Development
Bank of Namibia

Annual Report
2019/20

The Development Bank of Namibia is mandated to contribute to the development of Namibia, and the socio-economic wellbeing of its citizens.

The goals that it sets itself are ambitious. In order to achieve its vision of prosperity, the Bank continuously evolves and develops its capacity with the aim of being an exceptional agent of economic development.

To achieve prosperity, the Bank transforms the private sector through finance for larger enterprises in key economic sectors that are expected to deliver development impact, economic activity and employment, particularly in the fields of infrastructure, manufacturing, tourism and transport & logistics.

To achieve transformation through inclusive economic participation, the Bank finances previously disadvantaged Namibians and women entrepreneurs. With an eye on the future, the Bank also provides finance to youth entrepreneurs, the next generation of Namibian enterprise leaders.

To develop a conducive environment for enterprise and social wellbeing, the Bank provides finance for infrastructure and utilities, notably energy, electricity and water.

With the aim of socio-economic wellbeing, the Bank participates in development of towns and villages, serviced land, affordable housing, and private sector health and educational facilities.

The Bank represents an ongoing endeavour to materially improve Namibia, now and in future. This is an ongoing challenge which the Bank continuously reviews, and to which it rises.

Financed By DBN

The Ongos Village housing project will significantly contribute to alleviating the need for affordable housing in Windhoek.

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On the front cover:
Big Dog Resources (see page 32)

Chairperson's report

Foreword

On behalf of the Board of Directors of the Development Bank of Namibia, I am pleased to present the Bank's 2019/20 Annual Report.

Despite the ongoing economic contraction and drought, the first three quarters of 2019/20 reflected a growing degree of confidence and incremental economic gains in Namibia and in the SADC region. However, the last quarter of the period, from 1 January 2020 to 31 March 2020 - as a result of the onset of the Covid-19 pandemic - experienced a halt to economic activity which will have a significant reversal effect on national economic activity. The Bank will thus need to remap its priorities especially in the short to medium-term.

Impact of Covid-19

The immediate impact of Covid-19 is the inevitable decline of economic activity. The Bank has measured its impact in terms of infrastructure development, enterprise development and gains in socio-economic well-being. During the Covid-19 lockdown, economic activity came to a halt. However, with the resumption of activity, the economy is expected to experience lags in productivity, trade, investment and capital formation before it can successfully return to previous levels of activity.

As a development bank, DBN will be called upon to assist with preserving existing productive capacity. Currently, the Bank is adapting to repayment holidays for existing borrowers, and a recovery package is being initiated to extend beyond the Bank's existing borrowers.

Based on the Bank's capacity, adaptive nature and resilience, the Board expects to report favourably on this in the 2020/21 Annual Report.

Short to medium-term Covid-19 impact

The Covid-19 pandemic has exposed vulnerabilities in the current economic make-up and activities in Namibia. Key among the vulnerabilities is the country's reliance on imported manufactured goods which may fall prey to disruption. This indicates the need for renewed vigour in expanding existing manufacturing capacity, establishing new manufacturing capacity or diversifying existing entities.

The second major vulnerability lies in the overreliance on inward-bound international tourism. The impact on the tourism sector can only be assessed over time. However, a rebalancing will need to take place to replace a portion of its contribution to GDP until it fully recovers.

The third major vulnerability is food security. Although drought has been a concern, Namibia was able to import to cover gaps in local productivity. The immediate requirement will be to restore the supply chain. However in the short to medium-term, Namibia and the Bank will have to compensate with measures to further enhance capacity. The Bank will continue to monitor and respond to the national priorities over time.

Impact on bond subscribers

I am pleased to report that the Bank has met its commitments to its bond subscribers and will continue to do so.

The Bank is a highly committed organization that cooperates with multiple stakeholders. In the face of the economic circumstances of the past few years and the current COVID-19 pandemic, DBN understands the importance of cooperation in attaining multiple development goals on behalf of various stakeholders.

On the basis of structural adjustments to productive capacity, the Bank foresees that there will be a wider sectoral range of investments under the bond programme. The Bank will continue to support its investments in enterprises including ongoing client support and measures to preserve the long-term sustainability of its investments.

Strategic gains in 2019/20

2019/20 saw the implementation and initiation of valuable strategic initiatives in support of economic activity.

The first strategic initiative is the introduction of financing for climate adaptive infrastructure with the Kreditanstalt für Wiederaufbau (KfW), the agency responsible for international cooperation of the Federal Republic of Germany. In terms of the financing agreement, the Bank will receive finance to be utilized for assets such as solar farms, wind generation and water infrastructure.

The second strategic initiative is the preliminary development of a facility for agriculture under controlled circumstances or using controlled processes. The focus of the facility lies in provision of infrastructure and technology, rather than direct investments in land and stock entailed in the Agricultural Bank of Namibia. The facility, once implemented, will complement DBN's existing activity in the field of agro-processing and food manufacturing.

The third initiative is the implementation of the Skills-Based Facility for Youth. Access to finance for young artisans will greatly enhance the cause of industrialization by providing the technical capacity that is required by enterprises. The Facility will improve delivery of social well-being, as well as services to enterprises and infrastructure.

By providing entrepreneurial finance, services provided by both artisans and professionals can be spread across multiple enterprises and communities, rather than concentrated in single workplaces. At the same time, the young entrepreneurs are expected to become the core of entrepreneurial culture in the future.

Commitment and cooperation

The Bank is a highly committed organization that cooperates with multiple stakeholders. In the face of the economic circumstances of the past few years and the current COVID-19 pandemic, DBN understands the importance of cooperation in attaining multiple development goals on behalf of various stakeholders. It treats every gain in economic impact as important, thus pledging continuing commitment and cooperation.

I would like to assure the Shareholder that the Board remains ready to deliver on the Bank's mandate, provide solutions to pressing national issues, and maintain stakeholder cooperation and satisfaction at all times.

In conclusion, the Bank's staff members efficiently navigated the Bank's realignment as well as the sudden dispersal and subsequent successful operation of the Bank's activities from their homes as a result of the lockdown in view of the COVID-19 pandemic. I therefore wish to express my gratitude to the management and staff for rising to the challenge and ensuring that services were not interrupted.

I would also like to thank my fellow directors for their commitment and dedication towards making the Bank relevant in the collective quest for sustainable socio-economic development.

Tania Hangula
Chairperson

CEO's report

Challenge rewards those who take it on, with responsibility and the opportunity to make a difference. In spite of the massive strategic inflection point at the end of March 2020, I am proud to report that the Bank faced the challenges presented to it in 2019/20, and that it is prepared and has the capability to accept the responsibilities that it will shoulder in 2020/21.

Fit for purpose

A directive from the Ministry of Finance requires the Bank to host the three strategic SME initiatives: the Credit Guarantee Scheme, the Mentoring and Coaching Programme, as well as the SME Venture Capital Programme. The Bank has also been directed to resume the SME Lending function.

To position itself to execute the additional functions, the Bank successfully realigned its internal structures. This entailed subdivision of the Bank's Lending Department into an Investments Department, an SME Finance Department and a Portfolio Management Department, and the consolidation of the current Business Development Department within the Investment Department.

The new functions will be effectively deployed in recovery initiatives undertaken by the Bank during 2020/21.

Earnings and growth

Loans and advances at N$8.47 billion reflected a slight decrease of N$42 million (2019: N$8.51 billion). Excluding the NEF fuel storage and the Neckartal Dam loan repayments, the loan book grew by N$391million. Profit for the 2020 financial year was N$229.1 million, an increase of 8% compared to the 2019 profit of N$211.7 million.

Total assets at N$9.5 billion reduced by 1% compared to 2019 results. Repayments reduced NEF loan by of N$336 million, reducing the Bank's investment in this project to N$3.8 billion. The debt obligation is being funded by the strategic fuel storage levy. The Neckartal Dam loan reduced by N$97 million due to repayments resulting in a balance of N$343 million at 31 March 2020.

The Bank's impairment ratio was 9.5% at 31 March 2020, which was higher compared to 8.4% at the end of the previous financial year. The non-performing loan ratio increased from 9.6% in 2018/19 to 13.5% in 2019/20.

Development impact

Demand for finance increased in 2019/20 despite the recessionary climate. This is perfectly illustrated by the fact that the Bank was able to grow the number of start-up approvals to 36 (2018/19: 21). The Bank approved a total of N$1,137.8 million in finance (2018/19: N$682.1 million)..

The largest approvals by sector were allocated to land servicing (N$442.9 million) for servicing of 5,040 erven on 228.8 ha. Business services received the second largest allocation of approvals with N$177.0 million. Approvals for manufacturing amounted to N$130.7 million. Notable projects include manufacturing of gypsum products as well as a plant for recycling plastics to be used in packaging.

Regionally, Khomas received N$476.7 million in approvals followed by Oshana with N$138.3 million and Erongo with

I am proud to report that the Bank faced the challenges presented to it in 2019/20, and that it is prepared and has the capability to accept the responsibilities that it will shoulder in 2020/21.

N$110.8 million. Enterprises with a footprint spanning two or more regions received approvals of N$185.4 million

Approvals for the period are projected to create 1,693 temporary jobs and 8,130 new permanent jobs. The Bank defines permanent jobs as jobs with a duration of 3 years or longer. The large number of permanent jobs is due to the high number of ongoing jobs required to service land at the Ongos Valley Development.

SME lending

In 2019/20 the Bank approved N$279.3 million for SMEs. Approvals of N$150.9 million went to business services followed by construction with N$67.4 million. Regionally, //Karas received the largest share of allocations in the amount of N$78.8 million. Khomas received N$45.4 million in approvals and Erongo received N$33.9. SME projects with a national footprint were allocated N$30.7 million in approvals.

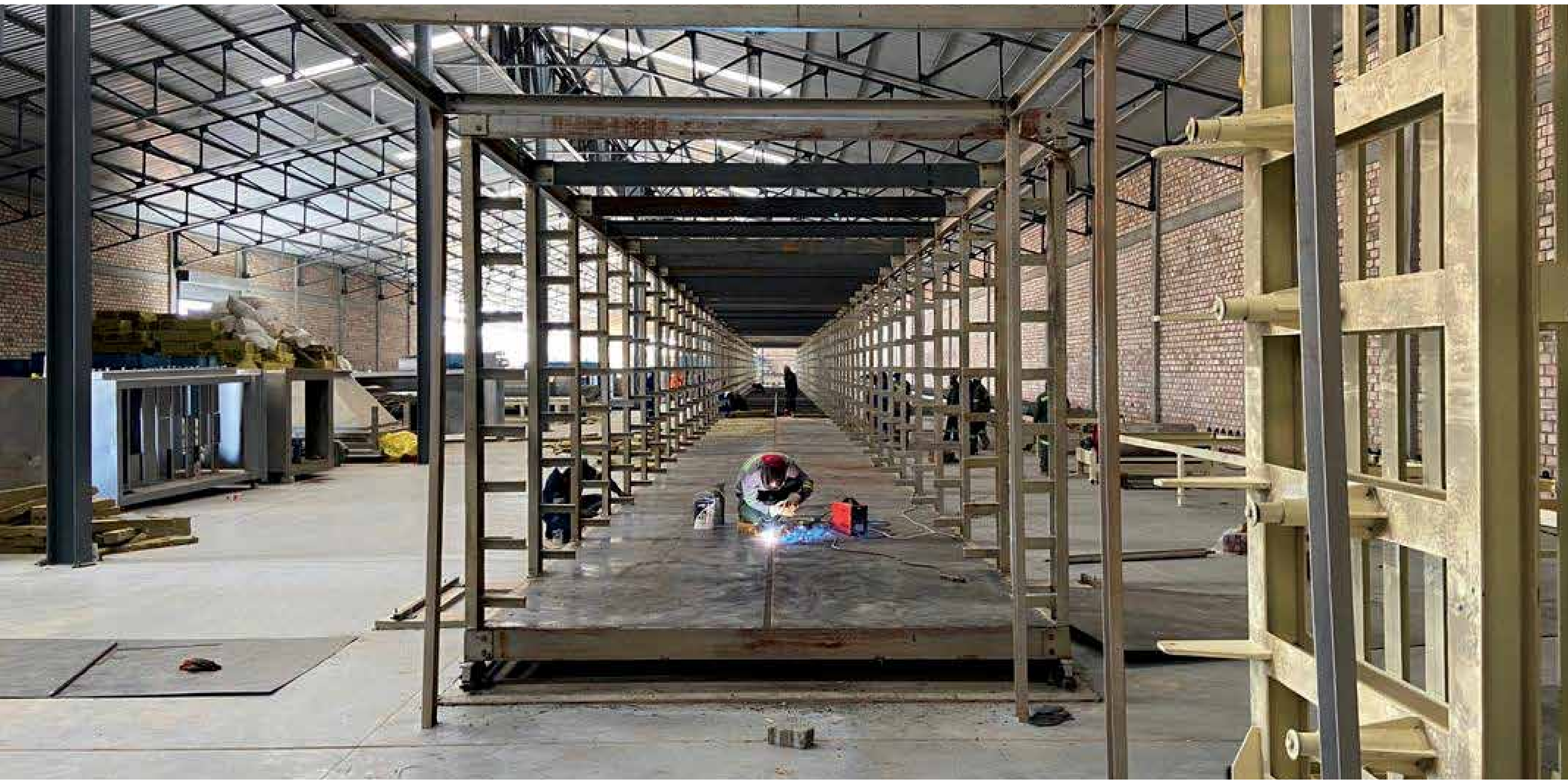
Based on the approvals, SMEs are projected to create 645 new, permanent jobs and 928 temporary jobs. These jobs are included in employment impact noted above.

The Covid-19 lockdown

Late in March 2020, it became apparent that the Bank would have to physically close in terms of the requirements of the Covid-19 Emergency Declaration. The Bank chose instead to work remotely, with staff operating from their homes. The Bank was able to continue operating due to the extraordinary efforts of its IT department. My special appreciation goes to IT.

I also wish to thank all the staff who participated fully during the lockdown, and enabled the Bank to continue exercising its mandate of developing Namibia.

Martin Inkumbi
Chief Executive Officer



Governance and leadership

There were no failures of governance observed in the Bank during the 2019/20 financial year.

Financed by DBN

Namibia Gypsum (pictured under construction) will transform Namibia's gypsum resource and add value to it.

Mandate

The main objective of the Bank

is to contribute to 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 ancillary objectives of the Bank

are to:

cooperate with, and assist, other development financial institutions in order to achieve an integrated finance system in Namibia for economic growth and sustainable development; and

assist other institutions in the public and private sectors with the management of specific funds in order that the development requirements of Namibia may be met.

Governing legislation and its key features

The Bank was established through the Development Bank of Namibia Act of 2002 and incorporated as a public company.

Its memorandum and articles are drawn up in terms of the Companies Act, which applies to the Bank, subject to the provision of the Development Bank of Namibia Act.

The Minister of Finance, by gazette, may exempt the Bank from any provisions of the Companies Act.

The Banking Institutions Act does not apply to the Bank, but the Minister may in consultation with the Bank of Namibia apply any provision to the Development Bank of Namibia.

The Public Enterprises Governance Act of 2019, applies to the Bank, which requires the Bank to provide regular feedback in compliance with the Public Enterprises Governance Act to the Minister of Public Enterprises.

A governance agreement was concluded on 13 June 2013 between the Bank and the Ministry of Finance as per section 11 of the Public Enterprises Governance Act.

All Directors for the year under review signed performance agreements with the shareholder in terms of section 12 of the Public Enterprises Governance Act.

The Bank must, no later than 6 months after the end of each financial year, submit its annual report to the Minister of Finance and the Minister of Public Enterprises. This has been adhered to.

Internal governance

The DBN articles of association provide for the number of directors, their powers and for their retirement. They further provide for the payment of dividends, directors' remuneration and auditors' fees.

The Bank has Board and Management Charters that are reviewed on an annual basis. In the Charters, the limits of authority are stipulated as well as the roles and responsibility of the various Board Committees, Board members and management.

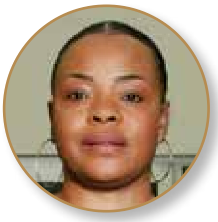
The Corporate Governance Code for Namibia provides for the establishment of structures and processes, with appropriate checks and balances that enable directors to discharge their legal responsibilities, and oversee compliance with legislation.

The Code of Business Conduct and Ethics requires all employees and persons acting on behalf of the Bank to act in an ethical and professional manner, upholding the Bank's core values, standards and principles at all times. The Code of Business Conduct and Ethics clarifies what is deemed acceptable business behaviour from a Bank employee so as to ensure the Bank's sustainable business. At the core of this Code are the values of:

- Service
- Integrity
- Transparency
- Excellence

Board of Directors

The Board's primary mandate is to ensure the sustainability and successful continuation of the Bank's business activities by providing strategic direction to the executive management. Independent non-executive directors are appointed by the shareholder in terms of section 10 of the Development Bank of Namibia Act, 2002 for a period not exceeding five years, and can be reappointed. Current Board members were appointed on a three year term which commenced 1 April 2018.



Tania Hangula (Chairperson)

Qualifications: Post Graduate Diploma Business Management (UCT), National Diploma Commerce (NUST) Paralegal Certificate (UCT)

Experience: Businesswoman & Executive Assistant (World Bank, Washington DC), Civil servant (Government of Namibia)

Tabitha Mbome

Qualifications: B.Juris (UNAM), B.Law (UNAM), Notary Public (Namibia), Accredited Mediator (High Court of Namibia)

Experience: Legal Advisor (Namibia Statistics Agency), Senior Legal Practitioner (Neves Legal Practitioners), Legal Clerk - Legal Aid (Ministry of Justice)

James Cumming

Qualifications: B.BusSc (UCT), Postgraduate Diploma in Accounting (UCT), Chartered Financial Analyst and Chartered Accountant (Namibia)

Experience: Businessman, Head of Research (Simonis Storm Securities), Financial Officer (Clareville Capital London) (UK), Audit Manager (Deloitte) (Ireland), Trainee Accountant (Deloitte and Touche) (Namibia)

Diana Husselmann

Qualifications: Bachelor in Human Resources Management (NUST), Certificate in Dispute Resolution (UNAM), Certificate in Industrial Psychology and Organisational Behaviour (UNISA), Diploma in Human Resources Management (NUST)

Experience: Manager: Remuneration (Swakopmund Uranium), Superintendent: Remuneration (Swakopmund Uranium), Specialist: Remuneration and Benefits (Rio Tinto) (Rossing Uranium Limited), Head: Remuneration and Administration (Nampower), HR Business Partner (Namdeb Diamond Corporation)

Kai Victor Geschke

Qualifications: Bachelor of Accountancy (UOS), Honours Bachelor of Accounting Science (UNISA), Postgraduate Diploma in Auditing (UNISA), Chartered Accountant (Namibia) (South Africa), Public Accountant and Auditor (Namibia)

Experience: Businessman, Managing Director (NEO Paints Factory), Group Financial Manager (Old Mutual Holdings Namibia), Assistant Audit Manager (PricewaterhouseCoopers Namibia)

Martin Inkumbi (CEO)

Qualifications: M.Sc Financial Economics (University of London), Postgraduate Diploma in Banking and Finance (University of Natal), B.Com (UCT)

Experience: Chief Executive Officer (DBN), Head Lending (DBN), Portfolio Manager (DBN), Manager: Corporate Business Services (First National Bank of Namibia), Financial Market Analyst (Bank of Namibia), Research Officer (Bank of Namibia)

Board composition for the year ended 31 March 2020

The Bank's Memorandum of Incorporation provides that there should be a majority of independent non-executive directors, including the Chairperson, and one executive director, the Chief Executive Officer. As at 31 March 2020, the Board comprised of six directors, of whom the majority was non-executive.

The independent non-executive directors have diverse skills, experience and backgrounds, and all the directors have a comprehensive understanding of the industry as well as the business of the Bank.

Board member tenure for the 2020 financial year

0 – 3 years	*3 independent, non-executive directors*
3 – 6 years	*2 independent, non-executive directors*
More than 6 years	*1 executive director*

Directors' gender for the 2020 financial year

Male	*3 directors*
Female	*3 directors*

Board independence

The Bank acknowledges that independence is more often than not a matter of perception rather than fact, and in evaluating independence will consider inter alia, whether a Director:

- is a significant or ongoing service provider or professional advisor, or was an officer, employee or a representative of such provider of financial capital or funding;
- has been employed by the Bank at an executive level within the past 3 financial years, or is a related party to such executive;
- has been the external auditor responsible for performing the statutory audit within the previous 3 financial years;
- is a significant customer of, or supplier to, the DBN; and / or
- is eligible for remuneration dependent on the performance of the DBN.

Based on the above dynamics, the Bank had five independent, non-executive directors at the end of the year under review.

