kilogrammes. The loan was used to acquire capital assets to expand the factory's production line.

Scooters Pizza Namibia: Windhoek

The promoter acquired a licence to operate the Scooters franchise. The franchise received a loan of N$ 838 718 to pay the franchisor, Scooters Pizza South Africa. The promoter has since opened another operation in Windhoek.

SP Brick Warehouse: Onhuno

The company operates a semi-automated commercial brick making plant at Helao Nafidi Town in the Ohangwena region. SP Brick Warehouse received financing of 11.3 million from the DBN to purchase a brick making machine, vehicles, and to cover operational costs during its start up phase.

Typo Print: Windhoek

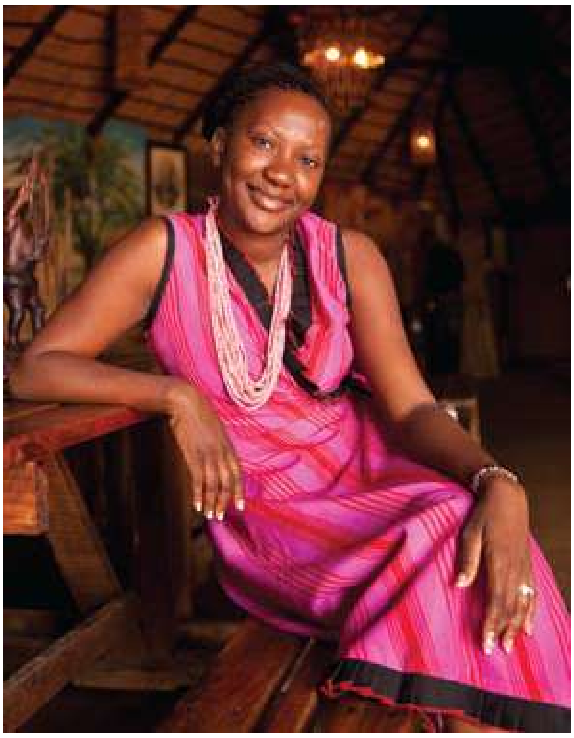
The company is an existing printing, binding and rubber stamp manufacturer that has operating in Windhoek for the past 30 years. It acquired 40 per cent of the John Meinert Printing Press in 1999, to expand its operations. The company received a loan of N$ 1.3 million to increase its capacity, for the purchasing of printing equipment, and for working capital.

Selected Projects Financed

Walvis Bay Salt Refinery: Walvis Bay

A Namibian company was established to make refined salt in order to improve the sustainability of Walvis Bay Salt Holdings, a salt operation with two subsidiaries, which has been in operation since 1964. The subsidiaries are Salt & Chemicals Mining Operation that produces crude salt by way of solar evaporation of sea water, which it sells to Walvis Bay Salt Refiners, the other subsidiary, and a manufacturing company that processes crude salt into finished products: chemical grade salt and general purpose grade coarse salt. The products are mainly exported to Southern and West African countries.

The company received a loan of N$ 40 million to construct the refinery with a capacity to produce 12 metrics of refined salt product per hour, with crude salt as feedstock. Production is estimated to be at 50 000 tonnes per year.



Xwama Cultural Village: Windhoek

The establishment is an existing business that provides restaurant services, in particular Oshiwambo traditional cuisine, in a traditional African setup. The business is based in Katutura. A loan of N$ 2.6 million was awarded to expand and upgrade the business.

Zebra Car Hire and Safari: Ondangwa

The company was established in 2011 and operates a 4x4 car hire business that operates from the Ondangwa Airport. It started with three vehicles, but due to demand, the company applied for DBN financing of N$ 1.8 million to acquire a fleet of six 4x4 vehicles, composed of SUVs and double cabs.

Corporate Social Investment

The DBN strives to be a good corporate citizen with a focus on a pragmatic social investment stance that is aligned to its core function.

The projects the Bank involve itself with, all in some way or other, aim to develop, support and strengthen enterprises. This is done through training, support towards trade shows and expos, as well as support for the developmental activities of institutions involved in enterprise development. Support is given by means of sponsorships, social investment, the Bank's Innovation Fund and partnership with local training institutions.

Sponsorships

The Bank supports a number of institutions every year by sponsoring their activities. The list below provides detail of the activities supported in 2011.

Arandis Investment Conference

The Arandis Town Council hosted a conference and mini expo aimed at attracting investors and encouraging economic growth in the town. Under the theme 'Invest in Arandis, Invest in the Future', the conference focused on industrialisation, education and tourism.

Association of local Authorities in Namibia (ALAN) Congress

The DBN sponsored the ALAN congress in support of local authorities' developmental initiatives in their communities.

Namibia Chamber of Commerce and Industry (NCCI)

The DBN supported the NCCI's Fifth Annual SME Development Conference, which was aimed at identifying the challenges SMEs face and developing solutions for these.

National Youth Expo

The winners of the Credit for Youth in Business (CYB) programme run by the National Youth Council of Namibia, received two awards sponsored by the DBN. The support is aimed towards boosting the small businesses of the winners, by building the beneficiaries' capacity to manage their ventures successfully.

Rehoboth Trade Fair

Every year, the DBN supports trade fairs and expos in different parts of the country. In the past year, the Bank supported the Rehoboth Trade Fair.

Sam Nujoma Innovative Enterprise Development Award (SNIEDA)

The DBN supported the scholarship support institution because of the emphasis it places on the advancement of original concepts to foster entrepreneurship.

Social investment programmes

these programmes, unlike sponsorships, have a longer lifespan.

The programmes supported in the past year include:

SME Expo

For the past six years, the DBN together with Bank Windhoek and FNB Namibia, under the coordination of SMEs Compete, hosted the Namibia SMEs Expo. The expo provides small businesses with a platform to showcase their products and to network with each other. SME Service Providers participated in the 2011 expo for the first time, which is an indication of the event's growth.

Junior Achievement Namibia (JAN)

Junior Achievement Namibia's purpose is to inspire and prepare young people to succeed in a global economy. JA Namibia focuses on teaching young people practical entrepreneurial, financial and life skills. The DBN supported JAN to undertake workshops in remote parts of the country.

Namibia Business Innovation Centre

The Namibia Business Innovation Centre received support to implement competitions geared towards stimulating creativity and enterprise growth. The competitions are conducted on a nation-wide basis and reach out to potential and existing entrepreneurs.

Coroprate Social Investment

Innovation fund

DBN introduced an Innovation Fund, which provides 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.

The Bank supported two companies through its Innovation Fund in 2011.

Katu Tours

Katu Tours started a tour operation that takes tourists around Katutura on bicycles. Rest stops are made at various points of interest, such as the Single Quarters, the Horseshoe Market and Penduka Craft Centre.

The company also targets corporate companies to use its services for team building exercises, and as a learning opportunity for Namibians or other interested parties not well acquainted with the location.

Tora Mechatronics

The business received support to set up a software engineering company offering remote monitoring and mobile property ad services. The owner holds a B. Tech Electronics degree and had already procured computer and office equipment from own sources in preparation for the project. The DBN's support went towards the acquisition of software, to pay connection fees to the content provider, and to test the market.

Training partnerships

it is a fact that development cannot be achieved in isolation and there is a need to create partnerships with various sectors, to tap each other's strengths and so accelerate progress. DBN believes that key economic players in all sectors need to work hand in hand to create synergies to meet Namibia's development goals and further Vision 2030.

Therefore, the DBN partnered with business service providers identified on the basis of the Bank's set criteria, to provide business support to new entrepreneurs in particular.

The initiative was as a result of the creation of DBN's Business Support and Development Department in 2011, with emphasis on making business training more accessible to SMEs.

The DBN entered into partnership with the following institutions in 2011:

Indigenous Peoples Business Forum (IPBF)

The IPBF's programme is aimed towards the provision of efficient and effective support to local SMEs and to be the point of contact to reach beneficiaries in underserved areas of the country.

