10 YEARS

OF BUSINESS SUPPORT AND DEVELOPMENT

2014

ANNUAL REPORT

Development Bank of Namibia

Index

Profile 2

Board of Directors 3

Chairperson of the Board's Message 4

CEO's Message 6

Executive Committee at 31 December 2014 8

Certification and Compliance 9

Audit, Risk and Compliance Committee Report 10

Corporate Governance Report 10

Enterprise Risk Management Report 13

Development Impact Report 14

Human Capital Report 18

Feature - 2014: A Catalytic Year of Transformation
~ *2014 Milestones*
~ *2014 Showcase Projects*
~ *Face-to-Face Engagements*
~ *Social Responsibility* 19

Feature - Sustainability & the Environment
~ *Omburu Sun Power*
~ *Operational Approach*
~ *Policy Development*
~ *Underpinnings* 22

Financial Statements 24

Profile

A celebration of 10 years of good business. On 29 April 2014, the Development Bank of Namibia celebrated its 10th anniversary. Above, then Minister of Finance Saara Kuugongelwa-Amadhila, former Prime Minister Hage Geingob* and Board Chairperson Elize Angula officiated at the event and launched the 10th anniversay commemorative book.*

The Development Bank of Namibia ("DBN" or "Bank") recognises the power of enterprise, that places ownership in the hands of previously disadvantaged Namibians.

The strength of private sector enterprise is that it gives employed individuals 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 and schools, enables industries, communities and individuals to grow and prosper.

By applying commercial approaches to financing, the Bank nurtures developmentally beneficial enterprises and infrastructure, and increases its financial capacity to finance additional projects.

The Bank provides finance to larger private and public sector enterprises, and SMEs in line with the goals of the Fourth National Development Plan ("NDP4"). An apex microfinance facility is available for micro-finance intermediaries which satisfy the values and goals of the Bank.

The Bank uses finance in key sectors, with lower levels of economic activity, to promote ownership to the previously disadvantaged population of Namibia, particularly women and young entrepreneurs.

As a custodian of government funds, together with other lenders who have an interest in the development of Namibia, the Bank holds itself accountable for funds, and has a robust system of governance to ensure that it is well managed and governed. It takes an active interest in the growth of its loans and has a track record of successes.

To ensure that it finances viable enterprises, the Bank carefully examines each application. It ensures that the business plan has the hallmarks of viability; that the persons involved in the enterprise have the necessary skills needed, and that collateral or guarantees are sufficient for the Bank's policy of capital preservation.

The key development factors that the Bank considers when assessing an application, are whether or not the loan will create jobs or infrastructure. Other key factors which the DBN considers include Namibian ownership, and spread of jobs across the regions where employment opportunities are limited.

The Bank does not finance speculative investments, businesses that have a negative social impact and projects that may be damaging to the environment.

DBN ensures that it provides finance across the regions, that Namibians take ownership of wealth, and that the employment opportunities it creates will be in place for years to come.

*** Hage Geingob assumed the presidency of Namibia on 21 March 2015.*
** Saara Kuugongelwa-Amadhila is Namibia's Prime Minister with effect from 21 March 2015.*

Board of Directors

FRONT FLTR: Asnake Getachew, Muetulamba Shingenge-Haipinge, Elize Angula (Chairperson)
BACK FLTR: Martin Inkumbi (Chief Executive Officer), Albie Basson, Justus Hausiku
ABSENT: Emma Haiyambo

Chairperson of the Board's Message

The milestones and events of the Bank during 2014 should be seen in light of their human impact.

Although finance is the Bank's main operation, its true product is the development of people.

2014 was a year of transitions and milestones, which indicate that the Development Bank of Namibia has prepared itself well in the past, and that it has a bright future ahead of it.

The most important milestone was the Bank's first debt issue of promissory notes to the value of N$200 million. The Bank was initially capitalised from national coffers with periodic injections of capital, but it has long been a goal of the Bank to seek capital from private funds as well. After detailed planning, the Bank achieved the point where it has been able to convert this ambition into implementation.

I am pleased to announce that the issue was fully subscribed by the end of November 2014. The full subscription of the promissory notes shows that investors have confidence in the Bank's ability to balance its developmental lending role and to remain sustainable and provide an acceptable return. Subject to sustainability of its operations and internal capacity, I expect the Bank to explore more ways to raise capital from private sources in future.

In 2014, the Bank celebrated its 10th anniversary. This notable milestone should be seen in light of the fact that founding CEO, David Nujoma, opened the Bank in a borrowed office, with little more than a telephone and a desk. The Bank subsequently grew in leaps and bounds until it became the significant player in development finance that it is today.

In its 10th year of operation, the Development Bank of Namibia is a significant lender, a touchstone in the developmental aspirations, a catalyst for innovation in finance and a respected DFI among its peers.

The Bank took another stride with the opening of its Erongo office, in Walvis Bay. The decision to open in Erongo was driven by the dynamic regional economy, mainly driven by mining, but also with a significant tourism component, the fishing industry and the Port of Walvis Bay.

The considered view of the Bank is that the Erongo Region is not only a key logistical centre that has an impact on all regions of Namibia, but that it is a thriving economic hub in its own right.

The Bank's 5-Year Business Plan took root with significant activity in the focal areas of manufacturing, and transport and communication. However, demand for finance in the tourism sector, the third focal area, was low. The predominance of approvals for construction mirrored the high degree of activity in the sector.

The Bank excelled in the realm of electricity and power generation. Finance for a 4,5 MW solar generating plant, Omburu Sun Energy, which will sell the power it generates to NamPower is a particular point of pride for the Bank. The project is the first step in a direction that is needed for Namibia; private sector generation of energy, and using renewable resources, is commercially viable. On a different scale entirely, the Bank signed a major financing agreement with Erongo RED, which will make industrial and household electricity use in Erongo far more sustainable.

The milestones and events of the Bank during 2014 should however be seen in light of their human impact.

Although finance is the Bank's main operation, its true product is the development of people.

A temporary job alleviates poverty for the duration of the job, and provides a window of opportunity for the employee to improve her or his lot. A permanent job is the basis for long-term prosperity of the employee. Each job created has an impact on families, communities and enterprises. As the jobs multiply, so too does the sustainability of families, communities, towns and regions.

Since inception the Bank has created more than 16,000 new jobs and more than 21,000 temporary jobs. During 2014 the Bank created 2,874 new jobs and 4,040 temporary jobs. The Development Impact Report section (page 14) shows that, year-on-year, job creation through the Bank's finance is climbing.

These figures are milestones worth noting as well.

The final transition I will note is that my tenure as Chairperson of the Board has come to an end. I will be succeeded by Penny Akwenye, a person highly skilled in the field of development by virtue of her previous experience with the Development Bank, followed by leadership of the Millennium Challenge Account for Namibia. I leave the Board and the Bank in good hands.

In parting, I particularly thank the Minister of Finance, Hon. Saara Kuugongelwa-Amadhila, for her support, my fellow board members for their commitment and dedication and CEO Martin Inkumbi for his translation of strategy into respectable results. I also commend the efforts of the Development Bank's management and staff.

I wish the Bank every success in the years that lie ahead of it.

A fond farewell. The Board tenure of Elize Angula (Chairperson - left) and Asnake Getachew (centre) ended on 31 December 2014. Elize Angula handed over the reigns of the Bank to Penny Akwenye (right).

CEO's Message

The year under review marked the beginning of an era in which the Bank leverages its balance sheet to raise debt capital.

An amount of N$ 200 million was raised through a successful issuance of short-term promissory notes.

The Namibian economy experienced a decline in inflation rate in the second half of 2014, falling from 6.1% to 4.6% by December. This was largely due to continued easing in two key inflation driver categories: Food and Non-alcoholic Beverages and the Transport sectors. The average annual inflation for 2014 tallied to 5.4%, one of the lowest in recent years.

The low and declining inflation rate resulted in stable interest rates during the period. This could partly explain the high growth rate in the DBN's loan and investment book during the year.

The low lending rates unfortunately also attracted high consumer spending, particularly imported luxury goods, which has little positive impact on local economic activities. As a result of this the Bank of Namibia raised its base lending rate by 25 basis points in June and again by the same margin in August, 2014. This, and further increases, in the base rate will however increase the cost of debt capital for productive sectors of the Namibian economy.

The Bank experienced a significant growth in its loan and investment portfolio of 30%, and total assets rose by 22% to N$ 2.91 billion in 2014. Interest revenue rose by 32%, driven by the growth in the loan book, and a reasonable improvement on the previous year's profit has been achieved. While revenue and net profits are necessary to preserve the Bank's capital and to ensure its sustainability, the focus remains the delivery of development capital and the support of enterprises as elaborated in our development impact reports.

The Bank advanced credit support to 343 enterprises during 2014, creating 6,914 new employment opportunities in the process. A significant portion of these (4,040 jobs) were however temporary jobs mainly created in the construction sector.

Enterprises owned by previously disadvantaged Namibians received 91% of loans to private enterprises. Enterprises owned by young entrepreneurs (from 18 to 35 years of age) received 25% of the Bank's allocations, and female entrepreneurs received 23%.

Economic activity remained comparatively more intense in Khomas, Erongo, Oshana and Otjozondjupa regions, resulting in relative high demand for capital from these regions.

The Bank observed an increase in SME transport operators which may be attributed to improvements in the backward and forward linkages between the mining sector, and the transport and logistics sector.

The year under review marked the beginning of an era in which the Bank leverages its balance sheet to raise debt capital. An amount of N$ 200 million was raised through a successful issuance of short term promissory notes. The approved strategy of raising debt capital allows the Bank to leverage its balance sheet up to a debt capital ratio of 1:1. This will present an opportunity for the Bank to expand its development support, which has partly been limited to shareholders capital contribution, and associated growth.

The Board of the Development Bank of Namibia set three key performance objectives for the Bank in the financial period ending December 2014:

- to refocus the Bank's lending operations on infrastructure projects and large-scale economic projects and to align the Bank's lending priority to economic sectors targeted in the NDP4;
- to proactively manage the Bank sustainably using the sustainability model, previously adopted; and
- to improve operational efficiency with a particular focus on improving loan processing turnaround times.

During the period under review, 56% (N$ 805.5 million) of the Bank's approvals was allocated to nine large-scale projects in power generation, meat processing, power distribution infrastructure, construction projects, printing and financial services.

Large-scale and infrastructure assets made up 83% of the Bank's loan book at the end of 2014. Manufacturing amounted to 21% of the Bank's loan book. SMEs received 17% of the total book.

The Bank managed to reduce non-performing loan and impairment ratios to levels within the AADFI guidelines during 2014. The Bank's sustainability model is benchmarked on the prudential financial standards and guidelines set by the Association of African Development Finance Institution ("AADFI").

An Efficiency Committee, established to monitor and drive business process innovation, was successful in streamlining the lending process times in particular. The committee also improved turnaround times. Process innovation will continue in 2015.

DBN views itself as an agent of government in the field of economic development, and will continue aligning its strategies and operating activities to the national development policies. The focus will remain on large-scale economic projects and infrastructure while effective SME support delivery mechanisms will be explored. Financial sustainability of the Bank has become more crucial and necessary to support its capital raising plans.

The Bank will explore and adopt suitable lending solutions to improve access to finance, in particular to start-up enterprises and local authorities in support of the delivery of serviced land.

As the Bank realigned itself to the goals of NDP4, management and employees were challenged by the evolution of priorities and operations. The success of the Bank's adaptation was a result of the hard work and dedication of all in the employ of the Bank. I express my gratitude to all involved in the success of DBN during 2014.

Keeping the lights burning. In 2014, DBN announced N$280 million credit agreement for Erongo RED, which will make electricity supply to the Erongo Region sustainable for years to come.

Executive Committee at 31 December 2014

Office of the CEO

Martin Inkumbi
Chief Executive Officer

Finance

Renier van Rooyen
Chief Financial Officer

Lending

John Mbango
Head: Lending

Company Secretary

Roberta Brusa

Human Capital

Elriana Burger
Manager: Human Capital

Credit Risk

Vivian Groenewald
Head: Credit Risk

Risk & Compliance

John Jacobs
Head: Risk & Compliance

Corporate Services

Katja Klein
Head: Corporate Services

Certification and Compliance

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 2014 and that all such returns are factual and current.

Roberta Brusa
Company Secretary
Windhoek
Namibia

Statement of Compliance

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

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

The Audit, Risk and Compliance Committee is of the opinion that the annual financial statements fairly present the financial position of the DBN as at 31 December 2014. The Audit Risk and Compliance Committee therefore recommended the adoption of the annual financial statements by the Board of Directors.

J Hausiku
Chairman
Audit, Risk and Compliance Committee
(Effective, 1 January 2015)

Audit, Risk and Compliance Committee Report

This Audit, Risk and Compliance Committee Report is prepared as recommended by the King Code of Governance for South Africa and its Code of Governance Principles (King III), the Corporate Governance Code for Namibia (NamCode), the Development Bank of Namibia Act, 2002, and the Companies Act, 2004, as amended.

The terms and references are set out in the Audit, Risk and Compliance Committee Charter, as approved by the Board, and as annually reviewed and updated for changes in legislation, business circumstances and corporate governance practices.

The Audit, Risk and Compliance Committee has conducted its affairs in accordance with the Charter and has discharged its responsibilities.

The role of the Committee is to:

- Assist the Board in discharging its duties relating to the accounting policies, safeguarding of assets, the operation of adequate systems of financial control, recording and reporting, and the preparation of financial statements in compliance with the applicable legal requirements and accounting standards;
- Meet with the external auditors at least once a year;
- Provide a platform and a framework for the systematic and disciplined approach to improve the effectiveness of risk management, compliance and processes, for consideration by the Board;
- Monitor enterprise-wide, operational, credit, market, regulatory and other risks, and monitor the controls in place to mitigate and minimize risks;
- Ensure synchronization between the activities of the internal auditors and external auditors;
- Direct and ensure the internal financial controls of the DBN;
- Recommend to the Board fees to be paid to the external and internal auditors and the auditors' terms of engagement; and
- Approve the nature and extent of any non-audit services that the auditors may provide to DBN.

Composition and meetings of the Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee is comprised of the independent non-executive directors listed on page 11:

The Audit, Risk and Compliance Committee held four scheduled meetings during the year ended 31 December 2014, and member attendance of these meetings is reflected on page 45 in the Notes to the Annual Financial Statements.

Summary of the main activities undertaken by the Audit, Risk and Compliance Committee during the year

In executing its duties, the Audit, Risk and Compliance Committee undertook the following activities during the year:

- Recommended approval of the Annual Financial Statements, for the year ended 31 December 2014, to the Board;
- Reviewed the updated risk register and the top risks;
- Reviewed the legal matrix, quarterly, to ensure that all relevant legislation was reflected on the matrix; and
- Approved and recommended to Board the reviewed risk appetite.

Corporate Governance Report

Mandate of the Bank

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 organisations in development schemes, export projects and other economic programmes of national importance; and
- Assisting in the development of money and capital markets.

The responsibility of the Board

The primary mandate of the Board is to ensure the sustainable and successful continuation the mandate of the Bank, and of business activities, by providing strategic direction to DBN.

Non-executive directors are appointed to the Board by the Shareholder Representative, in terms of section 9(1)(a) of the Development Bank of Namibia Act, 2002.

The appointments are confirmed annually at the Annual General Meeting. The Chairperson of the Board engages continuously with the Shareholder Representative.

Board composition

At 31 December 2014, the Board consisted of seven directors. The Company's Memorandum of Incorporation and the Development Bank of Namibia Act, 2002, state that there will be seven directors. Six directors are independent and non-executive including the Chairperson. The Chief Executive Officer is the only executive director.

The independent non-executive directors have diverse skills, experience and backgrounds. They are predominantly without any business relationship that could interfere with their objectivity or judgment in terms of the business and activities of the DBN. All the independent non-executive directors have unlimited access to information, documents and records of the DBN in order to be able to fulfill their duties in the best possible manner.

The Chairperson and Chief Executive Officer's roles and responsibilities are separate. The Chairperson, Ms Elize N Angula, is an independent non-executive director.

The Development Bank of Namibia Ltd is of the view that the potential political connections or exposures of the independent non-executive directors is minimal due to the activities of the Board, its range of governance instruments and the execution of the fiduciary duties of the independent non-executive directors. The independent non-executive directors act in the best interest of the Development Bank of Namibia Ltd at all times.