The role of the Chairperson is separate from that of the CEO. The Chairperson provides overall leadership to the Board and ensures that Directors perform effectively.

The CEO is responsible for formulating and recommending long -term business strategies and policies to the Board for approval. In discharging his duties, the CEO is assisted by the Executive Committee.

Conflict of Interest

In terms of Part 6, sections 242 to 248 of the Company's Act 28 of 2004 as amended, all Directors are required to disclose interests in contracts. The Company Secretary maintains a register of interests in contracts as per section 248 of the Companies Act.

Directors are required to declare all interests at the meetings they attend and these are recorded in writing, as required by legislation.

Directors who have a conflict of interest on any matter to be discussed at meetings are required to inform the Company Secretary prior to meetings and are recused when matters that may be subject to conflicts of interest are discussed.

Board committees and membership for the year ended 31 March 2020

Board

Member	Role	Tenure ends
T Hangula	Chairperson, non-executive independent director	31 March 2021, second term
M Inkumbi (CEO)	Executive director	31 July 2023, 5-year contract, second term
T Mbome	Non-executive independent director	31 March 2021, second term
J Cumming	Non-executive independent director	31 March 2021, first term
K Geschke	Non-executive independent director	31 March 2021, first term
D Husselmann	Non-executive independent director	31 March 2021, first term

Audit, Risk and Compliance Committee

K Geschke	Chairperson, non-executive independent director
M Inkumbi (CEO)	Executive director
T Mbome	Non-executive independent director
J Cumming	Non-executive independent director

Credit and Investment Committee

J Cumming	Chairperson, non-executive independent director
M Inkumbi (CEO)	Executive director
T Mbome	Non-executive independent director
K Geschke	Non-executive independent director

Human Capital and Remuneration Committee

D Husselmann	Chairperson, non-executive independent director
T Hangula	Non-executive independent director
M Inkumbi (CEO)	Executive director
T Mbome	Non-executive independent director

Directors' fees

Schedule of Directors' Fees

	04.2019 - 03.2020
Chairperson's quarterly fee	N$17,589
Chairperson's sitting fee	N$9,912 per Board meeting
Director's quarterly fee	N$14,368
Director's sitting fee	N$6,252 per Board meeting
Sub-committee chairperson quarterly fee	N$8,431
Sub-committee chairperson sitting fee	N$4,622 per meeting
Sub-committee member quarterly fee	N$6,424
Sub-committee member sitting fee	N$3,093 per meeting

Non-Executive Directors' Emoluments
For the financial year 1 April 2019 to 31 March 2020

T Hangula (Chairperson)	246,554.94
T Mbome	246,421.80
J Cumming	265,996.40
D Husselman	150,186.46
K Geschke	260,016.76

PAYE (Pay-As-You-Earn) is deducted from the Directors' emoluments as required by the Namibian Income Tax amendment Act, 2015.

Board attendance

General Board Meetings

DD/MM/YY	03.07 2019	25.09 2019	04.12 2019	18.03 2020
T Hangula	√	√	√	√
M Inkumbi (CEO)	√	√	√	√
T Mbome	√	√	√	x
J Cumming	√	√	√	√
D Husselmann	x	x	√	√
KV Geschke	√	√	√	√

Board Strategy Meetings

DD/MM/YY	09.10 2019	25.11 2019
T Hangula	√	√
M Inkumbi (CEO)	√	√
T Mbome	√	x
J Cumming	√	√
D Husselmann	x	√
KV Geschke	√	√

Annual General Meeting

DD/MM/YY	08.10 2018
T Hangula	√
M Inkumbi (CEO)	x
T Mbome	√
J Cumming	√
D Husselmann	√
KV Geschke	√

Extraordinary Board Meetings

DD/MM/YY	09.04 2019	07.06 2019	05.07 2019	19.08 2019	13.09 2019	13.03 2020
T Hangula	√	√	√	x	√	√
M Inkumbi (CEO)	√	x	√	√	√	√
T Mbome	√	√	x	√	√	x
J Cumming	√	√	√	√	√	√
D Husselmann	x	x	x	x	√	x
KV Geschke	√	√	√	√	√	√

Board attendance (continued)

Credit and Investment Committee

DD/MM/YY	15.04 2019	22.05 2019	28.05 2019	06.06 2019	21.06 2019	26.07 2019	19.08 2019	16.09 2019	23.10 2019	20.11 2019	18.02 2020	06.03 2020	26.03 2020
J Cumming	√	√	√	√	√	√	√	√	√	√	√	√	√
M Inkumbi (CEO)	√	√	√	√	√	√	√	√	√	√	√	√	√
T Mbome	√	√	x	x	√	√	√	√	√	√	√	√	x
KV Geschke	√	√	√	√	√	√	√	√	√	√	√	√	√

Audit Risk and Compliance Committee

DD/MM/YY	19.06 2019	11.09 2019	13.11 2019	4.03 2020
K Geschke	√	√	√	√
M Inkumbi (CEO)	√	√	√	√
T Mbome	√	√	√	√
J Cumming	√	√	√	√

Human Capital and Remuneration Committee

DD/MM/YY	29.05 2019	28.08 2019	26.11 2019	05.03 2020
D Husselmann	√	√	√	√
T Hangula	√	√	√	√
M Inkumbi (CEO)	√	√	√	√
T Mbome	√	√	x	√

Litigation and claims

I hereby certify that to the best of my knowledge and belief, as at 31 March 2020 the Development Bank of Namibia Limited has not been sued and does not have any claims against it apart from the collection matters which are a part the Bank's day-to-day of business.

Legislative Developments

The Bank constantly reviews recently promulgated legislation that could affect the business environment of the Bank.

Adda Angula
Company Secretary
27 August 2020
Windhoek, Namibia

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 March 2020, and that all such returns are factual and current.

Adda Angula
Company Secretary
27 August 2020
Windhoek, Namibia

Statement of Compliance

The Board is of the opinion that it is substantially compliant in all material respects with the principles of NamCode and the King III Report, the Namibian Companies Act, 2004 and the Development Bank of Namibia Limited Act, 2002, for the financial year ended 31 March 2020.

Tania Hangula
Chairperson: Board of Directors
27 August 2020
Windhoek, Namibia

Annual Financial Statements

The Audit, Risk and Compliance Committee has appraised the Annual Report for the year ended 31 March 2020, and considers that it complies in all material aspects with the requirements stipulated in the Companies Act, (Act 28 of 2004), Development Bank of Namibia Act, (Act 8 of 2002), and IFRS and that the adoption of the going concern basis in preparing the Annual Financial Statements is appropriate.

The Audit, Risk and Compliance Committee is of the opinion that these Annual Financial Statements fairly represent the financial position of the Development Bank of Namibia Limited as at 31 March 2020 and therefore recommended the adoption of this Annual Report on 20 August 2020 to the Board of Directors, who approved the Annual Financial Statements on 27 August 2020.

Kai Victor Geschke
Chairperson: Audit, Risk and Compliance Committee
27 August 2020
Windhoek, Namibia

Executive management and committees

Executive managers form an Executive Management Committee (Exco), and participate in the Asset and Liabilities Committee (ALCO), the Procurement Committee, the Risk and Compliance Committee, the Human Capital and Remuneration Committee, the Information Technology Committee, and the Credit and Investment Committee. Exco members report to the CEO, but may also report to the Board of Directors. The Company Secretary reports to the Board, as well as the CEO, on management matters.

Hanri Jacobs (Head: Finance & ICT, Chief Financial Officer)

Qualifications: Bachelor of Accounting, (UFS), Bachelor of Accounting Honours (UFS), Certificate of Theory of Accounting (UFS), CIMA Final Exam, Chartered Accountant (South Africa), Certified Professional Accountant, Chartered Accountant (Canada)

Experience: CFO (DBN) Executive Finance Director (Transmission Company of Nigeria - Manitoba Hydro International contract), CFO (NamPower), Corporate Controller (Manitoba Hydro Canada), Financial Director (Etosha Transport), Financial Manager (Dundee Precious Metals, Tsumeb), Consultant (BCHydro Canada), SAP Consultant (Ohlthaver & List), Manager of Finance (FortisBC Canada), Finance & IT Manager (Transnet Rail Engineering South Africa), Audit Manager (PWC South Africa)

Vivian Groenewald (Head: Credit Risk)

Qualifications: MBA (General Management) (USB), B.Com in Banking Management (Credit Management) (Oxford Brookes University, (UK) – Damelin School of Banking (SA)), Associate Diploma (CAIB, SA), Advanced Credit Management Diploma (IoB), Credit Management Diploma (IoB), Certificate in Banking (IoB)

Experience: Head: Credit & Operations (Cavmont Bank, Zambia), Senior Manager Credit (Bank Windhoek), Manager: Credit Wholesale (Standard Bank, Namibia), Assistant Branch Manager: Oshakati (Standard Bank)

Robert Eiman (Acting Head: Lending)

Qualifications: MBA (UNAM), Certified Associate (IoB), Advanced Marketing Diploma (IoB), Marketing Diploma (IoB), Certificate in Banking (IoB)

Experience: Acting Head of Investments DBN, Senior Investment Manager DBN, Portfolio Manager DBN, Head of SMEs at FNB Namibia, Commercial Manager FBN Commercial and Corporate Banking, Branch Manager North at FNB, Business Manager FNB

Saima Nimengobe (Head: Risk & Compliance)

Qualifications: Master of Business Management & Administration (USB), Bachelor of Accounting (UNAM), Postgraduate Certificate in Compliance Management (UJ), Certificate in Project Management (USB)

Experience: Senior Manager: Risk & Compliance (DBN), Group Manager: ERM & Compliance (O&L Group), Risk Manager, (Namibia Breweries), Risk Officer (NamPower), Risk & Compliance Officer (Old Mutual), Trainee Accountant (Ernst & Young)

John Mbango (Head: Portfolio Management)

Qualifications: MSc in Financial Economics (University of London), B.Econ (UNAM)

Experience: Portfolio Manager (DBN), Business Analyst (DBN), Team Leader: Namibia Early Warning and Food Information Unit (Ministry of Agriculture, Water & Rural Development), Economics Tutor (UNAM)

Adda Angula (Company Secretary & Legal Services)

Qualifications: Bachelor of Laws Degree (UWC), Master of Laws Degree with specialisation in Human Rights and Democratisation in Africa (University of Pretoria), Admitted Legal Practitioner of the High Court of Namibia, Associate Member of Chartered Secretaries Southern Africa

Experience: Head: Governance & Reporting (Capricorn Group), Assistant Company Secretary (Capricorn Group), Lecturer (UNAM), Legal Practitioner (Sisa Namandje and Company Inc)

Elriana Burger (Head: Human Capital & Operations Support)

Qualifications: B.Com (Personnel Management) (University of Pretoria), Executive Human Resources Certificate (UOS)

Experience: Acting Head of Human Resources (Bank Windhoek), Head: Human Resources Administration (Bank Windhoek), Human Resources Administrator (Bank Windhoek), Personnel Officer (Meatco), Efficiency Analyst (Office of the Prime Minister), Division Human Resources and Development, Senior Assistant Personnel Officer (Ministry of Health & Social Services) Senior Assistant Personnel Officer (Administration for Whites)

Heike Scholtz (Head: Business Strategy)

Qualifications: MPA (Infrastructure Management) (University of Pretoria), MBA (University of Pretoria), B.Eng (Civil) (University of Pretoria)

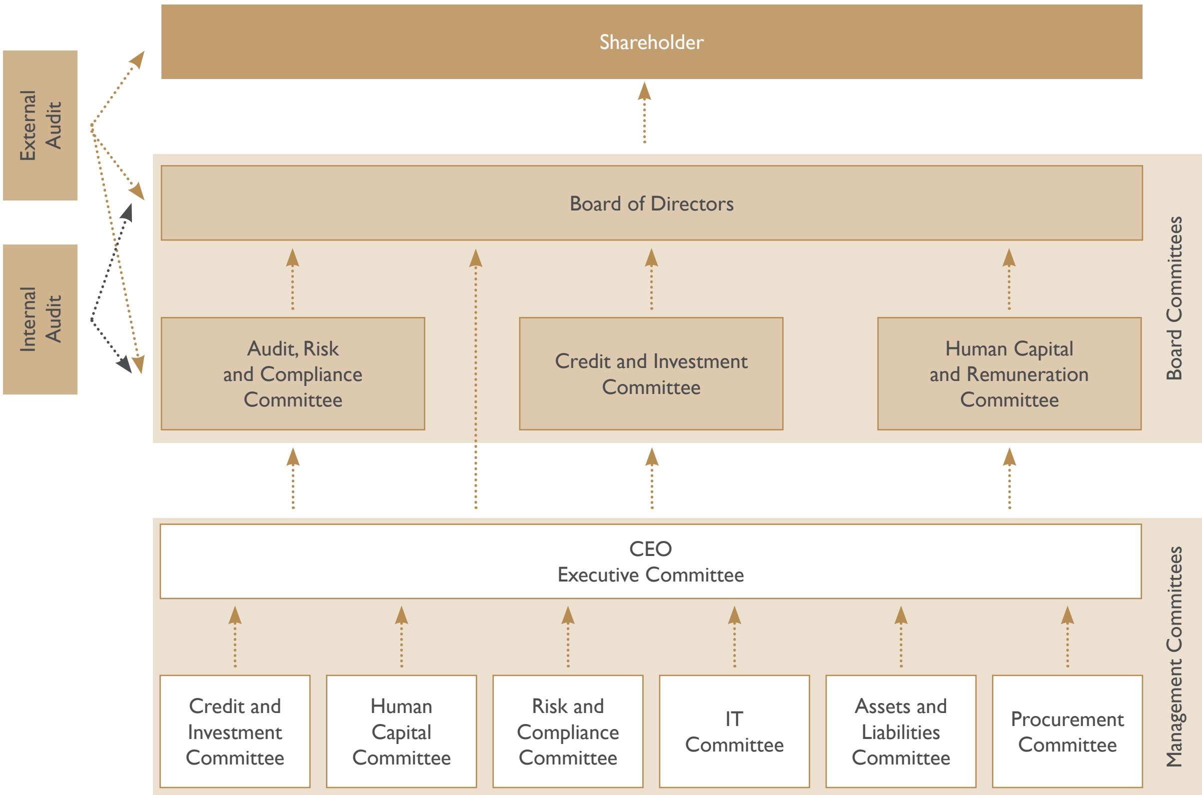
Experience: Head: Business Development (DBN), Portfolio Manager (DBN), Head: Research (IJG Securities), Investment Analyst (Allan Gray Namibia), Senior Financial Analyst (Bank of Namibia), Engineer (Namibia Water Corporation)

Erik de Waal (Senior Manager: Strategic Investments)

Qualifications: MBA Graduate School of Business (UCT), B.Eng (UOS)

Experience: Manager: Strategic Transactions – DBN, Portfolio Manager (Mining & Manufacturing) (DBN), Senior Engineer (Energy Partners), Account Manager (Mining, Power, Energy, Technology) (Frost & Sullivan) Electrical Engineer (Debmarine Namibia)

Governance structure



Shareholder

The shareholder representative (the Minister of Finance) is responsible for the appointment of the members of the Board and the Chairperson of the Board. The Bank's Memorandum of Incorporation provides that there should be a majority of independent non-executive directors.

Board and Board Committees

The Board holds ultimate responsibility for the Bank's business strategy and financial soundness, key personnel decisions, internal organisation and governance structure and practices, risk management and compliance obligations.

As at 31 March 2020, the Board comprised of six directors, of whom the majority were non-executive and independent, including the Chairperson, as well as one executive director, the Chief Executive Officer.

The independent, non-executive Directors have diverse skills, experience and backgrounds, and all have a comprehensive understanding of the industry as well as the business of the Bank.

The Board has delegated some of its functions, though not its responsibilities, to Board Committees to increase efficiency and allow deeper focus in specific areas. The Committees are created and mandated by the full Board. The Committees are the Board Credit and Investment Committee, Board Audit, Risk and Compliance Committee and the Board Human Capital and Remuneration Committee.

Internal Audit

The internal audit function provides independent assurance to the Board, and supports the Board in promoting effective effectiveness of the Bank's internal control, risk management and governance systems and processes.

External Audit

The external auditors provide external assurance. The relationship between the external auditors and the Bank is overseen by the Audit, Risk and Compliance Committee.

CEO and Executive Committee

Under the direction and oversight of the Board, Exco carries out and manages the Bank's activities in a manner consistent with the business strategy, risk appetite, remuneration and other policies approved by the Board.

Approvals and development impact

In 2019/20, the Bank approved N$1,137.8 million in loans.

SME approvals amounted to N$279.3 million. This amounts to approximately 24.5% of cumulative approvals.

The Bank approved finance for 11,609 jobs.

Excluding the stabilizing impact on existing jobs in enterprise approvals, new and temporary jobs impacted amounted to 9,823 jobs.

SMEs accounted for 1,573 or 16% of the total new and temporary jobs.

Financed by DBN

Su-Zan's, an SME in Lüderitz, manufactures work clothing and school uniforms.

Impact highlights
2019/2020

General approvals
Total approvals amounted to N$1,137.8 million.

Employment
Bank finance is projected to create 8,130 new permanent jobs lasting more than three years, and1,693 temporary jobs.

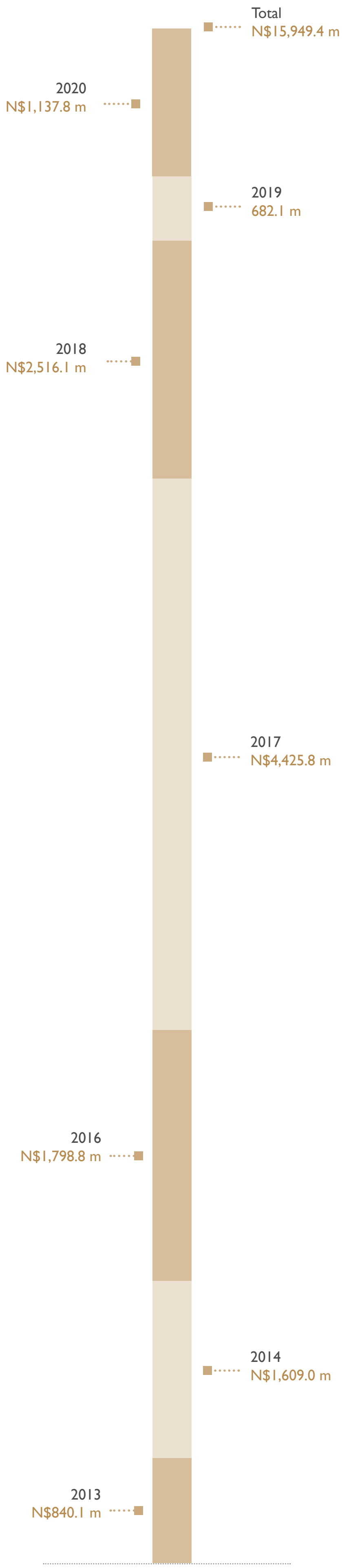
SME finance
N$279.3 million was approved for SME finance in 2019/20, climbing from N$160.3 million in 2018/19.

Start-ups
The Bank approved finance for 36 start-ups in 2019/20, climbing from 21 start-ups in 2018/19.

Affordable land and housing
Bank finance was approved for 228.8 ha of serviced land and 416 residential units.

Youth finance
The Bank launched skills based finance for artisans and professionals aged 35 and under

Cumulative approvals
2013 - 2020



Approvals: 2013 - 2020 including NEF

Overview of the operating economic environment in 2019/20

In 2019, the global economy sank to the weakest performance since the global financial crisis, following weak trade and investment. The World Bank estimated the global economy to grow at 2.5% in 2020, however the outlook has been revised down due to the outbreak and spread of Covid-19 which will negatively affect growth.

The expected economic recovery in Sub-Saharan Africa has lost momentum, with growth in 2019 estimated to have edged down to 2.4%, from 2.6% in 2018 in World Bank estimates. Economic performance in the Sub-Saharan African region will also be revised downward due to COVID-19. Slower growth, was also influenced by global headwinds that affected economic activities in many developed countries, as well as commodity prices. With the exception of gold, all prices declined.

According to the 2019 Bank of Namibia Preliminary National Accounts, Namibian real GDP contracted by 1.1% in 2019 following a moderate positive growth rate of 0.7 percent in 2018.

Weak Namibian economic performance in 2019 is attributed to the drought. Primary industries are estimated to have contracted by 7.8%, down from growth of 8.5% in 2018. Secondary industries maintained a growth of 0.9%, unchanged from that of 2018. Tertiary industries improved to positive growth of 0.6% from a contraction of 1.4% in 2018. Real sector performance has a direct impact on DBN's portfolio.