Institute of Leadership Training (IMLT)

The institution provides a hands-on training experience in establishing and running a business, by way of business simulation training in a competitive business environment, using specialised software, customised to the Namibian business environment.

SMEs Compete

SMEs Compete provides business capacity building services and promotes the SME sector and facilitation of new business. This is done through business mentorship, market access events, entrepreneurs' round table and training activities across the country.

UNAM Namibia's Small Business Development Centre – Northern Campus (sBDC)

The partnership was formed to support clients based in the northern regions, with special training programmes developed from case studies and set around the business environment in those parts of the country.

Annual Financial Statements
for the year ended 31 December 2011

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 intergrity of the financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 auditors have audited the financial statements and their report appears on page 29.

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 misstatment 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 occured 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.

Directors' Approval of the Annual Financial Statements

The annual financial statements set out on pages 30 to 76 were approved by the board of directors and are signed on their behalf by:

Elize Angula
8 May 2012

David Nuyoma
8 May 2012

Independent Auditor's Report

To the Member of the Development Bank of Namibia Limited

We have audited the accompanying financial statements of the Development Bank of Namibia Limited, which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 30 to 76.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements 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, and for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing.Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Development Bank of Namibia Limited as at 31 December 2011, and 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
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per Ally Angula
Partner, Windhoek
29 June 2012

Directors' Report

The directors have the pleasure in presenting their report on the activities of the Bank for the year ended 31 December 2011.

Results

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

Dividends

No dividends have been declared in the financial year under review. Dividends declared in previous years were retained for re-deployment towards special enterprise development endeavours as described in note 19 to the financial statements.

Share Capital

The authorised share capital of the bank remains unchanged at N$ 150 million. Issued share capital has increased to N$ 150 million with share premium increasing to N$ 1.114 billion (2010: N$ 771 million) by the issue of 70 ordinary shares for N$ 100,000 each at a premium of N$ 4,900,000. The Goverment of the Republic of Namibia is currently the sole shareholder of the Bank.

Interest of directors

At no time during the financial year were any contracts entered of significance entered into relative to the Banks business in which a director had an interest.

Board Members and Secretary

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

E Angula (Chairperson)
A Getachew
M Shingenge-Haipinge
J Walenga (resigned February 2012)
E Haiyambo
AJ Basson (appointed 19 April 2012)
D Nuyoma (Chief Executive Officer)

R Brusa (Secretary)

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

Postal address:
P O Box 235
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	2011	2010
Interest income	4	88,977,243	84,884,520
Interest expense		(110,070)	(106,144)
Net interest income		88,867,173	84,778,376
Fee and commission income	5	5,204,526	3,239,325
Revenue		94,071,699	88,017,701
Other income	6	3,062,887	8,663,584
Operating income		97,134,586	96,681,285
(Impairment) / reversal of impairment of loans and advances	12	(22,306,792)	8,034,497
Operating expenses	7	(39,526,997)	(32,971,823)
Profit before tax		35,300,797	71,743,959
Tax expense	8	-	-
Profit for the year		35,300,797	71,743,959
Other comprehensive income, net of income tax		3,833,807	4,590,720
Net change in fair value on available-for-sale financial assets	16	(439,076)	-
Revaluation gain on property	15	4,272,883	4,590,720
Total comprehensive income attributable to the equity holder of the Bank		39,134,604	76,334,679

Statement of Financial Position

As at 31 December

N$	Note	2011	2010
Assets			
Cash and cash equivalents	9	194,474,587	185,256,634
Trade and other receivables	10	1,227,058	5,158,404
Loans and advances	11	1,236,724,731	884,672,339
Staff home ownership scheme loans	13	5,445,396	-
Equity investments	16	117,313,887	101,804,000
Investment property	14	-	9,000,000
Property and equipment	15	44,338,918	28,890,696
Intangible assets	17	3,031,108	3,536,567
Total assets		1,602,555,684	1,218,318,640
Liabilities			
Trade and other payables	18	2,014,907	5,470,354
Dividends retained for redeployment	19	17,273,425	18,715,538
Equity			
Share capital and share premium	20	1,264,525,938	914,525,938
Retained earnings		309,012,168	273,711,371
Reserves	21	9,729,246	5,895,439
Total equity attributable to the equity holder of the Bank		1,583,267,352	1,194,132,748
Total liabilities and equity		1,602,555,684	1,218,318,640

Statement of changes in equity

For the year ended 31 December

N$

31 December 2011	**Share capital and premium**	**Fair value reserve**	**Capital revaluation reserve**	**Retained earnings**	**Total**
Balance at 1 January 2011 Restated	914,525,938	-	5,895,439	273,711,371	1,194,132,748
Total comprehensive income for the year	-	(439,076)	4,272,883	35,300,797	39,134,604
Profit for the year	-		-	35,300,797	35,300,797
Other comprehensive income, net of income tax	-	(439,076)	4,272,883	-	3,833,807
Transactions with owner, recognised directly in equity	350,000,000	-	-	-	350,000,000
New shares issued	350,000,000	-	-	-	350,000,000
Balance at 31 December 2011	1,264,525,938	(439,076)	10,168,322	309,012,168	1,583,267,352
Note		*21.2*	*21.1*		

31 December 2010	**Share capital and premium**	**Fair value reserve**	**Capital revaluation reserve**	**Retained earnings**	**Total**
Balance at 1 January 2010	814,525,938	-	1,304,719	205,730,806	1,021,561,463
Total comprehensive income for the year	-	-	4,590,720	71,743,959	76,334,679
Profit for the year	-	-	-	71,743,959	71,743,959
Other comprehensive income, net of income tax	-	-	4,590,720	-	4,590,720
Transactions with owner, recognised directly in equity	100,000,000	-	-	(3,763,394)	96,236,606
New shares issued	100,000,000	-			100,000,000
Declared dividend	-	-	-	(3,763,394)	-
Balance at 31 December 2010 Restated	914,525,938	-	5,895,439	273,711,371	1,194,132,748
Note		*21.2*	*21.1*		

Cash flow statement

For the year ended 31 December

N$		2011	2010
Cash flows from operating activities		(329,263,388)	(245,534,822)
Interest received from loans and advances		79,548,020	63,302,792
Cash paid to suppliers and employees		(31,045,145)	(22,664,108)
Cash generated by operations	A	48,502,875	40,638,684
Interest received on cash and cash equivalents	B	12,541,883	23,341,686
Loan disbursements		(487,720,193)	(279,932,302)
Loan principal repayments		113,361,009	66,471,111
Acquisition of shares in equity investment		(15,948,963)	(96,054,000)
Cash flow from investing activities		(10,076,546)	(2,631,754)
Acquisition of property and equipment		(2,692,628)	(536,567)
Acquisition of intangible assets		(1,938,522)	(2,095,188)
Increase in staff home ownerhip scheme loans		(5,445,396)	-
Cash flow from financing activities		348,557,887	100,000,000
Proceeds from issue of shares		350,000,000	100,000,000
Movement in dividends redeployed		(1,442,113)	-
Net increase/ (decrease) in cash and cash equivalents		9,217,953	(148,166,576)
Cash and cash equivalents at the beginning of the year	9	185,256,634	333,423,210
Cash and cash equivalents at the end of the year	9	194,474,587	185,256,634
A. Cash generated by operations			
Profit for the year		35,300,797	71,743,959
Adjusted for:			
Interest received from investments *	B	(9,326,746)	(21,581,726)
Depreciation and amortisation		4,461,270	2,765,557
Non-cash settled gain on acquisition of equity investments		-	(5,750,000)
Fair value gain on investment property		(1,500,000)	(1,400,000)
Net impairment/(reversal of impairments)loss on loans and advances		22,306,792	(8,034,497)
		51,242,113	37,743,293
Changes in working capital		(2,739,238)	2,895,391
Decrease in trade and other receivables		716,210	(1,096,175)
Increase/(decrease) in trade and other payables		(3,455,448)	3,991,566
Cash generated by operations		48,502,875	40,638,684
B. Interest received from investments			
Interest received during year		9,326,746	21,581,726
Plus: Prior year accrued interest		3,850,083	5,610,043
		13,176,829	27,191,769
Less: Current year accrued interest		(634,946)	(3,850,083)
		12,541,883	23,341,686

1. Reporting entity

Development Bank of Namibia ("the Bank") 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"), as issued by the International Accounting Standards Board ("IASB").