Board members 2014

Elize Angula	Chairperson, non-executive independent director
Albie Basson	Non-executive independent director
Asnake Getachew	Non-executive independent director
Emma Haiyambo	Non-executive independent director
Justus Hausiku	Non-executive independent director
Muetulamba Shingenge-Haipinge	Non-executive independent director
Martin Inkumbi	(CEO)

Board committees 2014

The Board has delegated specific duties to the various Board Committees, which are responsible for assisting the Board in discharging its responsibilities and providing in-depth knowledge in specific areas. Each Committee has a charter that is approved by the Board of the Bank.

These charters are reviewed annually and updated to meet any new requirements of the Companies Act, organisational structure and good governance.

The Board has established three Committees to assist the Board in discharging its responsibilities, namely:

- Audit, Risk and Compliance Committee;
- Credit and Investment Committee; and
- Human Capital and Remuneration Committee.

<table>
<tr><th colspan="6">Shareholder</th></tr>
<tr><th colspan="6">Board of Directors</th></tr>
<tr><td colspan="2">Audit, Risk and Compliance Committee
A Basson
Chairperson, non-executive independent director
M Inkumbi (CEO)
A Getachew
E Haiyambo
J Hausiku</td><td colspan="2">Human Capital and Remuneration Committee
M Shingenge-Haipinge
Chairperson, non-executive independent director
M Inkumbi (CEO)
E Angula</td><td colspan="2">Credit and Investment Committee
A Getachew
Chairperson, non-executive independent director
M Inkumbi (CEO)
M Shingenge-Haipinge
E Haiyambo
A Basson</td></tr>
<tr><th colspan="6">Executive Management</th></tr>
<tr><td>Credit and Investment Committee</td><td>Tender Committee</td><td>Risk and Compliance Committee</td><td>Information Technology Committee</td><td>Assets and Liabilities Committee</td><td>Human Capital and Remuneration Committee</td></tr>
</table>

Responsibilities of the Board

The responsibilities of the Board, and key resolutions and approvals taken during the year, are set out below:

Overview of responsibilities

The roles and responsibilities of the Board include:

- Providing effective leadership based on an ethical foundation;
- Ensuring the DBN is and is viewed as a responsible corporate citizen;
- Ensuring that the Bank's ethics are managed effectively;
- Reporting on the effectiveness of the Bank's system of internal controls;
- Ensuring the Bank complies with applicable laws, rules, codes and standards;
- Being responsible for the governance of risk and IT; and
- Ensuring that there is an effective risk-based internal audit.

Key resolutions and approvals

The following key resolutions and approvals were undertaken in 2014:

- Annual financial statements for 2014;
- Approval of Budget 2015 / 2016;
- Strategic Budget 2013 – 2017;
- Review and approval of the Credit and Equity Investment Policy;
- Approval of the Omburu Sun transaction;
- Approval of organisational structural changes;
- Approval of Strategic Business Plan 2014 to 2017; and
- Review and approval of various Human Capital Remuneration Policies.

Limits of Authority

The Limits of Authority is part of the Board Charter. The Board has delegated its authority to the Chief Executive Officer and the Executive Committee. The Chief Executive Officer endeavors to achieve the DBN's growth target, and deals with day-to-day management of DBN within approved Limits of Authority.

Matters reserved for Board decision

The Board is responsible for the strategic direction and ultimate control of the DBN according to its Memorandum of Incorporation and Board Charter. The following actions are expressly reserved for the decision-making of the Board:

Financial

- Approval of the strategy, business plans, annual budgets, the borrowing strategy and of any subsequent material changes in strategic direction;
- Approval of annual financial statements;
- Approval of any significant changes in accounting policies or practices.

Statutory and administrative

- Recommended amendments to the Memorandum of Incorporation of the Bank to the Shareholder;
- Enter into a governance agreement;
- Ensure that the annual budget of the DBN is presented and submitted to the Shareholder, 90 days before year end of the DBN;
- Ensure that the DBN discloses to the Shareholder any intention of borrowing funds in the market; and
- Recommend to the Shareholder the appointment, removal or replacement of the external auditor of the Company.

Human Resources

- Approval of salary adjustments and bonuses;
- Review and endorsement of all human capital policies; and
- Organizational changes.

Enterprise Risk Management Report

Introduction

Risk Management is an essential component of any business, and more so for a financial institution such as the Development Bank of Namibia. During the year 2013 the Bank's Board of Directors approved and adopted an Enterprise Risk Management Framework that is aimed at helping to guide and define the Bank's risk tolerance levels while in pursuit of the realisation of its mandate.

Risk management involves the identification, acceptance, measurement, monitoring, reporting and controlling of risks.

As Organizations are confronted by events that affect the execution of their strategies and achievement of their objectives, critical objective of the risk management function is to ensure that the DBN delivers on its mandate through conscious management of its inherent risks within the context of its

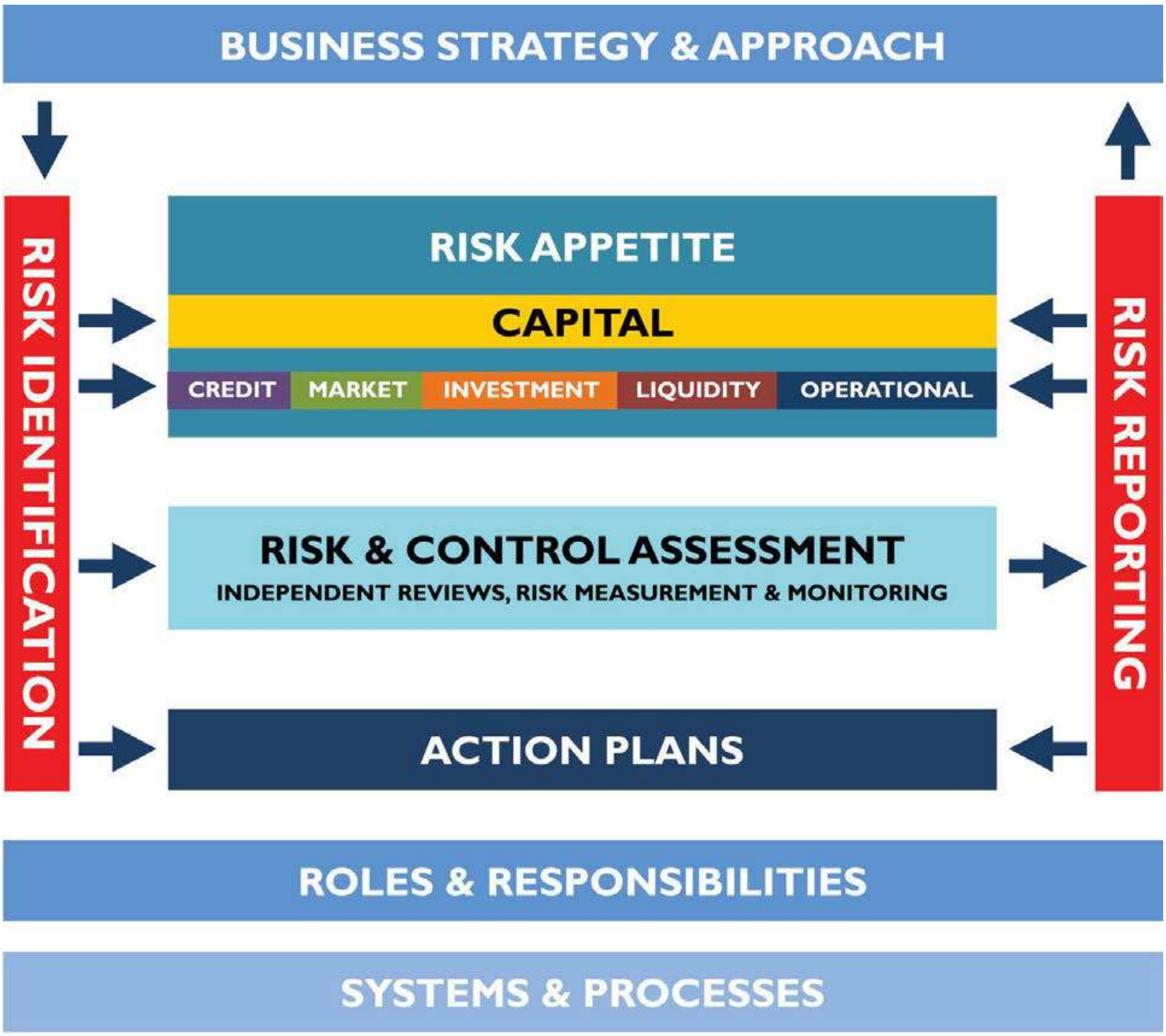
- Strategy
- Operations
- Compliance with laws, regulations and policies/ procedures and Reporting.

Enterprise Risk Management

While the overall responsibility of risk management rests with the DBN Board of Directors who has approved an Enterprise Risk Management Policy Framework and Appetite in 2012 in line with directives from the Committee of Sponsoring Organizations of the Treadway Commission (COSO), it is the duty of senior management to transform strategic direction set by the board in the shape of policies and procedures and to institute an effective hierarchy to execute and implement those policies.

The Board has established the Board Audit Risk and Compliance Committee, to develop and monitor the Bank's Risk Management Policies and performance of risks through its dedicated Risk and Compliance Management Committee within the context of the approved risk management framework:

DBN Enterprise Risk Management Framework Model



Development Impact Report

The Development Bank of Namibia approved loans to the tune of N$ 1,436 billion in 2014, compared to N$840.1 m in 2013, representing growth of approximately 71 per cent.

This growth translated into a 41% overall growth in the total number of jobs impacted, as seen in Table 1 below. The relatively high number of temporary jobs reflects on the sector with the second highest share of 2014 financing. The construction sector, by nature, enlists a number of temporary employees for project execution, as seen in Table 2, below. The construction sector's relatively high share (24%) of total approvals therefore increased the number of temporary jobs recorded for 2014.

Of the retained jobs, 31% were in the manufacturing sector, followed by the construction sector with 24%, and the electricity and water sector with 17%.

Table 1: Job creation since inception

Period:	Loans approved (N$ m)	New jobs	Temp jobs	Jobs retained	Total jobs	Effective BEE (N$ m)	Effective women (N$ m)	Effective youth (N$ m)
Since inception:	5,215.9	16,851	21,093	22,216	60,160	2,369.7	457.5	123.8
2014	1436.0	2,874	4,040	4,201	11,115	709.8	147.0	123.8
2013	840.1	1,619	3,084	3,168	7,871	357.0	95.7	
2012	519.1	1,984	2,988	2,717	7,689	352.4	73.5	
2011	616.7	2,119	2,921	3,012	8,052	344.9	90.9	
2010	365.2	1,770	1,852	1,385	5,007	250.8	50.4	
2009	427.5	983	2,894	1,674	5,551	144.7		
2008	467.8	2,499	1,281	3,235	7,015	210.1		
2007	314.3	1661	1770	698	4,129			
2006	118.6	623	113	174	910			
2005	110.7	719	150	1952	2,821			

Note: Data on women was not captured prior to 2010, and data on youth was not captured prior to 2013.

Table 2: 2014 job creation by industry and sector

Industry	Sector	New	Retained	Temporary	Total
Primary	Agriculture & forestry	2	2	2	6
Primary	Mining & quarrying	14	2	2	18
Secondary	Construction	1286	989	2831	5,106
Secondary	Electricity & water	32	712	384	1,128
Secondary	Manufacturing	725	1298	340	2,363
Tertiary	Real estate & business services	278	548	207	1,033
Tertiary	Wholesale, retail trade & repairs	234	314	72	620
Tertiary	Community, social & personal services	4	4	0	8
Tertiary	Education	4	19	3	26
Tertiary	Financial intermediation	20	58	10	88
Tertiary	Health	25	1	3	29
Tertiary	Hotels & restaurants	125	3	76	204
Tertiary	Transport & communication	125	251	110	486
Total		2,874	4,201	4,040	11,115
Tertiary	*Tourism (Included in Hotels and Restaurants)*	*34*	*3*	*2*	*39*

The past five years indicate a strong commitment to addressing transformation. A continuous growth pattern can be observed in the level of approvals over the years, both in terms of women involvement and general previously disadvantaged participation.

The value of projects with PDN involvement increased to N$ 709.8 m in 2014, from N$ 357 m in 2013. Data on youth participation also reveals a fair level of youth participation in development projects. The number of facilities with PDN participation dropped slightly, however the value increased by 99% compared to 2013. Total approvals included projects with 23% women involvement, worth a total of N$ 147 m.

Previously disadvantaged Namibians empowerment	**2013**	**2014**
Effective PDNs	N$ 357 m	709.8
Effective female PDN	N$ 95 m	N$ 147
Average % Share - PDNs	92%	91%
Average % Share - Female PDNs	26%	23%
No. of Facilities with PDN shares	332	327

The spread of loans per region remained fairly constant, with significant development projects taking place mainly in two regions, Erongo and Khomas. Erongo recorded the highest share of approvals at 31.2% (N$ 447.4 m), while Khomas recorded 17.7% (N$ 253.9 m).

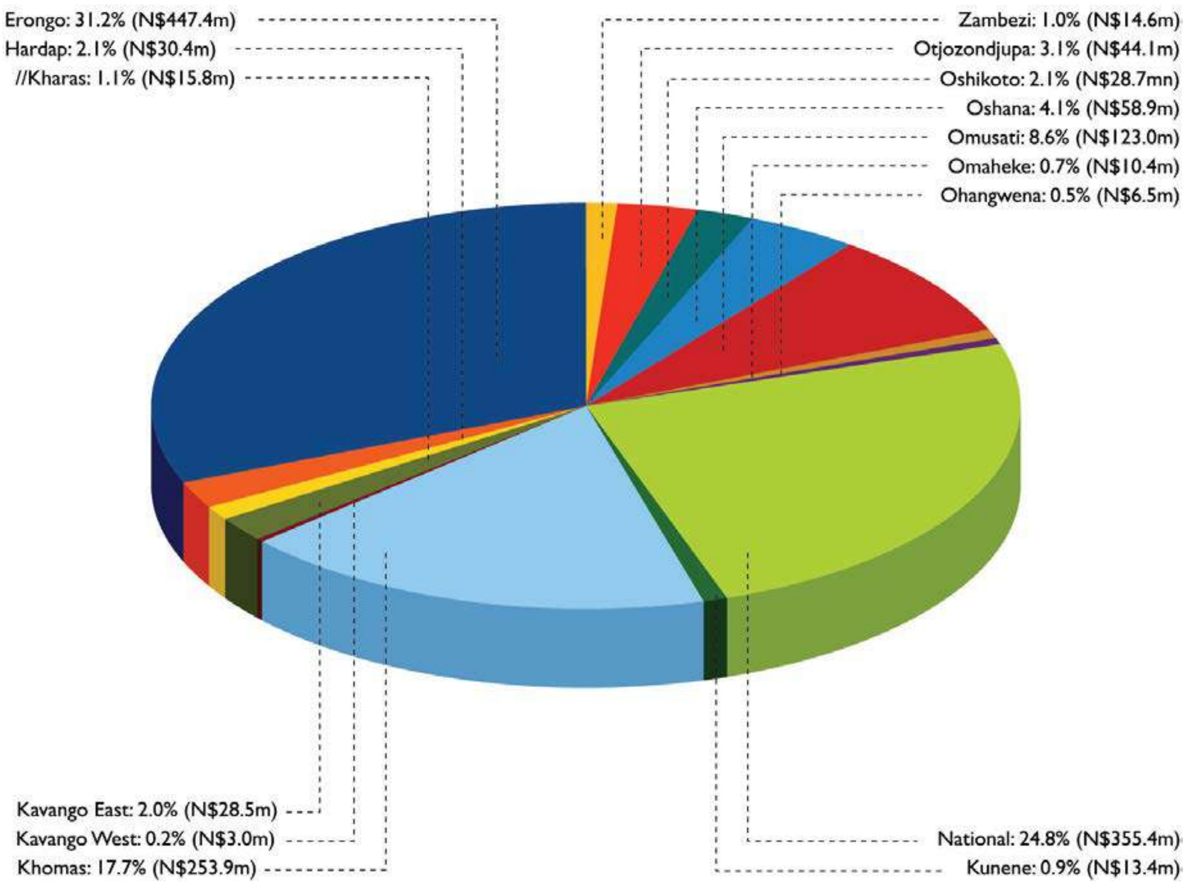
National projects accounted for 24.8% (N$ 355.4 m). The high share of approvals for the Erongo region can be attributed to two major developmental projects earmarked for that region. Of the N$ 447.4 m approved for Erongo, 81% or N$ 364 m was approved for two major construction and electricity projects. Most of the regions recorded lower shares than the previous year.