Government intervention is critical in times of poor economic performance. In the year under review, the government had to continue its spending to help businesses stay afloat, supporting households and helping to preserve employment. Public debt increased from 49.1% of GDP in 2018/19 to 54.9% in 2019/20. Weakening fiscal balances and increases in public debt are indicators of a deteriorating fiscal position.

In an environment of limited fiscal space, government spending is reduced to the critical areas, sometimes leaving out activities that could be impacted on by the DBN.

DBN, like the economy, faced a year of growing headwinds. However, despite the complex and tough economic environment, it registered an increase in loan approvals.

The Government imposed severe restrictions and lockdown measures, subsequently bringing economic activities to a virtual standstill. As a result, real GDP, expected to contract by 7.8% in 2020, could contract even more according to statistics from the Bank of Namibia published in August 2020. This will result in more negative impacts of COVID-19 restrictions and lockdown measures that are affecting economic activities in the country's key sectors of tourism and hospitality, mining and quarrying, and beverages, amongst others.

The repo rate was 6.75% at the end of 2018/19 but was cut by 150 basis points to stand at 5.25% in March 2020. The repo rate was reduced by 25 basis points in August 2019, and another 25 basis points in February 2020, before a large reduction of 100 basis points in March of 2020, as the central bank tried to support domestic activity in response to COVID-19. The cumulative impact of the falling repo rate will negatively impact the Bank's financial position, but may strengthen demand for finance.

Covid-19 will result in more businesses closing or being restructured, job losses and salary cuts. This will result in reduced consumption and lower investment demand. Businesses will take drastic actions to ensure survival and stability of their businesses. This will have repercussions for household wealth and income as well as private business investments and growth, further impacting DBN's performance.

Impact-led finance

DBN is cognisant of persistent challenges, such as high unemployment, poverty and income inequality and in line with its mandate, the Bank makes efforts to enhance its impact.

DBN aims to make positive development impacts, harnessing the power of the public and private sectors to promote growth and employment. This translates into structural economic changes, which are a necessary pre-condition for widespread and sustainable development impacts. Structural changes are aimed at translation into outcomes such as enterprise growth and development, boosting competitiveness, positive employment impacts and economic and socio-economic transformation.

DBN finances private sector operations with the objective of creating positive developmental impacts through its finance. Private sector enterprise growth also results in increased government revenues. The Bank's strategy guides the DBN to achieve prosperous, inclusive, resilient, and sustainable growth. The Bank, operates on the basis of the catalytic effect that it can have on private sector investments, the ability of those businesses to contribute to sustainable economic growth and development impact. DBN's lending products provide a form of mitigation against risks as well as finance for projects that would not otherwise have been implemented

The Bank's strategy ensures access to finance in all regions, particularly those with low economic activities as well as unproclaimed areas. DBN promotes finance for previously disadvantaged Namibians, including businesses owned by women and youth. It also provides finance for activities that would usually be risky for commercial finance. In this regard, DBN acts as first mover and initial risk-taker, essentially piloting and testing new areas of finance, which will then spur, or provide evidence for other commercial finance.

Measurement of impact

DBN aligns its activities to the country's development priorities . The priority focus of the finance is therefore aimed at facilitating, establishing and building industries and infrastructure, as well as employment.

DBN's impact is assessed using the Bank's impact measurement tool, the Development Impact Score Card (DISC). The DISC is structured around the Bank's strategic focus and reflects the Bank's business strategy. The development impact assessment gives an indication of the Bank's potential economic and socio-economic impact.

The DISC enables the Bank to boost its development impact by providing a measurable basis for benchmark scores, structured around combinations of seven key development pillars:

- Creation of sustainable employment opportunities
- Contribution to economic growth and sectoral diversity
- Infrastructure development
- Manufacturing
- Socio-economic transformation
- Import substitutions and export promotion
- Regional equity

Weights are allocated to each pillar, totalling 100 per cent, and loan applications are assessed on this basis.

- The highest average development impact score is 5
- A score of less than 1 is considered to have low development impact, and a motivation must be provided prior to approval for a project in this band.
- A score of more than 1 but less than or equal to 3 is considered to have moderate development impact
- A score of more than 3 but less than or equal to 4 is considered to have a high development impact
- A project with a score of 4 and up to 5 has a very high development impact, and should be prioritised
-

In 2018/19 the DISC was evolved to ecompass multiple measures:

- Manufacturing is treated separately to provide an overview of impact in light of Namibia's industrialisation drive.
- SMEs were added to score the impact of the class of enterprises in light of the Bank's realignment which is intended to ringfence SMEs into their own lending operation.
- Infrastructure is scored separately as it is an enabler of socio-economic wellbeing and enterprise success, but is not comparable to enterprise, for instance.
- All other sectors are scored cumulatively under services.

Cumulative impact score measures

SMEs

A total of 156 SME projects to the value of N$279.3 million have a weighted average development impact score of 3.4.

Infrastructure

Six infrastructure projects to the value of N$573.7 million have a weighted average development impact score of 4.1.

Manufacturing

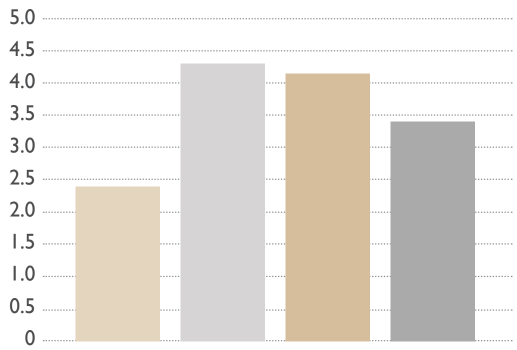
Two manufacturing projects to the value of N$114.2 million have a weighted average development impact score of 4.0.

Services

Nineteen services projects to the value of N$170.7 million have a weighted average development impact score of 2.5.

Weighted average impact scores in 2019/20 -

Weighted average / month	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 209	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	Total
Services	-	-	2.3	-	3.3	2.8	-	-	2.3	1.4	2.2	2.4	2.5
Infrastructure	-	4.3	-	4.3	-	-	-	-	-	-	4.3	-	4.1
Manufacturing	4.4	-	-	-	-	3.8	-	-	-	-	-	-	4.0
SMEs	3.1	3.3	3.5	3.2	4.0	3.2	3.1	3.4	3.7	3.2	3.5	3.5	3.4



Services	2.5
Infrastructure	4.1
Manufacturing	4.0
SMEs	3.4

Overview of 2020 development impact

In 2019/20, DBN committed N$1,137.8 million in loans, guarantees, and co-financing to support the country's development needs. Despite persistent negative economic growth, the amount was 40% more than the N$678.2 million approved in 2018/19. There was no finance that was directly channelled to the public sector (SOEs) during 2019/20, so all the funds benefited the private sector, with 3.6% or N$40.7 million of those funds benefiting PPP arrangements.

		2018/19		2019/20
Public / Private Split	N$ m	% of total	N$ m	% of total
Private	475.7	69.7	1,097.1	96.4
Public	-	-	-	-
Public Private Partnership	206.4	30.3	40.7	3.6
Total Approvals	682.1	100.0	1,137.8	100.0

In total 271 approvals were made, compared to 185 approvals in 2018/19. Thirty-six of the loans were start-up businesses compared to 21 start-ups in the previous year. More than half of the total loan approval amount in 2019/20, N$634.8 million was for start-ups. The total amount approved for start-ups the previous year was N$90.5 million, so although the number of enterprises was higher, the requirement for capital was lower.

		2018/19		2019/20
Transformation (Private sector approvals)	No.	N$ m	No.	N$ m
Start-Up Businesses	21	90.5	36	634.8

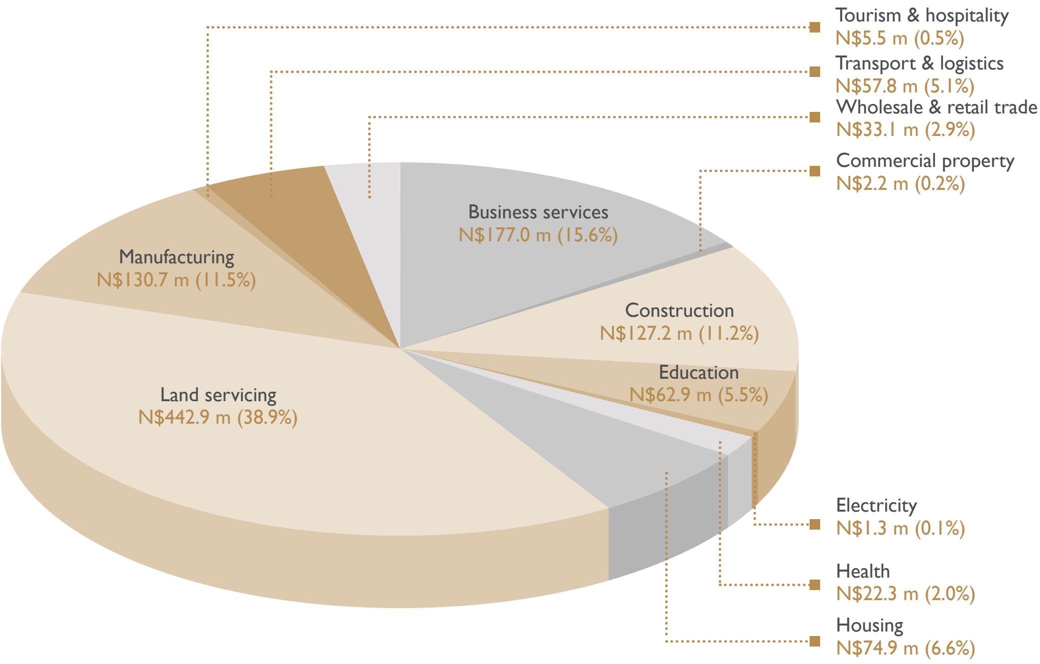
A total of 84.3% of DBN finance in 2019/20 effectively benefited previously disadvantaged Namibians across all geographical regions, and various economic sectors, with infrastructure development, particularly land servicing, receiving the largest share of loan approvals. The Bank disbursed N$884.12 million in 2019/20. This was less than half of the N$2,003.02 million disbursed in 2018/19.

Financing for sectoral development

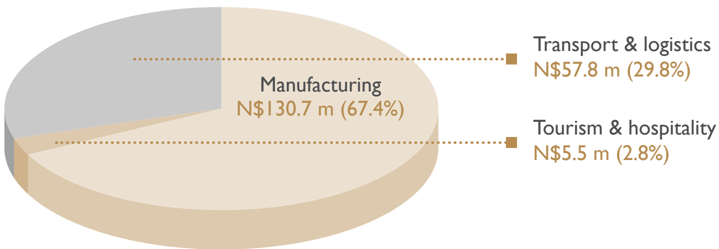
In alignment to Government plans and strategies, DBN finance prioritizes some sectors over the others. These are NDP5 sectors that are key to driving industrial expansion, inclusivity, job creation, delivering essential infrastructure, as well as addressing persistent inequalities, fostering economic transformation, and ultimately economic growth. Of the N$1.14 billion approved, 38.9% or N$442.9 million, benefited businesses in the land servicing sector. The second largest amount went to the manufacturing sector, accounting for N$130.7 million, or 11.5%. The details on actual business activities financed for land servicing and manufacturing as well as for other sectors are noted in the subsections below.

Sectoral approvals

	2018/19: all		2018/19: SMEs		2019/20: all		2019/20: SMEs	
	N$m	% of total	N$m	% of total	N$m	% of total	N$m	% of total
Business Services	72.3	10.6	30.5	19.1	177.0	15.6	150.9	54.0
Commercial property	35.2	5.2	7.1	4.4	2.2	0.2	2.2	0.8
Construction	89.5	13.1	73.1	45.6	127.2	11.2	67.4	24.0
Education	31.7	4.6	3.0	1.9	62.9	5.5	-	-
Electricity	-	-	-	-	1.3	0.1	1.3	0.5
Financial intermediation	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Health	2.4	0.3	2.4	1.5	22.3	2.0	8.9	3.2
Housing	101.4	14.8	16.8	10.5	74.9	6.6	12.2	4.4
Land servicing	144.8	21.2	-	-	442.9	38.9	2.2	0.8
Manufacturing	92.5	13.6	6.6	4.1	130.7	11.5	16.5	5.9
Mining & quarrying	5.3	0.8	-	-	-	-	-	-
Telecommunications	-	-	-	-	-	-	-	-
Tourism & hospitality	93.0	13.7	13.0	8.1	5.5	0.5	5.5	2.0
Transport & logistics	8.7	1.3	3.3	2.1	57.8	5.0	3.8	1.4
Water	-	-	-	-	-	-	-	-
Wholesale & retail trade	5.3	0.8	4.5	2.8	33.1	2.9	8.4	3.0
Grand total	682.1	100.0	160.3	100.0	1,137.8	100.0	279.3	100.0



NDP5 sector approvals



Land servicing

DBN's finance for land servicing and housing development benefits municipalities and town councils who face challenges that constrain their ability to develop and maintain infrastructure. These municipalities and town councils also face increasing urbanization with limited options to collect revenue. Financing that matches private business to local government projects, such as DBN's PPPs lending facility, makes it possible for local authorities to enhance service delivery, advancing both local and national goals.

A total amount of 228.8 hectares was serviced in the //Kharas, Khomas, and Zambezi regions, comprising of 5,028 single residential, 6 general residential, 4 non-residential and 2 institutional erven.

Ongos Valley Development

Ongos Valley Development is a newly established large enterprise which is developing a township located on Farm Ongos 15-20 km from Windhoek. The development will be done in several phases. DBN approved N$400 million to install bulk infrastructure for the township, creating space to act as catalyst for private sector development.

Other financial institutions will also extend finance for the construction of top structures (houses, etc.). The first phase will see a development of 4,457 housing units and creation of 7,000 new jobs. Ongos supports much needed infrastructure development, creates substantial employment, and will use local skills. This positively impacts socio economic development, and stands to stimulate other economic activities in the area.

Key land servicing approvals

Description.	Ha.
42.5 ha (531 single residential plots, 6 general residential, 4 business and 2 institutional) at Katima Mulilo	42.5
Servicing of 176 ha, 4457 housing units over 5 years at Farm Ongos on the outskirts of Windhoek	176.0
Servicing of 10.253 ha (40 plots) at Kroneline Keetmanshoop	10.3
Total	228.8

Erven specification

Description.	.	Erven
Single Residential		5,028
General Residential		6
Non-residential		4
Institutional		2
Total		5,040

In addition to the loan amount approved for Ongos (see previous page), DBN also disbursed N$159 million for land servicing. This amount was for projects that were approved in the preceding years. In total, the DBN has approved a total of N$1.034 billion for land servicing in the last ten years, servicing a total of 939.22 hectares, and providing 8,820 erven, while creating 7,175 permanent jobs and 1,687 temporary jobs.

IMPACT SCORE
4.35
5

Otweya Land Developers

Otweya is a large, newly established land development company, based in Windhoek. The business is 100% PDN owned. Otweya was involved in a Public Partnership Agreement (PPP) with the City of Windhoek (CoW) that will see provision of bulk services for residential, general residential, business erven and institutional erven on 45-ha. There will be 231 erven for residential units with 27ha for commercial use. This development will be in Rocky Crest, Extension 4, within the Windhoek municipal area.

Finance was approved by the DBN for this project, to construct the bulk services The development ultimately targets the delivery of land to the low and middle income segments of Windhoek. A total of 99 new temporary jobs will be created. The development will only use local skills.

Housing

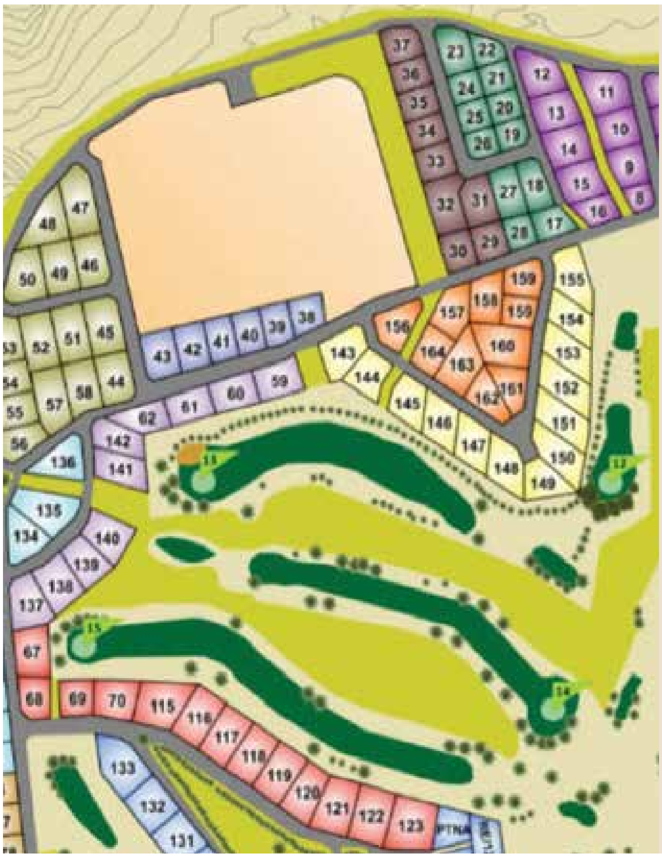
Housing projects contribute to infrastructure development for town councils and municipalities and also to improved quality of life. More value is also created along the housing infrastructure chain. In 2019/20 N$74.9 million was approved for the housing sector, supporting five notable projects. Approved finance supports development of 385 houses and 31 residential units.

Key housing approvals

Description.	N$ m
Construction of 285 units	57.75
Construct 2 town houses Erf size 390 m2	1.15
Construction of 10 double-storey sectional titles Erf size 1114 square meters	5.00
Develop 5 sectional titles measuring 60m2 (Total erf size 857.02m2)	1.04
14 flats in a quiet and natural surrounding erf size 4,827 m2 block D Rehoboth	5.00
Development of 10 single storey free standing houses at Osona Village.	5.00
Total	74.94

Housing specification

Description.	No.
Houses	385
Town houses	31
Total	416



IMPACT SCORE

3.65 / 5

Rossmund Golf Course

Rossmund Golf Course is an old-established large enterprise, involved in a property development outside Swakopmund, in the Erongo Region. It consists of a golf course, lodge and residential estate. Rossmund is an existing residential area, first established 2003. Long-term planning for commercial use includes a small clinic, fitness center and grocery store. DBN extended finance for water reticulation, sewer reticulation, roads construction, and electrical reticulation. The serviced land was divided into 56 plots, ranging between 500 and 1,000 square metres.

Rossmund Golf Course had 36 permanent employees and 35 temporary employees. DBN finance, which is limited to land servicing only, will facilitate creation of 37 more new jobs, of which five are permanent jobs while 32 will be temporary. More jobs are expected to be created after the land servicing phase, once the construction of houses and houses by home buyers has started. This project is expected to boost economic activities for Swakopmund.

Tourism & hospitality

Tourism and hospitality businesses, in line with the country's development plans, have received approvals of N$760.1 million, since the Bank's inception. These were mainly accommodation establishments. In 2019/20, DBN approved four loans, amounting N$5.5 million, to benefit projects, mainly SME businesses, an amount significantly lower when compared to N$93.0 million in the previous year.

Transport & logistics

The transport and logistics sector is vital for economic growth and socio-economic development, as stated in NDP5. DBN supports the sector as it is an integral part of most of economic activities. In 2019/20, the Bank approved loans to the sector of N$57.8 million

Electricity

DBN has established itself as a notable player in financing for electricity generation and infrastructure for distribution. In 2019/20 the Bank only approved N$1.3 million for the electricity sector. However, to date, the Bank has approved N$1,426.1 million for the electricity industry.

Manufacturing

A competitive manufacturing sector is central to socio-economic transformation and poverty reduction. The manufacturing sector should ideally be the foundation for industrialisation. However, in Namibia, this sector plays a limited role in job creation, ranking behind, agriculture and forestry, fishing, accommodation & food services activities, wholesale and retail trade, education and the construction sectors. Although the manufacturing sector is one of the largest contributors to GDP (12.5% in 2018), the contribution is still far from the NDP5 target for manufacturing and non-government services contribution to GDP of 60%.

Since it is one of the key sectors in NDP5, DBN's financing strategy also supports manufacturing. DBN approved loans to 25 manufacturing enterprises in 2019/20, with a total approval value of N$130.7 million. Economic activities include finance for a plastic recycling manufacturing plant, a plant to manufacture gypsum products, and other manufacturing activities on smaller scales, including metal fabrication. These manufacturing activities have the potential to create value chains of production and to replace imports.