2.2 Basis of measurement

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

* Investment properties are measured at fair value;
* Property is measured at re-valued amounts; and
* Available for sale equity investments are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Namibia Dollar, which is the Bank's functional currency. All financial information presented in Namibia Dollar has been rounded to the nearest Dollar.

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

Information about critical judgements in applying accounting policies, that have the most significant effect on the amounts recognised in the financial statements, is included in the following notes:

Note 11 – Loans and advances
Note 12 – Impairment of loans and advances
Note 14 – Investment property
Note 15 – Property and equipment
Note 16 - Equity investments
Note 27 - Financial risk management

Note 27 contains information about assumptions and estimation of uncertainty that have significant risk of resulting in a material adjustment 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 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 and unrealised foreign

3. Significant accounting policies (continued)

3.1 Foreign currency (continued)

exchange differences on unsettled foreign monetary assets and liabilities, are recognised in profit or loss.

3.2 Interest income and expense

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial asset or liability (where appropriate a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate the bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

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

3.3 Fees and commission income

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

Other fee income, including guarantee fees, front-end fees and other administrative fees are recognised as the related services are performed. When a loan commitment is not expected to result in the drawdown of a loan, loan commitment fees are recognised on a straight line basis over the commitment period.

3.4 Other income

Net operating income comprises of gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, foreign exchange differences, recoveries of previously written off losses and rental income.

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

3.5 Dividend income

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 interest 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.

Dividends received on instruments with characteristics of debt, such as redeemable preference shares, are included in interest income.

3.6 Employee benefits

3.6.1 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus plans when there is a legal or constructive obligation to make such payments as a result of past performance and the obligation can be estimated reliably.

3.6.2 *Post-retirement employee benefits*

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 the Bank 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.

3.7 Property and equipment

3.7.1 *Recognition and measurement*

Property and equipment is initially recognised at cost.

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.

Subsequently property is stated at revalued amounts less accumulated depreciation and impairment losses. Equipment is stated at cost less accumulated depreciation and accumulated losses.

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 Bank 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.

3.7.2 *Reclassification to investment property*

When the use of property changes from owner-occupied to investment property, the property is measured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

3.7.3 *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.

3.7.4 *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.

3. Significant accounting policies (continued)

3.7.4 *Depreciation (continued)*

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

Buildings :	25 years (4%)
Furniture and equipment :	3-5 years (20% - 33.3%)

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.

3.7.5 *Revaluation*

Property is revalued to its market value. Valuations are from market-based evidence by appraisals undertaken by professional valuers. Revaluations are performed annually such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of the property is credited to the capital revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such property is charged as an expense to the extent that it exceeds the balance, if any, held in the capital revaluation reserve relating to a previous revaluation of that asset. On subsequent sale or retirement of revalued property, the attributable surplus remaining in the capital revaluation reserve is transferred directly to retained earnings.

3.8 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its costs for subsequent accounting.

3.9 Intangible assets

3.9.1 *Computer software*

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. On acquisition the software is capitalised at purchase price. The useful life has been set at three years for current and comparative periods with a zero residual value. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. 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.

3.10 Grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses related cost for which the grants are intended to compensate.

Government grants related to non-depreciable assets that also require the fulfilment of certain obligations are recognised in profit or loss over the period that bears the cost of meeting those obligations.

3.11 Leasing

The Bank classifies leases as operating leases where the lessor effectively retains the risk and benefits of ownership, whilst the leases of property and equipment are classified as finance leases where the Bank assumes substantially all the benefits and risks of ownership of the leased assets.

3.11.1 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.

3.11.2 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.

3.12 Financial assets and financial liabilities

3.12.1 Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

3.12.2 Classification

Financial assets

At inception a financial asset is classified as measured at amortised cost or fair value.

A financial asset qualifies for amortised cost measurement only if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The bank makes an assessment of a business model at a portfolio level as this reflects best the way the business is managed and information is provided to management. In making an assessment

3. Significant accounting policies (continued)

3.12 Financial assets and financial liabilities (continued)

3.12.2 Classification (continued)

***Financial assets** (continued)*

of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the bank considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focus on earning contractual interest revenues;
- the degree of frequency of any expected asset sales;
- the reason for any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their
- contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

The Bank has made an election to present in other comprehensive income changes in the fair value of certain investments in equity instruments that are not held for trading.

Financial assets are not reclassified subsequent to their initial recognition, except when the Bank changes its business model for managing financial assets.

Financial liabilities

The Bank classifies its financial liabilities as measured at amortised cost or fair value through profit or loss.

The Bank has designated financial liabilities at fair value through profit or loss when liabilities contain embedded derivatives that significantly modify the cash flows that would otherwise be required under the contract.

Financial guarantees and commitments to provide a loan at a below-market interest rate are subsequently measured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

3.12.3 Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the bank is recognised as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. In addition, prior to 1 April 2010 any cumulative gain or loss that had been recognised in other comprehensive income was also recognised in profit or loss.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Bank retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank securitises various consumer and commercial financial assets, which generally results in the sale of these assets to special-purpose entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches, interest-only strips or other residual interests (retained interests). Retained interests are primarily recognised as investment securities and carried at amortised cost or fair value. Gains or losses on securitisation depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognised and the retained interests based on their relative fair values at the date of the transfer. Gains or losses on securitisation are recognised in other revenue.

3.12.4 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a bank of similar transactions such as in the Bank's trading activity.

3.12.5 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3. Significant accounting policies (continued)

3.12 Financial assets and financial liabilities (continued)

3.12.6 Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the bank entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the bank believes a third-party market participant would take them into account in pricing a transaction.

Valuation of financial instruments

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.

3.12.7 Identification and measurement of impairment

At each reporting date the Bank assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a bank of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a bank of assets such as adverse changes in the payment status of borrowers or issuers in the bank, or economic conditions that correlate with defaults in the Bank.

The Bank considers evidence of impairment for loans and advances and investment securities measured at amortised costs at both a specific asset and collective level. All individually significant loans and advances and investment securities measured at amortised cost are assessed for specific impairment. All individually significant loans and advances and investment securities measured at amortised cost found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and investment securities measured at amortised cost that are not individually significant are collectively assessed for impairment by banking together loans and advances and investment securities measured at amortised cost with similar risk characteristics. In the absence of historical information loans and advances are re-classified and grouped into provision categories based on repayment arrears which represent the minimum risk classification.

3. Significant accounting policies (continued)

3.12 Financial assets and financial liabilities (continued)

3.12.7 *Identification and measurement of impairment (continued)*

The Bank has specified the provision categories as follows:

* A : Pass - Client repayments are satisfactorily
* B : Watch (Special Mention) - Client is more than 60 days but less than 90 days in arrears
* C : Substandard - Client is more than 90 days but less than 180 days in arrears
* D : Doubtful - Client is more than 180 days but less than 360 days in arrears
* E : Loss - Client is more than 360 days in arrears

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

Interest on impaired assets continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.
The Bank writes off loans and advances and investment securities when they are determined to be uncollectible (see note 4).

3.12.8 *Trade payables*

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

3.12.9 *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 carried at amortised cost in the statement of financial position.

3.12.10 *Loans and advances*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. 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 rate method.

3.12.11 *Equity instruments*

The Bank classifies its investments in equity instruments as available-for-sale. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in the statement of comprehensive income.