Regional spread		**2013**		**2014**
	N$ m	**% of total**	**N$ m**	**% of total**
Erongo	135	16.1%	447.4	31.2%
Hardap	11	1.3%	30.4	2.1%
//Kharas	19.1	2.3%	15.8	1.1%
Kavango	**28.1**	**3.3%**	**31.5**	**2.2%**
Kavango East	-	-	*28.5*	*2.0%*
Kavango West	-	-	*3.0*	*0.2%*
Khomas	135.6	16.1%	253.9	17.7%
Kunene	15.7	1.9%	13.4	0.9%
National	250.3	29.8%	355.4	24.8%
Ohangwena	13.2	1.6%	6.5	0.5%
Omaheke	4.6	0.5%	10.4	0.7%
Omusati	30.1	3.6%	123.0	8.6%
Oshana	73.1	8.7%	58.9	4.1%
Oshikoto	8.4	1.0%	30.7	2.1%
Otjozondjupa	103.8	12.4%	44.1	3.1%
Zambezi	12.1	1.4%	14.6	1.0%
Total	**840.1**	**100%**	**1,436.0**	**100.0%**

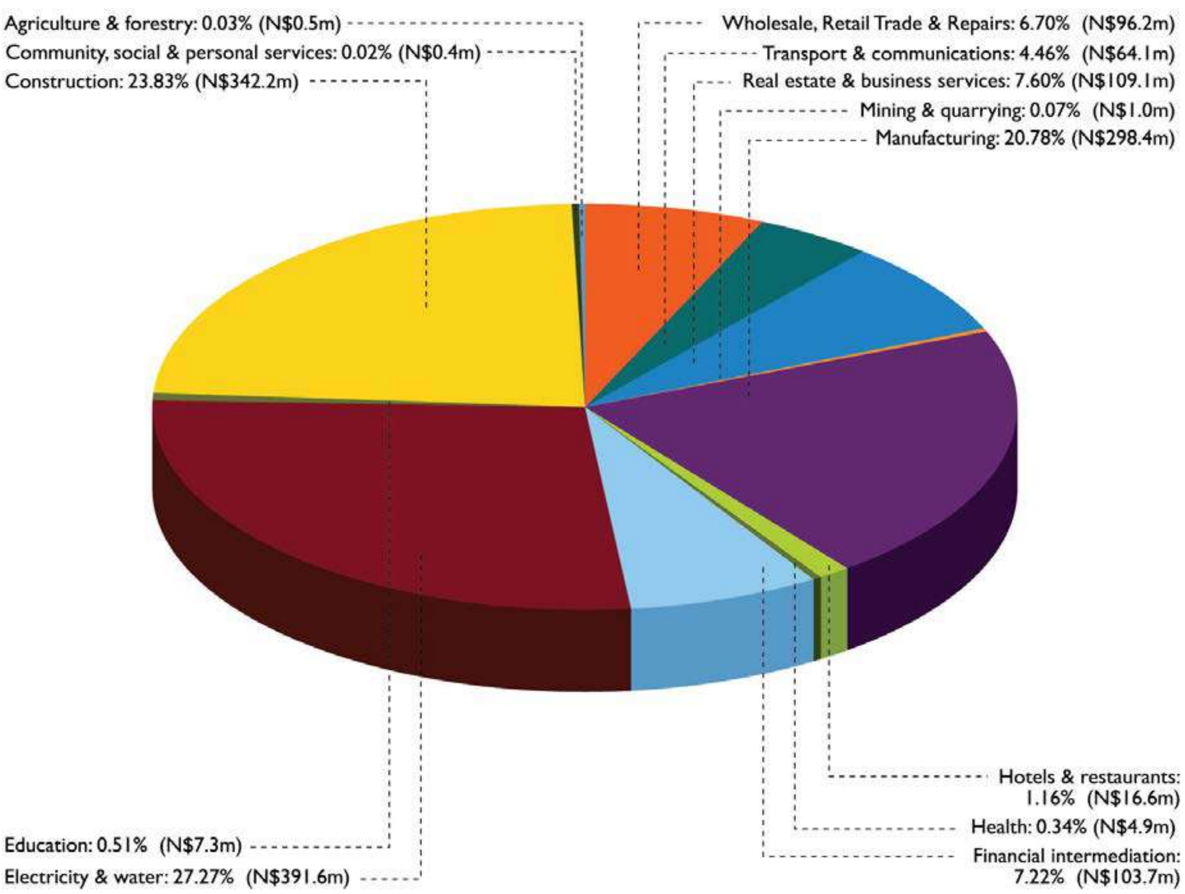
The Bank continues to pursue its development agenda through project approvals. In 2014, approvals in the secondary industry far outweighed those in the tertiary industry, at N$1,020.1 m or 71%, due to intensive construction activities which were initiated in 2014, including those planned for implementation early 2015. The tertiary industry recorded N$414.4 m or 28.9%, while the primary industry represented 0.1% of total approvals.

Approvals by industry		**2013**		**2014**
	N$ m	**% of total**	**N$ m**	**% of total**
Primary	1.7	0.2%	1.5	0.1%
Secondary	295.1	35.1%	1020.1	71.0%
Tertiary	543.3	64.7%	414.4	28.9%
Total	**840.1**	**100%**	**1436.0**	**100%**

2014 regional spread



2014 sectoral spread



The bulk of loan approvals for 2014 were mainly concentrated around three sectors, namely the construction sector, the electricity and water sector, and the manufacturing sector. Collectively, the three sectors accounted for approximately 72% of loan approvals. The 2014 approvals data indicates a strong focus on infrastructural development. The water and electricity sector accounted for the largest share with N$ 391.6 m or 27.3%, followed by the construction sector with N$ 342.2 m or 23.8%, while the manufacturing sector accounted for N$ 298.4 m or 20.8%. NDP4 focus areas (manufacturing, transport and communication, and tourism) had a collective share of 25.6% of approvals in 2014. Transport and communication accounted for 4.5% or N$ 64.1 m, while tourism had a 0.4% share or N$ 5.6 m.

Sectoral spread		2013		2014
	N$ m	% of total	N$ m	% of total
Agriculture & forestry	-	0.00%	0.5	0.03%
Community, social & personal services	-	0.00%	0.4	0.02%
Construction	191.7	22.82%	342.2	23.83%
Education	9.8	1.17%	7.3	0.51%
Electricity & water	2.7	0.32%	391.6	27.27%
Financial intermediation	-	0.00%	103.7	7.22%
Health	18.6	2.21%	4.9	0.34%
Hotels & restaurants	66.6	7.93%	16.6	1.16%
Manufacturing	110.4	13.14%	298.4	20.78%
Mining & quarrying	1.7	0.20%	1.0	0.07%
Public administration	50.0	5.95%	-	0.00%
Real estate & business services	18.2	2.17%	109.1	7.60%
Transport & communications	283.9	33.79%	64.1	4.46%
Wholesale, retail trade & repairs	86.5	10.30%	96.2	6.70%
Total	**840.1**	**100%**	**1436.0**	**100%**

Loan approvals increased in 2014 in all categories. Approvals to the public sector amounted to N$ 480 m. The private sector and SMEs received approvals of N$ 571.1 m and N$ 384.8 m respectively.

The share of private sector finance dropped from 63% in 2013, to 40% in 2014. The decline was largely due to an increase in the value of public sector projects approved in 2014, influenced by the nature and magnitude of infrastructural projects approved in the electricity and water sector, as well as the construction sector.

Approvals by facility		2013		2014
	N$ m	% of total	N$ m	% of total
Public sector	50.0	6%	480.0	33%
Private sector	531.1	63%	571.1	40%
SME	259	31%	384.9	27%
Total	**840.1**	**100%**	**1436.0**	**100%**

Tender-based financing dropped from N$ 149.1 m in 2013 to N$ 132.2 m in 2014, however the value of tenders supported increased to N$1,312.6 b in 2014, increasing the bridging finance leverage ratio to 9.9.

Tenders supported	2013	2014
Bridging finance approvals	N$ 149.1 m	N$ 132.2 m
Value of tenders supported	N$ 834.4 m	N$ 1312.6 m
Bridging finance leverage ratio	5.6	9.9

Applications received in 2014 increased from 579, in 2013 to 997 in 2014, with a total value of N$ 6 billion.

	DP		EP		Total	
Year	No.	Value (N$)	No.	Value (N$)	No.	Value (N$)
2010	220	250,488,378.22	127	1,461,344,286.06	347	1,711,832,664.28
2011	548	601,369,426.22	139	2,034,674,564.92	687	2,636,043,991.14
2012	664	900,503,412.02	154	2,835,180,966.53	818	3,735,684,378.55
2013	504	765,254,620.78	75	2,200,050,873.72	579	2,965,305,494.50
2014	813	1,263,283,017.18	184	4,833,552,605.73	997	6,096,835,622.91

Human Capital Report

DBN workforce profile

The DBN is a relevant employer (in that it has more than 25 employees) as defined in the Affirmative Action (Employment) Act of 1998.

DBN ascribes to the principles of employment equity for employees and applicants, and does not discriminate on bases of race, colour, religion, sex, regional origin or disability. Employees are treated equitably, fairly and consistently in relation to the work they do and their contribution made; to their value in the market and in relation to their skills and knowledge.

In order to ensure internal equity and fairness, the Bank complies with its policy on Affirmative Action and all Namibian laws pertaining to it, and having a bearing on its employment activities. The Bank strives to ensure that the racial, gender and age profile of the Bank represents Namibian demographics to enable the Bank to be representative of all groups in Namibia.

Recruitment

The goal of the Bank is to attract, select and place the best possible human capital available in a consistent, affirming and transparent manner. DBN's Recruitment and Selection Policy provides a framework in which all recruitment, selection and placement activities are to be carried out. During the period under review the Bank recruited 21 permanent employees and 2 temporary employees.

Development of human capacity

The Bank recognises that its employees are the assets through which its vision, mission and strategic objectives are realised. Its intention is to establish a learning organisation through training and development interventions to ensure that employees possess appropriate skills, knowledge and attitudes.

A systematic approach to training and development was rolled-out to all the departments of the Bank that was followed by a training needs assessment / analysis (TNA) process. These TNAs were the foundation of the Individual Development Plans (IDPs) and the Bank's Training and Development Plan for 2015.

The Management and Leadership Development Programme engaged supervisors and middle managers, while various technical and subject-specific interventions, relevant to the development finance stream, were offered through the SADC-DFRC. Informed by the TNA / IDP, employees attended a broad spectrum of soft and technical skills training aimed at capacity building.

The Bank's commitment to developing human resources was emphasized by development of employees on professional / academic programmes. The Young Professionals Programme (YPP) was revamped to identify potential graduates in areas of relevance and ensure that they are offered opportunities.

Employee wellness

The Development Bank offers a holistic Employee Wellness Programme to its employees. It consists of wellness screenings, behavioural change programmes, information dissemination and outreach activities. The information sessions covered the following topics: nutrition and exercise, breast and cervical cancer, mastering personal finances and the Namibia Medical Care products and premiums for 2015.

The staff reached out to the community by donating blood and donating goods and or funds to the Cancer Association of Namibia and AIDS orphans. The Bank also commemorated World Aids Day and expressed its support and commitment to all infected and affected by HIV and Aids by launching the DBN AIDS logo.

2014: A Catalytic Year of Transformation

A significant development in Erongo. On 9 May 2014, the then Minister of Finance, Saara Kuugongelwa-Amadhila, officially opened the Development Bank of Namibia's offices in the Erongo Region. The new offices will give DBN the ability to better serve its clients and stakeholders in the region.

2014 was a year in which the Development Bank of Namibia, as a catalytic development finance institution, seized opportunities to transform and be transformed into an economic development agent of note.

The internal transformation

No organisation is static. A successful enterprise changes alongside its environment in ways that make it more able to realize its business objectives. The hallmark of a sound enterprise is that it foresees the need for change and transforms itself for the future.

On 29 April, the Bank reflected on a decade of evolution and transformation as it celebrated its 10th anniversary. The Bank has grown from a small entity with a large vision to a transformational development financial institution that measures its impact in the effective development of people, through enterprise, and the ability to identify new and innovative methods of providing finance.

One of the most important transformations the Bank underwent was to go out to the market and raise debt. It issued N$ 200 million debt capital in the form of promissory notes, the entirety of which was subscribed to by the end of November 2014.

In this catalytic moment, the Bank leveraged on its sound balance sheet and demonstrated the ability to provide an acceptable yield on investments with developmentally beneficial purposes and that its governance framework is sound.

While maintaining its support for SMEs, during 2014 the Bank successfully implemented the Strategic 5-Year Business Plan, which repositions the Bank to focus more on large enterprise as a driver of mass employment.

The focus of the Business Plan is manufacturing, transport and logistics, and tourism. In addition, the Bank is also focusing on women entrepreneurs and young entrepreneurs.

In order to develop human capacity, the Bank signed a cooperation agreement with the Citizen Entrepreneurial Development Agency (CEDA), its Botswana counterpart, pictured above.

Good business is good for development. The Good Business Award for Large Enterprise was won by transport company The Six Thousand CC. The winner of the Good Business Award in the SME category was won by Raino's Truck and Auto Repairs.

The Bank grew in financial and physical scope in 2014. It has built a robust balance sheet, especially over the past year. The Bank has responded to the growing demand for its services by opening a regional office in Walvis Bay.

External transformation

The Bank takes great pride in its track record of transforming Namibia's future, by financing enterprises that create jobs and infrastructure, which enable enterprises to thrive.

The key catalytic moment, finance for Omburu Sun Energy is noted on page 22 but other large projects stand out during 2014.

DBN signed a N$280 million finance agreement with Erongo RED. Chief among the projects, Erongo RED will use the finance to upgrade Walvis Bay bulk electricity supply, increase capacity to supply electricity to Arandis and upgrade the electricity network for Swakopmund. This will allow the powerhouse Erongo Region to continue to supply power to a growing number of mines and enterprises, as well as provide electricity to homes and communities, in Erongo for years to come.

During 2014 Namibia exports of weaner cattle were jeopardised by market barriers to South Africa. Meatco, the national meat producer implemented a strategy to purchase weaners and raise them on feedlots to high value cattle for the South African market.

DBN provided the finance needed to develop the feedlots, pictured above. The project is expected to improve sustainability of cattle farming and benefit emerging farmers. Development of satellite feedlots at Otavi and Gobabis decentralise Meatco's procurement operation and benefit farmers in those areas.

DBN continued its support to the SME sector by entering into a capitalisation agreement with the Namibia Procurement Fund, Nampro, pictured above, in terms of which N$50 million. is placed under management of Nampro. The capital will be used to assist SMEs holding contracts from large corporates and parastatals with bridging finance.

As proof of its impact and the quality of the enterprises that it finances, the Bank hosted the third annual Good Business and Innovation Awards.

The Good Business Awards recognise excellent development impact, and enterprise sustainability through sound business administration.

The winner in the category Large Enterprise was The Six Thousand CC. The transport company received DBN finance to expand its truck fleet to provide contracted transport to large manufacturers, subcontract to large logistic groups and provide transport for smaller retailers. The expansion added 9 new employees to an existing 18 employees. Indirectly, the additional revenue contributes to employment of approximately 327 employees in sister companies within the group.

The winner in the category for SMEs was Raino's Trucks. Raino's Trucks specialises in repairs to trucks and delivery vehicles. It has established workshops in Windhoek, Ondangwa, Grootfontein and Khorixas. The company holds contracts with the Government of Namibia and the City of Windhoek. It has twice been financed by DBN, once to acquire premises in Windhoek, and once for premises in Grootfontein. The company employs approximately 43 people.

The addition of the Innovation Award component seeks to have a catalytic effect on approaches to finance for innovation by showing the potential of the winner and runners-up.

The Innovation Award was won by Namib Industrial Group's product 'Eenda Nawa – Go Safe'.

Eenda Nawa is travel insurance for persons using public transport, particularly taxis and long distance buses. Members of the public using any form of transport on Namibian Roads can SMS to Eenda Nawa as payment for insurance to cover accidents during the 24 hour period subsequent to the SMS.

Namib Industrial Group identified a gap in the market for insurance cover on Namibian roads, and cited the nation's relatively high number of accidents. In the event of an accident, the product provides pay-outs to individuals and / or families, depending on the cover selected. The cover is applicable to hospitalisation and funeral expenses.