Key manufacturing approvals

Description
Setting up a new plastic recycling manufacturing plant and to buy equipment
Equipment to manufacture gypsum related products
Crafted metal fabrication in Namibia (Car accessories, trailers, steel works, agricultural and construction equipment, advertising boards and other metal or steel products

Namibia Gypsum

Namibia Gypsum is a privately owned, newly established, large sized start-up. It is setting up a manufacturing plant in Arandis, in the Erongo Region. It manufactures products such as gypsum boards, ceiling tiles and cornice strips. This is the first manufacturing plant for these products in Namibia. They were all previously imported from South Africa and China. The business promoters were involved in the import and distribution of the manufactured products prior to the establishment of the plant. The business supplies the local wholesale and retail industry and feeds into the construction industry throughout Namibia. The construction industry is critical to the country's socio economic development.

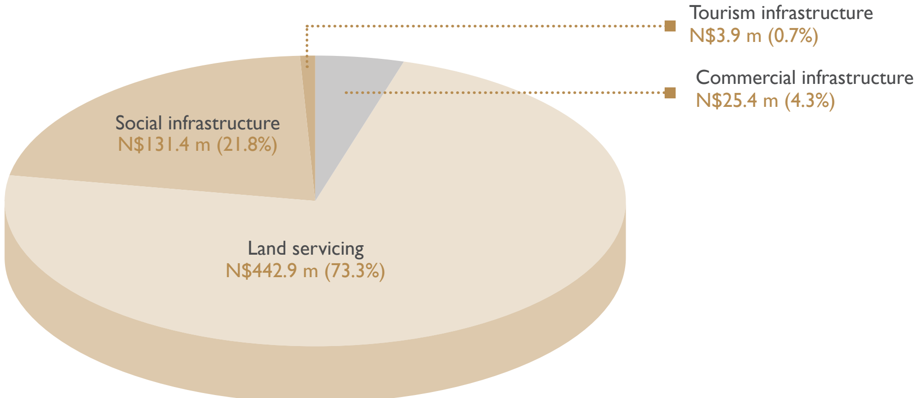
DBN finance for this manufacturing plant will see the facilitation of 149 new permanent employment opportunities and an additional 30 temporary jobs. The operations of this business may also potentially facilitate export of the products to other SADC countries and improving the country's trade balance. The key input for producing these product, namely the gypsum, is locally sourced. Namibia is endowed with large deposits of gypsum of excellent quality.

Infrastructure development

Infrastructure is crucial for socio-economic transformation purposes. There is a notable infrastructure deficit across the country. Thus, there is a need to close this gap, a step which will accelerate economic development, and in turn drive progress and stimulate economic growth and increase GDP per capita.

53.1%, or N$603.9 million, of the total approvals in 2019/20 were for infrastructure development purposes. The amounts approved were significantly more when compared to the N$367.7 million approved in the previous year. Key infrastructure financed consisted of land servicing and housing development.

DBN has created notable value through infrastructure financing, in particular finance PPP arrangements, and thus linking private businesses with the local authorities to amplify the value of development impact created. For land servicing and housing development projects, the Bank's development impact enhances both social and economic development



Infrastructure approvals

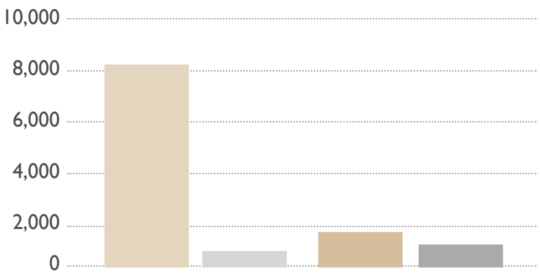
	2018/19		2019/20	
Infrastructure	N$m	% of total	N$m	% of total
Commercial infrastructure	87.0	23.7	25.4	4.3
Commercial buildings	7.1	1.9	2.2	0.4
Industrial buildings	64.9	17.7	8.2	1.4
Service stations	15.0	4.1	15.0	2.5
Land servicing	129.8	35.3	442.9	73.3
Bulk infrastructure	129.8	35.3	442.9	73.3
Social infrastructure	121.4	33.0	131.4	21.8
Education	26.7	7.3	56.5	9.4
Housing	94.7	25.7	74.9	12.4
Tourism infrastructure	29.5	8.0	3.9	0.7
New hotels	-	-	-	-
New lodges	-	-	-	-
New bed and breakfasts	5.0	1.3	-	-
New guest houses	-	-	3.9	0.7
Upgrading and additions to tourism establishments	24.5	6.7	-	-
Grand Total	367.7	100.0	603.6	100.0

During the 2019 and 2020 periods, no approvals were made for new healthcare facilities (social infrastructure) and hotels, lodges, rest camps and restaurants (tourism infrastructure). In the same periods, no finance was approved in the overall categories for local government buildings, state-owned enterprise infrastructure, transport and logistics infrastructure and ultility infrastructure

Employment creation

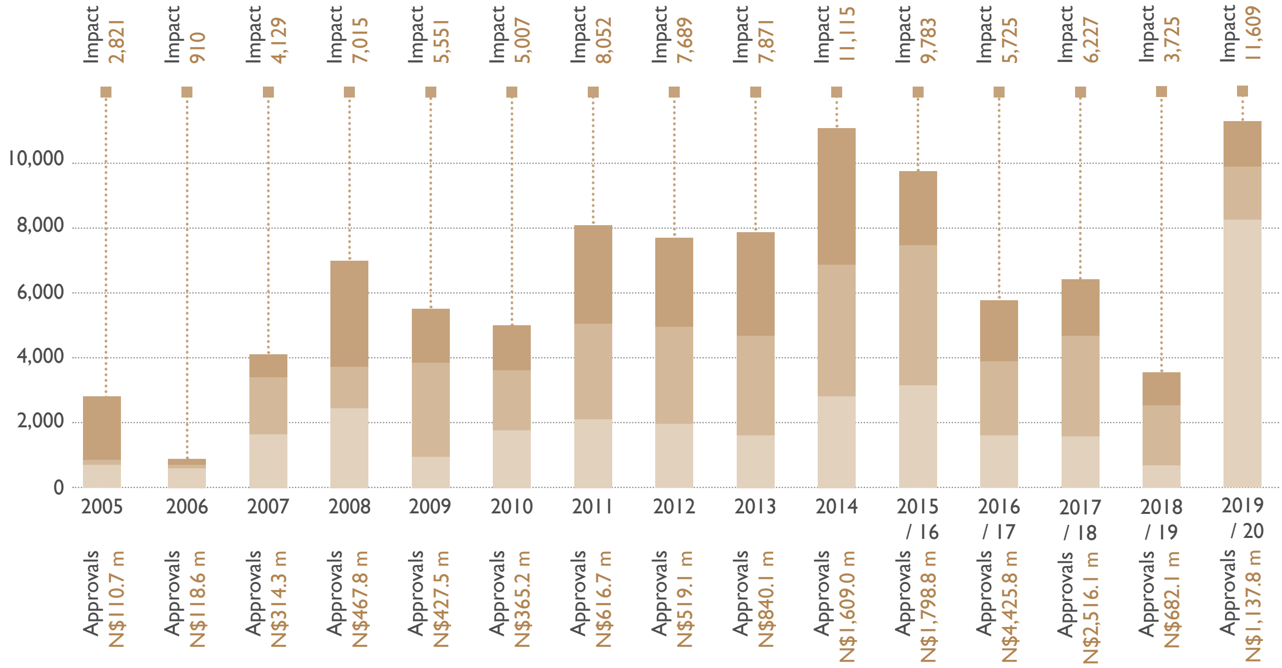
Financing projects that can potentially create jobs is key for DBN as this is important in the alleviation of unemployment. Although some of these projects may not create many direct jobs, they may have the potential to unlock downstream economic activity and increase competitiveness with investment in more labour-intensive downstream businesses that create jobs. The Bank's finance during 2019/20 facilitated creation of 8,130 jobs. 86% of those jobs are envisaged to be created in land servicing and housing projects.

Employment 2019/20



	2020 total new jobs (incl. SMEs)	8,130
	2020 new jobs: SMEs	645
	2020 total temporary jobs (incl. SMEs)	1,693
	2020 temporary jobs: SMEs	928
	2020 total job impact	11,609
	2020 total job impact: SMEs only	1,573

Projected employment impact since inception



Cumulative new jobs	32,186
Cumulative temporary jobs	33,972
Cumulative retained jobs	31,071
Cumulative total job impact	97,229
Cumulative total approvals	N$15,949.4 m

Job creation by sector

	2018/19 SME jobs		2018/19 Total jobs		2019/20 SME jobs		2019/20 Total jobs	
Sector	Perma-nent	Tempo-rary	Perma-nent	Tempo-rary	Perma-nent	Tempo-rary	Perma-nent	Tempo-rary
Business services	46	109	52	118	221	158	231	168
Commercial property	33	35	117	115	5	45	5	45
Construction	164	469	212	799	188	375	215	623
Education	10	-	21	72	12	0	111	80
Electricity	-	-	-	-	-	-	-	20
Financial intermediation	-	-	-	-	-	-	-	-
Health	7	7	7	7	26	24	33	24
Housing	11	122	103	248	40	115	65	315
Land servicing	-	-	42	355	8	68	7,008 *	68
Manufacturing	27	13	92	15	72	55	222	255
Mining & quarrying	-	-	-	20	-	-	-	-
Tourism & hospitality	18	23	152	68	21	39	21	39
Transport & logistics	3	2	7	2	3	1	63	1
Water	-	-	-	-	-	-	-	-
Wholesale & retail trade	32	12	43	12	49	48	156	55
Grand total	351	792	848	1,831	645	928	8,130	1,693

** Ongos housing project. Jobs expected to last for 3 years.*

Support for women and youth entrepreneurs

To enhance socio-economic development reduce inequalities and enhance access to finance, Bank finance is aimed at start-ups and scaling up existing businesses of previously disadvantaged Namibians (PDNs). 84.3% of N$959.3 million of loans approved benefits PDNs. The loan amount is higher when compared to the N$483.5 million approved in the previous year.

	2018/19	2019/20
Transformation (private sector)	N$m	N$m
Total effective PDN	**483.5**	**959.3**
Effective F-PDN	104.3	121.5
Effective youth	94.5	149.4

Women entrepreneurs

The Bank directs a portion of finance to women led businesses. This maximises the contribution to socio-economic development, bringing about gender equality, promoting empowerment, reducing poverty, narrowing gender gaps in access to economic assets and resources, and strengthening women's resilience to economic shocks and other setbacks. To date, the Bank has approved N$1,887.1 million towards women. In 2019/20, a total of N$121.5 million, or 10.7% benefited women. These were all business with at least 25% women ownership. The amount of the 2019/20 loan approvals for women was higher than the N$104.3 million approved in 2018/19.

Approvals to women by sector

	Number of approvals		Effective women	
	2018/19	2019/20	2018/19 N$ m	2019/20 N$ m
Business Services	9	21	5.4	31.3
Commercial property	2	0	5.6	0
Construction	16	12	8.9	8.6
Education	5	2	30.4	39.5
Electricity	0	1	0	1.3
Health	0	4	0	6.4
Housing	1	1	6.3	3.8
Land servicing	2	1	8.9	20.4
Manufacturing	4	6	1.9	3.0
Tourism & hospitality	8	1	34.3	2.0
Transport & logistics	1	0	1.9	0
Water	0	0	0	0
Wholesale & retail trade	2	7	0.6	5.4
Grand total	50	56	104.2	121.7

Shililifa Property Development

Shililifa is an existing, large property development company in Windhoek. It is 100% owned by PDNs, and 50% owned by a woman. The disbursement in 2019/20 supported construction of 34 sectional title units for low and middle income individuals. Housing, especially among low and ultra-low income earners, is a challenge. Finance for residential property development in Katutura is of strategic importance. The business employs 18 people and created a further 70 temporary jobs during construction.

Approvals to women by region

Approvals were spread across most regions, except for Kunene and Omaheke, with the largest approvals for Oshana (N$35.8 million or 29.4%) and Zambezi (N$21.5 million or 17.7%). Business activities included education, land servicing of 42.5 ha, as well as business services. Loans approved to women owned businesses in 2019/20 facilitated the creation of total of 563 jobs, of which 291 jobs were permanent jobs.

Job creation by women entrepreneurs

	No. approvals		Permanent jobs		Retained jobs		Temporary jobs	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
SMEs	41	46	90	114	175	57	117	135
Large enterprises	10	11	162	177	149	187	307	110
Grand total	51	57	252	291	324	244	424	245

Youth entrepreneurs

Persistently high levels of youth unemployment and undesirable levels of poverty and income inequality have made it imperative for the Bank to consider initiatives to enhance inclusive growth. N$149.4 million was approved for youth led business. This brought the total amount lent to youth led business since 2010 to N$1,101.8 million, or 7.6% of total loan approvals.

Approvals to youth by sector

	Number of approvals		Effective Youth	
	2018/19	2019/20	2018/19 - N$ m	2019/20 - N$ m
Business Services	15	50	17.3	87.0
Construction	41	20	36.4	19.4
Education	0	2	0	23.4
Health	0	3	0	5.9
Housing	2	1	14.5	1.2
Manufacturing	3	7	1.6	3.5
Tourism & hospitality	8	1	19.1	0.6
Transport & logistics	2	2	3.0	5.4
Wholesale & retail trade	1	4	2.7	3.1
Grand total	72	90	94.6	149.5

Approvals to youth by region

Youth loans were spread across all the regions, except for Kunene, Omaheke, and Zambezi, with most loans benefiting //Kharas region (N$53.9 million or 38.1%) and Oshana region (N$26.4 million or 17.7%). The most notable business activities were construction tenders. Loans approved facilitated creation of 563 jobs, of which 291 jobs were permanent jobs.

Job creation by youth entrepreneurs

	No. approvals		Permanent jobs		Retained jobs		Temporary jobs	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
SMEs	62	84	155	193	168	205	343	544
Large enterprises	12	11	84	15	65	20	68	55
Grand total	74	95	239	208	233	225	411	599

Skills-based lending facility for youth

Background

Entrepreneurship is a sustainable and empowering response to the persistent challenge of youth unemployment and underemployment. If not addressed it risks leaving behind a generation, and reducing future standards of living through missed economic, social and personal opportunities. To increase youth entrepreneurship development, support youth entry into the economy, enhance employment, and socio-economic development, DBN introduced a targeted lending product, the Skills-based lending facility. This facility supports start-ups and existing businesses.

Expanding opportunities is critical to sustainable growth and development. The facility prioritises service and value addition industries. It benefits professionals and artisans, but gives preference to artisans. The funds will mainly be used for equipment, tools, movable assets, and working capital.

Motivation

Generally, youth entrepreneurs have great difficulty in gaining access to traditional sources of financing:

1. They tend to have little management experience; and
2. They have few or no assets that can be used as collateral and/or owners' equity.

Therefore, access to finance for youth entrepreneurs tends to be a challenge and hindrance to their progress, despite the modest amounts of funds that many require.

DBN sees significant development impacts in providing youth finance to start or grow businesses. Unlocking capital for youth entrepreneurs will have a multiplier effect in the economy. Supporting youth initiatives also contribute to employment creation and SME-driven economic growth.

Facility differentiation

1. It is targeted at youth entrepreneurs.
2. No or minimal collateral. In events where DBN will require collateral, the proportion will be minimal.
3. Skilled youth with viable business plans will qualify even if they don't have capital to contribute. If DBN will require that the youth entrepreneur contribute some capital, the equity contribution will be minimal.
4. The loan amount is as low as N$50,000, lower than the minimum of N$150,000 usually required.
5. Pricing. Interest rate on this facility is caped at prime rate.
6. Mentoring and coaching will be required.

Key facility requirements

1. Youth entrepreneurs with viable business propositions.
2. Youth under the age of 35 years.
3. The business must be incorporated in Namibia
4. The enterprise must be managed by the owner on a full-time basis
5. All members, partners or shareholders must be Namibian citizens
6. All the members, partners or shareholders must be under the age of 35 at the time of the loan application.
7. The business promoters must have at least an NQF3. NTA's recognition of prior learning (RPL) may also be considered
8. Business activities must be in line with the field of qualification of the promoter(s)
9. Mentoring and coaching. Pre-lending coaching of the borrower will be a pre-requisite prior to disbursement.

The strict requirements mitigate risks and manage sustainability.

Skills-based lending facility for youth: pilot study

Background

The facility was approved in December 2019, and was immediately piloted. A total of N$21 million was budgeted. As most applications were received after mid-January 2020, this analysis took into consideration all applications up to the time of writing. i.e. post the end of the 2019/20 financial year.

As of mid-June 2020, a total of 59 applications were received From nine of fourteen regions. Eighteen, were received from the Khomas, followed by Oshana region with fifteen and the Erongo with eleven applications.

Regions	No.	Approved
Erongo	11	2
Hardap	1	-
Kavango East	3	1
Kavango West	2	-
Khomas	18	2
Ohangwena	4	-
Omusati	3	-
Oshana	15	2
Oshikoto	2	-
Total	59	7

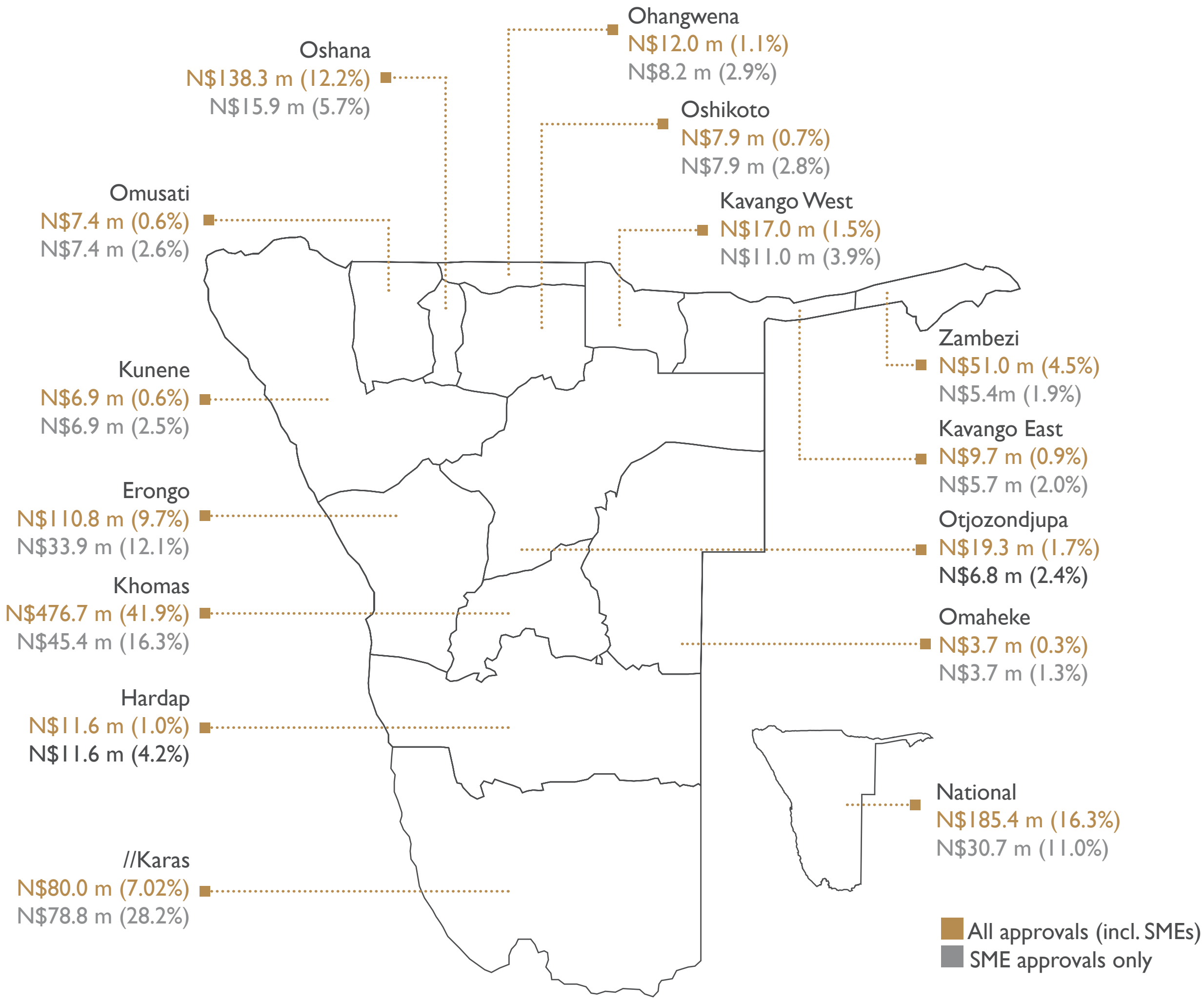
Of 59 applications, 7 were approved, while 17 are still under due diligence at the time of writing. Twenty-four applications were declined, while the rest were at other stages of consideration. Reasons for declined applications included lack of market, financial viability, and promoters' qualification not being in line with the proposal. Approved projects involved activities such as a pharmacy, business services, electrical works, engineering services, manufacturing, and plumbing services.