Unquoted equity instruments whose fair values cannot be reliably measured are held at cost. If the market for an equity financial instrument is not active, the Bank uses a valuation technique to establish what the transaction price would be in an arm's length transaction motivated by normal business considerations.

The Bank uses valuation techniques in measuring equity instruments, including price of recent investment, if available; discounted cash flow analysis based on free cash flows, earnings or dividends using market-related adjusted discount rates or option pricing models.

The Bank ensures that these valuation techniques:

- Make maximum use of market inputs and rely as little as possible on entity-specific inputs.
- Incorporate all factors that market participants would consider in setting a price.
- Are consistent with accepted economic methodologies for pricing financial instruments.

When an investment is derecognised, the gain and loss accumulated in equity is reclassified to profit or loss.

3.13 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 of an asset 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 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 reflect 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.

3.14 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.

3.15 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.

A provision for onerous contracts is recognised when the expected benefits to be derived by the bank from a contract are lower than the unavoidable cost of meeting its obligations under contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contrct. Before a provision is established, the bank recognises any impairment loss on the assets associated with that contract.

3. Significant accounting policies (continued)

3.16 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 the initial fair value is amortised over the period of the financial guarantee. The financial guarantee liabilities are subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

3.17 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 notes to the financial statements.

3.18 Commitments

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

3.19 Reclassification to prior year presentation

Certain prior year amounts have been reclassified for consistency with the current period presentation. Refer to note 19 - Dividends retained for redeployment. This reclassification has no effect on the reported results of operations.

3. Significant accounting policies (continued)

3.20 New standards and interpretations not yet adopted

Standard/ Interpretation		Issued	Effective Date	Impact
* IAS 1 amendments	*Presentation of Items of Other Comprehensive Income*	Jun-11	Annual periods beginning on or after 1 July 2012	The amendment requires an entity to group the items of the other comprehenive income on the basis of whether the amounts will subsequently be reclassified to profit or loss or not. The amendment addresses disclosure in the annual financial statements and will not affect recognition and measurement. The impact of the revised disclosure is not expected to be significant.
** IAS 32 amendment	*IAS 32 Financial Instruments: Presentation : Offsetting of financial assets and financial liabilities*	Dec-11	Annual periods beginning on or after 1 January 2014	The amendment aims to provide clarification on the application of offsetting rules. The Bank is in the process of assessing the impact of the amended statement on the financial statements.
*** IFRS 9 (2012)	*Financial instruments*	Oct-10	Annual periods beginning on or after 1 January 2015 (mandatory application date amended December 2011)	The standard incorporates new and revised requirements for classifying and measuring of financial assets and liabilities. The Bank is in the process of assessing the impact that IFRS 9 would have on the financial statements.
* IFRS 13	*Fair Value Measurement*	May-11	Annual periods beginning on or after 1 January 2013	The standard was issued in order to eliminate inconsistencies in the guidance on how to measure fair value and disclosure requirements that exit under different International Financial Reporting Standards. It provides a fair value hierarchy which gives higher priority to unadjusted quoted prices in active markets for identical assets or liabilities ans lowest priority to unobservable inputs. The Bank is in the process of assessing the significance of the impact of IFRS 13 at this stage.

* The first implementation date is 31 December 2013

** The first implementation date is 31 December 2014

*** The first implementation date is 31 December 2015

N$		2011	2010
4. Interest income			
Cash and cash equivalents		9,326,746	21,581,726
Loans and advances to banks		5,783,573	6,053,345
Loans and advances to staff		102,477	-
Loans and advances to customers		68,396,676	52,378,112
Dividend income on preference shares in loan book		5,367,771	4,871,337
		88,977,243	84,884,520
5. Fee and commission income			
Guarantee fees		1,585,748	1,085,546
Front-end fees		3,473,694	1,953,793
Other fees received		145,083	199,986
		5,204,526	3,239,325
6. Other income			
Fair value movement on investment property		1,500,000	1,400,000
Rent received		176,410	705,012
Recoveries of loans and advances previously written off		1,386,477	6,558,572
		3,062,887	8,663,584
7. Operating expenses			
Auditors' remuneration	- audit fees	450,158	297,609
	- other services	67,006	50,400
Directors' fees	- for services as directors	781,732	712,789
	- for management services	1,304,414	1,604,294
Depreciation and amortisation		4,461,270	2,765,557
Bank interest paid		110,070	14,542
Professional services		3,253,461	1,296,305
Salaries and personnel costs		18,633,899	16,385,701
Operating leases	- buildings	79,036	22,582
	- equipment	541,634	566,233
	- motor vehicle	68,833	40,061
Other expenditure		9,775,484	9,215,750
Total operating expenditure		39,526,997	32,971,823
Number of employees		47	33

N$	2011	2010

7. Operating expenses (continued)

7.1 Directors emoluments

***7.1.1 Chief Executive Officer* - D Nuyoma**		
Pensionable salary	1,046,462	991,227
Bonus	-	370,222
Company contributions to pension and medical aid schemes	257,952	242,845
	1,304,414	1,604,294
7.1.2 Non-executive directors		
E Angula (Chairperson)	160,901	153,254
J Comalie *	40,062	140,611
A Getachew	162,512	141,978
E Haiyambo **	152,708	64,067
M Shingenge-Haipinge	131,399	144,711
J Walenga	134,150	68,168
	781,732	712,789
7.1.3 Schedule of Director's Fees		
Chairperson's quarterly fee	19,162	10,251
Chairperson's sitting fee (per board meeting)	10,580	3,759
Director's quarterly fee	15,653	6,834
Director's sitting fee (per board meeting)	5,983	2,734
Subcommittee sitting fee (per hour)	1,496	2,734
Strategic meeting	-	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; Emma Haiyambo**, *Acting Chairperson*

CI: Credit & Investment Committee
Asnake Getachew, *Chairperson*; David Nuyoma, *Executive Director*; Muetulamba Shingenge-Haipinge; Emma Haiyambo**; Jennifer Comalie*, John Walenga

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

* Resigned as member of the board effective 1 May 2011.

** Appointed as member of the board from May 2010.

7. Operating expenses (continued)

7.1.5 Record of attendance (continued)

Ordinary meetings

Elize Angula (Chair)	11.04.11	√	05.07.11	√	04.10.11	√	06.12.11	√
David Nuyoma (CEO)	11.04.11	√	05.07.11	√	04.10.11	√	06.12.11	√
Emma Haiyambo	11.04.11	√	05.07.11	√	04.10.11	√	06.12.11	√
Asnake Getachew	11.04.11	√	05.07.11	√	04.10.11	√	06.12.11	√
Muetulamba Shingenge-Haipinge	11.04.11	√	05.07.11	-	04.10.11	√	06.12.11	√
John Walenga	11.04.11	√	05.07.11	√	04.10.11	√	06.12.11	√
Jenny Comalie[1]	11.04.11	√	N/A		N/A		N/A	

√ indicates attendance

- Indicates absence with apology

X Indicates absence without apology

1. Resigned with effect from 1 May 2011

Extraordinary meetings

Elize Angula (Chair)							
Extraordinary 20.01.11	-	Extraordinary 04.08.11	√	Stategic Session 14.10.11	√	Extraordinary 07.11.11	√
David Nuyoma (CEO)							
Extraordinary 20.01.11	√	Extraordinary 04.08.11	√	Stategic Session 14.10.11	√	Extraordinary 07.11.11	√
Emma Haiyambo							
Extraordinary 20.01.11	√	Extraordinary 04.08.11	√	Stategic Session 14.10.11	√	Extraordinary 07.11.11	√
Asnake Getachew							
Extraordinary 20.01.11	√	Extraordinary 04.08.11	√	Stategic Session 14.10.11	√	Extraordinary 07.11.11	√
Muetulamba Shingenge-Haipinge							
Extraordinary 20.01.11	√	Extraordinary 04.08.11	√	Stategic Session 14.10.11	√	Extraordinary 07.11.11	√
John Walenga							
Extraordinary 20.01.11	-	Extraordinary 04.08.11	-	Stategic Session 14.10.11	√	Extraordinary 07.11.11	√
Jenny Comalie[1]							
Extraordinary 20.01.11 (Acting Chair)	√	N/A		N/A		N/A	