Face-to-face engagement

The Bank engaged with its stakeholders, clients and potential clients through visits to regions during which it meets stakeholders in person, visits projects that it has financed and hosts information sessions for potential clients.

In 2014, the Bank visited Katima Mulilo, Rundu, Otjiwarongo, Rehoboth, Stampriet, Keetmanshoop, Lüderitz, Swakopmund and Walvis Bay. The opening of the Erongo office will reduce the need for coastal visits in future.

The Bank also engaged stakeholders through relevant trade shows. During the year, the Bank attended Ongwediva Trade Fair, Erongo Trade Fair, the Keetmanshoop Show and the Windhoek Show.

Social responsibility

At the beginning of 2014, the Bank implemented its Corporate Social Responsibility Policy, the purpose of which is to express the Bank's concern for the upliftment of vulnerable segments of Namibian society, not yet reached by the Bank's operational activities.

DBN's financial support covers numerous non-profit organisations and initiatives, in the fields of sports, health, education, youth development, orphans and vulnerable children and, notably, financial literacy,

During 2014, the Bank donated more than N$300,000 to initiatives across Namibia. Beneficiaries included:

- Environmental Investment of Namibia
- Ericah Shafuda Financial Management
- Financial Literacy Initiative (FLI)
- Gibeon Village Council
- Haindongo Early Childhood Developement Centre
- Hano Youth Foundation
- Iseke Combined School
- Kujeurua Investment CC
- Ministry of Information and Communication Technology
- Namibia Bus and Taxi Association
- National Youth Council of Namibia
- Namibia Business School
- Namibia Chamber of Commerce and Industries
- Nomtsoub Primary School
- Office of the Prime Minister for Drought relief
- Okathitu Combined School
- Omaheke Regional Council
- Omusheshe Combined School
- Orange Combined School
- Otavi Town Council
- Otjimbingwe Primary School
- Pan African Women Organization - SARO
- Street Soccer (Gibeon)

Sustainability and the environment

In 2014 DBN provided finance for Omburu Sun Energy, Namibia's first large-scale privately owned solar power generator.

This is the first instance in which the Namibian private sector is empowered to generate large-scale amounts of electricity for feeding onto the national grid.

Once construction is completed Omburu Sun Energy is expected to generate 4,5 MW capacity for NamPower. The electricity generated will reduce NamPower's requirement for fossil fuels in a clean and sustainable manner.

The Development Bank of Namibia considers sustainability and the environment critical to Namibia's future, in keeping with Namibia's policies on the sustainable use of resources and the environment.

Operational consideration

DBN takes an operational approach to sustainability and the environment. If projects are judged likely to have an impact, the Bank will require an environmental impact assessment, as well as certainty that the project adheres to all legislation and regulatory mechanisms.

Policy development: 2014 - 2015

The Bank currently makes value judgments on the need for consideration of sustainability and the environment. In order to better manage the sustainability and environmental risk that may be indirectly inherent in its financing activities, the Bank initiated development of an Environmental Policy in 2014. This is expected to be unveiled in 2015.

In the Bank's view there are five particular areas that need to be considered. These are: sustainable use of non-renewable resources, development and preservation of renewable resources, development of communal resources, environmental health, and climate variability.

1. Sustainable use of non-renewable resources

DBN takes the view that the value of non-renewable resources are for the benefit of Namibians now and for generations to come. When DBN participates in financing, particularly of primary industry, it considers how the project will benefit Namibians immediately, but recommends or requires measures that ensure that the value is of benefit in the long term.

The Bank also considers the scope of the impact on the environment and may require that the project has plans in place to restore the environment once the project has run its course.

2. Development and preservation of renewable resources

DBN seeks to develop and preserve renewable resources, particularly the use of renewable energy, as well as products that utilise natural resources in the fields of agriculture and forestry. The goal of DBN is to use innovation to develop renewable resources, such as solar generation, and manufacturing of household fuel using natural products.

However DBN is aware that injudicious use of renewable resources may exceed the ability of resources to renew themselves, and considers this when assessing a project.

3. Development of communal resources

The Bank has an oversight of the use of communal resources, particularly community based natural resource management, and is welcoming to investments. This has a particular impact on tourism, one of the Bank's key focus areas. The Bank however also notes that the regulatory environment concerned with community based tourism is in need of structural development.

4. Environmental health

The Bank considers environmental health of particular significance as it impacts on health of the natural environment, as well as human health. Where an enterprise or project may have the potential to create emissions or generate light, noise, gas and dust pollution, the Bank seeks proof that measures are taken to preserve the health of the workforce, surrounding communities and the natural environment.

5. Climate variability

As Namibia is highly reliant on agriculture, economically and sociologically, DBN pays close attention to the shifting goalposts of climate variability. Although not directly involved in finance for agriculture, the Bank engages in secondary sector development of agriculture through focuses on food processing and manufacturing, as well as development of the transport sub-sector.

In the past, where weather variability has had an impact on projects and enterprises financed by the Bank, notably rain, the Bank has provided for rescheduling of repayments to allow projects and enterprises to recuperate their cash flows without the burden of debt servicing while not operational.

DEVELOPMENT BANK OF NAMIBIA LIMITED

(Registration number: 2003 / 189)

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

Directors' Responsibility Statement	26
Independent Auditor's Report	27
Directors' Report	28
Statement of Profit or Loss and Other Comprehensive Income	29
Statement of Financial Position	31
Statement of Changes in Equity	32
Cash Flow Statement	33
Notes to the Annual Financial Statements	34

Directors' Responsibility Statement

The Directors of the Development Bank of Namibia ("the Bank") are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards ("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 27.

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

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

Directors' approval of the Annual Financial Statements

The annual financial statements set out on pages 28 to 68 were approved by the Board of Directors and are signed on their behalf by:

Penny Akwenye
Chairperson (Effective, 1 January 2015)
23 April 2015

Martin Inkumbi
Chief Executive Officer
23 April 2015

Independent Auditor's Report

To the member of the Development Bank of Namibia Limited

We have audited the financial statements of the Development Bank of Namibia Limited, which comprise the statement of financial position as at 31 December 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 28 to 68.

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, these financial statements present fairly, in all material respects, the financial position of the Development Bank of Namibia Limited at 31 December 2014, 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

KPMG
Registered Accountants and Auditors
Chartered Accountants (Namibia)

De Merindol Office Park
30 Schanzen Road
Windhoek
Namibia

Per Robert Grant
Partner, Windhoek
23 April 2015

Directors' Report

The directors have the pleasure in presenting their report on the activities of the Bank for the year ended 31 December 2014.

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 (2013: Nil). 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

Issued share capital has increased to N$ 162.1 million (2013:N$ 161.5 million) with share premium increasing with N$ 29.9 million (2013: N$ 196 million) by the issue of 6 ordinary shares for N$ 100,000 each at a premium of N$ 4 984 083. The Government 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 of significance entered into relative to the Bank's 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, tenure ended 31 December 2014)
- P Akwenye (Chairperson, effective 1 January 2015)
- A Getachew (tenure ended 31 December 2014)
- M Shingenge-Haipinge
- E Haiyambo
- A Basson
- J Hausiku
- M Inkumbi (Chief Executive Officer)
- R Brusa (Secretary)
- T Mbome (effective 1 January 2015)

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 profit or loss and other comprehensive income

For the year ended 31 December 2014

N$	Note	2014	2013
Interest income	4	217,947,568	165,344,593
Interest expense		(2,386,339)	(49,140)
Net interest income		215,561,229	165,295,453
Fee and commission income	5	19,353,826	12,704,421
Revenue		234,915,055	177,999,874
Other income	6	47,770,199	54,053,598
Fair value adjustments to loans	8	(6,280,132)	(2,353,179)
Fair value loss on cross currency swap	18.1	(22,603,516)	(16,937,703)
Foreign exchange gain on loan		6,542,520	11,309,157
Net impairment on loans and advances	13	(32,095,960)	(55,428,629)
Operating expenses	7	(80,994,478)	(63,947,067)
Profit before tax		147,253,688	104,696,051
Tax expense	9	-	-
Profit for the year		147,253,688	104,696,051

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2014

N$	Note	2014	2013
Profit for the year		147,253,688	104,696,051
Other comprehensive income, net of income tax		37,902,913	20,262,686
Items that may be reclassified subsequently to profit or loss			
Net change in fair value on available-for-sale financial assets	21.2	38,216,586	27,904,037
Cash flow hedge: effective portion of changes in fair value on interest rate swap	21.3	(5,929,450)	(12,401,496)
Items that will not be reclassified subsequently to profit or loss			
Revaluation gain on property	21.1	5,615,777	4,760,145
Total comprehensive income		185,156,601	124,958,737

Statement of financial position
at 31 December 2014

N$	Note	2014	2013
Assets			
Cash and cash equivalents	10	367,806,530	453,083,694
Trade and other receivables	11	5,533,747	4,495,873
Staff home ownership scheme loans	14	25,908,103	14,161,862
Equity investments	16	162,877,871	130,411,285
Loans and advances	12	2,305,148,982	1,727,114,394
Property and equipment	15	52,187,595	47,222,437
Intangible assets	17	478,711	384,386
Total assets		2,919,941,539	2,376,873,931
Liabilities			
Bank overdraft	10	88,247,385	-
Trade and other liabilities	18	30,883,804	21,803,257
Debt securities issued	18.2	201,545,611	-
Dividends retained for redeployment	19	16,402,238	16,402,238
Derivative held for risk management	18.1	57,872,165	29,339,201
Total liabilities		394,951,203	67,544,696
Equity			
Share capital and share premium	20	1,863,970,438	1,833,465,938
Retained earnings		653,488,499	506,234,811
Reserves	21	7,531,399	(30,371,514)
Total equity		2,524,990,336	2,309,329,235
Total liabilities and equity		2,919,941,539	2,376,873,931

Statement of Changes in Equity

for the year ended 31 December 2014

N$	Share capital and share premium						
	Share capital	**Share premium**	**Capital revaluation reserve**	**Fair value reserve**	**Cash flow hedge reserve**	**Retained earnings**	**Total**
Balance at 1 January 2014	161,500,000	1,671,965,938	16,123,984	(34,094,002)	(12,401,496)	506,234,811	2,309,329,235
Total comprehensive income for the year	-		5,615,777	38,216,586	(5,929,450)	147,253,688	185,156,601
Profit for the year	-	-	-	-	-	147,253,688	147,253,688
Other comprehensive income, net of income tax	-	-	5,615,777	38,216,586	(5,929,450)	-	37,902,913
Transactions with owner, recognised directly in equity	600,000	29,904,500	-	-	-	-	30,504,500
New shares issued	600,000	29,904,500	-	-	-	-	30,504,500
Balance at 31 December 2014	162,100,000	1,701,870,438	21,739,761	4,122,584	(18,330,946)	653,488,499	2,524,990,336
Note	*20*	*20*	*21.1*	*21.2*	*21.3*		

N$	Share capital and share premium						
	Share capital	**Share premium**	**Capital revaluation reserve**	**Fair value reserve**	**Cash flow hedge reserve**	**Retained earnings**	**Total**
Balance at 1 January 2013	157,500,000	1,475,965,938	11,363,839	(61,998,039)	-	401,538,760	1,984,370,498
Total comprehensive income for the year	-	-	4,760,145	27,904,037	(12,401,496)	104,696,051	124,958,737
Profit for the year	-	-	-	-	-	104,696,051	104,696,051
Other comprehensive income, net of income tax	-	-	4,760,145	27,904,037	(12,401,496)	-	20,262,686
Transactions with owner, recognised directly in equity	4,000,000	196,000,000	-	-	-	-	200,000,000
New shares issued	4,000,000	196,000,000	-	-	-	-	200,000,000
Balance at 31 December 2013	161,500,000	1,671,965,938	16,123,984	(34,094,002)	(12,401,496)	506,234,811	2,309,329,235
Note	*20*	*20*	*21.1*	*21.2*	*21.3*		

Cash Flow Statement
for the year ended 31 December 2014

N$	Note	2014	2013
CASH FLOWS UTILISED IN OPERATING ACTIVITIES			
Cash receipts from customers	B	232,841,485	176,222,987
Cash paid to suppliers and employees	C	(75,187,790)	(54,478,639)
Cash flows from operating activities	A	157,653,695	121,744,348
Government grants received		50,000,000	150,000,000
Increase in income earning assets	D	(609,744,366)	(415,492,697)
NET CASH UTILISED IN OPERATING ACTIVITIES		(402,090,671)	(143,748,349)
CASH FLOWS UTILISED IN INVESTING ACTIVITIES		(1,938,378)	(682,339)
Acquisition of property and equipment		(1,613,709)	(694,314)
Proceeds from disposal of property and equipment		16,001	11,975
Acquisition of intangible assets		(340,670)	-
CASH FLOWS FROM FINANCING ACTIVITIES		230,504,500	200,000,000
Proceeds from issue of shares		30,504,500	200,000,000
Proceeds from promissory notes issue		200,000,000	-
Net (decrease) / increase in cash and cash equivalents		(173,524,549)	55,569,313
Cash and cash equivalents at the beginning of the year	10	453,083,694	397,514,381
CASH AND CASH EQUIVALENTS at the end of the year	10	279,559,145	453,083,694
A. CASH GENERATED BY OPERATIONS			
Profit for the year		147,253,688	104,696,051
Adjusted for:			
Unwinding of discounted present value on off-market loans		(3,785,088)	(4,196,209)
Fair value adjustments on off-market loans		6,280,133	2,353,179
Depreciation and amortisation		2,508,417	3,321,989
Net impairment on loans and advances		32,095,960	55,428,628
Profit on disposal of equity investment		(901,840)	-
Net loss on cross currency swap		22,603,516	16,937,703
Foreign exchange gain on loan		(6,542,520)	(11,309,157)
Loss / (gain) on disposal of asset		(13,744)	838
Government grants		(46,868,359)	(54,053,598)
		152,630,162	113,179,425
(Increase) / decrease in trade receivables		(1,037,874)	2,316,348
Increase in trade payables		6,061,406	6,248,575
		157,653,694	121,744,348
B. CASH RECEIPTS FROM CUSTOMERS			
Interest income		213,487,659	163,518,566
Fee income		19,353,826	12,704,421
		232,841,485	176,222,987
C. CASH PAID TO SUPPLIERS AND EMPLOYEES			
Interest expense		(840,728)	(49,140)
Operating expenditure		(74,347,062)	(54,429,499)
		(75,187,790)	(54,478,639)
D. CHANGE IN INCOME EARNING ASSETS			
Staff home ownership scheme loans		(11,746,239)	(3,317,693)
Loans and advances		(604,649,967)	(380,422,680)
Equity investments		6,651,840	(31,752,324)
		(609,744,366)	(415,492,697)

1. REPORTING ENTITY

Development Bank of Namibia Ltd ("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. The Bank mobilises investment capital and facilitates national and international cooperation among public and private entities as well as community organisations in the planning and implementation of larger scale projects capable of delivering sustainable economic growth as well as social development in the form of human capital development and empowerment to Namibia.

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:

- Owner-occupied property is measured at re-valued amounts; and
- Available for sale equity investments are measured at fair value; and
- Derivative instruments 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 judgments and estimates

2.4.1 Use of judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, 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 Judgements

Information about judgment in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is recognised below.

2.4.3 Determination of control investee

Management applies its judgment to determine whether the following control indicator indicates whether the Bank control its equity investments.

The Bank controls an investee when it is exposed or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

2.4.4 Critical assumptions and estimates in applying accounting policies

The areas where assumptions and estimates have been used in applying accounting policies, that have had the most significant effect on the amounts recognised in the financial statements, are the following:

- Loans and advances
- Impairment of loans and advances
- Derivatives
- Equity investments

Notes 12.1, 13, 18.1 and 28 contain information about assumptions and estimation of uncertainty that have significant risk of resulting in a material adjustment within the next financial year.

2.4.5 Credit impairment losses on loans and advances

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

Information about credit impairment of loans and advances has been included in note 13.

2.4.6 Non-performing loans

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

Information on non-performing loans is included in note 13.

2.4.7 Impairment of available-for-sale equity instruments

The Bank determines that available-for-sale equity instruments are impaired and recognised as such in the statement of profit or loss and other comprehensive income, when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgement. In making this judgment the Bank evaluates among other the industry conditions of the sector in which the investment is held. The Bank determined that there was no need to impair available-for-sale equity instruments for the year under review.

