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28 March 2013

MEDIA STATEMENT**BANK OF NAMIBIA'S 2012 ANNUAL REPORT LAUNCHED**

The Bank of Namibia prepared and launched its Annual Report on 28 March 2012. This is done within three months after the end of its Financial Year, as required by law. The Report includes the annual accounts of the Bank certified by independent auditors, a report of the Operations and Affairs of the Bank and a report on the state of the economy. The Report also includes the activities of Banking Supervision, which largely focuses on the stability and soundness of Namibia's banking system.

ANNUAL ACCOUNTS OF THE BANK

1. The Bank's Annual Financial Statements reflect the financial position of the Bank, its financial performance, and cash flows for the year. Due to the global economic uncertainty coupled with the low interest rate environment that affected the Bank's revenue, the Bank will contribute about N\$25 million to the state revenue fund during the 2013/14 fiscal year, lower than N\$60 million of the previous year. The Annual Financial Statements meet the International Financial Reporting Standards and the requirements of the Bank of Namibia Act, 1997. This is confirmation that the Bank continues to adhere to the highest standards of good corporate governance.

A handwritten signature in black ink, appearing to be 'S. V.' with a flourish at the end.

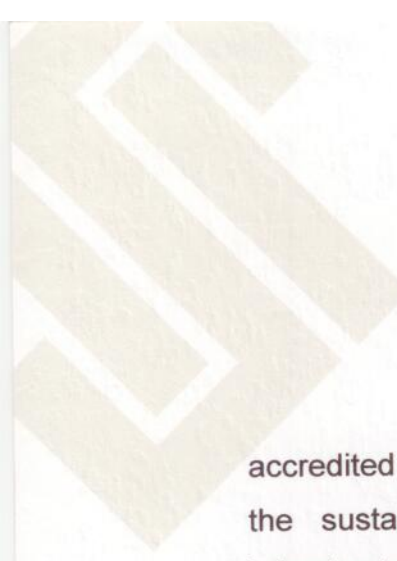


OPERATIONS AND AFFAIRS OF THE BANK

2. The Bank pursued its strategic objectives guided by the Bank's legal mandate and its five-year strategic plan. The Report highlights the Bank's seven strategic objectives as well as the strategic outcomes on these strategies. As customary, the Bank continues to fulfil its role as an advisor to the Government by providing policy advice on economic and fiscal issues. Among the research activities undertaken during the year were a study on the optimal approach for establishing a Credit Bureau in Namibia and a study on the viability of establishing a Credit Guarantee Scheme. These policy research works seeks to inform initiatives advocated for in the Financial Sector Strategy to improve access to finance for individuals and SMEs. The Bank also worked on a number of policy briefs, identified internally or developed based on requests from Government Ministries. These research papers and policy briefs were discussed and presented to relevant stakeholders.

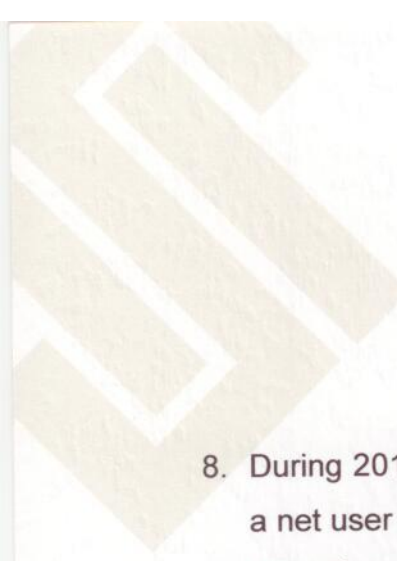
STATE OF THE ECONOMY IN 2012

3. Global growth slowed in 2012, due to economic challenges in key economies in the world. Global growth was estimated to have eased to 3.2 percent from 3.9 percent in 2011. The key factor contributing to a slowdown in global growth for 2012 was weak economic activity in the Euro Area and uncertainties regarding the fiscal policy in the US. Looking ahead, projections by the IMF indicate that global growth will improve to 3.5 percent in 2013. There is however risks, including renewed setbacks in the Euro Area and fiscal challenges in the United States which could slow global economic growth.
4. Despite the decline in global demand, the Namibian economy is estimated to have recorded a positive performance in 2012. According to the Preliminary National Accounts realised by the Namibia Statistical Agency (NSA) on 20 March 2013, the domestic economy is estimated to have recorded a growth of 5.0 percent during 2012 compared to 4.9 percent in 2011. The estimated growth is