Regions	No.	Approved
Level 3 – Diploma in Electrical		1
Level 3 Electrical Engineering		1
Level 3, Fitter & Turner		1
Level 3, Plumber & Fitter		1
Level 3, Welding		1
Level 6, Electrical Engineering		1
Level 9 - Masters in Medicine Delivery		1
Total		7

Approved projects are projected to facilitate a creation of 42 new permanent jobs, as well as 31 temporary jobs, and to retain 4 jobs.

Permanent jobs	Retained jobs	Temporary jobs
45	4	31

There are disparities in terms of economic activities taking place across the regions. By expanding its footprint across the country, the Bank addresses the country's development imperatives. This also accelerates development and addresses poverty, inequality and unemployment. The Bank's finance favours projects, and initiatives in regions with less economic activities. The Bank's loan approvals in 2019/20 impacted businesses in all 14 regions. A larger portion of approvals, 41.9% (N$476.7 million) benefited businesses in Khomas region. In some instances, projects funded by the Bank impacted more than one region. These loans are classified as benefitting "national". In 2019/20 16.3%, or N$185.4 million, of the total loan approvals impacted projects that have impact in two or more regions.



	2018/2019 (incl. SMEs)		2018/2019 SMEs only		2019/20 (incl. SMEs)		2019/20 SMEs only		Since inception	
Region(s)	N$m	% of total	N$m	% of total	N$m	% of total	N$m	% of total	N$m	% of total
Erongo	66.9	9.9	10.0	6.2	110.8	9.7	33.9	12.1	5,971.2	37.4
Hardap	15.0	2.2	0.0	0.0	11.6	1.0	11.6	4.2	164.5	1.0
//Karas	35.0	5.2	9.8	6.1	80.0	7.0	78.8	28.2	945.7	6.0
Kavango East	3.3	0.5	3.3	2.0	9.8	0.9	5.7	2.0	236.8	1.5
Kavango West	5.0	0.7	5.0	3.1	17.0	1.5	11.0	3.9	45.7	0.3
Khomas	219.8	32.2	34.3	21.4	476.7	41.9	45.4	16.3	2,930.6	18.4
Kunene	2.0	0.3	2.0	1.2	6.9	0.6	6.9	2.5	134.7	0.8
National	60.3	8.9	39.3	24.5	185.4	16.3	30.7	11.0	2,397.6	15.0
Ohangwena	6.2	0.6	6.2	3.9	12.0	1.1	8.2	2.9	170.4	1.1
Omaheke	85.1	12.5	0.2	0.1	3.7	0.3	3.7	1.3	332.0	2.1
Omusati	59.1	8.7	6.3	3.9	7.4	0.6	7.4	2.6	494.4	3.1
Oshana	51.1	7.5	22.1	13.8	138.3	12.2	15.9	5.7	767.6	4.8
Oshikoto	23.0	3.4	6.0	3.7	7.9	0.7	7.9	2.8	227.7	1.4
Otjozondjupa	15.1	2.2	9.2	5.9	19.3	1.7	6.8	2.4	866.3	5.4
Zambezi	35.2	5.2	6.6	4.2	51.0	4.5	5.4	1.9	264.2	1.7
Grand Total	682.1	100.0	160.3	100.0	1,137.8	100.0	279.3	100.0	15,949.4	100.0

SME finance

SMEs are particularly important for promotion of entrepreneurship and economic transformation. SME access to finance is crucial in fostering of economic growth and development, and they are a vehicle for employment. Due to risk aversion on the part of sources of finance, access to finance remains a barrier to growth for SMEs. DBN approved a total amount of N$279.3 million for 318 SMEs, 24.5% of total approvals. Approvals facilitated creation of 956 new permanent jobs and 1,696 temporary jobs during this period.

SME finance by sector and purpose

SME lending activities spread across several sectors, including, business services, commercial property developments, general constructions, education, health, housing, land servicing, manufacturing, tourism and hospitality, transport and logistics, and wholesale and retail trade. N$150.9 million of the SME business activities approved by the Bank in 2019/20 were business services activities. These are generally contract based projects, involving supplies and deliveries of several goods. SMEs financing also involved contracts in the construction industry. 78.2% of all the SMEs activities funded by the bank were contract based. This included bridging finance to build classrooms, houses, health facilities, as well as upgrading and maintenance of roads. It also included purchase orders to supply vehicles, materials and other goods and services. SME financing also saw small businesses involved in other business activities such as manufacturing, land servicing, housing development, as well as tourism related activities. Some of the SME activities financed are listed below.

Illustrative SME approvals

Description	Region	N$ m
Bakery	Khomas	1.60
Develop 5 sectional titles houses	Otjozondjupa	1.04
Setting up a pharmacy	Omusati	1.50
Build a restaurant lounge and 20 rooms	//Karas	3.95
Expansion of a Mahangu milling project and to start up a butchery	Khomas	0.35
Crafted metal fabrication	Khomas	0.34
Paper manufacturer	Khomas	0.72
Expanding a furniture manufacturing business	Khomas	0.32
Expand Commercial building complex	Omusati	2.16
Manufacturing soft paper	Omusati	0.66
Setting up a pharmacy	Khomas	1.00
Restaurant	Khomas	0.25
Construction of temporary structures to be used as office block and office space	Kavango East	1.30
Trailer manufacturing	Khomas	0.75
Sanitary pads manufacturers	Khomas	1.50
Manufacture chemicals, pest control and cleaning services	Erongo	0.77
14 flats	Hardap	5.00
Servicing of 10,253 ha (40 plots) at Kroneline Keetmanshoop	//Karas	2.20
Tender to supply and deliver charcoal products	Omaheke	1.00
Restaurant & take away	Khomas	0.80
Expand existing restaurant	Hardap	0.55

IMPACT SCORE

3.34

5

Su-Zan's Trading Enterprise

Su-Zan's is an existing manufacturing SME business based in Lüderitz. It is 100% owned by a woman, and employs two people. The business is involved in clothing retail and manufacturing. It manufactures a variety of clothing lines including school uniforms, safety wear for fishing, tourism, mining and the Government, as well as corporate wear and other clothing items as demanded. The business used finance to expand and increase its manufacturing output. The loan will be used to acquire machinery and buy stock.

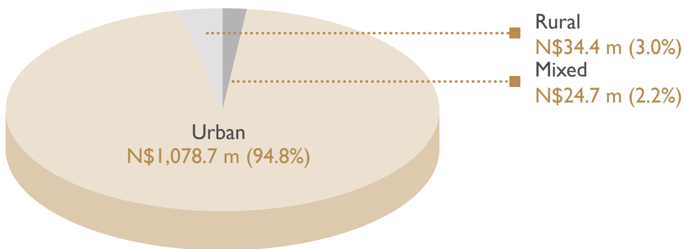
Rural urban split

N$1,078.7 million benefitted projects in urban areas (94.8%), N$34.4 million benefited 46 projects in rural areas (3.0%) and N$24.7 million benefited projects in both urban and rural areas (2.2%). Rural area projects are projected to create 138 permanent jobs and 236 temporary jobs. A notable proportion (88.2%) of the SMEs businesses are located in urban areas, with only 8.5% of loans benefiting business in rural areas.

Additional support for enterprises in unproclaimed areas provides an opportunity to draw more entrepreneurs into the economy. Financing in rural areas improves demand conditions in these areas, paving the way for future investment sand funding by other financial institutions. In turn, this supports transformation of communities, improve livelihoods, and makes strides in economic growth and poverty reduction.

	2018/2019 (incl. SMEs)		2018/2019 SMEs only		2019/20 (incl. SMEs)		2019/20 SMEs only	
Region(s)	N$m	% of total	N$m	% of total	N$m	% of total	N$m	% of total
Rural	139.4	20.4	19.5	12.2	34.4	3.0	23.6	8.5
Urban	492.3	72.2	90.4	56.4	1,078.7	94.8	246.3	88.1
Mixed	50.4	7.4	50.4	31.4	24.7	2.2	9.4	3.4
Total	682.1	100.0	160.3	100.0	1,137.8	100.0	279.3	100.0

Rural urban split



Illustrative rural approvals

Description	Region	N$ m
Operate a retail store	Kunene	0.15
Operate a wholesale store	Otjozondjupa	0.32
Expand commercial building complex	Omusati	2.16
Build a service station	Ohangwena	1.90
Operate a retail store	Omusati & Kavango West	0.75

Big Dog Resources Trading

Big Dog is a start-up, SME mineral blasting and drilling company, carrying out work in Uis. It is 80% owned by a woman, and employs two. It obtained an 18-month contract from Uis Tin Mining Company, known as AfriTin, for blast hole drilling in waste rock material and ore material from the open pit. AfriTin will pilot a processing plant, to process approximately 500,000 tpa producing approximately 60 tons of tin concentrate per month. Thereafter, AfriTin plans for a 3 Mtpa processing plant.

Uis was once the world's largest hard rock tin mine, but significant mining activities came to an end almost three decades ago. The Uis community is sustained by small scale mining and tourism activities. The investment by AfriTin Mining will not only revive the mining operations, but it will increase economic activities of Uis, and Erongo Region, increasing economic development in poorer areas.

The Project Preparation Fund

The Project Preparation Fund (PPF) performs the work necessary to ensure that proposed projects with potentially high development impact are well planned, structured and packaged for successful financing and implementation. The process ensures identification and elimination of key risks at the earliest possible time and maximises development opportunities by ensuring that projects are well conceived and planned.

PPF demand

DBN did not allocate additional funds to the PPF, due to the challenging economic environment that prevented transfer of a portion of declared dividends to the PPF.

Targeted preparation efforts increases the debt finance pipeline for DBN, and enables effective financing of projects in the sectors of national importance. Demand for DBN's PPF support remained strong, with a project pipeline amounting to a total capital cost of around N$4 billion. 2019/20 was a busy year for DBN, getting involved in executing its updated guidelines – in particular the implementation of a steering committee for each project, to oversee preparation activities.

One of the key challenges encountered has been limited funds, which has constrained DBN's scope of involvement and origination activity. Another key challenge was procedural delays to implementation of some high developmental projects.

DBN will seek to secure external funding for the PPF. Until then, the Bank will place greater emphasis on strengthening its structures and processes, and will also establish and strengthen strategic partnerships.

Partnerships

Developing partnerships with Development Finance Institutions (DFI) forms a key part of DBN's ability to leverage its limited pool of funds, and project preparation expertise.

During 2019/20, DBN engaged several institutions to formalise partnerships, and although for infrastructure projects there was a range of engagements, securing such partnerships for industrial projects proved to be much more challenging. This was due to the fact that most DFI's are limited in their project preparation focus on industrial development.

The Public Private Partnership (PPP) Unit in the Ministry of Finance aims to develop their own project preparation function leveraging partnerships of their own, with the focus on Government-related infrastructure projects.

Although there will be opportunities to cooperate with the PPP Unit, there may be less requirement for partnerships to prepare infrastructure projects in the next financial year. Thus, a key part for the new financial year will be to identify finance institutions that have a strong focus on preparing industrial projects, and are willing to formalise a partnership with DBN.

Budget

The opening PPF balance for FY2020 was N$17.6 million, but with the significant origination activity in the prior year and subsequent funding committed, the available funds only amounted to N$756,000.

During the first half of the year funds were severely limited. However, in the second half of the year, the funding commitments to three projects were released, which contributed another N$3.12 million to the available funds. With the increase in available funds, DBN was able to commit to one new project, but with a limited scope of support.

Although one of the three projects is pending approval, two projects proved a challenge to finalise for debt funding. The disbursed funds to one of the two was already written off, while the other project has to repay the disbursed funds.

The Client Development Function

Background

The Mentoring and Coaching Programme (MCP) is a program designed to develop clients in areas of weakness and enhance sustainability of the enterprise. The programme can be implemented at inception of a client's loan and or during the life cycle of the loan.

The Client Development Programme (CDP) (is tasked with support in the form of mentorship, capacity building and transfer of requisite knowledge.

Client Development Policy

The Client Development Policy is the guiding document for all instances where the Bank intervenes to improve clients' business administration and / or operations.

The Policy provides the framework for all client interventions and it is aligned with the Vision and Mission statements of the DBN. It provides guidelines that align the Bank's client development initiatives with the Namibia Financial Sector Strategy (NFSS). It also defines the processes (identification, approval, business review, implementation and monitoring and evaluation, database of consultants) and approval criteria for clients to be on the programme.

Clients on the programme

There are currently 10 clients on the CDP from various sectors that include, manufacturing, hospitality & tourism and business services. The number of clients is expected to increase significantly with it now being mandatory for skills based clients to be mentored.

Budget

A total budget of N$7.35 million was rolled over from the previous financial year and approved for the CDP activities. The number of clients on the program has increased and the project has gained momentum. The program has had additional funds allocated and has also started recouping clients' portions to the programme.

Environmental and social management

During 2019/20, projects valued at N$5.8 billion were inspected and assessed for compliance against their submitted Environmental and Social Management Plans as well as the Environmental Management Act and the Labour Act.

No active loans were terminated due to non-compliance.

Inspected by DBN

Facilities such as the Uis Tin Mine processing plant have substantial environmental and health risks, and so are inspected by DBN to ensure compliance with environmental and social regulations.

Environmental and social risk management

The Development Bank of Namibia is committed to ensure that the Environmental Management Act No 7 of 2007 ("EMA") and its Regulations as well as the Labour Act No 11 of 2007 ("LA") and its Regulations for the health and safety of employees at work are complied with by funded businesses.

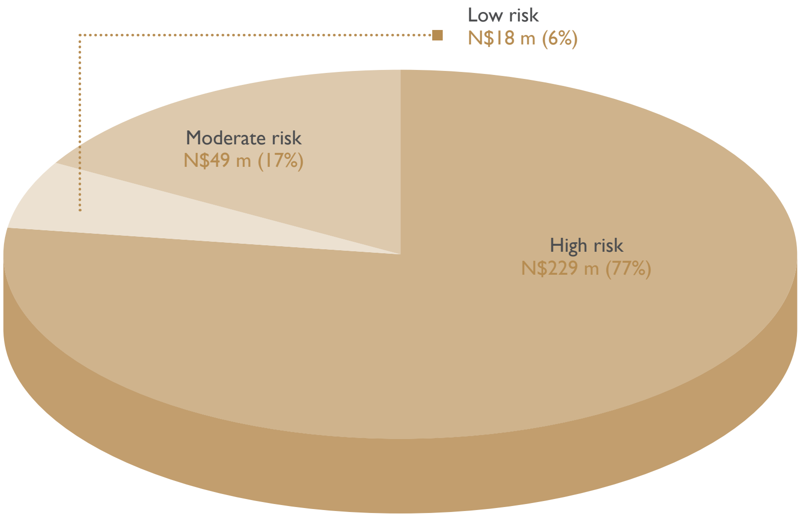
Assessment

All projects applying for finance are screened for environmental, occupational health & safety and social (E&S) risks.

The risks are identified, managed, monitored and controlled to proactively embed E&S risk management into lending processes and minimize the risk of reputational or financial loss.

The figure below shows the categorization of 296 applications received for E&S screening during the 2019/2020 financial year

E&S Risk categorization of applications assessed during 2019/2020



Monitoring and Evaluation

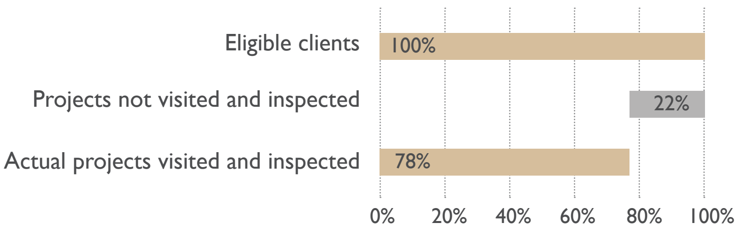
Monitoring and evaluation of occupational health, safety, environmental and social performance businesses financed by DBN is done by conducting site visit inspections and meeting with clients for compliance to the submitted Environmental and Social Management Plan/Environmental Management Plan (ESMP/EMP).

Compliance to ESMP/EMP and Namibian Laws are captured as covenants in Loan Agreements, signed at loan approval, and failure to abide by these can result in breach of contract. During 2019/20, projects valued at N$5.8 billion were inspected and assessed for compliance against their submitted Environmental and Social Management Plans as well as the Environmental Management Act and the Labour Act.

Findings of inspection and assessments are reported back to the business owners, Board Audit, Risk & Compliance and financiers.

Total value of funded projects vs ESM site visits performed at 31 December 2019

	2019	
	N$m	% of total
Total value of loan book	9,560	100.0%
Value of excluded clients from total loan book	(2,024)	(21.2%)
Total value of funded projects eligible for ESM site visits & inspections	7,536	78.8%
Value of actual projects visited & inspected	5,881	78.0%



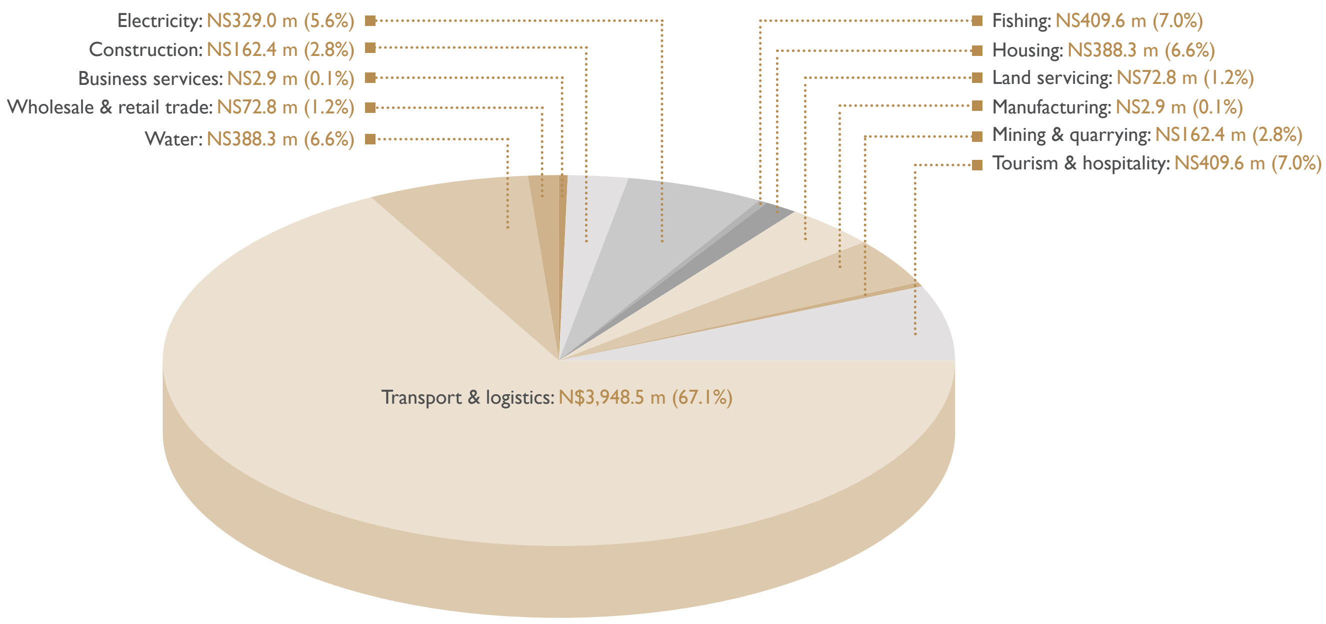
All relevant transactions are monitored to ensure that the E&S commitments (stipulated in the Environmental and Social Management Plan and set as part of the loan agreement) are adhered to.

The Environmental and Social Officers monitor the implementation and progress of remedial action for the action of the tenure of the loan. The frequency and duration of the monitoring depend on the type of transaction being financed and the level of risk perceived.

In cases where clients do not comply with environmental and social risk requirements, DBN works together with clients to achieve the necessary standards.

During 2019/20, no active loans were terminated due to non-compliance.

ESM site visits per sector



	2019	
	N$m	% of total
Business services	2.9	0.1
Construction	162.4	2.8
Electricity	329.0	5.6
Fishing	5.7	0.1
Housing	93.9	1.6
Land Servicing	219.7	3.7
Manufacturing	243.4	4.1
Mining and Quarrying	5.0	0.1
Tourism & Hospitality	409.6	7.0
Transport & Logistics	3,948.5	67.1
Water	388.3	6.6
Wholesale and Retail trade	72.8	1.2
Total	5,881.2	100.0

Environmental and social case study:
Miiyelo Investments

Miiyelo is in the business of sales of new tyres, wheel balancing, tow-in services and it operates a car wash.