7. Operating expenses (continued)

7.1.5 Record of attendance (continued)

Audit, Risk and Compliance Committee

Jenny Comalie[1] (Chair)							
24.03.11	√	N/A		N/A		N/A	
David Nuyoma (CEO)							
24.03.11	√	23.06.11	√	23.09.11	√	24.11.11	√
Emma Haiyambo[2]							
24.03.11	√	23.06.11	√	23.09.11	√	24.11.11	√
Asnake Getachew							
24.03.11	√	23.06.11	√	23.09.11	√	24.11.11	√
John Walenga							
24.03.11	√	23.06.11	√	23.09.11	√	24.11.11	√

Credit and Investment Committee

Asnake Getachew						
24.04.11 √	30.05.11 √	17.06.11 √	Presentation 29.07.11 √	05.9.11 √	06.10.11 √	25.11.11 √
David Nuyoma (CEO)						
24.04.11 √	30.05.11 √	17.06.11 √	Presentation 29.07.11 √	05.9.11 √	06.10.11 √	25.11.11 √
Muetulamba Shingenge-Haipinge						
24.04.11 √	30.05.11 √	17.06.11 √	Presentation 29.07.11 √	05.9.11 √	06.10.11 √	25.11.11 √
John Walenga[3]						
24.04.11 √	30.05.11 √	17.06.11 -	Presentation 29.07.11 √	05.9.11 √	06.10.11 √	25.11.11 √
Emma Haiyambo						
24.04.11 √	30.05.11 √	17.06.11 √	Presentation 29.07.11 √	05.9.11 √	06.10.11 √	25.11.11 √
Jenny Comalie[1]						
24.04.11 √	30.05.11 √	N/A	N/A	N/A	N/A	N/A

√ indicates attendance
- Indicates absence with apology
X Indicates absence without apology

1. Resigned with effect from 1 May 2011
2. Acting chairperson subsequent to 1 May 2011
3. Replaced Jenny Comalie

7. Operating expenses (continued)

7.1.5 Record of attendance (continued)

Meeting attendance for the period 1 January 2011 to 31 December 2011 *(continued)*

Human Capital and Remuneration Committee

Muetulamba Shingenge-Haipinge (Chair)							
23.03.11	√	22.06.11	√	23.09.11	√	01.12.11	√
Elize Angula							
23.03.11	√	22.06.11	√	23.09.11	√	01.12.11	√
David Nuyoma (CEO)							
23.03.11	√	22.06.11	√	23.09.11	√	01.12.11	√
John Walenga							
23.03.11	√	22.06.11	√	23.09.11	√	01.12.11	√

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).

N$	2011	2010
9. Cash and cash equivalents		
Cash and short term fixed deposits with local banks	194,474,587	185,256,634
The carrying amount approximates the fair value of cash and cash equivalents.		
10. Trade and other receivables		
Prepaid expenses	28,024	-
Other receivables	561,788	1,306,521
Deposits	2,300	1,800
Accrued interest	634,946	3,850,083
	1,227,058	5,158,404
The directors are of the opinion that this represents the fair value at year-end.		
11. Loans and advances		
11.1 Category analysis		
Instalment sales	94,825,058	73,065,364
Preference share advances	70,594,973	64,724,020
Guarantees honored by Bank	2,751,100	-
Term loans	969,597,473	625,647,707
Loans and advances to banks acting as intermediaries	160,000,019	160,000,019
Notional value of advances	1,297,768,623	923,437,110
Contractual interest suspended	(4,522,154)	(3,735,984)
Gross advances net of interest suspended	1,293,246,468	919,701,126
Impairment of loans and advances (Note 12)	(56,521,738)	(35,028,787)
- Provided for loans and advances and guarantees honoured	(44,888,694)	(17,710,691)
- Discounting of loans taken over from Development Fund of Namibia to fair value	(1,980,054)	(2,484,652)
- Discounting of loans to banks acting as intermediaries to fair value	(9,652,990)	(14,833,444)
Net advances	1,236,724,731	884,672,339

N$	2011	2010
11. Loans and advances (continued)		
11.2 Sectoral analysis		
Agriculture including fishing	139,958,982	138,272,330
Building and property development	101,265,888	98,230,509
Government and public authorities	92,796,668	62,132,857
Manufacturing and commerce	185,823,341	47,121,334
Mining	40,148,623	27,087,862
Transport and communication	135,636,719	203,422,796
Medical services	14,890,496	29,835,287
Financial		
- Financial Market	687,806	-
- Financial institutions	160,000,019	160,000,019
Hotel and tourism	192,973,318	51,142,764
Business services	233,586,763	106,191,352
Notional value of advances	1,297,768,623	923,437,110
Contractual interest suspended	(4,522,154)	(3,735,984)
Gross advances net of interest suspended	1,293,246,468	919,701,126
Impairment of loans and advances (Note 12)	(56,521,738)	(35,028,787)
- Provided for loans and advances and guarantees honoured	(44,888,694)	(17,710,691)
- Discounting of loans taken over from Development Fund of Namibia to fair value	(1,980,054)	(2,484,652)
- Discounting of loans to banks acting as intermediaries to fair value	(9,652,990)	(14,833,444)
Net advances	1,236,724,731	884,672,339
11.3 Maturity structure per contractual maturity date		
Repayable on demand	17,759,273	21,117,710
One year or less but not repayable on demand	83,995,114	105,974,926
Five years or less but over one year	473,254,989	287,145,094
Over five years	661,715,355	470,434,609
Net advances	1,236,724,731	884,672,339
11.4 Geographical analysis		
Namibia – net advances	1,236,724,731	884,672,339

The carrying amount approximates the fair value of loans and advances.

N$

12. Impairment of loans and advances

2011	Total Impairment	Specific Impairment	Portfolio Impairment	Profit or Loss
Opening balance	35,028,787	25,775,736	9,253,051	-
Amounts written off against impairment provision	(434,727)	(434,727)	-	-
Unwinding of discounted present value loans	(5,755,036)	(5,755,036)	-	(5,755,036)
- Off-market Development Fund loans	(504,598)	(504,598)	-	(504,598)
- Below market rate loans to banks	(5,250,438)	(5,250,438)	-	(5,250,438)
New impairments created	32,598,996	5,241,740	27,357,257	32,978,111
- Non-performing loans	32,529,012	5,171,755	27,357,257	32,908,127
- Below market rate loans to banks	69,985	69,985	-	69,985
Provisions released	(4,916,283)	-	(4,916,283)	(4,916,283)
Closing balance	56,521,738	24,827,713	31,694,025	22,306,792

2010	Total Impairment	Specific Impairment	Portfolio Impairment	Profit or Loss
Opening balance	53,641,835	53,641,835	-	-
Amounts written off against impairment provision	(10,578,551)	(10,578,551)	-	-
Unwinding of discounted present value loans	(5,490,607)	(5,490,607)	-	(5,490,607)
- Off-market Development Fund loans	(451,867)	(451,867)	-	(451,867)
- Below market rate loans to banks	(5,038,740)	(5,038,740)	-	(5,038,740)
New impairments created	19,808,453	10,555,402	9,253,051	19,808,453
- Non-performing loans	16,922,867	7,669,816	9,253,051	16,922,867
- Below market rate loans to banks	2,885,586	2,885,586	-	2,885,586
Provisions released	(22,352,343)	(22,352,343)	-	(22,352,343)
Closing balance	35,028,787	25,775,736	9,253,051	(8,034,497)