2.4.8 Fair value measurement and valuation process

Some of the Bank's assets and liabilities are measured at fair value for reporting purposes. In estimating the fair value of an asset or a liability, the Bank uses market observable data to the extent it is available. Where level 1 inputs are not available, the Bank uses internal valuation techniques to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of various assets and are liabilities are disclosed in note 28.

2. Basis of preparation (continued)

2.5 Standards and amendments effective for the first time for 31 December 2014 year end

Number	Effective date	Executive summary
Amendments to IAS 32 – Financial Instruments: Presentation	1-Jan-14	The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: The meaning of 'currently has a legally enforceable right of set-off', the application of simultaneous realisation and settlement, the offsetting of collateral amounts and the unit of account for applying the offsetting requirements.
Amendments to IFRS 10, consolidated financial statements', IFRS 12 and IAS 27 for investment entities	1-Jan-14	Provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement. Require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries. Require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).
Amendments to IAS 36, 'Impairment of assets'	1-Jan-14	Reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.
Amendment to IAS 39 on novation of derivatives	1-Jan-14	Makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

The Bank has assessed the impact of the statements and concluded that they do not have a material impact on its operations.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Interest income and expense

Interest income is recognised if, and only, when it is probable that the economic benefit will flow to the Bank.

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 (or 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 interest 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.

3.2 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.

3.3 Other income

Refer to note 3.8 for the accounting policy on grants.

3.4 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.

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

3. Significant accounting policies (continued)

3.5 Employee benefits

3.5.1 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.

3.5.2 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.

3.6 Property and equipment

3.6.1 Recognition and measurement

Property and equipment is initially recognised at cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset. . 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 accumulated impairment losses. Equipment is subsequently stated at cost less accumulated depreciation and accumulated impairment losses. Changes in the fair value are recognised directly to equity through the capital revaluation reserve (note 3.6.4).

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 within other income in profit or loss.

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.

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

3.6.2 Subsequent costs

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the items will flow to the Bank and the cost of the item can be measured reliably.

3.6.3 Depreciation

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

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

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

The estimated 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.

3.6.4 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 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 revaluation reserve relating to a previous revaluation of that asset. On subsequent sale or retirement of revalued property, the attributable surplus remaining in the revaluation reserve is transferred directly to retained earnings.

3.7 Intangible assets

3.7.1 Computer software

Intangible assets acquired separately are recognised 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 the estimated useful lives. The estimated useful life, residual value 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.

3.8 Grants

Government grants are recognised when reasonable assurance exists that all conditions attached to the grant have been complied with; and that the grant will be received or becomes receivable.

3. Significant accounting policies
3.8 Grants (continued)

Hence, monetary government grants are initially treated as deferred income and 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.

3.9 Leases

3.9.1 The Bank as lessee

The Bank classifies all it's leases as operating leases where the lessor effectively retains the risk and benefits of ownership, whilst classifying leases as finance leases where the Bank assumes substantially all the benefits and risks of ownership of the leased assets.

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 Bank's benefit. Contingent lease payments are recognised in profit or loss as they occur. The minimum rentals due after year-end are presented under commitments.

3.10 Financial assets and financial liabilities

3.10.1 Recognition and initial measurement

The Bank initially recognises loans and advances and debt securities issued on the date at which they are originated. All other financial assets and financial liabilities 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.

Financial instruments issued at lower than market rates, more commonly known as off-market financial instruments, are recognised at the present value of the contractual future cash flows discounted at a market related rate at initial recognition and the adjustment directly recognised in profit or loss. With financial assets the difference between the discounted and undiscounted recoverable amount is released to interest income in accordance with IAS 18.

3.10.2 Classification

Financial assets

At inception a financial asset is classified into one of the following categories:

- Loans and receivables;
- Held to maturity
- Available for sale; and
- At fair value through profit or loss, and within this category as:
  - held for trading or
  - designated at fair value through profit or loss

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 measures financial liabilities subsequently 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.

3.10.3 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, any cumulative gain or loss that had been recognised in other comprehensive income is also recognised in profit or loss.

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 structured 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

3. Significant accounting policies
3.10 Financial assets and financial liabilities
3.10.3 Derecognition (continued)

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.

3.10.4 Offsetting

Financial assets and financial 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 IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

3.10.5 Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial 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.

3.10.6 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Bank has access at that date.

The fair value of a liability reflects its non-performance risk.

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 transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis

If there is no quoted price in an active market, then the Bank uses a valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market performance would take into account in pricing a transaction.

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.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short position at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market and credit risk that are managed by the Bank on the basis of net exposures to either market risk or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets or liabilities on the basis of the relative risk adjustment of each of the of the individual instruments in the portfolio.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.10.7 Impairment of financial assets

A financial asset is impaired if it's carrying amount is greater than it's estimated recoverable amount.

At each reporting date the Bank assesses whether there is objective evidence that a financial assets or group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses incurred, when objective evidence of an impairment as a result of one or more events that occurred after initial recognition of the asset ("loss events") and that loss event/s has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that 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 group 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.

Assets carried at amortised cost

The Bank first assesses whether objective evidence of impairment loss on loans and advances (trade receivables), including staff home loans exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

Loans and advances carried at amortised cost assessed on an individual basis are classified according to risk categories as defined in note 27.2 and impaired according to the determined classification.

3. Significant accounting policies
3.10 Financial assets and financial liabilities
3.10.7 Impairment of financial assets (continued)

If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset a collective assessment for impairment is performed. Assets that are individually assessed for impairment, whether significant or not, and for which an impairment loss is or continues to be recognised are not included in the collective assessment for impairment.

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 all 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 trade receivables.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal or release is recognised in profit or loss for the year.

Contractual interest is suspended on loans and advances where the probability of estimated future cash inflows are uncertain.

When a loan is determined to be uncollectable, it is written off against the related allowance account. Conditions precedent for writing off loans includes the following:

- past due loans greater than 360 days;
- loans classified as "Loss" under the Classification policy are written off within 90 days after said classification;
- where judgment has been obtained and encumbered assets either executable or sold;
- customer is listed on Information Trust Corporation;
- impairments or allowances have been raised on the total outstanding carrying amount after taking the security or collateral value into consideration.

(i) Past due advances

Advances are considered past due in the following circumstances:

- Loans repayable by regular installments are treated as overdue when an installment payment is overdue and remains unpaid as at the reporting date.
- Loans and advances with a specific expiry date (i.e. term loans, etc.) are treated as overdue where the principal or interest is overdue and remains unpaid at reporting date.
- Loans payable on demand are treated as overdue where a demand for repayment has been served on the borrower but the repayment has not been made in accordance with the instruction. In these instances the full amount outstanding is considered overdue even if part of it is not yet due.

The past due analysis is only performed for advances with specific expiry dates or installment repayment dates or demand loans that have been demanded.

(ii) Renegotiated financial assets

Financial assets are deemed renegotiated financial assets when the terms of the financial assets that would otherwise be past due or impaired have been renegotiated or restructured in an effort to reduce the risk of the borrower defaulting and the Bank ultimately incurring a loss.

Restructuring is done by granting a concession to the borrower, such as restructuring the repayment terms or interest rate to improve the borrowers cash flow position, and obtaining further or better security, subsequently reducing the risk of default.

Where advances have been reclassified as neither past due nor impaired, the adherence to the new terms are closely monitored (refer to note 27.2). These assets form part of the collective assessment for impairment.

Available for sale financial assets

The Bank considers at each reporting date whether there is objective evidence whether a financial asset or group of financial assets is impaired. In the case of equity investments classified as available-for-sale the same objective evidence of impairment as for financial assets measured at amortised cost is considered in determining whether an impairment exits.

In the case of equity instruments classified as available-for-sale a significant or prolonged decline in the fair value of the security below it's cost is considered an impairment, if and only if, the cost of the investment is considered unrecoverable.

If the cost of the investment has been determined as unrecoverable, any cumulative loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. The amount of cumulative loss reclassified from equity to profit or loss is the difference between acquisition cost and current fair value, less any impairment loss on that available-for-sale equity instrument previously recognised in comprehensive income.

Refer to note 16 for the accounting treatment of the available for sale equity investments during the period under review.

3.10.8 Trade payables

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

3.10.9 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.

Overdraft facilities are classified as part of cash and cash equivalents as they are of a temporary nature and currently not used as part of financing or leveraging.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.10.10 Loans and advances

Loans and advances 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 method.

3.10.11 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. The fair value reserve comprises the cumulative net change in the fair value of available for sale financial assets until the assets are derecognised or impaired.

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.

Where neither the fair value nor cost of unquoted equity instruments can be reliably measured the Bank discloses such facts.

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.

3.11 Impairment of non-financial assets

The carrying amount of the non-financial 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 net of depreciation and amortisation had no impairment loss been recognised.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. 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.

3.12 Liabilities and provisions

Liabilities and 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. Refer to notes 18 and 19.

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 contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

3.13 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. The financial guarantee liabilities are subsequently carried at the higher of the amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within trade and other liabilities.

3.14 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 the notes to the financial statements.

3.15 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.

3.16 Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

The Bank designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships.

On initial designation of the hedge, the Bank formally documents the relationship between the hedging instruments/s and hedged item/s, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the relationship.

3. Significant accounting policies
3.16 Derivatives held for risk management purposes and hedge accounting (continued)

The Bank makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument/s is / are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item / s during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%.

The Bank makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Note 18.1 sets out details of the fair values of the instruments used for hedging purposes.

3.16.1 Cash flow hedges

The effective portion of changes in the fair value on the interest rate swap that are designated and qualify as a cash flow hedge is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the forex portion is recognised immediately in profit or loss, and is included in the 'fair value loss on cross currency swap' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income / profit or loss as the recognised hedged item.

However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Bank revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Summary of Standards and Interpretations not yet effective for December 2014

The relevant Standards and Interpretations which are not yet effective and which should be disclosed for December 2014 year-ends are identified in the table below, together with the dates on which these were issued by the IASB:

IFRS 9 – Financial Instruments (2014)	1-Jan-18	A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas: **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised. **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. *Note: Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.* *Note: IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before 1 February 2015.*
IFRS 15 Revenue from Contracts with Customers	1-Jan-17	Provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: • Identify the contract with the customer. • Identify the performance obligations in the contract. • Determine the transaction price. • Allocate the transaction price to the performance obligations in the contracts. • Recognise revenue when (or as) the entity satisfies a performance obligation.

Summary of Standards and Interpretations not yet effective for December 2014 (continued)

Number	Effective date	Executive summary
IFRS 15 Revenue from Contracts with Customers *(Continued)*	1-Jan-17	Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.
Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations	1-Jan-16	Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to: Apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11disclose the information required by IFRS 3 and other IFRS requirements for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).
Amendments to IAS 1, Disclosure Initiative	1-Jan-16	Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: • clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; • clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; Additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.
IFRS 13	1-Jul-14	Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)

The Bank has assessed the impact of the statements, apart from IFRS 9, and concluded that they do not have a material impact on its operations.

The Bank is in the process of assessing the potential impact on its financial statements resulting from the implication of IFRS 9. Given the nature of the Bank's operations, this standard is expected to have a pervasive impact on the Bank's financial statements.

N$	2014	2013
4. INTEREST INCOME		
Cash and cash equivalents	20,784,738	27,903,983
Loans and advances to banks	2,143,671	5,397,003
Loans and advances to staff	1,664,802	973,579
Unwinding of present value on off-market loans	3,785,088	4,196,209
Loans and advances to customers: unimpaired	166,870,333	113,348,312
Loans and advances to customers: impaired	19,483,839	10,630,001
Dividend income on preference shares in loan book	3,215,097	2,895,506
	217,947,568	165,344,593

N$	2014	2013
5. FEE AND COMMISSION INCOME		
Guarantee fees	7,089,322	3,756,574
Front-end fees	12,325,999	7,948,290
Other fees received	(61,495)	999,557
	19,353,826	12,704,421
6. OTHER INCOME		
Subsidy - Government Grant *	46,868,359	54,053,598
Profit on Disposal of Nest Lüderitz Investment (Pty) Ltd **	901,840	-
	47,770,199	54,053,598

* The Government grant relates to a subsidy receivable from the Ministry of Finance in support of the Special Development Fund (" SDF") activities managed by the Bank.

The Special Development Fund was established in terms of the Development Bank of Namibia Act,2002, No.8 of 2002, section 8; the purpose of which is to promote and support development projects and schemes, including small-scale projects, private ventures or other activities as determined by the fund rules on behalf of the Ministry of Finance.

The allocated amount for the current year was N$ 50 million. N$ 46,868,359 was recognised as income against costs incurred associated with the grant conditions.

** In 2014 the Bank disposed of its investment in Nest Lüderitz Investment (Pty) Ltd where a profit was realised.

N$	2014	2013
7. OPERATING EXPENSES		
Auditors' remuneration		
- audit fees	1,101,049	1,010,677
- other services	-	55,785
Directors' fees		
- for services as directors	1,087,972	1,060,971
- for management services	1,803,699	1,343,223
Depreciation and amortisation	2,508,417	3,321,989
Loss / (gain) on disposal of asset	(13,744)	838
Professional services	2,803,347	4,379,657
Salaries and personnel costs	53,441,020	37,682,706
Operating leases:		
- buildings	258,066	93,137
- equipment	657,200	427,284
- motor vehicle	245,524	129,914
Other expenditure:		
- information technology services	3,094,705	3,079,596
- promotions and marketing	2,998,205	2,424,080
- training and development	1,655,369	1,757,100
- other operational expenditure	9,353,649	7,180,110
Total operating expenditure	80,994,478	63,947,067
Number of employees	78	59

7. *Operating expenses (continued)*

N$	2014	2013
7. 1 Directors emoluments		
7. 1.1 Chief Executive Officer		
Pensionable salary - M Inkumbi (appointed January 2013)	1,487,355	1,104,785
Bonus	505,710	-
Company contributions to pension and medical aid schemes	334,921	238,438
	2,327,986	1,343,223
7.1.2 Non-executive directors		
E Angula (Chairperson)	233,301	203,499
A Getachew	188,814	176,290
E Haiyambo	187,521	156,845
M Shingenge-Haipinge	155,518	174,794
A Basson	213,638	188,256
J Hausiku	109,180	161,287
	1,087,972	1,060,971
7.1.3 Schedule of Director's Fees		
Chairperson's quarterly fee	20,312	19,162
Chairperson's sitting fee (per board meeting)	11,215	10,580
Director's quarterly fee	16,592	15,653
Director's sitting fee (per board meeting)	7,928	5,983
Subcommittee sitting fee (per hour)	1,586	1,496

7.1.4 Board committees and membership

(i) Audit, Risk and Compliance:

- A Basson - *Chairperson, non-executive independent director*
- M Inkumbi (CEO)
- A Getachew
- E Haiyambo
- J Hausiku

(ii) Credit and Investment:

- A Getachew - *Chairperson, non-executive independent director*
- M Shingenge-Haipinge
- E Haiyambo
- A Basson
- M Inkumbi (CEO)

Credit and Investment Sub-Committee:

- A Getachew
- A Basson
- M Inkumbi (CEO)

(iii) Human Capital and Remuneration:

- M Shingenge-Haipinge - *Chairperson, non-executive independent director*
- E Angula
- M Inkumbi (CEO)

Notes to the Annual Financial Statements
for the year ended 31 December 2014

7. Operating expenses
7.1 Directors emoluments (continued)

7.1.5 Record of attendance

Ordinary Board Meetings, Board Strategic Session and Annual General Meeting

2014: DD/MM	26.03	Annual General Meeting 09.05	30.06	Strategic Session 16.09	08.10	25.11
E Angula (Chair)	√	√	√	√	√	√
M Inkumbi (CEO)	√	√	√	√	√	√
E Haiyambo	√	√	---	√	√	√
A Getachew	√	√	√	√	√	√
M Shingenge-Haipinge	√	√	√	√	√	√
A Basson	√	√	√	√	√	√
Justus Hausiku	√	---	√	√	√	√

Extraordinary Board Meetings *(* Acting Chair)*

2014: DD/MM	18.08	7.11	8.12	17.12	18.12
E Angula (Chair)	√	√	√	---	---
M Inkumbi (CEO)	√	√	√	√	√
E Haiyambo	---	√	√	√	√
A Getachew	√	√	---	√ *	√ *
M Shingenge-Haipinge	√	---	---	√	---
A Basson	√	√	√	√	√
Justus Hausiku	---	---	√	---	---

Credit and Investment Committee *(* Acting Chair)*

2014: DD/MM	Extraordinary 12.03	04.04	28.05	03.07	31.07	15.08	04.09	09.10	23.10	11.12
A Getachew (Chair)	√	√	---	√	√	√	√	√	√	√
M Inkumbi (CEO)	√	√	√	√	√	√	√	√	√	√
M Shingenge-Haipinge	√	√	√	---	√	---	√	---	---	√
A Basson	√	√	√ *	√	√	√	√	√	√	√
E Haiyambo	√	√	√	---	√	√	---	---	---	---

Credit and Investment Sub-Committee *(* Acting Chair)*

2014: DD/MM	04.04	12.05	28.05	31.07	04.09	03.10	23.10	11.12
M Inkumbi (CEO)	√	√	√	√	√ *	√	√	√
A Basson	√	√	√	√	√	√	√	√
A Getachew	√	√	√	√	√	√	√	√
E Haiyambo	√	---	√	√	---	---	---	---
M Shingenge-Haipinge	√	√	√	√	√	√	√	√

Audit, Risk and Compliance Committee

2014: DD/MM	08.04	25.06	22.09	21.11
A Basson (Chair)	√	√	√	√
M Inkumbi (CEO)	√	√	√	√
E Haiyambo	√	√	√	---
A Getachew	√	---	---	√
Justus Hausiku	---	√	---	---

Human Capital and Remuneration Board Committee

2014: DD/MM	14.03	13.06	19.11
M Shingenge-Haipinge (Chair)	√	√	√
M Inkumbi (CEO)	√	√	√
E Angula	√	√	√

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

N$	2014	2013
8. FAIR VALUE ADJUSTMENTS ON OFF-MARKET LOANS		
Loans and advances	857,671	(1,127,069)
Staff home loans	5,422,461	3,480,248
	6,280,132	2,353,179

The adjustments are made to the notional value of loans and advances, including staff home loans granted at a rate lower than the Bank's average investment yield at initial recognition. It represents the difference between the present value of future cash flows discounted at a market related rate or yield and the notional value.