The business was in operation for three years in Orwetoveni in Otjiwarongo but decided to move to central Otjiwarongo to attract more business. It obtained DBN finance to purchase equipment, inventory and for rental payment at start-up.

This is a project with low environmental and social risks as it is a services enterprise with low site-specific impacts.

Operations comply and adhere to the commitments made in the submitted Environmental and Social Management Plan (ESMP). No major findings on non-conformances were noted during site inspections.

Electricity: 3,525.6 KW	Water: 200 litres
Diesel: 2,040 litres	Petrol: -

Labour relations	
Employees covered by collective bargaining agreements	-
Training and development	
Average days / employee	10
Amount spent	N$5,000
Employee benefits	
Share and stock options	-
Pension fund	-
Medical aid	-
Governance	
HR Policies in place	2
Corporate governance policies	-
Women in management	1

Employment type	No.
Permanent	8
Temporary	-
Total	8

Gender	No.
Male	7
Female	1
Total	8

Hierarchical gender	M	F
Senior management	-	1
Middle and junior management	-	-
White and blue collar	7	-
Total	7	1

Age group	No.
<=25	4
>25 <= 30	2
>30 and =<35	1
>35 and =<40	1
>40 and =<45	-
>45 and =<50	-
>50 and =<55	-
>55 and =<60	-
>60	-
Total	8

Education	No.
Master's and higher	-
Bachelor's degree	-
Secondary	5
Primary	3
None	-
Total	8

Environmental and social case study: Erongo RED

Erongo RED distributes electricity to all local authorities in Erongo. In 2013 Erongo Red began to upgrade distribution infrastructure starting with Walvis Bay and Swakopmund, using DBN finance. Phase I entailed upgrading the main power lines feeding Walvis Bay and local municipal infrastructure. Phase 2 consists of upgrades for several township establishments and the Waterfront development in Swakopmund.

This is a high risk environmental and social project.

The company implemented works by complying and adhering to the commitments made in the submitted Environmental and Social Management Plan (ESMP) and in line with the Environmental Clearance Certificate (ECC) conditions. No major findings on non-conformance were noted during site inspections.

Electricity:
2.199,844 KW

Water:
-

Diesel:
-

Petrol:
-

Labour relations	
Employees covered by collective bargaining agreements	260
Training and development	
Average days / employee	14
Amount spent	N$3.2 m
Employee benefits	
Share and stock options	-
Pension fund	Yes
Medical aid	Yes
Governance	
HR Policies in place	6
Corporate governance policies	3
Women in management	22
Female board representation	4 of 8

Employment type	No.
Permanent	309
Temporary	5
Total	314

Gender	-	No.
Male		184
Female		130
Total		314

Hierarchical gender	M	F
Senior management	9	1
Middle and junior management	21	21
White and blue collar	155	107
Total	185	129

Age group	No.
<=25	2
>25 <= 30	34
>30 and =<35	64
>35 and =<40	79
>35 and =<40	56
>45 and =<50	35
>50 and =<55	23
>55 and =<60	15
>60	6
Total	314

Education	No.
Master's and higher	13
Bachelor's degree	76
Secondary	178
Primary	7
None	40
Total	314

Environmental and social case study:
Easy United Investment Services & Paralo Investment Joint Venture

The joint venture ran a concurrent land servicing and top structure (housing) construction programme from January to October 2019 which saw the construction of 120 houses.

The majority of the 205 workers are unskilled workers drawn from the Oshikuku area. The company also employs vocational centre students for on the job training and upskilling on their site.

This is a high risk environmental and social project as it established a new township. The company implemented works by complying and adhering to the commitments made in the submitted Environmental and Social Management Plan (ESMP) and in line with the Environmental Clearance Certificate (ECC) conditions. No major findings on non-conformance were noted during site inspections.

Electricity:
3,000 KW

Water:
18,000 litres

Diesel:
180,000 litres

Petrol:
-

Labour relations	
Employees covered by collective bargaining agreements	20
Training and development	
Average days / employee	20
Amount spent	N$25,000
Employee benefits	
Share and stock options	-
Pension fund	-
Medical aid	Optional
Governance	
HR Policies in place	1
Corporate governance policies	1
Women in management	-
Female board representation	No board

Employment type	No.
Permanent	20
Temporary	205
Total	225

Gender	No.
Male	208
Female	17
Total	225

Hierarchical gender	M	F
Senior management	2	-
Middle and junior management	3	1
White and blue collar	203	16
Total	208	17

Age group	No.
<=25	20
>25 <= 30	70
>30 and =<35	120
>35 and =<40	15
>40 and =<45	-
>45 and =<50	-
>50 and =<55	-
>55 and =<60	-
>60	-
Total	225

Education	No.
Master's and higher	1
Bachelor's degree	2
Secondary	150
Primary	40
None	32
Total	225

Environmental and social case study:
Trans Kalahari Group

Trans Kalahari Group is a logistics company that provides domestic and long-haul transport of goods. Transport of copper and cobalt from Zambia and DRC to Walvis Bay currently accounts for a significant part of its business.

The company used Development Bank finance to acquire trucks and trailers, and for working capital.

This is a high risk environmental and social project as it entails the transportation of mineral ores across borders. The company implemented works by complying and adhering to the commitments made in the submitted Environmental and Social Management Plan (ESMP) and in line with the Environmental Clearance Certificate (ECC) conditions. No major findings on non-conformance were noted during site inspections.

Electricity: -	Water: 3,600 litres
Diesel: 12,000 litres	Petrol: -

Labour relations	
Employees covered by collective bargaining agreements	63
Training and development	
Average days / employee	24
Amount spent	N$322,000
Employee benefits	
Share and stock options	-
Pension fund	Yes
Medical aid	Yes
Governance	
HR Policies in place	1
Corporate governance policies	1
Women in management	2
Female board representation	-

Employment type	No.
Permanent	69
Temporary	-
Total *	69

Gender	No.
Male	54
Female	15
Total	69

Hierarchical gender	M	F
Senior management	4	2
Middle and junior management	-	-
White and blue collar	50	13
Total	54	15

Age group	No.
<=25	2
>25 <= 30	10
>30 and =<35	17
>35 and =<40	20
>40 and =<45	15
>45 and =<50	5
>50 and =<55	-
>55 and =<60	-
>60	-
Total	69

Education	No.
Master's and higher	-
Bachelor's degree	4
Secondary	6
Primary	59
None	-
Total	69

** Includes staff and contractors.*

Finance overview

Loans and advances of N$8.47 billion reflected a slight decrease of N$40 million. Total assets of N$9.5 billion reduced by 1%.

Profit for the 2020 financial year was N$229.1 million, an increase of 8%. The net interest income for 2020 was N$428.2 million.

The 2020 profit was impacted by the continuous downturn that affected numerous borrowers and resulted in significant increases in impairments.

Financed by DBN

Construction of a pork feedlot and processing plant for K&M Agriculture contributes to food security for Namibia and its manufacturing sector.

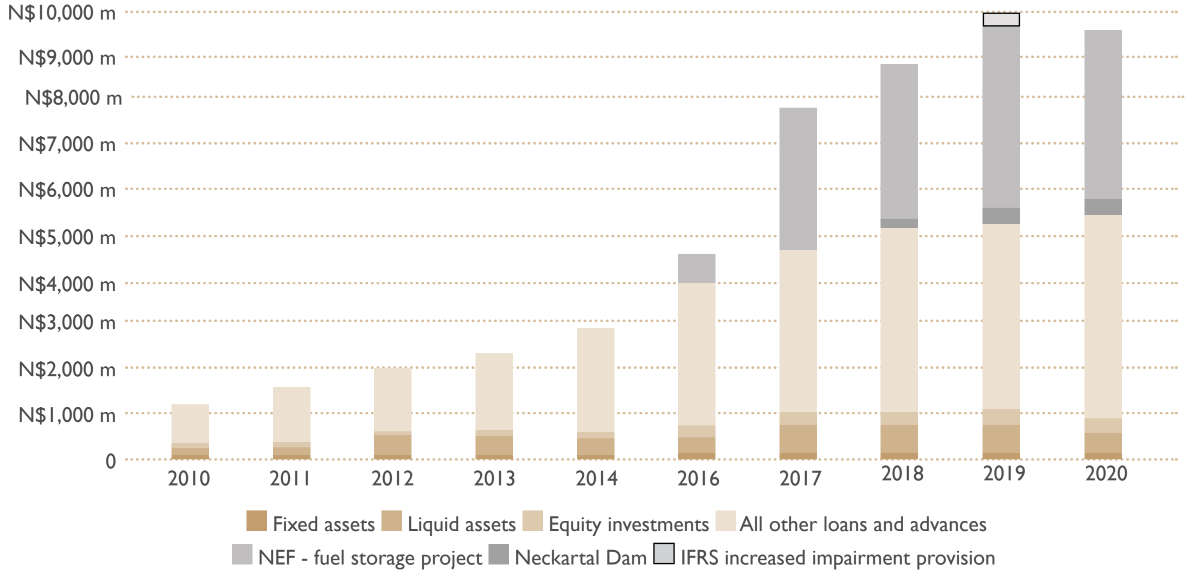
Overview of financial results

The profit for the year ending 31 March 2020 was 8% higher compared to 2018/19, notwithstanding the continuation in the challenging macroeconomic environment. The 2018/19 results also included nearly N$100 million non-recurring income (government subsidy and foreign exchange gains), which further demonstrates the strengthening of the 2020 profit result compared to 2019. However, the quality of loan book and the equity investments were impacted by the continued downturn in the economy with the expectation that the COVID-19 pandemic will create further pressure in 2020/21.

Loans and advances of N$8.47 billion reflected a slight decrease of N$40 million (2019: N$8.51 billion). Excluding the NEF fuel storage and the Neckartal Dam loan repayments the loan book actually grew by N$391 million. Profit for the 2020 financial year was N$229.3 million, an increase of 8% compared to the 2019 profit of N$211.7 million. The 2020 profit was impacted by the continuous downturn that affected numerous borrowers and resulted in significant increases in impairments, but not to the same extent as in 2019. Positive growth in profit can be attributed to the growth of 10% in net interest income.

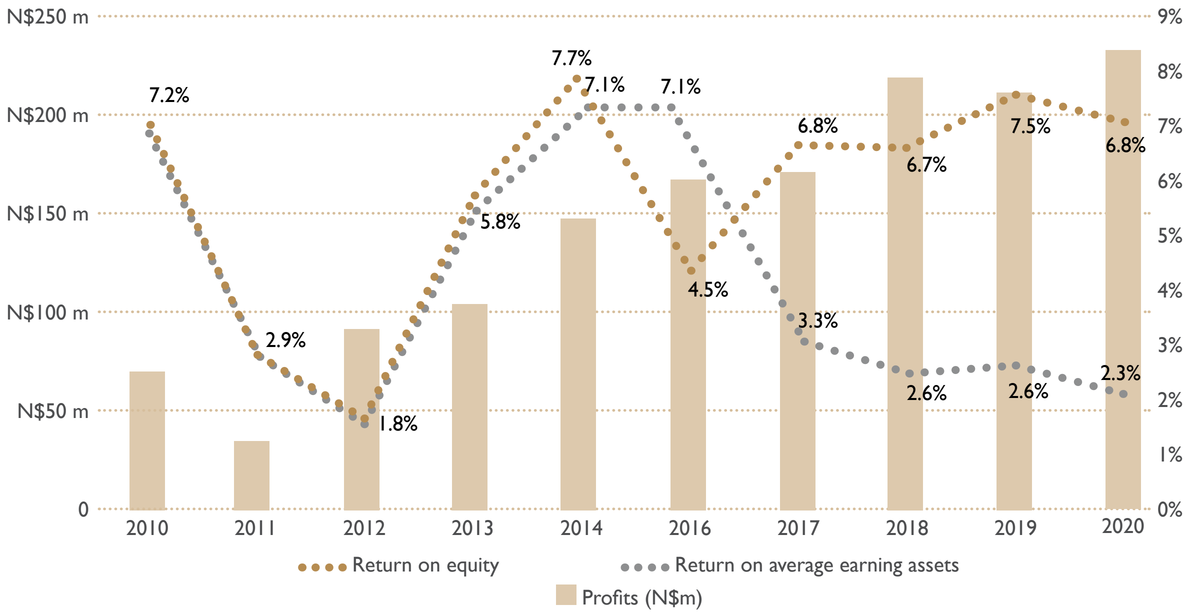
Asset base growth

Total assets of N$9.5 billion reduced by 1% compared to 2019 results, and a nearly eightfold increase compared to the total assets of N$1.2 billion reported in 2010. Repayments reduced the NEF loan by of N$336 million, reducing the Bank's investment in this project to N$3.8 billion. The debt obligation is being funded with the strategic fuel storage levy. Government guarantees were issued to external financiers for the majority of the funding provided. African Development Bank and Standard Bank of Namibia, provided capacity for the Bank to on-lend to this project. The Neckartal Dam loan reduced by N$97 million due to repayments resulting in a balance of N$343 million at 31 March 2020



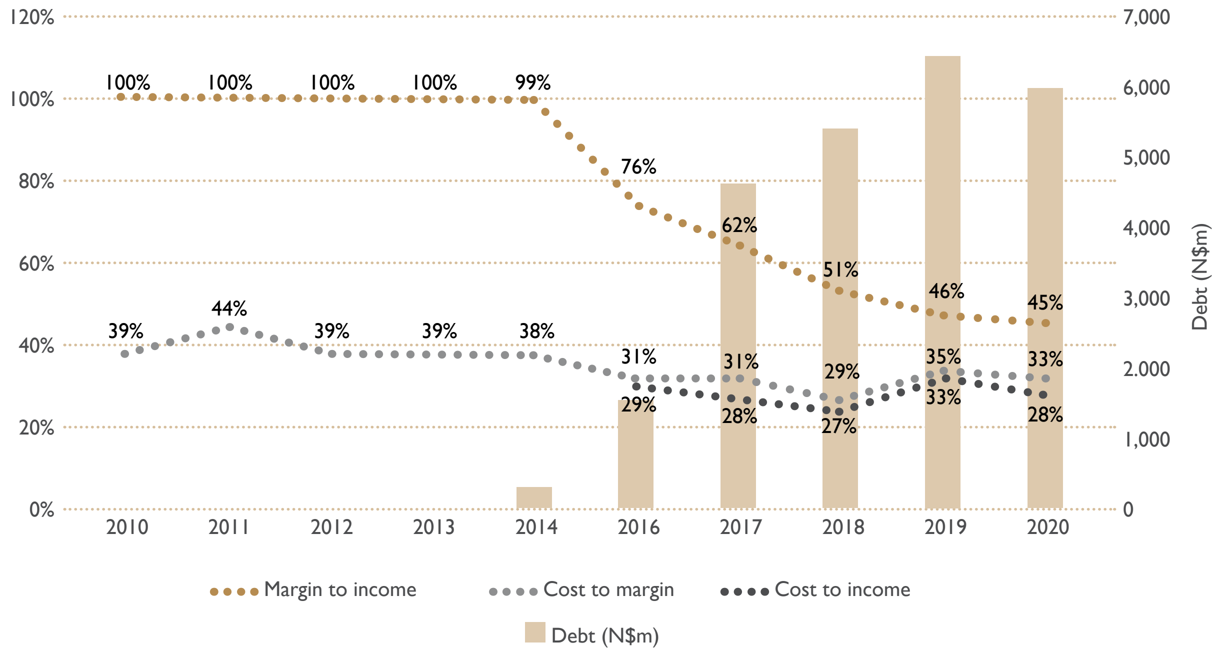
Operating profits and returns

Profit increased year-on-year for the last 7 years, except for the 2019 profit that was slightly lower, compared to 2018 after the IFRS 9 impact. Returns on equity increased over the last 4 years as a result of the introduction of debt to fund loan book growth. The increase in debt levels from 2015, however, had a negative impact on the return on average assets. The Bank received N$60 million in grant funding from its shareholder in 2019, compared to no grant in 2020. This was deployed to fund SME projects.



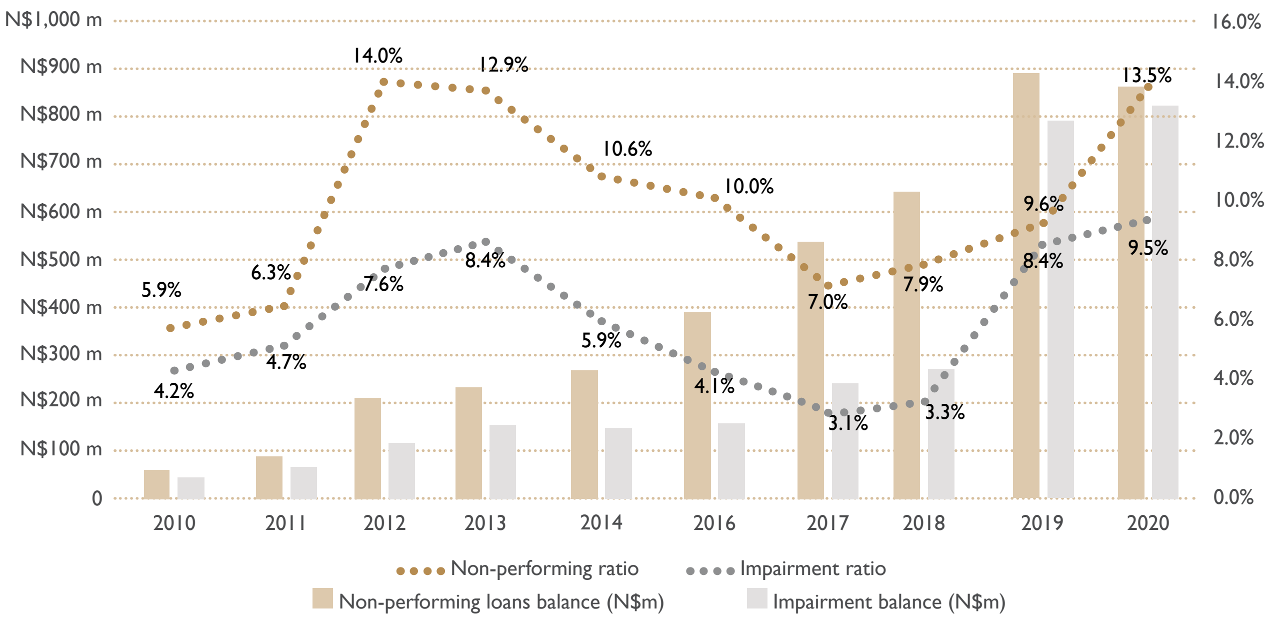
Margin and cost analysis

The net interest income (margin) for 2019/20 was N$428.2 million, increasing 10% from 2018/19's result of N$388.4 million. The interest margin percentage continues to be lower due to the increase in borrowings to fund loan book growth. In previous years, funding was mainly provided by the Shareholder. The approved equity to debt ratio is 1:2 (excluding the IFRS9 impact).



Quality of loan book

Ongoing challenges in the economic environment continue to have a negative impact on impairment ratios. Since 2012, the Bank improved the quality of its loan book, but the economic downturn over the past four years across a number of industries resulted in increased non-performing loan ratios for the last four years, at 13.5% for 2019/20 and 9.6% for 2018/19. The ratio still compares favourably with other DFIs in the region, with the Association of African Development Finance Institutions (AADFI) benchmarking a limit of 15%. The Bank implemented a Portfolio Management Unit to strengthen monitoring of loans and to better monitor and support clients that are experiencing challenges with honoring loan obligations.



Financial sustainability

As a development finance institution (DFI), DBN's lending prioritizes projects that demonstrate a positive socio-economic impact in terms of sustainable job creation and strengthening of businesses owned by PDNs. However, for the DBN to do this continuously, a framework has to be in place to ensure the Bank's financial sustainability. This is particularly important when the national economy is sluggish, as the Bank has to maintain its operations, to support economic growth. Poor economic conditions have negative impacts on clients' ability to repay loans. Increased loan impairments are a threat to the Bank's sustainability.

In addition to pricing for risk, the Bank uses a wide range of instruments to enhance the quality of credit and/or reduce potential losses. The amount and type of credit risk mitigation depends on the asset quality and nature of each transaction. Collateral and guarantees are used for credit risk mitigation. The main types of collateral consist of mortgage bonds over commercial and industrial properties, and bonds over plant, equipment and movable assets financed. Where necessary, the Bank also supports credit extension with various forms of specialized legal agreements such as guarantees and cession of income streams.

The Bank's impairment ratio was 9.5% at 31 March 2020, which was relatively higher compared to the ratio of 8.4% at the end of the previous financial year. The non-performing loan ratio increased from 9.6% in 2019 to 13.5% in 2020.