N$

12. Impairment of loans and advances (continued)

Non-performing loans by sector 31 December 2011	Credit Risk	Security	Contractual Interest Suspended	Impairment provision
Agriculture and forestry	955,842	-	15,359	653,459
Business services	10,907,617	1,483,400	639,812	7,594,261
Construction	33,652,987	4,073,216	881,700	14,984,379
Hotels and tourism	-	-	-	-
Manufacturing and commerce	20,271,400	6,303,000	1,816,416	10,224,778
Transport and communication	117,369	-	6,705	110,663
Wholesale and retail trade, repairs	6,830,108	300,000	200,900	2,796,812
Fishing and fish processing	1,424,131	-	41,036	691,547
Mining and quarrying	4,872,777	-	250,669	1,613,091
Electricity	2,161,976	240,000	65,358	1,245,794
Total non-performing loans	81,194,207	12,399,616	3,917,955	39,914,784

Non-performing loans by sector 31 December 2010	Credit Risk	Security	Contractual Interest Suspended	Impairment provision
Agriculture and forestry	4,316,315	3,350,000	488,619	56,740
Business services	5,063,622	1,561,000	309,376	1,413,397
Construction	19,434,328	7,780,000	1,844,137	5,635,528
Hotels and tourism	3,877,104	3,500,000	331,629	-
Manufacturing and commerce	16,457,170	12,200,192	715,573	8,088,375
Transport and communication	506,728	-	-	253,364
Wholesale and retail trade, repairs	4,573,223	-	46,650	2,263,287
Total non-performing loans	54,228,490	28,391,192	3,735,984	17,710,691

Non-performing loans by category 31 December 2011	Credit Risk	Security	Contractual Interest Suspended	Impairment provision
Guarantees	4,702,780	-	51,615	3,423,018
Instalment sales	6,784,177	-	351,956	1,473,001
Term loans	69,707,250	12,399,616	3,514,384	35,018,765
Total non-performing loans	81,194,207	12,399,616	3,917,955	39,914,784

Non-performing loans by category 31 December 2010	Credit Risk	Security	Contractual Interest Suspended	Impairment provision
Instalment sales	1,755,906	-	150,667	561,557
Term loans	52,472,584	28,391,192	3,585,317	17,149,134
Total non-performing loans	54,228,490	28,391,192	3,735,984	17,710,691

N$	2011	2010

13. Staff home ownership scheme loans

Staff home ownership scheme loans	5,445,396	-

The Bank operates a home ownership scheme. In terms of this scheme, mortgage bonds are provided to the Bank employees at reduced interest rates.

All loans are secured by fixed property. Loans are provided to a maximum of four (4) times the pensionable salary, including all costs.

14. Investment property

Fair value at the beginning of the year	9,000,000	7,600,000
Change in fair value	1,500,000	1,400,000
Reclassification to property and equipment	(10,500,000)	-
Fair value at the end of the year	-	9,000,000

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”)	176,410	705,012
Operating expenses that generated rental income	(290,593)	(211,603)
	(114,183)	493,409

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 31 March 2011. As from 1 April 2011 the property was occupied by the bank for own use and accordinlgy reclassified as owner-occupied property at fair value. There are no material contractual obligations on the property.

N$

15. Property and equipment

	Land	Buildings	Furniture and equipment	Total
Cost or revalued amount				
Balance at 1 January 2010	8,232,000	14,768,000	4,067,110	27,067,110
Additions	-	-	536,567	536,567
Revaluation gain	686,000	3,904,720	-	4,590,720
Balance at 1 January 2011	8,918,000	18,672,720	4,603,677	32,194,397
Additions	-	959,492	1,733,136	2,692,628
Reclassification from investment property	5,273,973	5,226,027	-	10,500,000
Revaluation gain	726,000	3,546,883	-	4,272,883
Balance at 31 December 2011	14,917,973	28,405,123	6,336,813	49,659,908
Accumulated depreciation and impairment				
Balance at 1 January 2010	-	-	(2,025,851)	(2,025,851)
Depreciation expense	-	(590,720)	(687,130)	(1,277,850)
Balance at 1 January 2011	-	(590,720)	(2,712,981)	(3,303,701)
Depreciation expense	-	(732,375)	(1,284,915)	(2,017,290)
Balance at 31 December 2011	-	(1,323,095)	(3,997,896)	(5,320,991)
Carrying amount				
As at 31 December 2010	8,918,000	18,082,000	1,890,696	28,890,696
As at 31 December 2011	14,917,973	27,082,027	2,338,918	44,338,918
Carrying amount measured at cost				
As at 31 December 2010	8,232,000	11,727,657	1,890,696	21,850,353
As at 31 December 2011	8,232,000	25,029,946	2,338,918	35,600,864

The property represents land and buildings situated on Erf number 5444 Windhoek and Erf number 7640 (sectional title) respectively and were valued by an external, qualified valuator, Mr Benjamin Joseph (Sworn Appraiser) on a replacement value basis on 31 December 2011. The building on Erf 7640, previously held as investment property, was occupied by the Bank for own use and reclassified as owner-occupied at fair value on 1 April 2011. 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 or carry any restrictions.

N$	2011	2010
16. Equity investments		
16.1 Available for sale equity investments		
Balance at 1 January	101,804,000	-
Acquisitions	15,948,963	101,804,000
Nest Investments Lüderitz (Pty) Ltd	-	5,750,000
The Bank has a 23.25% (2010: 23.25%) interest in the shares of Nest Investments Lüderitz (Pty) Ltd (as a repayment on a loan) at market value. The directors are of the opinion that this represents the fair value at year-end.		
Ohorongo Cement (Pty) Ltd	15,948,963	96,054,000
The Bank has a 10% (2010: 10%) interest in the shares of Ohorongo Cement (Pty) Ltd at cost. The directors are of the opinion that this represents the fair value at year-end.		-
Disposals	-	-
Net change in fair value	(439,076)	-
Balance at 31 December	117,313,887	101,804,000
17. Intangible assets		
Software		
Cost		
Opening balance	6,101,190	4,006,002
Additions/ developments	1,938,522	2,095,188
Closing balance	8,039,712	6,101,190
Accumulated depreciation and impairment		
Opening balance	(2,564,623)	(1,076,916)
Amortisation for the year	(2,443,980)	(1,487,707)
Closing balance	(5,008,603)	(2,564,623)
Carrying amount	3,031,108	3,536,567
18. Trade and other payables		
Trade payables	1,612,806	1,042,085
Receiver of revenue	(15,942)	821
Salary related payables	418,043	4,427,448
	2,014,907	5,470,354

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.

N$	2011	2010
19. Dividends retained for redeployment		
Balance at beginning of year	18,715,538	14,952,144
Dividends declared and retained	-	3,763,394
Disbursements	(1,442,113)	-
Indigenous Peoples Business Forum	(222,001)	-
Ondenga Consultancy	(36,000)	-
IMLT	(146,919)	-
SME Competitiveness	(835,188)	-
Grant funding to Northern UNAM Campus	(125,000)	-
Steps Programme	(77,005)	-
Balance at end of of year	17,273,425	18,715,538

The Bank introduced a dividend policy in 2006 and annual dividends were subsequently declared. However, the shareholder resolved that these dividends should be retained and re-deployed towards special enterprise development endeavours. A liability was therefore created which will be settled through disbursements for enterprise development.

At year end the Bank concluded to classify dividends declared and retained for redeployment towards special enterprise developements as a liability. Previously, classified as equity in the form of a special reserve. Accordingly, the Bank has revised the classification to report such dividends under liabilities. Corresponding reclassification has also been made to the Statement of Cash Flows for the year ended 31 December 2011.

As a result the Special Reserve has decreased with N$ 18,715,538 and a simultaneous increase in liabilities at the beginning of the financial year.

N$	2011	2010
20. 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: 1 500 (2010: 1 430) Ordinary shares of N$100 000 each	150,000,000	143,000,000
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$4 185 714.29 each	146,500,000	146,500,000
Share premium: 35 Ordinary shares of N$4 185 714.29 each	146,500,000	146,500,000
Share premium: 20 Ordinary shares of N$4 900 000.00 each	98,000,000	98,000,000
Share premium: 70 Ordinary shares of N$4 900 000.00 each	343,000,000	-
	1,114,525,938	771,525,938
Total share capital and share premium	1,264,525,938	914,525,938

The company has one class of ordinary shares which carry no right to fixed income. All issued shares are fully paid up.