9. 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$	2014	2013
10. CASH AND CASH EQUIVALENTS		
Bank balances and call deposits	258,582,399	172,844,479
Short term fixed deposits with local banks	109,224,131	280,239,215
	367,806,530	453,083,694
Bank overdraft	(88,247,385)	-
	279,559,145	453,083,694
The carrying amount approximates the fair value of cash and cash equivalents.		
11. TRADE AND OTHER RECEIVABLES		
Prepaid expenses	3,336,119	2,973,066
Other receivables	1,574,745	13,250
Deposits	8,093	8,093
Accrued interest on short term fixed deposits with local banks	614,790	1,501,464
	5,533,747	4,495,873

The directors are of the opinion that the carrying amount of trade and other receivables represent the fair value at year-end.

N$	2014	2013
12. LOANS AND ADVANCES		
12.1 Category analysis		
Installment sales	251,706,106	220,494,883
Preference share advances	48,048,205	46,007,487
Guarantees honored by Bank	2,153,725	1,501,008
Term loans	2,147,406,289	1,517,761,025
Loans and advances to banks acting as intermediaries	-	100,001,011
Notional value of advances	2,449,314,325	1,885,765,414
Impairment of loans and advances (refer to Note 13)	(144,165,343)	(158,651,020)
Loans and advances, including guarantees honoured	(137,974,359)	(150,674,482)
Unwinding of present value on non-performing loans taken over from Development Fund of Namibia	(1,216,129)	(1,452,862)
Unwinding of present value on Fides loan	(4,974,855)	(4,853,940)
Unwinding of discounted present value of loans to banking intermediaries	-	(1,669,736)
Net loans and advances	2,305,148,982	1,727,114,394

12 Loans and advances (continued)

N$	2014	2013
12.2 Sectoral analysis		
Agriculture including fishing	61,781,070	131,744,648
Building and property development	198,707,434	189,849,482
Government and public authorities	564,647,841	234,175,587
Manufacturing and commerce	648,637,411	389,237,325
Mining	10,576,876	13,246,599
Transport and communication	271,341,597	413,730,881
Medical services	67,043,450	56,663,792
Financial institutions	107,022,169	115,141,272
Hotels and tourism	187,969,533	239,814,842
Business services	331,586,944	102,160,986
Notional value of advances	2,449,314,325	1,885,765,414
Impairment of loans and advances (refer to Note 13)	(144,165,343)	(158,651,020)
Loans and advances, including guarantees honoured	(137,974,359)	(150,674,482)
Unwinding of present value on non-performing loans taken over from Development Fund of Namibia	(1,216,129)	(1,452,862)
Unwinding of present value on Fides loan	(4,974,855)	(4,853,940)
Unwinding of discounted present value of loans to banking intermediaries	-	(1,669,736)
Net advances	2,305,148,982	1,727,114,394
12.3 Maturity structure per contractual maturity date		
Repayable on demand	29,500,337	70,963,813
One year or less but not repayable on demand	106,210,372	108,239,880
Five years or less but over one year	753,599,067	325,967,584
Over five years	1,415,839,206	1,221,943,117
Net loans and advances	2,305,148,982	1,727,114,394
12.4 Geographical analysis		
Namibia – net loans and advances	2,305,148,982	1,727,114,394

13. IMPAIRMENT OF LOANS AND ADVANCES

N$ 2014	Total Impairment	Specific Impairment	Portfolio Impairment	Profit or Loss
Opening balance	158,651,020	143,540,937	15,110,083	-
Amounts written off against impairment provision	(43,960,363)	(43,960,363)	-	-
Unwinding of discounted present value loans	(1,906,470)	(1,906,470)	-	(1,906,470)
Off-market Development Fund loans	(236,733)	(236,733)	-	(236,733)
Below market rate loans to banks	(1,669,736)	(1,669,736)	-	(1,669,736)
New impairments created	98,201,157	98,201,157	-	93,905,791
Non-performing loans: Provisions	69,966,208	69,966,208	-	69,966,208
Non-performing loans: Interest in suspense	17,991,874	17,991,874	-	17,991,874
Loans written off during the year	10,243,075	10,243,075	-	5,947,708
Recoveries of bad debts previously written off	-	-	-	(1,764,318)
Impairments reversed	(60,820,001)	(60,263,344)	(6,556,658)	(58,139,043)
Closing balance	144,165,343	135,611,917	8,553,425	32,095,960

N$ 2013	Total Impairment	Specific Impairment	Portfolio Impairment	Profit or Loss
Opening balance	114,914,491	111,206,337	3,708,154	-
Amounts written off against impairment provision	(14,503,553)	(14,503,553)	-	-
Unwinding of discounted present value loans	(2,981,174)	(2,981,174)	-	(2,981,174)
Off-market Development Fund loans	(236,733)	(236,733)	-	(236,733)
Below market rate loans to banks	(2,744,441)	(2,744,441)	-	(2,744,441)
New impairments created	96,406,568	85,004,639	11,401,929	96,406,568
Non-performing loans: Provisions	84,491,863	73,089,934	11,401,929	84,491,863
Non-performing loans: Interest in suspense	10,630,001	10,630,001	-	10,630,001
Loans written off during the year	1,284,704	1,284,704	-	1,284,704
Recoveries of bad debts previously written off	-	-	-	(2,811,453)
Impairments reversed	(35,185,312)	(35,185,312)	-	(35,185,312)
Closing balance	158,651,020	143,540,937	15,110,083	55,428,629

N$ **Non-performing loans by sector 31 December 2014**	Credit Risk	Security	Contractual Interest Suspended	Impairment Provision
Agriculture and forestry	22,579,532	3,586,800	1,020,027	17,779,079
Business services	39,458,960	16,937,749	4,691,769	14,409,691
Construction	52,063,351	11,284,153	4,808,921	22,936,907
Education	3,908,522	2,210,000	205,133	810,822
Fishing and fish processing	6,130,611	1,443,107	1,244,040	3,443,465
Health	1,847,611	4,187,300	93,259	378,777
Hotels and tourism	46,761,427	27,468,523	3,441,902	11,617,628
Manufacturing and commerce	28,936,477	9,269,066	4,275,315	13,073,278
Mining and quarrying	3,679,563	1,008,942	610,000	1,769,667
Transport and communication	25,100,986	12,924,941	2,813,845	7,559,994
Wholesale and retail trade, repairs	28,407,560	9,590,537	1,875,763	11,047,075
Total non-performing loans	258,874,600	99,911,118	25,079,974	104,826,383

13 Impairment of loans and advances (continued)

N$ Non-performing loans by sector 31 December 2013	**Credit Risk**	**Security**	**Contractual Interest Suspended**	**Impairment Provision**
Agriculture and forestry	5,812,749	3,620,460	321,834	902,854
Business services	41,942,633	13,545,789	2,796,581	19,610,747
Construction	51,005,767	12,778,827	3,756,181	15,858,517
Education	2,706,739	1,080,000	71,706	1,555,033
Fishing and fish processing	7,200,654	2,003,107	890,082	4,432,142
Health	5,442,875	3,354,418	104,758	950,797
Hotels and tourism	29,639,750	15,493,523	1,644,446	9,735,102
Manufacturing and commerce	37,855,790	13,661,294	6,457,180	19,366,799
Mining and quarrying	10,461,820	3,630,650	764,078	3,876,650
Transport and communication	23,580,954	13,242,962	1,482,805	8,599,384
Water	203,946	-	-	2,003
Wholesale and retail trade, repairs	27,173,725	6,361,930	2,163,833	15,207,107
Total non-performing loans	243,027,402	88,772,960	20,453,484	100,097,135

N$ Non-performing loans by category 31 December 2014	**Credit Risk**	**Security**	**Contractual Interest Suspended**	**Impairment Provision**
Guarantees	15,693,020	1,952,500	35,256	904,776
Preference Shares	8,568,724	-	615,819	8,083,447
Installment sales	53,875,130	18,089,757	6,234,978	19,296,816
Term loans	180,737,726	79,868,861	18,193,920	76,541,344
Total non-performing loans	258,874,600	99,911,118	25,079,973	104,826,383

N$ Non-performing loans by category 31 December 2013	**Credit Risk**	**Security**	**Contractual Interest Suspended**	**Impairment Provision**
Guarantees	20,694,440	1,864,000	-	671,771
Preference Shares	2,475,281	-	485,277	1,990,005
Installment sales	54,059,359	18,038,211	3,491,738	22,054,031
Term loans	165,798,322	68,870,749	16,476,469	75,381,329
Total non-performing loans	243,027,402	88,772,960	20,453,484	100,097,136

N$	**2014**	**2013**
14. STAFF HOME OWNERSHIP SCHEME LOANS		
Staff home ownership scheme loans	25,908,102	14,161,842

Staff home loans are deemed as off-market loans as they represent loans granted to staff members at lower than market related rates. The present value adjustment at initial recognition regarding off-market staff home loans granted for the current reporting period amounted to N$ 5,422,462 (2013: N$ 3,480,428).

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

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

15. PROPERTY AND EQUIPMENT

N$ Cost or revalued amount	Land	Buildings	Vehicles	Furniture & equipment	Total
Balance at 1 January 2013	15,603,973	28,951,366	47,592	7,185,307	51,788,238
Additions	-	-	-	694,314	694,314
Disposals	-	-	-	(745,406)	(745,406)
Revaluation gain	3,898,998	861,147	-	-	4,760,145
Balance at 31 December 2013/ 1 January 2014	19,502,971	29,812,513	47,592	7,134,215	56,497,291
Additions	-	197,777	-	1,426,011	1,623,788
Disposals	-	-	-	(165,724)	(165,724)
Reclassification	(609,971)	609,971	-	-	-
Revaluation gain	1,071,000	4,544,777	-	-	5,615,777
Balance at 31 December 2014	19,964,000	35,165,038	47,592	8,394,502	63,571,132
Accumulated depreciation and impairment					
Balance at 1 January 2013	-	(2,555,338)	(7,139)	(5,201,341)	(7,763,818)
Eliminated on disposals of assets	-	-	-	732,594	732,594
Depreciation expense	-	(1,260,147)	(9,519)	(973,963)	(2,243,629)
Balance at 31 December 2013/ 1 January 2014	-	(3,815,485)	(16,658)	(5,442,710)	(9,274,853)
Eliminated on disposals of assets	-	-	-	163,468	163,468
Depreciation expense	-	(1,313,554)	(9,519)	(949,078)	(2,272,151)
Balance at 31 December 2014	-	(5,129,039)	(26,177)	(6,228,320)	(11,383,536)
Carrying amount					
As at 31 December 2013	19,502,971	25,997,028	30,934	1,691,505	47,222,437
As at 31 December 2014	19,964,000	30,035,999	21,415	2,166,181	52,187,595

The carrying amount, if carried under the cost model as at 31 December 2014, was N$ 26 557 504.

The property represents land and buildings situated on Erf number 5444 Windhoek and Erf number 7640 (sectional title) respectively and were valued by an independent external, qualified valuator, Mr Benjamin Joseph (Sworn Appraiser) on a income capitalisation basis on 31 December 2014, with the significant unobservable input being the capitalisation rate and the net market related rental. A significant decrease in the capitalisation rate would result in a higher value. During the period, the Bank carried out a review of the useful lives and residual values 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.

Details of the Bank's freehold land and buildings and information on the fair value hierarchy as at 31 December 2014 are as follows:

N$ 2014	Level 1	Level 2	Level 3	Total
Land	-	-	19,964,000	19,964,000
Buildings	-	-	30,035,999	30,035,999
	-	-	49,999,999	49,999,999

N$ 2013	Level 1	Level 2	Level 3	Total
Land	-	-	19,502,971	19,502,971
Buildings	-	-	25,997,028	25,997,028
	-	-	45,499,999	45,499,999

Changes in Level 3 fair value of property and equipment

N$ 2014	Land	Buildings
Fair value at 1 January 2014	19,502,971	25,997,028
Additions	-	197,777
Reclassification	(609,971)	609,971
Fair value gains or (losses) recognised in other comprehensive income	1,071,000	4,544,777
Depreciation recognised in profit or loss	-	(1,313,554)
Fair value at 31 December 2014	19,964,000	30,035,999

15 Property and equipment (continued)

Changes in the Bank's best estimate of the unobservable inputs could affect the reported fair value recognised on the statement of financial position and movements in the fair values recognised in the statement of other comprehensive income. Changing these inputs to reasonably possible alternatives would change the fair values using more positive reasonable assumptions to N$ 60,513,182 (2013: N$ 50,306,818) and using more negative reasonable assumptions to N$ 45,444,900 (2013: N$ 45,891,432).

16. EQUITY INVESTMENTS

N$

16.1 Available for sale equity investments unlisted	**Norsad * Finance Ltd**	**Nest ** Lüderitz Investments (Pty) Ltd**	**Ohorongo *** Cement (Pty) Ltd**	**Total**
Cost or fair valued amount	*4.55% Shareholding*	*0% Shareholding*	*9.07% Shareholding*	
Balance at 1 January 2013	-	5,310,924	65,444,000	70,754,924
Recapitalisation issue	-	-	31,752,324	31,752,324
Net change in fair value	3,714,285	(2,393,049)	26,582,801	27,904,037
Balance at 1 January 2014/ 31 December 2013	3,714,285	2,917,875	123,779,125	130,411,285
Disposals	-	(2,917,875)	-	(2,917,875)
Net change in fair value	3,418,052	-	31,966,409	35,384,461
Balance at 31 December 2014	7,132,337	-	155,745,534	162,877,871
Director's valuation of unlisted equity investments	7,132,337	-	155,745,534	162,877,871

Refer to Note 28 on the fair value of financial instruments for the methodologies used to determine the fair value of the investments in securities.

* The Zambia-based Norsad Fund was dissolved on 07 April 2011 with Norsad Finance Limited ("Norsad") being formed and registered in Botswana in December 2011. Year-end is 31 March.

** Although the shareholding in Nest Lüderitz Investment (Pty) Ltd exceeded 20% in 2013, the Bank was not deemed to have a significant influence due to the non-representation on Board and less than 50% voting rights. The shareholding was disposed of through a settlement agreement during the current year.

*** The shareholding in Ohorongo Cement (Pty) Ltd decreased from 10.8% to 9.07% during 2013. The shareholding remained unchanged during the 2014 year.

Investments are valued based on the discounted cash flows of the entities.