On average the fair value of collateral held in respect of the Bank's loans was 75% at 31 March 2019 (2018: 77%)

Sustainability Model	31 March 2020 (%)	31 March 2019 (%)	AADFI Benchmark (%)
NPL ratio (% of total loan book)	13.5	9.6	15
Bad debt ratio (specific impairments % of loan book)	9.5	8.4	* 6
Opex / asset ratio	1.5	1.4	4
Average collateral provision	75	77	110

** Pre-IFRS9*

Effect of COVID-19 and after year-end events

The covid-19 pandemic and the resultant lock down, movement restrictions and limitation on gatherings had an adverse impact on business activities, which has significantly reduced business revenue across all sectors in Namibia. This development has compromised the ability of the Bank's borrowers to repay their loans.

The key drivers of the Bank's financial performance that may be materially impacted as a result of the pandemic include loan repayments, impairment levels, interest rates and foreign currency exchange rates.

The impairment calculation at 31 March 2020 was updated to incorporate the estimated impact of the pandemic by adjusting the probability of default ranges for the loans - this resulted in an additional impairment provision of N$23.8 million.

The Bank implemented relief programmes for clients impacted by the pandemic. Interventions to date include repayment holidays to mitigate the adverse cash flow impact caused by the pandemic and the lowering of interest rates following the repo rate reductions. The Bank is also developing a relief loan scheme to provide additional financing support at affordable rates for those clients impacted by the pandemic.

After 31 March 2020, the Bank of Namibia lowered the repo rate on 16 April 2020 by 100 basis points (to 4.25%), on 17 June 2020 with a further 25 basis points (to 4.00%) and on 19 August 2020 with another 25 basis points (to 3.75%), bringing interest rates to a new historic low. This brings the total reduction in the repo rate for 2020 to an unprecedented 275 basis points.

The Monetary Policy Committee weighed further monetary stimulus against not undermining sound saving and investment decisions in the economy. The falling repo rate negatively impacts the net interest income of the Bank, and will result in and increase in the Bank's cost to income ratio.

The foreign currency movements will have a minimal impact on the Bank's expenditure due to minimal foreign currency expenditure. The Bank's clients that import goods and services may, however, be affected.

The Portfolio Management Department closely monitors accounts in order to protect the quality of the loan book.

Risk and compliance

The Bank balances and manages risks and opportunities to continually deliver value and meet the mandate of the Bank.

The Board approved a 3-year Enterprise Risk Management (ERM) road map that reflects distinct key risk management activities in the ERM cycle.

During 2019/20, the approved Internal Audit Plan covered six (6) risk based audits, and three (3) other ad hoc reviews compared to eight (8) risk based audits for the preceding period.

Financed by DBN

Construction of 120 affordable houses in Oshikuku alleviates contributes to the development of the town and alleviates the housing shortage in the country.

Risks and opportunities

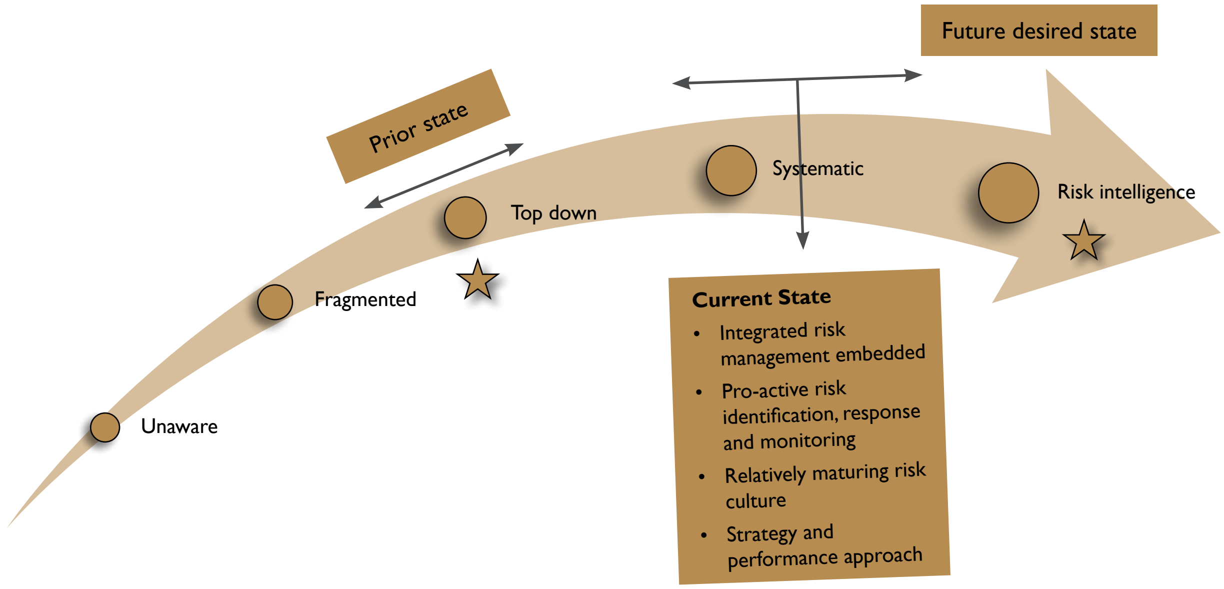
Sustainability is one of the overarching objectives of the Bank. The aim of risk and opportunities management is for DBN to take risks and opportunities, only to the extent that these appear manageable, in the context of its current and anticipated earnings position, and the expected development of the risks. The Bank's risk and opportunity management takes into account the business model as a means to ensure that both long and short-term objectives of the Bank are achieved, and that opportunities are fully maximised.

At DBN, the Risk Management System is a decision making and execution structure through risk governance. This creates an enabling environment for management oversight and reporting of risks. The risk processes, which covers the planning, understanding, response to risks in the DBN strategy and providing risk assurance through combined efforts, to reach consensus on the key risks and opportunities, their significance and the effectiveness of treatment strategies, reduces the likelihood that significant risks and opportunities remain unidentified.

Within the Bank, the principal risks have changed slightly from those described in the 2018/2019 Annual Report. The expected future impact of the rapidly changing environment, e.g. the effect of COVID-19 on the operations of Bank, is uncertain but might be significant in relation to expected future performance, effects on future asset valuation, or the Bank's activities in general, however this is not included in this report as the outcomes will only be evident in the 2020/21 financial year.

Enterprise risk management and maturity

The Board approved a 3-year Enterprise Risk Management (ERM) road map that reflects distinct key risk management activities in the ERM cycle. It highlights the important relationship concerning organizational strategy and the ERM process; the vital role of the Bank's Risk Appetite and Risk Culture in facilitating these linkages, and in shaping decision making around risk and opportunities trade-offs for the Bank. The diagram below reflects a high level approach to ERM, which aims to achieve the required integrated risk management systems.



Risk appetite

The risk appetite metrics reflect the business model and risk strategies. DBN uses risk appetite limits and early warning thresholds, to define its boundaries of risk taking and to manage the risk/return profile. The risk appetite ratios are monitored quarterly by the board to ensure that the Bank is able to support its risk taking capacity within available resources. The DBN Board approved Risk Appetite Statements, which contain the Risk Appetite Ratios to support the strategic objectives of the Bank is indicated below.

Risk profile

The chart below contains the key residual risks (not listed in order of descending materiality). All key risks, and their related mitigating actions, are overseen by the Board's Audit, Risk and Compliance Committee through the combined assurance model, in forming their view of the adequacy of the Bank's risk management and internal controls. These risks are continuously monitored and tracked through the ERM process.

Key risks

No	Current Top 10 risk outlook	Risk description and impact	Residual Risk
1	**Credit default risk**	Credit risk, is the risk of loss due to the non-performance of clients in respect of any financial or other obligation. (The risk includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial).	Moderate
2	**Information technology risk**	ICT is a key enabler in unlocking operational effectiveness and efficiency for continuous delivery of the DBN's mandate, however during the process of enabling operational effectiveness and efficiently, various information security may be breached accidentally and/maliciously.	Moderate
3	**IT Core Shift implementation risk**	DBN is in the process of implementing the IT Core-Shift project for the management of the loan process. Project failure will have an impact on the operational effectiveness of the bank.	Low
4	**High-value transaction risk**	DBN is expected to deliver on its mandate of infrastructure development. In some instances such project require massive financial funding which impact on the bank risk appetite and sustainability, and should be managed with due considerations.	Moderate
5	**Sustainable lending focus risk**	Sustainability assessments are embedded in projects the Bank prepare and finance. Therefore, monitoring operations enhances the sustainable development of social, economic, and environment and any unsustainable lending focus can negatively impact the loan book growth.	Moderate
6	**Market risk**	Failure to maintain healthy interest margin and contain operating cost impacting on the banks' ability to provide competitive pricing.	Moderate
7	**Reputational risk**	DBN is exposed to potential negative publicity, public perception, or uncontrollable events which can have an adverse impact on the Bank. Therefore it is important to prevent and respond to reputational risk events impacting on the bank's reputation and goodwill.	Moderate
8	**Compliance risk**	The DBN is not immune to the ever increasing and growing regulatory requirements within the financial services sector. Therefore any non-compliance with legislation & industrial regulatory guidelines/ internal policies/ mandate could result in fines and penalties and will negatively impact on the Bank	Moderate
9	**Environmental sustainability**	The risk arising from failing to remain socially and environmentally sustainable.	Moderate
10	**Stakeholder management risk**	There is increased awareness in the market around environmental and social issues. Management continues to demonstrate and embed sustainability, thus enhancing the sustainable development of the social, economic and ecological environment. Recognizing that effective stakeholder management is imperative to the success of achieving the DBN's strategic objectives, and operational goals, it is fundamental and critical to identify and build effective long-term sustainable relationships with key stakeholders to meet expectation.	Moderate

Compliance, accountability and intermediate recourse mechanisms

Compliance

Compliance reviews are administered by the independent compliance mechanisms, being the Compliance Function and the outsourced Internal Audits. In 2019/20, regulatory compliance requirement processes were reviewed and no major compliance deviations were reported.

Ethics

In 2019, the Risk & Compliance undertook a Bank-wide sensitization on the Code of Business Conduct & Ethics, through regular induction and planned programs. Awareness on expected business and ethical conduct targets the Bank's employees and clientele.

In promoting a speak-up culture, employees are encouraged to report incidents of unethical behavior.

Ethics recommendations were provided based on a variety of different ethical dilemma events that were reported and handled during 2019/2020. In addition, the ethical awareness sensitized the DBN employees, to highlight their role in uplifting the name, image, and reputation of the Bank.

Accountability and control

Internal audit

During 2019/20, the approved Internal Audit Plan covered six (6) risk based audits, and three (3) other ad hoc reviews compared to eight (8) risk based audits for the preceding period. Internal audits performed included follow-up reviews, on the implementation of past recommendations for closure.

Integrity and whistleblowing

In 2019/20, the Tip-offs Anonymous system received five alleged cases which were investigated and closed by the Independent Outsourced Investigators. The Bank held awareness sessions on fraud and corruption prevention in Bank-financed activities. To enhance integrity, the Bank will continue training, information sharing and awareness creation with staff and clients.

Human Capital and Operations Support

The Bank will host the three strategic SME initiatives: the Credit Guarantee Scheme, the Mentoring and Coaching Programme, as well as the SME Venture Capital Programme.

To position itself to execute the additional functions, the Bank embarked on a realignment of its current functions and organisational structure.

The organizational re-alignment resulted in an increase of positions from 115 to 128 positions. A number of positions are being filled.

Valued by DBN

Bank staff enjoy themselves at the 2019 end-of-year party.

2019 / 20 organisational realignment

A directive received from the Ministry of Finance requires the Bank to host the three strategic SME initiatives: the Credit Guarantee Scheme, the Mentoring and Coaching Programme, as well as the SME Venture Capital Programme. The Bank has also been directed to resume the SME Lending function.

To position itself to execute the additional functions, the Bank embarked on a realignment of its current functions and organisational structure. This entailed subdivision of the Bank's current Lending Department into an Investments Department, an SME Finance Department and a Portfolio Management Department, and the consolidation of the current Business Development Department within the Investment Department.

The realignment also affected the Credit Risk Department and the Business Strategy Function in the CEO's Office.

During the realignment process the Bank ensured that no jobs were lost and that no individuals were downgraded. Some individuals had the opportunity to upgrade their job content, and some individuals were shifted between departments.

All changes in the structure and individual positions were made strictly in terms of the Labour Act. The organizational realignment resulted in an increase of positions from 115 to 128 positions. A number of positions are being filled.

Approach

The Bank is an employer of choice, which intentionally attracts and retains an excellent pool of high-performance individuals. The Bank takes pride in being a community that is inclusive, supportive and has a positive outlook.

Through its reputation and communication, it is recognised as a workplace which offers opportunities for professionalism, commitment, and meaningful impact for Namibia.

Recruiting and retaining the best people, in a market environment with a shortage of skilled and experienced staff, is critically important. The right people at the right time will ensure that DBN delivers against its mandate.

Human Capital and Operations Support maintains and continuously improves the work culture, employee wellbeing, productivity, personal development and the workplace environment with programmed and ongoing management interventions.

The Bank's employees find personal fulfilment in rising to challenges as individuals and as members of supportive teams who are appreciated in the Bank's working community. On this basis, the Bank is able to continuously perform as a leader in the financial sector, which makes a difference to Namibia's development.

General and gender equity

Recruitment decisions are aligned to deliverables of the Bank's employment equity plan, and decisions enhance workforce equality.

In 2019/2020, all employees who were recruited came from previously disadvantaged groups. Representation of previously disadvantaged employees is 93.57%.

The Bank respects the abilities of females, and takes a gender-neutral stance towards performance of tasks and contribution to productivity.

In 2019/20, 59.6% of the workforce was female, of which 93.8% were previously disadvantaged. Women constitute 45% of management, and 50% of senior management.

Retention, turnover and recruitment

The Bank takes pride in its ability to retain and attract high quality staff.

Staff turnover remained at zero resignations in 2019/20. Four new personnel were recruited, who filled vacant positions and created new capacity according to the Bank's needs.

Total DBN Staff	2017/18	2018/19	2019/20
Employees at start of year	82	90	105
Recruitment	16	15	4
Resignations	(8)	0	0
Total	90	105	109

Promotions

The Bank encourages employees to develop their skills and seek advancement opportunities. It is committed to career mobility of employees with the required qualifications and skills to perform their jobs. During the year, seven employees were promoted, all of them are from the previously disadvantaged category with four women and three men.

Where feasible, the Bank recruits internally, either upward in its hierarchy, and/or horizontally. This enables the Bank to open new positions lower in the hierarchy, while recognizing the existing capacity in which it has invested.

Learning organization

The Bank has evolved into a learning organisation. It has become a place where employees continually discover how they create their reality and how they can change it. The Bank no longer only learns from the external environment but also actively encourage learning within the internal environment, which encompasses the culture of the Bank. In this culture employees continually expand their capacity to create the results they truly desire. New and expansive patterns of thinking are nurtured, collective aspirations are set free, and employees continually learn how to learn together. This results in the Bank continually transforming itself to better collect, manage and use knowledge for corporate success, ultimately allowing the Bank to translate the advantages of being a learning organisation into a competitive advantage.

The Bank has taken a formal approach to ensure that employees with proper qualifications and experience are available when they are needed by the Bank. The Bank makes use of career development to improve the skills levels of and provide long-term opportunities for the workforce. There is a systematic process in place to improve performance of individuals and teams to achieve the Bank's targets.

The Bank also applies strategies for bringing about constructive planned change, quality improvements and effectiveness.

Human resource development (HRD) is driven by business objectives and not just technical needs, and delivered through management-controlled provision. Knowledge is managed as a process of creating, acquiring, capturing, sharing and using knowledge to enhance learning and performance in the Bank. HRD practices improve employee's personal competencies and help to build the Bank's capabilities.

This approach incorporates the identity and reputation of the Bank and includes factors such as talent management, collaboration, learning, speed of change, leadership, shared mindset, accountability, customer connection, innovation and efficiency.

During the year, the Bank assisted 11 staff members to upgrade their academic qualifications, and 30 human resource development interventions took place to improve the competence and performance of members of staff.

The Bank offers job placements for current students within its departments/business units through Internships/Work Integrated Learning.

The internship programme is a planned to provide students with a meaningful learning experience applicable to their field of study.

This requires structured assignments coupled with appropriate supervision, evaluation, and feedback. The programme provides clear job duties that identify the learning objectives to be met in line with the student's programme of study and Work Integrated Learning guidelines.

Internships for credit entails supervision and students earn their grades based on several criteria, including attainment of a minimum number of hours worked and supervisor feedback on students achieving of learning objectives/goals.

During the year, the Bank gave eight students the opportunity to gain practical experience and develop technical, soft and/or business skills, and to develop a practical appreciation of their chosen profession.

The programme further complements the Bank's social responsibility programmes by providing an experience base to students to ease their entry into the job market; and enhance the Bank's reputation as a socially responsible organisation that strives to find practical and sensible solutions to problems.

Training and Development Unit

The Bank applies human resource development practices as an important strategic mechanism to stimulate positive behaviour in employees and impact their knowledge, skills and attitudes which increases productivity and performance.

The Unit forms partnerships and aligns with the departments by being responsive and adaptive, and developing and providing solutions and services that add value for key external and internal stakeholders.

The Unit's focuses encourage employees to demonstrate positive discretionary learning behaviours, and actively seek to acquire knowledge, skills and attitudes that promote and align with the objectives of the DBN.

The Unit provides overall policy direction on human resource development issues and administrative support functions related to education, training and development, career development, performance development, organisational development, tuition assistance as a business and strategic partner in the effective implementation of the Bank's strategy

Remuneration and benefits

An appropriate remuneration strategy plays a critical role in attracting, motivating and retaining high-performance individuals with scarce and / or critical skills. It also augments the organisation's performance-driven culture and motivation to achieve business objectives.

In terms of the remuneration philosophy, employees are remunerated fairly, equitably and consistently, based on individual performance, market remuneration trends, cost of living and availability of budgeted funds.

In addition to normal statutory benefits such as leave, the Bank supports employees with benefits such as medical aid funds, formal study support, subsidised home loans and a retirement fund that includes insured benefits (death and disability).

Currently 71 employees make use of the Bank's housing scheme with an exposure of N$99.1 million.

The Bank's Performance Incentive Bonus scheme is directly linked to the Bank's Performance Management System.

The main objective of the scheme is to encourage high performing employees through appropriate rewards that foster the retention of capacity.

Performance management

The Bank manages performance using an approach that integrates key business processes in a strategic performance management model.

The performance management model determines key performance areas (KPAs) and translates the KPAs into key performance indicators (KPIs). Specific measurable goals are set for each KPI. Measurements of attainment of KPIs are used to analyse performance to extract and make better informed decisions, which lead to improvements in activities and performance.

The Bank's performance management system works towards the improvement of the overall organizational performance and managing performance of teams and individuals for ensuring the achievement of overall organizational goals.

Employee wellness

The Bank considers its employees holistically, as individuals who have multiple roles and responsibilities, of which being an employee of the Bank is but one.

The Employee Wellness Programme expresses the Bank's desire to assist its employees to achieve wellbeing in terms of health, physical health, spirituality, intellect, social life, career, finances and family.

By ensuring holistic wellbeing, employees are enabled to be more productive.

The Programme also equips employees with knowledge and understanding of the value of a healthy lifestyle, as well as common diseases that require early diagnosis and treatment for optimal outcomes.

The Employee Wellness Programme for 2019/20 included:

- Wellness Days, which included wellness assessments, referrals and information dissemination on various conditions and service offerings of its medical funds.
- Spa Days: massages, refreshments and gifts.
- Motivational Talk: Life Goal Setting by Dr Mberira, Clinical Psychologist.
- Information Sessions on
  - The Namibian Economy Today
  - Road safety

By obtaining a healthy level of employee engagement, the Bank reinforces the perception that it is an employer of choice.

The Bank has established a caring culture, which celebrates important life events of employees, such as birthdays and births.

It also provides support and encouragement through visits to employees who are hospitalised and bereaved.

The Bank encourages social integration of the DBN employees through the activities of the Bank's Social Club.

Corporate social investment and awards

The Bank engaged with stakeholders through visits across multiple regions.

It made strides towards a comprehensive integrated marketing function, which will drive demand for the Bank's finance within sectors and spanning issues that have been identified as being of national importance.

Corporate social investment projects supported by the Bank brought benefits to all 14 regions of the country.

Donated by DBN

DBN funded three classroom blocks for Sakaria H Nghikembua Primary School.

Project to support to the Cheshire Home in Katima Mulilo came to an end as the Bank sucessfuly funded solar electricity for the home.