N$	2011	2010
21. Reserves		
21.1 Capital revaluation reserve		
Balance at beginning of year	5,895,439	1,304,719
Increase in reserve	4,272,883	4,590,720
Balance at end of of year	10,168,322	5,895,439
The revaluation reserve relates to the revaluation of property.		
21.2 Fair value reserve		
Balance at beginning of year	-	-
Increase / (decrease) in reserve	(439,076)	-
Balance at end of of year	(439,076)	-
The fair value relates to the change in fair value of of the available for sale equity instruments.		
22. Loan commitments		
Commitments in respect of loans approved but not yet signed by borrower:	81,365,729	138,670,229
Letters of credit	600,000	3,216,719
Performance guarantees	35,163,379	51,701,755
Financial guarantees	17,420,000	2,300,000
Guarantees issued	53,183,379	45,489,089
All financial guarantees mature within 12 months from the reporting date. Management's assessment of the fair value of the financial guarantees at year-end was at N$ 104,725.		
23. Capital commitments		
Capital expenditure authorised:		
- not yet contracted for	1,891,051	2,550,346

N$	2011	2010
24. Lease commitments		
Operating lease commitments:		
Buildings	174,000	174,000
Vehicles	264,175	239,169
Office equipment and leased lines	2,744,026	2,100,795
	3,182,201	2,513,964
To be incurred as follows:		
Up to 1 year	1,386,528	896,146
2 – 5 years	1,795,673	1,617,819
	3,182,201	2,513,965

The Bank leases two motor vehicles under full maintenance lease agreements covering a six year period. These lease agreements are reviewed annually. Lease lines and office equipment leases typically run for a three year period with the option to renew.

25. 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 a defined contribution fund and is administered under the Namibian Pension Fund Act, No. 24 of 1956. The Fund is exempted from actuarial valuations and is classified as a defined contribution fund. All employees contribute to the Fund. Total Bank contributions for the period amounted to N$ 2,704,643 (2010: N$1,873,210).

26. Related party information

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

26.1 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:

N$	2011	2010
Compensation	5,802,465	5,381,397
Pension benefits	962,949	896,954
Other short-term benefits	300,531	262,657
	7,065,945	6,541,008

26. Related party information (continued)

26.2 Compensation to directors

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

26.3 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 Namiba increased to N$ 150 million (2010: N$ 143 million) with share premium increasing to N$ 350 million (2010: N$ 100 million). The following transactions were entered into with the shareholder during the period under review:

N$	2011	2010
Dividends declared	-	3,763,394

26.4 Related party balances and transactions

26.4.1 Directors and key management personnel

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, other than described below, 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 period. During the year under review, contracts were concluded with:

- Guinas Investments (Pty) Limited of which Ms. Muetulamba Shingenge – Haipinge is a director with a loan approved for N$ 7.5 million.

26.4.2 Related entities

Other State-owned enterprises ("SOE") 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.

The Bank deems transactions with other SOE's, individually or collectively, above N$ 10 million as significant for disclosure purposes.

26. Related party information (continued)

26.4 Related-party balances and transactions (continued)

26.4.2 Related entities *(continued)*

	2011		2010	
	N$	N$	N$	N$
Related party	***Outstanding Balance***	***Interest charged***	***Outstanding Balance***	***Interest charged***
Air Namibia	-	1,938,004	40,606,049	2,929,671
Namibia Post Limited	-	39,423	1,974,014	314,183
Namibia Power Corporation Limited	58,382,283	3,031,040	61,439,836	3,964,772
Namibia Wildlife Resorts Limited	90,890,275	1,736,876	-	-
Namibian Ports Authority facility 1	2,350,215	451,348	4,453,680	673,195
Namibian Ports Authority facility 2	21,867,940	3,074,382	31,109,689	4,049,033
National Housing Enterprise of Namibia facility 1	28,476,519	2,355,482	29,924,472	2,311,398
National Housing Enterprise of Namibia facility 2	902,703	26,178	1,796,288	39,687
Seaflower Whitefish Corporation facility 1	34,401,477	2,389,603	34,099,009	2,712,200
Seaflower Whitefish Corporation facility 2	25,600,000	1,487,360	25,600,000	1,749,996
Telecom Namibia Limited	119,999,708	8,752,643	119,922,801	10,357,861
Transnamib Holdings Limited	17,502	391,426	7,264,258	1,248,220
	382,888,622	25,673,765	358,190,097	30,350,216

27. Financial risk management

27.1 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.

27. Financial risk management (continued)

27.1 Introduction and overview *(continued)*

Risk management framework

The Risk Management and Investment Management Committees monitor and manage 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 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 ("ALCO") on a monthly basis.

The Bank is governed by policies approved by the board of directors, which provide written principles on 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, Risk and Compliance Committee, a board represented body that monitors risks and policies implemented to mitigate risk exposure.

27.2 Use of estimates and judgements

27.2.1 Equity investments

Equity investments represent strategic investments by the Bank and are primarily long-term in nature.

If the market for a financial instruments is not active, the Bank uses a valuation technique to establish what the transaction price would be in an arm's length exchange motivated by normal business considerations.

The Bank uses valuation techniques that include price of recent investments, if available, discounted cash flow analysis based on free cash flows, earnings or dividends using market-related adjusted discount rate, long-term evaluation and option pricing models.

Fair value of financial instruments

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.

The specific valuation techniques, regarding the equity investments, can be summarised as follows:

The fair value of the equity investments is determined by using discounted cash flow (DCF) methodologies. However, the valuation alternative used in fair valuing the Banks equity investment in Nest Investments Lüderitz (Pty) Ltd was based on market comparison approach to asset, in this case, property valuation as it provided a more realistic view of the actual value of the shares, in other words the forced sale value of its property.

The investment in Ohorongo Cement (Pty) Ltd is currently still in its capitalisation phase and therefore management is of the opinion that the cost price is equal to the fair value.

27. Financial risk management (contuinued)

27.2 Use of estimates and judgements (continued)

27.2.1 Equity investments (continued)

	Level 1	Level 2	Level 3	Total
31 December 2011				
Equity Investments	-	-	117,313,887	117,313,887
31 December 2010				
Equity Investments	-	-	101,804,000	101,804,000

The methods described previously may produce a fair value measurement that may not be indicative of ultimate realisable value. Furthermore, while management believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such investments existed, or had such investments been liquidated, and these differences could be material to the financial statements.

During the reporting period ending 31 December 2011, there was no transfer into or out of Level 3 fair value measurements nor any fair value measurements exits for Level 1 or 2.

For all other financial instruments not carried at fair value on the statement of financial position , the fair value is equal to or reasonably approximates its carrying value.

27.3 Credit risk

Credit risk comprises the potential loss 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 is exposed to credit risk, which is minimised through mitigating credit risk management procedures in terms of which loans and advances are reviewed at regular time intervals to ensure that bad debts are contained within acceptable limits. At year-end the Bank did not consider there to be any significant 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.

27. Financial risk management (continued)

27.3 Credit risk (continued)

Management of credit risk (continued)

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

- Formulating credit policies in consultation with business units, determining requirements, credit assessment, measurement and quantification of and reporting on collateral;
- Limiting concentrations of exposure to counterparties and sectors;
- Reviewing compliance of business units with approved exposure limits, including those for selected sectors. Reporting regularly to the Asset and Liability Committee ("ALCO") and Audit, Risk and Compliance Committee of the Board on the credit quality of the loan book, and 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.