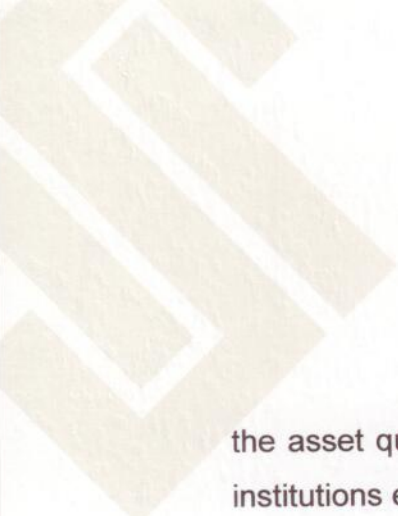
accredited to a recovery in mining activities, mainly diamonds and uranium, and the sustained growth of construction on the back of increased public infrastructure and property developments. In contrast, economic activity in the tertiary industry slowed across the board in 2012.

5. Inflation rate averaged 6.5 percent during 2012, up from 5.0 percent in 2011, while monetary policy remained accommodative. The acceleration in overall inflation was underpinned mainly by high inflation rates for food and transport that peaked at 11.0 percent and 8.0 percent, respectively. While inflation has been on the rise, it has remained low and has not posed an immediate threat to price stability. Given the above, the Bank maintained an accommodative monetary policy stance to continue supporting the slow recovery of the domestic economy. Specifically, the Repo rate, which remained unchanged at 6.00 percent during the first seven months of 2012, was reduced by 50 basis points in August 2012 to 5.50 percent.
6. On the fiscal front, Government undertook to keep the budget deficit and the debt stock at sustainable levels over the medium-term. According to the 2013/14 budget, government budget deficit is estimated at 2.8 percent of GDP in 2012/13, compared to a deficit of 4.6 percent of GDP, included in the 2012/13 Budget. Total government debt declined by 0.8 percentage points to 25.6 percent of GDP by end-2012; a debt level significantly below the government's debt ceiling of 35 percent of GDP.
7. The *overall balance of payments* (excluding valuation adjustments) recorded a smaller surplus of about N\$156 million during 2012, compared to a surplus of N\$4.1 billion in 2011. A significant reduction in the current account deficit, compensated a net capital and financial account inflows. In addition, the international investment position of Namibia rose over the same period, largely due to a rise in portfolio investment.

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8. During 2012, Namibia's external imbalances endured, with the country remaining a net user of foreign savings to finance domestic investment needs. The external current account remained in a deficit despite a doubling of SACU receipts that helped finance a large trade imbalance. A relatively small increase in gross international reserves mirrored developments in the external financial account, largely related to net capital inflows that included the issue of sovereign bonds on the Johannesburg Stock Exchange (JSE) that increased the country's external debts. Notwithstanding the slight increases in reserves, the reserve import coverage has declined from an average of 3.8 months of import coverage in 2011 to 3.4 months in 2012. The gross reserves were however sufficient to keep the reserve import coverage marginally above the international benchmark equivalent to three months of imports of goods and services and to back the fixed currency arrangement to the South African Rand.
 9. The Namibia Dollar weakened against the US Dollar, British Pound Sterling and Euro, resulting in some *gains in external competitiveness during 2012*. The depreciation of the Namibia Dollar echoed the negative sentiment of investors, which arose from virulent industrial actions in South Africa, as well as the appreciation of the US Dollar in international foreign exchange markets. Namibia's external competitiveness improved in 2012 as reflected in the depreciation of the trade-weighted real effective exchange rate.

ASSESSMENT OF THE BANKING SECTOR

10. During 2012, the banking sector remained sound, profitable and well capitalised. In this regard, all commercial banking institutions reported capital in excess of minimum regulatory requirements, and conforming to all other regulatory limits. The low interest rate environment also continued to be favourable towards borrowers, with non-performing loans remaining at their lowest. Although uncertainties remain a challenge globally, no immediate fears for a weakening in



the asset quality, profitability or capital position of domestic commercial banking institutions exist locally.

The media and the public at large are encouraged to read the full Bank of Namibia Annual Report which is available upon request and can also be accessed at www.bon.com.na/Publication/AnnualReports



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