17. INTANGIBLE ASSETS

N$	**2014**	**2013**
Software		
Cost		
Opening balance	8,392,775	8,392,775
Additions	340,670	-
Closing balance	8,733,445	8,392,775
Accumulated amortisation and impairment		
Opening balance	(8,008,389)	(6,930,028)
Amortisation for the year	(246,345)	(1,078,361)
Closing balance	(8,254,734)	(8,008,389)
Carrying amount	478,711	384,386

N$	2014	2013
18. TRADE AND OTHER LIABILITIES		
Trade payables	2,296,085	443,264
Receiver of Revenue	32,024	15,460
Deferred guarantee fee income	105,000	217,500
Deferred Government Subsidy - SDF	16,487,988	13,356,347
Salary related payables	11,962,707	7,770,686
	30,883,804	21,803,257

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

N$	2014		2013	
18.1 Derivative held for risk management	**Asset**	**Liability**	**Asset**	**Liability**
Balance at beginning of year	-	29,339,199	-	-
Instrument type :			-	
Foreign exchange	-	22,603,516	-	16,937,704
Interest rate	-	5,929,450	-	12,401,497
Balance at end of year	-	57,872,165	-	29,339,201

In the 2013 financial year the Bank entered into a 12 year financing transaction to provide funding to Air Namibia for the purchase of a new aircraft. The agreement entailed the Bank advancing USD 20,000,000 to Air Namibia. At the inception of the transaction the Bank did not have the required USD to finance the transaction, thus the transaction exposed and further exposes the Bank to currency risk associated with converting capital and interest payment between USD and NAD. To hedge the risks associated with this transaction the Bank entered into a 12 year cross currency interest rate swap.

The exposure to variability in cash flow that is attributable to changes in interest rates could impact the Bank's profit or loss. The interest rate risk has been designated for hedging purposes.

During 2014, net losses of N$ 22,603,516 (2013: N$16,937,703) relating to the forex portion of the hedge were recognised in profit and loss for the year, while net losses of N$ 5,929,450 (2013: N$12,401,496) relating to the interest rate risk portion of the cash flow hedge were recognised in OCI.

The derivative instruments are disclosed at fair value.

Future cash flows are expected to be received monthly until 29 August 2025. Profit or loss will be affected by the foreign exchange rate fluctuations at the end of each reporting period.

The time periods in which the hedged cash flows are expected to occur and affect profit or loss are as follows:

Period	Within 1 year	1 - 5 years	Over 5 years
31 December 2015	2,350,434	11,752,169	10,772,822

Changes in level 3 fair value of financial liabilities

N$	Instrument type: Foreign exchange	Interest rate
Fair value on 31 December 2013	16,937,703	12,401,496
Total loss recognised in profit or loss	22,603,516	-
Total gain recognised in other comprehensive income	-	5,929,450
Fair value on 31 December 2014	39,541,219	18,330,946

N$	2014	2013
18.2 Debt securities issued		
Balance at 1 January 2014	-	-
Promissory notes issued	200,000,000	-
Interest accrued	1,545,611	-
Balance at 31 December 2014	201,545,611	-

The issued promissory notes are unsecured and repayable within12 months. Interest is payable quarterly in arrears.

The Bank has not had any defaults of interest or other breaches with respect to its debt securities issued during the year ended 31 December 2014.

N$	2014	2013
Debt securities at amortised cost:		
Floating-rate	201,545,611	-
	201,545,611	-

The fair value of the financial liability approximates its carrying value.

N$	2014	2013
19. DIVIDENDS RETAINED FOR REDEPLOYMENT		
Balance at beginning of year	16,402,238	16,402,238
Balance at end of year	16,402,238	16,402,238

Dividends declared in 2008 to 2010 were retained for redeployment towards special enterprise development endeavors as resolved by the shareholder. The liability recognised is settled through disbursements to approved enterprise development projects.

N$	2014	2013
20. SHARE CAPITAL AND SHARE PREMIUM		
Share capital		
Authorised		
2,000 Ordinary shares of N$100,000 each	200,000,000	200,000,000

Authorised ordinary shares were increased by 500 shares at the Annual General Meeting held on 4 October 2012 as resolved by the Board of Directors.

	2014	2013
Issued		
Share capital: 1,621 (2013: 1 615) Ordinary shares of N$100 000 each.	162,100,000	161,500,000
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	343,000,000
Share premium: 75 Ordinary shares of N$4 819 200.00 each	361,440,000	361,440,000
Share premium: 40 Ordinary shares of N$4 900 000.00 each	196,000,000	196,000,000
Share premium: 6 Ordinary shares of N$4 984 083.00 each	29,904,500	-
	1,701,870,438	1,671,965,938
Total share capital and share premium	1,863,970,438	1,833,465,938

20 Share capital and share premium (continued)

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

Each share is entitled pari passu to dividend payments or any other distribution.

N$	2014	2013
21. RESERVES		
21.1 Capital revaluation reserve		
Balance at beginning of year	16,123,984	11,363,839
Increase in reserve	5,615,777	4,760,145
Balance at end of year	21,739,761	16,123,984
The capital reserve relates to the revaluation of property.		
21.2 Fair value reserve		
Balance at beginning of year	(34,094,002)	(61,998,039)
Increase / (decrease) in reserve	38,216,586	27,904,037
Balance at end of year	4,122,584	(34,094,002)

The fair value relates to the change in fair value of the available for sale equity instruments.

N$	2014	2013
21.3 Cash flow hedging reserve		
Balance at beginning of year	(12,401,496)	-
Increase / (decrease) in reserve	(5,929,450)	(12,401,496)
Balance at end of year	(18,330,946)	(12,401,496)
Net closing balance	7,531,399	(30,371,514)

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedging transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the Bank's accounting policy.

Please refer to note 18.1 for details of the hedged risk and the fair value of the hedging instruments.

N$	**2014**	**2013**
22. LOAN COMMITMENTS AND CONTINGENT LIABILITIES		
Irrevocable commitments in respect of loans approved	522,163,854	320,490,000
Guarantees issued	134,773,686	82,144,795
Letters of credit	7,377,601	2,508,353
Performance and demand guarantees	127,396,085	79,636,442
	656,937,540	402,634,795
23. CAPITAL COMMITMENTS		
Capital expenditure authorised:		
not yet contracted for	6,125,500	5,154,186

N$	2014	2013
24. LEASE COMMITMENTS		
Operating lease commitments:		
Buildings	644,700	210,000
Vehicles	1,114,680	460,361
Office equipment and leased lines	2,751,552	2,370,313
	4,510,932	3,040,674
To be incurred as follows:		
Up to 1 year	1,090,727	1,757,831
2 – 5 years	3,420,205	1,282,843
	4,510,932	3,040,674

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$5,423,946 (2013: N$4,042,640).

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 Related party balances and transactions

26.1.1 Directors

The remuneration of directors is determined by the Shareholder.

Refer to note 7.1 for directors' emoluments. In order to avoid conflicts of interest 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 recuse themselves from the meeting and thus have no influence on the decision on the particular matter. In addition, all applications for finance in which directors have an interest, irrespective of the amount involved, are submitted to the board for consideration after being reviewed by a committee of non-interested directors.

All directors and officers of the Bank have confirmed that they had no interest in any contract of significance with the Bank which could have resulted in a conflict of interest during the period, with following exception:

- Approved facility for Guinas Investments (Pty) Ltd of which Ms. Muetulamba Shingenge-Haipinge is a director. Loan value: N$ 6.08 million (2013: N$7.5 million).

26.1.2 Shareholder

The Government of the Republic of Namibia holds 100% of the issued share capital of the Bank. Equity contribution from the Government of the Republic of Namibia increased to N$ 162.1 million (2013: N$ 161.5 million) with share premium increasing with N$ 29.9million (2013: N$ 196 million).

N$	2014	2013
Dividends declared	-	-

26. Related party information (continued)
26.1 Related party balances and transactions (continued)

26.1.3 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. The remuneration of the executive director and other members of key management during the year were as follows:

N$	2014	2013
Compensation	11,057,631	6,551,979
Pension benefits	1,382,797	897,804
Other short-term benefits	395,460	291,090
	12,829,888	7,740,873

No other transactions with key management personnel have been entered into during the current year.

26.1.4 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 SOEs, individually or collectively as significant for disclosure purposes.

N$	2014		2013	
Related party	Outstanding Balance	Interest charged	Outstanding Balance	Interest charged
Installment Sales				
Namibian Ports Authority	29,296,785	2,445,163	35,331,127	355,208
Preference shares advance				
Seaflower Whitefish Corporation	34,304,648	2,299,098	32,123,539	1,451,313
Guarantees				
Central North Electricity Distribution	-	-	10,056,250	-
Central North Electricity Distribution	-	-	5,056,250	-
Term loans				
Nampost Financial Brokers	103	-	103	2
Namibia Power Corporation Limited	48,029,845	2,371,090	51,589,611	2,433,827
Namibia Wildlife Resorts Limited	90,859,629	6,665,158	90,861,410	6,587,475
Namibian Ports Authority	16,886,096	160,133	27,311	457
National Housing Enterprise of Namibia	15,354,768	991,048	19,704,629	1,210,501
Erongo Regional Distributor Company	69,687,167	1,044,134	-	-
Seaflower Whitefish Corporation	34,052,698	1,929,160	33,203,250	2,435,286
Telecom Namibia Limited	112,022,917	7,729,579	115,000,000	7,835,212
Polytechnic of Namibia	83,317,064	7,894,648	101,009,257	1,009,257
	533,811,720	33,529,211	493,962,737	23,318,538

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

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
27.1 Introduction and overview (continued)

Risk management framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of directors has established the Risk and Compliance Management Committee which is responsible for developing and monitoring the Bank's risk management policies. The Committee has responsibility and accountability for the following core risk functions:

1. Internal Audit function;
2. External Audit function; and
3. Enterprise-wide risk management through monitoring and managing 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 and their performances are measured against the Risk Appetite of the Bank via the Sustainability Model, and includes market risk (including fair value interest rate risk and price risk), credit risk, investment risk, liquidity risk, operational risk and cash flow interest rate risk. The Risk and Compliance Management Committee ultimately reports to the Board Audit, Risk and Compliance Committee but would together with the Credit and Equity Investment Management Committees provide input 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 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's lending activities as well as the placement of deposits with financial institutions. For the Bank, credit risk comprises the potential loss on loans, advances, and guarantees.

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.

Management of credit risk

The Credit Risk Management Framework consists of the following: Credit Risk Governance Framework, Board and Executive Management Oversight, Systems, Policies and Procedures for identification, acceptance, measurement, monitoring and control of risks. The Credit Risk Governance Framework manages credit risk through 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 Head of Credit, Management Credit and Investment Committee ("MCIC"), DBN Credit and Investment Committee (consisting of CEO, Head of Credit and two Board members) and the Credit Investment Committee (consisting of the CEO and three board members). Tiered authorisation limits are allocated to the Head of Credit and the various Credit and Investment Committees. Credit authorisations falling outside of the mandates of the Management Credit and Investment Committee, DBN Credit and Investment Sub-Committee, Credit Investment Committee require approval by the Board.

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

- Recommending all credit applications, reviews, write-off's, legal proceedings, restructuring, rescheduling and changes in collateral in excess of limits delegated to the department;
- Ensuring the effectiveness of the Workout and Recoveries unit;
- Determining and recommending portfolio objectives and risk tolerance levels; and
- Formulating credit policies in consultation with business units, determining requirements, credit assessment, measurement and quantification of and reporting on collateral.

For risk management reporting purposes, the Bank considers all elements of credit risk exposures, such as economic sector, single obligor default and business concentration risks.

Concentration risk is determined by assessing the following exposure limits:

- 12% of capital (ito Credit & Equity Investment Policy)
- 30% sectoral exposure (ito AADFI guidelines)

None of these exposure limits have been exceeded.

These exposure limits are determined on an annual basis.

The credit risk on short term fixed term deposits is limited as the Bank deposits its surplus cash with major banks and investment houses of high quality credit standing.

27. Financial risk management
27.2 Credit risk (continued)

N$	2014	2013
Maximum exposure to credit risk		
Cash and short term funds	279,559,145	453,083,694
Advances		
Installment sales	251,706,108	220,494,885
Term loans	2,147,421,650	1,517,761,024
Preference Share advances	48,048,205	46,007,487
Loans to banks	-	100,001,011
Guarantees honoured by Bank	2,153,725	1,501,008
Trade and other receivables	2,197,628	1,522,807
Staff home ownership scheme loans	25,908,102	14,161,862
	2,756,994,563	2,354,533,778
Amounts not recognised on the statement of financial position		
Guarantees	134,773,687	82,144,795
Irrevocable commitments to borrowers	522,163,854	320,490,000
	3,413,932,104	2,757,168,573

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 reflect 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 continue doing so.
B - Watch or 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 or All Interest Stopped:	Loans, or other assets, which are considered uncollectable or of such little value that their continuance as a bankable asset, or has been handed over for legal action, is not warranted shall be classified as Loss.

N$ 2014 Category	Installment sales	Preference shares	Term loans	Loans to banks	Guarantees	Total	Collateral held
A	165,003,654	39,117,752	1,903,196,708	-	(485,052)	2,106,833,062	1,272,533,629
B	32,827,322	-	63,471,855	-	258,699	96,557,877	54,852,274
C	5,628,670	-	22,312,895	-	92,244	28,033,809	17,772,348
D	13,272,514	-	48,532,049	-	206,290	62,010,853	27,672,431
E	34,973,946	8,930,453	109,892,781	-	2,081,544	155,878,724	54,466,339
	251,706,106	48,048,205	2,147,406,289	-	2,153,725	2,449,314,325	1,427,297,021

27. Financial risk management
27.2 Credit risk (continued)

N$ 2013 Category	Installment sales	Preference shares	Term loans	Loans to banks	Guarantees	Total	Collateral held
A	126,108,845	37,165,342	1,222,707,193	100,001,011	(3,851,535)	1,482,130,856	973,642,751
B	39,350,096	6,128,965	132,893,892	-	4,107,755	182,480,708	82,401,913
C	9,317,974	-	20,458,071	-	62,459	29,838,504	15,691,721
D	8,901,479	-	30,186,645	-	100,191	39,188,315	18,379,303
E	36,816,490	2,713,180	111,515,225	-	1,082,137	152,127,032	52,864,720
	220,494,883	46,007,487	1,517,761,025	100,001,011	1,501,008	1,885,765,414	1,142,980,408

The Bank requires collateral in order to secure its own sustainability. 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. For collateral not readily convertible to cash, the Bank obtains judgment whereby the assets are attached and then sold. The proceeds are used towards the settlement of debt.

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. 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.

Industry benchmarks used by DBN to determine expected recovery values for varying types of security are shown below:

Type of security	**Risk Value of Security ("RVS")**
Immovable assets	Residential properties – 80% of realisable market value
	Commercial properties – 60% of realisable market value
	Industrial properties – 50% of realisable market value
Movable assets	50% of net present market value
Intangible assets	30% - 60% of net present market value
Ceded investments	
- shares / stocks / equity	100% of fair value
- callable cash investments	100% of fair value
Third party collateral	
- ceded investments	As above for ceded investments
- guarantees	Risk assets guarantee & guarantor (e.g AAA sovereign guarantee has a 100% RVS)
Insurance - eg. endowment policies	100% of surrender value
Debtors book	70% of net present value

The Bank determines the fair value only 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.

At reporting date collateral held on all non-performing loans has been fair valued. The Bank is in the process of determining the fair values of collateral held on the remaining performing loans.

At the client or transactional level, these assessments are 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.

27. Financial risk management
27.2 Credit risk (continued)

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 no impairment is recognised as the value of the security / collateral exceeds exposure.

	Total unimpaired loans	**Past due but not impaired**				
N$ 2014		**31-60 days**	**61-90 days**	**91-120 days**	**More than 120 days**	**Total**
Installment sales	207,828,141	4,018,502	1,100,195	664,705	3,427,715	9,211,117
Preference shares	39,117,752	-	-	-	-	-
Term loans	1,964,028,418	19,921,802	3,222,418	2,295,024	9,620,698	35,059,943
Guarantees	117,442,786	895,533	120,606	32,615	236,227	1,284,982
	2,328,417,097	24,835,837	4,443,219	2,992,344	13,284,640	45,556,041

	Total unimpaired loans	**Past due but not impaired**				
N$ 2013		**31-60 days**	**61-90 days**	**91-120 days**	**More than 120 days**	**Total**
Installment sales	174,367,274	5,687,001	335,239	486,653	1,772,155	8,281,048
Preference shares	36,953,539	-	-	-	-	-
Term loans	1,327,110,297	13,653,026	411,868	4,072,274	17,387,951	35,525,119
Guarantees	90,720,652	220,433	141,738	22,971	(28,735)	356,407
	1,629,151,762	19,560,460	888,845	4,581,898	19,131,371	44,162,574

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 Unit. This review aims to ensure that all significant risks have been identified and, where deemed prudent, appropriately mitigated.