Exposure to credit risk

N$	2011	2010
Cash and short term funds	194,474,587	185,256,634
Advances		
- Instalment sales	94,825,058	73,065,364
- Term loans	969,597,473	625,647,707
- Preference Share advances	70,594,973	64,724,020
- Loans to banks	160,000,019	160,000,019
- Guarantees honored by Bank	2,751,100	-
Trade and other receivables	1,227,058	5,158,404
Staff home ownership scheme loans	5,445,396	-
Equity investments	117,313,887	101,804,000
	1,616,229,550	1,215,656,149
Amounts not recognised on the statement of financial position		
Guarantees	53,183,379	45,489,089
Irrevocable commitments to borrowers	81,365,729	138,670,229
	1,750,778,658	1,399,815,467

27. Financial risk management (continued)

27.3 Credit risk (continued)

Maximum exposure to credit risk at year-end

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.

27. Financial risk management (continued)

27.3 Credit risk (continued)

Maximum exposure to credit risk at year-end

2011	Instalment sales	Preference shares	Term loans	Loans to banks	Guarantees	Total	Collateral held
Category							
A	67,612,090	70,594,973	731,891,121	160,000,019	325,704	1,030,423,907	230,372,612
B	20,975,511		167,999,102	-	93,839	189,068,452	110,338,912
C	4,818,545	-	12,519,132	-	18,400	17,356,077	1,883,016
D	496,879	-	27,348,209	-	9,007	27,854,095	5,765,200
E	922,033		29,839,908	-	2,304,151	33,066,092	4,751,400
	94,825,058	70,594,973	969,597,472	160,000,019	2,751,101	1,297,768,623	353,111,140

2010	Instalment sales	Preference shares	Term loans	Loans to banks	Guarantees	Total	Collateral held
Category							
A	57,902,591	51,532,626	533,809,052	160,000,019	-	803,244,288	242,989,170
B	13,406,867	13,191,394	39,366,071	-	-	65,964,332	18,944,000
C	900,277	-	9,731,801	-	-	10,632,078	4,351,000
D	855,629	-	26,883,614	-	-	27,739,243	16,835,000
E	-	-	15,857,169	-	-	15,857,169	7,205,192
	73,065,364	64,724,020	625,647,707	160,000,019	-	923,437,110	290,324,362

27. Financial risk management (continued)

27.3 Credit risk (continued)

The Bank requires collateral in order to secure its own sustainability. The industry approach to valuing securities for risk pricing adjustments is to value securities offered on the basis of the 'net present market value', which is defined as the net realisable proceeds from a present day sale of the security offered. The net present value of security is generally expressed as a percentage that could reasonably be expected to be recovered in a forced sale situation. For securities provided the Bank initially, depending on the various risk factors, adjusts the 'net present market value' to the expected recoverable value based on industry benchmarks adopted. Securities have not been revalued at year end.

Industry benchmarks used by DBN in respect of expected recovery values for varying types of security are illustrated below:

Type of security	Risk Value of Security (RSV)
Immovable assets	60% of net present market value
Movable assets	60% of net present market value
Ceded investments:	
- shares/stock/equity	60% of net present market value
- callable cash investment	90% of call value
Sinking fund (incl. zero coupon bonds)	90% of NPV of the investment
Third party collateral:	
- ceded investment	As above for ceded investments
- guarantees	Risk assess guarantee & guarantor (e.g AAA sovereign guarantee has a 100% RSV)
Insurance - e.g endowment policy	90% of redemption value
Debtors book	60% of NPV
Income stream other than debtors book	60% of NPV at discount rate of loan

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

Term loans: Secured by commercial property mortgage, residential property mortgage, cession of contract income or investments, suretyship, guarantees. Cession of life cover is not considered security but is recommended as additional safety measure in the event of death.

Instalment sales: Secured by movable property under debt granted.

Loans to banks: Unsecured
Preference shares Unsecured

The Bank determines the fair value only in the following instances:

- on the date that the loan or advance is initiated; and /or
- when the loan or advance is being renegotiated ; or
- when a loan or advance has been transferred to the collections department of the Bank.

27. Financial risk management (continued)

27.3 Credit risk (continued)

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

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.

2011	Total unimpaired loans	Past due but not impaired 31-60 days	61-90 days	91-120 days	More than 120 days	Total
Instalment sales	74,456,981	1,572,055	259,998	178,088	662,767	2,672,908
Preference shares	50,658,181	378,080	-	-	-	378,080
Term loans	869,938,512	13,966,491	2,080,454	964,408	8,321,193	25,332,546
Guarantees	46,853,606	254,113	85,498	56,250	-	395,861
	1,041,907,280	16,170,739	2,425,950	1,198,746	8,983,960	28,779,395

2010	Total unimpaired loans	Past due but not impaired 31-60 days	61-90 days	91-120 days	More than 120 days	Total
Instalment sales	60,235,139	464,230	130,948	80,779	500,724	1,176,681
Term loans	409,342,140	12,175,527	3,317,485	2,286,063	13,625,379	31,404,454
	637,383,639	12,639,757	3,448,433	2,366,842	14,126,103	32,581,135

Credit decisions are subject to both single obligor limits and the appraised debt service capacity of the borrowers. 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.

27. Financial risk management (continued)

27.3 Credit risk (continued)

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.

The total outstanding balance of restructured loans at 31 December 2011 amounts to N$ 172,255,623 (2010: N$ 108,456,178).

Write-off policy

The Bank writes off a loan balance and any related allowances for impairment losses, when the credit department 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 loan-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 acting as intermediaries.

Cash and cash equivalents

The risk in this category is assessed 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;

The risk in this category is assessed 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 derivative instruments is not allowed unless prior approval is obtained from the board or from executive management for subsequent reporting to the board.

27.4 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.

27. Financial risk management (continued)

27.4 Liquidity risk (continued)

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 ALCO on a monthly basis. The Bank had no significant financial liabilities at year-end hence a maturity analysis for financial liabilities has not been disclosed.

27.5 Market risks

The ALCO reports quarterly to the Audit, Risk and Compliance 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

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.

Sensitivity analysis for 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 period ended 31 December 2011 would decrease/increase by N$ 5,579,463 (2010: decrease/increase by N$ 8,084,240). 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.

27. Financial risk management (continued)

Interest rate sensitivity

N$ 2011	Average effective interest rate	Carrying amount	Term to Repricing: Demand	1-12 months	2-5 years	Over 5 years	Non-interest earning/ bearing
Assets							
Cash and cash equivalents	4.9%	194,474,587	45,877,552	148,597,035	-	-	-
Loans and Advances	7.2%	1,236,724,731	17,759,273	83,995,114	473,254,989	661,715,355	-
Trade and other receivables	-	1,227,058	-	-	-	-	1,227,058
Equity investments	-	117,313,887	-	-	-	-	117,313,887
Total assets		1,549,740,263	63,636,825	232,592,151	473,254,989	661,715,355	118,540,945
Liabilities							
Trade and other payables	-	(2,014,907)	-	-	-	-	(2,014,907)
Net interest sensitivity gap		1,547,725,357	63,636,825	232,592,151	473,254,989	661,715,355	116,526,038

2010	Average effective interest rate	Carrying amount	Term to Repricing: Demand	1-12 months	2-5 years	Over 5 years	Non-interest earning/ bearing
Assets							
Cash and bank	8.3%	185,256,634	42,954,155	142,302,480	-	-	-
Loans and Advances	7.7%	884,672,339	840,130,051	7,264,258	37,278,030	-	-
Trade and other receivables	-	5,158,404	-	-	-	-	5,158,404
Equity investments	-	101,804,000	-	-	-	-	101,804,000
Total assets		1,176,891,378	883,084,206	149,566,738	37,278,030	-	106,962,404
Liabilities							
Trade and other payables	-	(5,470,354)	-	-	-	-	(5,470,354)
Net interest sensitivity gap		1,171,421,024	883,084,206	149,566,738	37,278,030	-	101,492,050

27. Financial risk management (continued)

27.6 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 control procedures that does not 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, Risk and Compliane Committee and senior management of the Bank.

27.7 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.

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