Credit quality of past due but not impaired loans and advances

N$ 2014 Category	**Installment sales**	**Preference shares**	**Term loans**	**Guarantees**	**Total**
A	1,345,868	-	16,640,158	718,839	18,704,966
B	4,188,498	-	13,399,310	258,699	17,846,508
C	407,552	-	369,039	15,101	791,962
D	1,494,556	-	975,161	129,405	2,599,122
E	1,774,642	-	3,676,274	162,837	5,613,753
	9,211,117	-	35,059,943	1,284,902	45,556,041

N$ 2013 Category	**Installment sales**	**Preference shares**	**Term loans**	**Guarantees**	**Total**
A	120,290	-	7,209,337	(197,191)	7,132,436
B	5,243,167	-	16,636,274	271,032	22,150,473
C	277,279	-	3,390,897	62,403	3,730,579
D	724,171	-	607,521	53,652	1,385,344
E	1,916,141	-	7,681,089	166,512	9,763,742
	8,281,048	-	35,525,118	356,408	44,162,574

27. Financial risk management
27.2 Credit risk (continued)

Credit quality of neither past due nor impaired loans and advances

N$ 2014 Category	Installment sales	Preference shares	Term loans	Guarantees	Total
A	93,603,973	39,117,752	1,224,974,755	28,492,951	1,386,189,431
B	421,997	-	5,555,265	-	5,977,262
C	-	-	-	-	-
D	-	-	578,736	-	578,736
E	-	-	661,401	-	661,401
	94,025,970	39,117,752	1,231,770,157	28,492,951	1,393,406,830

N$ 2013 Category	Installment sales	Preference shares	Term loans	Guarantees	Total
A	114,071,936	4,830,000	977,288,443	60,570,459	1,156,760,838
B	275,341	-	758,403	19,174,065	20,207,809
C	-	-	-	4,070,090	4,070,090
D	-	-	(2,094)	3,455,403	3,453,309
E	-	-	(740)	3,450,635	3,449,895
	114,347,277	4,830,000	978,044,012	90,720,652	1,187,941,941

Credit quality of total unimpaired loans and advances

N$ 2014 Category	Installment sales	Preference shares	Term loans	Guarantees	Total
A	164,992,666	39,117,752	1,886,881,722	95,240,800	2,186,232,940
B	32,827,322	-	63,471,855	16,790,748	113,089,925
C	1,447,003	-	972,051	500,000	2,919,054
D	4,010,429	-	6,103,332	2,856,254	12,970,015
E	4,550,721	-	6,599,458	2,054,984	13,205,163
	207,828,141	39,117,752	1,964,028,418	117,442,786	2,328,417,096

N$ 2013 Category	Installment sales	Preference shares	Term loans	Guarantees	Total
A	126,084,921	36,953,539	1,201,707,829	60,570,459	1,425,316,748
B	39,350,096	-	105,307,831	19,174,065	163,831,992
C	976,584	-	7,441,622	4,070,090	12,488,296
D	2,200,760	-	1,708,144	3,455,403	7,364,307
E	5,754,913	-	10,944,871	3,450,635	20,150,419
	174,367,274	36,953,539	1,327,110,297	90,720,652	1,629,151,762

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 is reclassified to risk category A. Extensions of Credit are monitored and reviewed periodically to make sure that the creditworthiness of the borrower has not deteriorated.

The total outstanding balance of loans restructured during 2014 amounts to N$ 229,020,673 at 31 December 2014 (2013: N$ 79,856,691).

27. Financial risk management
27.2 Credit risk (continued)

N$

Contractual cash flows of assets and liabilities

		Term to maturity			
2014 **Assets**	**Carrying amount**	**Demand**	**1 - 12 months**	**2 - 5 years**	**Over 5 years**
Cash and cash equivalents	367,806,530	258,582,399	109,224,131	-	-
Trade and other receivables	5,533,747	-	5,533,747	-	-
Staff home ownership scheme loans	25,908,103	-	-	-	25,908,103
Equity investments	162,877,871	-	-	-	162,877,871
Loans and Advances	2,305,148,982	29,500,337	106,210,372	753,599,067	1,415,839,206
Financial assets	2,867,275,233	288,082,736	220,968,250	753,599,067	1,604,625,180
Non-financial assets	52,666,306	-	-	2,666,308	49,999,998
Total assets	2,919,941,539	288,082,736	220,968,250	756,265,375	1,654,625,178
Liabilities and shareholder's equity					
Trade and other liabilities	(30,883,804)	-	(30,883,804)	-	-
Dividends retained for redeployment	(16,402,238)	-	(3,280,448)	(9,841,343)	(3,280,448)
Debt securities issued	(201,545,611)	-	(201,545,611)	-	-
Bank overdraft	(88,247,385)	(88,247,385)	-	-	-
Total non-derivative liabilities	(337,079,038)	(88,247,385)	(235,709,863)	(9,841,343)	(3,280,448)
Derivative held for risk management	(57,872,165)	-	-	-	(57,872,165)
Total derivative liabilities	(57,872,165)	-	-	-	(57,872,165)
Net liquidity gap	2,524,990,336	199,835,351	(14,741,613)	746,424,032	1,593,472,565

		Term to maturity			
2013 **Assets**	**Carrying amount**	**Demand**	**1 - 12 months**	**2 - 5 years**	**Over 5 years**
Cash and cash equivalents	453,083,694	172,844,480	280,239,214	-	-
Trade and other receivables	4,495,873	4,495,873	-	-	-
Staff home ownership scheme loans	14,161,862	-	-	-	14,161,862
Equity investments	130,411,285	-	-	-	130,411,285
Loans and advances	1,727,114,394	71,700,568	108,239,880	325,967,584	1,221,206,362
Financial assets	2,329,267,108	249,040,921	388,479,094	325,967,584	1,365,779,509
Non-financial assets	47,606,823	-	-	10,115,213	37,491,610
Total assets	2,376,873,931	249,040,921	388,479,094	336,082,797	1,403,271,119
Liabilities and shareholder's equity					
Trade and other liabilities	(21,803,257)	-	(21,803,257)	-	-
Dividends retained for redeployment	(16,402,238)	-	(3,280,448)	(9,841,344)	(3,280,446)
Total non-derivative liabilities	(38,205,495)	-	(25,083,705)	(9,841,344)	(3,280,446)
Derivative held for risk management	(29,339,201)	-	-	-	(29,339,201)
Total derivative liabilities	(29,339,201)	-	-	-	(29,339,201)
Net liquidity gap	2,309,329,235	249,040,921	363,395,389	326,241,453	1,370,651,472

27. Financial risk management
27.2 Credit risk (continued)

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.

27.3 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meetings its obligations associated with its financial liabilities that are being settled by delivering cash or another financial asset.

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 approved overdraft facilities, uncommitted credit lines with reputable financial institutions, committed loan facilities with multilateral, bilateral and other development finance institutions.

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 Bank manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by monitoring cash flow forecasts and by matching the maturity profiles of financial assets and liabilities on a monthly basis.

27.4 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 is the risk that changes in market prices such as interest rates, foreign exchange rates and equity prices will affect the Bank's income or the value of its holdings. The Bank's activities expose it primarily to the financial risks of changes in interest rates. However, during the prior year the Bank entered into transactions that resulted in exposures to foreign currency risk. To manage its exposure to foreign currency risk, the Bank entered into a cross currency interest rate swap agreement.

Interest rate risk

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.

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.

Sensitivity analysis for interest rates.

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Bank's profit for the period and retained earnings ended 31 December 2014 would decrease/increase by N$ 10,950,382 (2013: decrease/increase by N$ 10,003,974). 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.

Notes to the Annual Financial Statements

for the year ended 31 December 2014

27. Financial risk management
27.4 Market risks (continued)

Interest rate sensitivity

	Average effective interest rate	Carrying amount	Demand	1-12 months	2 - 5 years	Over 5 years	Non-interest earning / bearing
2014							
Assets				Term to repricing			
Cash and cash equivalents	6.4%	367,806,530	258,582,400	109,224,130	-	-	-
Trade and other receivables	-	5,533,747		-	-		5,533,747
Staff home ownership scheme loans	6.0%	25,908,102	-	-	-	25,908,102	-
Loans and advances	9.46%	2,305,148,982	2,298,642,743	-	-	6,506,239	-
Total financial assets		2,704,397,361	2,557,225,143	109,224,130	-	32,414,341	5,533,747
Liabilities and shareholders' equity							
Bank overdraft		(88,247,385)	-	(88,247,385)	-	-	-
Debt securities issued	7.61%	(201,645,611)	-	(201,645,611)	-	-	-
Trade and other liabilities		(30,883,804)	-	-	-	-	(30,883,804)
Derivative held for risk management		(57,872,165)	-	-	-	-	(57,872,165)
Dividends retained for redeployment		(16,402,238)	-	-	-	-	(16,402,238)
Total liabilities and shareholders' equity		(395,051,203)	-	(289,892,996)	-	-	(105,158,207)
Net interest sensitivity gap		2,309,346,158	2,557,225,143	(180,668,866)	-	32,414,341	(99,624,460)
2013							
Assets				Term to repricing			
Cash and bank	6.5%	453,083,694	172,844,480	280,239,214	-	-	-
Trade and other receivables	-	4,495,873	-	-	-	-	4,495,873
DBN Housing scheme advances	6.5%	14,161,863	-	-	-	14,161,863	-
Loans and advances	8.8%	1,727,114,394	1,718,491,585	-	4,830,000	3,792,749	-
Total financial assets		2,198,855,823	1,891,336,165	280,239,214	4,830,000	17,954,572	4,495,873
Liabilities and shareholders' equity							
Trade and other liabilities		(21,803,257)	-	-	-	-	(21,803,257)
Derivative held for risk management		(29,339,201)		-	-	-	(29,339,201)
Dividends retained for redeployment		(16,402,238)	-	-	-	-	(16,402,238)
Total liabilities and shareholders' equity		(67,544,696)	-	-	-	-	(67,544,696)
Net interest sensitivity gap		2,131,311,128	1,891,336,165	280,239,214	4,830,000	17,954,572	(63,048,823)

27. Financial risk management (continued)

27.5 Foreign currency risk

During the prior year, the Bank undertook transactions denominated in foreign currency (US Dollar), consequently exposures to exchange rate fluctuations arose. The exchange rate exposure is managed by utilising a cross currency interest rate swap agreement.

The carrying amount of the Banks foreign currency denominated monetary assets at the end of the reporting period are as follows:

N$	2014	2013
Loans and advances	200,882,106	193,104,633
Equity investments	7,132,337	3,714,285

Foreign currency sensitivity analysis

The following table details the Bank's sensitivity to a 10% increase and decrease in NAD to the relevant foreign currency.

N$	2014	2013
Profit or loss	4,734,751	-
Equity	713,238	371,428

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

27.6 Equity price risk

The Bank is exposed to equity price risks arising from its equity investments. Equity investments are held for strategic rather than trading purposes. The Bank does not actively trade these investments.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the equity prices had been 5% higher or lower:

- Profit for the year ended 31 December 2014 would have been unaffected as the equity investments are classified as available-for-sale and no material investments were disposed of or impaired.
- Other comprehensive income for the year ended 31 December 2014 would increase/decrease by N$ 8,143,894 (2013: N$ 6,524,564)

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, resource mobilisation strategy and the capital adequacy framework approved by the Board.

Overall capital adequacy within the Bank is measured both quantitatively and qualitatively. The quantitative analysis focuses on risk-based and leveraged ratios whilst the qualitative assessment considers the quality of earnings, the quality of assets, the Bank's business strategy and the effectiveness of risk management.

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. At reporting date the Bank's capital adequacy ratio stood at 95% (2013: 116%).

Capital comprises of share capital, share premium, retained earnings and reserves. The capital ratio is calculated as shareholders' capital divided by risk-weighted assets, where risk-weighted assets comprise of total assets (as shown on the statement of financial position).

N$	2014	2013
Capital		
Share capital	162,100,000	161,500,000
Share premium	1,718,272,676	1,688,368,176
Retained earnings plus reserves	661,019,898	475,863,299
	2,541,392,574	2,325,731,475

28. USE OF ESTIMATES AND JUDGMENTS

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

Derivative financial liabilities are entered into by the Bank as a risk management tool.

If the market for a financial instrument 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.

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 underlying definition of fair value being that an entity is a going concern without any intention or necessity to liquidate, curtail materially the scale of it's operations or to undertake a transaction on adverse terms. Fair value is not therefore, the amount that an entity would receive or pay in a forced transaction, involuntary liquidation, or distress sale. However, fair value reflects the credit quality of the instrument.

Investment securities

The fair value of non-controlling equity investments is determined by using discounted cash flow (DCF) methodologies. However, alternative valuation methods are adopted in instances where reasonable reliance cannot be placed on the use of the income approach valuation method due to limiting factors. The following principle methods have been used to determine the fair value of the unlisted equity investments at reporting date:

Ohorongo Cement (Pty) Ltd

The fair value was determined using the discounted cash flow method with a minority discount of 18% being applied to determine the fair value of the Bank's investment in Ohorongo.

Norsad Finance Ltd

The equity investment shareholding was fair valued by applying the future cash flow earnings method. The key assumptions on which the valuation is based are as follows:

1. A dividend of 50% of the annual profit was assumed to determine cash flows;
2. Discount rate at the GC35 yield rate plus 300bps;
3. 2/3 preference dividends for the preference shares; and
4. Annual net profits based on the most recent financial statements adjusted for an average of 27% increase for the next 5 years.

The methods described above may produce a fair value measurement that may not be indicative of ultimate realisable value. However, management believes there is no other means of determining fair value for this investment. The 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.

28. Use of estimates and judgments (continued)

Investment securities

Financial assets recognised at fair value on statement of financial position

N$

31 December 2014				
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity investments	-	-	162,877,871	162,877,871
	-	-	162,877,871	162,877,871

31 December 2013				
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity investments	-	-	130,411,285	130,411,285
	-	-	130,411,285	130,411,285

Changes in level 3 fair value of financial instruments

Financial assets	
Fair value on 31 December 2013	130,411,285
Net change in fair value recognised in other comprehensive income	38,216,586
Disposal	(5,750,000)
Fair value on 31 December 2014	162,877,871

Changes in the Bank's best estimate of the unobservable inputs could affect the reported fair values recognised on the statement of financial position and movements in fair values recognised in the statement of other comprehensive income. Changing these inputs to reasonably possible alternatives would change the fair values using more positive reasonable assumptions to N$ 164,987,063 and using more negative reasonable assumptions to N$ 160,776,300.

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.

28. Use of estimates and judgments (continued)

Derivative held for risk management

The Bank used external valuators to value the derivative instrument based on the hypothetical derivative method.

The hedged risk is modelled as a derivative called a 'hypothetical derivative'. The hypothetical derivative creates a hypothetical fixed leg on the hedged item. The hypothetical derivative approach calculates a market related fixed leg derived from the swap curve at inception of the hedge. This is the interest rate which ensures that the hypothetical fixed leg is equal and opposite to the floating leg rate (constructed using market related forward rates) and results in the hypothetical derivative having a zero value at inception. The hedging instrument is fair valued at inception and the prospective testing consists of comparing the cumulative change in fair value of the hedging instrument with the change in the cumulative fair value of the hypothetical derivative on a scenario basis in order to illustrate any future ineffectiveness from stress scenarios.

The hypothetical derivative was modelled as a currency swap for the designated period.

The hypothetical derivative represents the allocated notional value of the on-balance sheet term debt. The hedged on-balance sheet debt has a term of at least that of the currency swap, with a profile as indicated in the notional amounts of the hypothetical derivative. The allocated portion of the debt matches the currency swap's term to maturity.

Financial instruments recognised at fair value on statement of financial position

N$

31 December 2014				
Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative held for risk management	-	-	57,872,165	57,872,165
	-	-	57,872,165	57,872,165
31 December 2013				
Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative held for risk management	-	-	29,339,201	29,339,201
	-	-	29,339,201	29,339,201

During the reporting periods ending 31 December 2014 and 31 December 2013 respectively, there was no transfer into or out of Level 3 fair value measurements nor any fair value measurements exits for Level 1 or 2.

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