As part of its commitment to make a difference to socio-economic disparities and responding to the Government's development goals, the Bank uses corporate social investment (CSI) to support initiatives that are not of commercial nature.

DBN supports programmes that focus on education and education related activities; poverty alleviation; enterprise development; skills development and improvement; community safety and health management and environmental and biodiversity management.

The approvals are in line with the CSI policy objective to provide necessary financial material support to community development initiatives that align with the Bank and the national economic developmental agenda.

The Bank invested in development, economic activity and society by providing N$2,1 million to CSI initiatives projects in all 14 regions.

Of this, 47% was allocated to education and educational related activities, 31% went towards community safety and health management, and 22% was extended to enterprise development.

Twenty-six of the 31 CSI projects benefitted 9 regions, and 5 projects had national reach. The national projects accounted for 41% of funds, followed by Ohangwena at 19% and Oshana at 17%. Erongo, Karas, Kavango West, Khomas, Kunene, Omusati and Otjozondjupa received between 1% and 9% of total funds.

Education and education-related activities

As a measure to enhance capacity and skills for development, the Bank provided N$3 million in grant funding to enable the University of Namibia (UNAM) to initiate a Master's in Development Finance.

The Bank expects this capacity to benefit the nation, as well as the pool of human capacity available to itself.

The Bank funded schools in different regions of Namibia. The funding was geared towards provision of infrastructure; school material and equipment. The Bank also contributed to tertiary education in Namibia through funding a tertiary institution's initiative targeting entrepreneurship and youth development.

Enterprise development

The Bank sponsored various trade shows, expos and exhibitions countrywide. Including the first ever Kavango West Investment Conference.

Community health

As part of its commitment to community Health and safety the Bank sponsored equipment for use in oral health outreaches in Kunene Region.

Illustrative CSI projects

Beneficiaries	CSI focus area	Region
Community investments		
Sakaria H. Nghikembua Primary School	Education	Ohangwena
Etosha Poort Junior Secondary School	Education	Erongo
Ministry of Information Communication Technology (MITC)	Community investment	National
Matheus Jansen Junior Primary School	Education	Hardap
Sponsorships and donations		
Logistics & Transport Workshop	Enterprise development	National
Ministry of Industrialisation & SME Development Rental Control Board	Enterprise development	National
Economic Growth Summit	Community investment	National
Public infrastructure funding	Community investment	National
Master's in Development Finance (UNAM)	Education	National
Kavango West Investment Conference.	Enterprise development	Kavango West

DBN funded the donation of oral health equipment under its CSI programme.

As part of its support to the 2018 Innovation Award winner, VNA Native Foods, DBN financed taste testing.

Good Business Awards

The Bank recognises exemplary business practices on the part of its borrowers at the Good Business Awards.

The first prize in the category of Large Enterprises was awarded to the WordPress Namibia Pty Ltd, which used the prize monies to purchase a car as a means to transport its staff. Also, to drive down to Walvis Bay when the company staff need to visit clients at the Namib Times offices. The remaining balance was used to purchase staff clothing.

The SME category was won by Ian Shuttle Cc. The transport company used the prize monies to plough back in the business by paying off the Erongo Commercial Vehicles account. The Erongo Commercial Vehicle has been instrumental in assisting Ian Shuttle to keep the wheels turning.

Innovation Award

The Innovation Fund provides financial support to entrepreneurs with original business concepts and technology, which have not been fully tested or developed. Projects are identified in the judging process of the Innovation Award. The Innovation award winners are benefitting extensively from DBN expertise and mentoring programme.

Pulsar Electronic Solutions won the Innovation Award in 2019 for a proposal to develop technology to meter and manage electricity usage.

Pulsar was placed on the DBN Client Support programme.

Although global events caused various delays in the project supply chain, the project remains on track to complete the functional prototype and bankable business plan by the second half of 2020. The design and order of printed circuit boards was completed in January 2020. Planned completion of testing is scheduled to take place before the end of May 2020.

The team requires support to finalize product development, optimize the cost of production, develop and execute a product marketing plan, develop a product revenue model, and to assist in the creation and presentation of product packaging.

Winner of the 2018 Innovation Award, VNA Native Foods, is in the final stages of the mentoring programme. VNA presented a plan to manufacture powdered soup made from African spinach, 'Omboga Soup'. The product will provide an additional outlet for local agriculture.

The 2018 Innovation Award purse was apportioned to business development, and the remainder is grant finance. The development process started during March 2019, and is an ongoing process of testing and improving the recipe.

Below are key highlights of the project:

- Product development
- Soup recipe formulation and approval.
- In house testing and evaluation by a trained panel.
- Laboratory test analysis and nutritional content confirmation.
- Bar code registration and certification by GS1 South Africa
- Product packaging design and approval.
- Market research
- External sensory and product evaluation conducted in Windhoek, Oshakati and Walvis Bay
- Acquisition of raw materials, equipment and service

The 3 soup formulas generated average scores above 81%, with the 'Original' flavour scoring the highest at 87%. The 'Original' flavour soup has been approved for production and marketing.

A warehouse located in the northern industrial area of Windhoek, has been acquired on a 12-month lease to set-up a test factory and is in the company's possession. Machinery has been paid for and delivered to the company. All raw material has been paid for and is due for delivery to the company.

WordPress, winner of the 2019 Good Business Award in the large enterprise category.

Ian Shuttle, winner of the 2019 Good Business Award in the SME category.

Pulsar Electronic Solutions, winner of the 2019 Innovation Award.

Development Bank of Namibia

Annual Financial Statements
for the year ended 31 March 2020

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Directors' Responsibility Statement

for the year ended 31 March 2020

The Directors are responsible for the preparation and fair presentation of the Annual Financial Statements of Development Bank of Namibia Limited, comprising the Statement of Financial Position at 31 March 2020, and the Statement of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flow Statement for the period then ended, and the Notes to the Financial Statements which include a summary of significant accounting policies, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia, and the Directors' Report.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Bank to continue as a going concern and have no reason to believe that the business will not be a going concern for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the Annual Financial Statements.

The Auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the Annual Financial Statements

The Financial Statements of Development Bank of Namibia Limited, as identified in the first paragraph, were approved by the Board of Directors on 27 August 2020, and are signed on their behalf by:

Tania Hangula
Chairperson
27 August 2020

Martin Inkumbi
Chief Executive Officer
27 August 2020

Independent Auditor's Report
to the Shareholder of Development Bank of Namibia Limited

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of *Development Bank of Namibia Limited* (the Company or the Bank) as at 31 March 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

What we have audited

Development Bank of Namibia Limited's financial statements set out on pages 65 to 110 comprise:

- the directors' report for the year ended 31 March 2020;
- the statement of financial position as at 31 March 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the company in accordance with sections 290 and 291 of the International Ethics Standards Board for *Accountants Code of Ethics for Professional Accountants (Revised July 2016)*, parts 1 and 3 of the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018)* (Code of Conduct) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the Code of Conduct and in accordance with other ethical requirements applicable to performing audits in Namibia.

Our audit approach

Overview

Overall materiality

- Overall materiality: N$ 95.4 million, which represents 1% of total assets.

Key audit matters

- Expected credit losses (ECLs) on loans and advances;
- Valuation of unlisted equity investment in Ohorongo Cement (Pty) Ltd (Ohorongo Cement);
- Significant exposure to related parties; and
- Investigation into non-compliance with Bank policy relating to loan advances

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

PricewaterhouseCoopers , Registered Auditors, 344 Independence Avenue, Windhoek, P O Box 1571, Windhoek, Namibia Practice Number 9406, T:+ 264 (61) 284 1000, F: +264 (61) 284 1001, www.pwc.com.na

Country Senior Partner: Chantell N Husselmann

Partners: R Nangula Uaandja, Louis van der Riet, Anna EJ Rossouw (Partner in charge: Coast), Gerrit Esterhuyse, Samuel N Ndahangwapo, Hans F Hashagen, Johannes P Nel, Trofimus Shapange, Hannes van den Berg, Willem A Burger

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality

- N$ 95.4 million

How we determined it

- 1% of total assets

Rationale for the materiality benchmark applied

- We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users. The purpose of the Bank is to further the development agenda of the Government of Namibia by extending funding to targeted projects. The Bank is financed mainly by debt, and consequently, the value of its loan book and accompanying assets is of particular interest to the users.
- We chose 1% which is consistent with quantitative materiality thresholds used when total assets are used as the benchmark.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses (ECLs) on loans and advances	Our audit procedures in relation to management's calculation of ECLs addressed the key areas of significant judgment and estimation uncertainty:
Refer to note 2.4 (Judgements, estimates and assumptions) for details on key management assumptions, note 3.10.7 (Impairment of financial assets) for related accounting policies, note 13 (Loans and advances to customers), note 14 (Impairment of loans and advances) and note 28.2 (Credit risk). At 31 March 2020, gross loans and advances amounted to N$ 9.3 billion, against which allowance for credit losses of N$ 890 million was raised for the Bank. The ECLs were calculated by applying International Financial Reporting Standard (IFRS) 9 – Financial Instruments, as described in the notes to the financial statements, which allows for recognition of ECLs on either of the following bases: • 12-month ECLs that result from possible default events within the 12 months after the reporting date; or • lifetime ECLs that result from all possible default events over the expected life of a financial instrument. In calculating the ECLs, the key areas of significant management judgement and estimation included: Determining whether there has been a significant increase in credit risk by using the following 3 criteria: • quantitative tests, including any asset which is overdue 60 days or more; • qualitative indicators, including deterioration the value of collateral; and • deteriorating economic conditions or negative trends in a customer's financial position.. Depending on the outcome of the assessment above, the Bank assigns a credit risk grade to each exposure. This credit risk rating guides the probability of default (PD) to be applied to the exposure. In light of the COVID 19 pandemic, some customers were granted payment holidays to reduce the financial impact on their businesses. These relief measures were specifically focussed on the tourism and SME customers. The Bank did not determine this to be an indicator of SICR in itself, but individually assessed the largest exposures for SICR due to COVID 19, and classified customers accordingly.	Determining whether there has been a significant increase in credit risk (SICR) • We evaluated whether there are indicators of SICR by comparing the staging of a sample of loans to an independent staging based on the assumptions and data included in management's model, as well as on our own independent assumptions, in particular around the outlook on the economy due to the COVID 19 pandemic. • We tested the performance of SICR thresholds applied and the resultant transfer ratio into stage 2 and stage 3 for SICR by comparing the transfer rate to historical experience. No material exceptions were noted. • We tested management's assessment of whether there has been a SICR as a result of the COVID 19 pandemic, and whether the restructuring of loans and payment holidays granted indicates increased credit risk, by selecting loans on a sample basis and evaluating whether the stage they are placed in is in line with management's quantitative and qualitative considerations per their accounting policies. No material differences were noted

Key audit matter	How our audit addressed the key audit matter
Expected credit losses (ECL) on loans and advances (contd.)	Our procedures in relation to management's calculation of expected credit losses (contd.):
Determination of the probability of default (PD): The Bank allocates a credit risk grade to each exposure (including loans to government entities) based on a variety of data that is determined to be predictive of the risk of default and applying assumptions formulated through the application of their credit risk assessment expertise. The exposures are then subject to ongoing monitoring, which can result in an exposure being moved to a different grade. The following is considered during this monitoring: • correspondence between the customer and the Bank; • analysis of the latest audited financial statements and/or management accounts of the customer; • the size of the loan relative to the customer's income earning ability; • the customer's performance risk on contracts; and • other risks relating to the customer's business such as market risk and supply/demand risk. For loans for which the PD is calculated on a portfolio basis, an analysis is performed on the categorisation of the loan book (performing, under-performing and credit impaired) and arrears report, comparing changes over time. The incorporation of forward-looking information in the calculation of the ECLs: The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly, as well as in the impairment calculations of the ECLs. The information used includes revised GDP forecasts in light of the COVID 19 pandemic and related factors that are expected to impact individual counterparty and/or portfolio exposures. The Bank identified large exposures in sectors to which it is significantly exposed, i.e. construction, land servicing, tourism and hospitality, financial services and wholesale & retail trade, and assessed the impact of the latest GDP forecasts on their ECLs. We determined the ECLs on loans and advances to be a matter of most significance to our current year audit due to the following • the degree of judgement and estimation applied by management in determining the ECLs; and • the significance of loans and advances on the financial statements, as it makes up the majority of the Bank's assets and are a significant part of the Bank's normal operations.	Determination of the PD • We evaluated management's documentation for the generation of the credit risk grades and the correlation of these to default rates. We assessed the assumptions included in the PD calculation for reasonability by considering whether the Bank has taken all relevant factors into account, such as the customer's history of default, forecasted cash flows, forward-looking information and the customer's ability to complete work in progress. We also compared these assumptions against our own independent assessments and noted no material variances from this test. • For loans assigned a portfolio PD, we recalculated the PD using the Bank's historical default data to assess the history of default. In addition to this we took Namibia's macroeconomic outlook into account. No material variances were noted from this test. • For loans to government entities, we considered the latest sovereign credit ratings and the outlook on these credit ratings, in assessing the appropriateness of the PD used on these loans. No material differences were noted. The incorporation of forward-looking information in the calculation of ECLs: • In performing our own independent calculation of ECLs, we included relevant independently obtained forward-looking information (which included GDP forecasts and other market data) in the calculation on an overall basis. This procedure did not result in a material variance. • We tested the performance and sensitivity of the forward-looking information in the model in order to evaluate whether the chosen macro-economic factors and model fit provide a reasonable representation of the impact of macro-economic changes on the results of the ECLs. No material variances were noted.

Key audit matter	How our audit addressed the key audit matter
Valuation of unlisted equity investment in Ohorongo Cement (Pty) Ltd (Ohorongo Cement)	**Our procedures in relation to management's valuation of the investment included:**
Refer to note 3.10.18 (Equity Instrument) for relevant accounting policies, note 17 (Equity investments) and note 29 (Fair value of financial instruments). The investment in Ohorongo Cement was accounted for at fair value through other comprehensive income (FVOCI), as elected by management in accordance with IFRS. Management valued the investment at N$ 227 million (2.4% of total assets) on 31st March 2020. The fair value for the Ohorongo Cement investment was determined based on the discounted cash flow model. The valuation involved significant judgements and estimates by management, including: • forecasted production and sales, including expectations of improved export volumes; • the impact of the COVID 19 pandemic on GDP forecasts; • weighted average cost of capital; and • terminal growth rate. We determined the valuation of unlisted equity investment in Ohorongo Cement to be a matter of most significance to our current year audit because of the degree of judgement and estimation applied by management in determining the fair value.	We assessed the valuation methodology used by management to estimate the fair value of the investment against the requirements of IFRS and industry practice. On a sample basis, we tested the forecasted production and sales used by management in the valuation calculation, by tracing it to relevant and appropriate underlying documentation, such as approved budgets. We evaluated the reasonableness of these budgets by comparing the budgets to the historical results and market data. The forecasts used by management were aligned with the budgets and historical results. We assessed the reasonableness of cash flow assumptions such as working capital reserves, and future business growth driven by future expansion plans, by comparing the assumptions to historical results and published market and industry data, and by comparing the current year's results with the prior year forecast and other relevant information. In addition, we obtained a detailed understanding of the business of Ohorongo Cement and assessed if there was any inconsistency in the assumptions used in the cash flows projection. No material inconsistencies were noted. We assessed the impact of COVID-19 on the economy and the forecasted cash flows and financial outlook of the relevant industry. Based on our work performed, we noted that the forecasted cash flows were consistent with the expected impacts of the pandemic and industry outlook. Making use of our internal valuation expertise, we recalculated the valuation based on independently formed assumptions as detailed below: • We calculated a range of reasonable discount rates (weighted average cost of capital) based on our internal valuation methodology and noted that the discount rate used by management fell within this range. • We included independently sourced discounts for lack of control and lack of marketability (to account for the Bank's minority stake in Ohorongo Cement), based on general market practice, in the recalculation. • We calculated an independent valuation using the independently obtained inputs and the audited assumptions noted above and compared it to management's valuation. No material difference was noted.

Key audit matter	How our audit addressed the key audit matter
Significant exposure to related parties	**Our procedures in relation to related party transactions and balances included:**
Refer to note 27 (Related party information) During the year the Bank, in its ordinary course of business, entered into various transactions with related parties. We considered the related party transactions to be a matter of most significance to our current year audit due to our assessed significant risk of material misstatement relating to these transactions, resulting from: • the significance of the related party loans and interest income to the Bank's financial statements; • the potential risk that if these transactions are not conducted at arm's length, and/or the accounting treatment of the rights and obligations of these transactions are not correct, it could significantly influence the results of the Bank; and • the extent of disclosure required in terms of International Accounting Standard (IAS) 24 - Related Party Disclosures.	We obtained an understanding of the process for identifying related party transactions, performed a walkthrough and evaluated the design of related controls. In obtaining this understanding, we made use of the guidance contained in the Institute of Chartered Accountants of Namibia "CIRCULAR NO 2/2007: Guidance on the term "State Controlled entities" in the context of IAS 24 (AC 126) - Related parties", which applies to the sphere of government in which the Bank operates, and establishes which spheres are under common control and therefore related to each other. We inspected the related party loan contracts for contract terms and interest rates and compared these to the terms and rates of loans issued to third parties, to assess whether they were at arm's length. We evaluated the business rationale of the transactions by inspecting the relevant contracts and assessed whether the nature of the arrangement fell within the Bank's normal operations. No material exceptions were noted. We evaluated the rights and obligations per the terms and conditions of the contracts and assessed whether the transactions were recorded appropriately. No material exceptions were noted. We evaluated whether the directors have appropriately disclosed relationships and transactions in accordance with IAS 24 (refer to disclosure note 27).

Key audit matter	How our audit addressed the key audit matter
Investigation into non-compliance with Bank policy relating to loan advances	Making use of our internal forensics expertise, we performed the following procedures:
Refer to the subsequent events paragraph in the directors' report. The Bank suspended seven of its employees when an anonymous tip-off was received through the bank's whistle-blower platform, claiming that the employees of the Bank may be direct or indirect beneficiaries of SME enterprises that applied for business loans at the Bank. The board of directors appointed external investigators to objectively carry out an assessment of the allegations. The investigation concluded that although there had been misconduct by employees, loans and advances per the balance sheet have not been misstated, and the matter was isolated to one transaction, which did not have a material impact on the financial statements. We determined this event to be a matter of most significance to our audit due to the following: • the potential risk that other undetected incidents may have occurred, and that the identified transactions were not isolated events; • the potential risk that there may have been a breakdown in controls, especially relating to management override of controls; and • the potential risk that the pervasiveness of any breakdown of controls resulted in material misstatement of the financial statements due to fraud	We conducted several meetings with management and the external investigators to understand the nature of the allegations and the nature, extent and timing of the investigation performed. We reassessed the risk of fraud in the providing of loans and advances and raised the risk classification from normal to significant. We tested the existence of an additional sample of loans advanced by tracing them to signed loan contracts, and to 'know-your-client' information submitted by customers, and by assessing their payment history. The additional sample targeted loans that were assessed by the suspended employees, or that had similar characteristics to the loans highlighted by the whistle-blower. No fictitious loans were identified from this test. Through discussions with management, and inspection of the report from the external investigators, we evaluated the scope of the investigation and assessed how its findings were reflected in the financial statements. Based on the results of our work performed, we noted no aspects regarding management's findings from the investigation which required further consideration.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Development Bank of Namibia Annual Report 2019/20". The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: R Nangula Uaandja
Partner
Windhoek
Date: 28 August 2020

344 Independence Avenue
P O Box 1571
Windhoek,
Namibia Practice Number 9406
T:+ 264 (61) 284 1000
F: +264 (61) 284 1001
www.pwc.com.na

Directors' Report
for the year ended 31 March 2020

The Directors have pleasure in presenting this report as part of the Annual Financial Statements of the Development Bank of Namibia Limited for the year ended 31 March 2020.

Nature of business

The Development Bank of Namibia (DBN) is a public company registered in accordance with an Act of Parliament, the Development Bank of Namibia Act, (No. 8 of 2002), the purpose of which is to contribute to the economic growth and social development of Namibia by providing financing in support of key development activities, and to provide for matters incidental thereto.

Specifically, the Bank's guiding objectives include:
1. Mobilisation of financial and other resources from the private and public sectors nationally and internationally.
2. Appraisal, planning and monitoring of development schemes, export projects and economic programmes of national significance, including implementation.
3. Facilitation of private sector and community participation in development schemes, export projects and economic programmes of national significance.
4. Development of money and capital markets.

Financial results

The Annual Financial Statements, for the financial year ended 31 March 2020, on pages 67 to 110 set out fully the financial position, results of operations and cash flows of the Bank.

Summarised information on the financial performance is included in the Chief Executive Officer's report on pages 5 to 6 of the Annual Report.

Dividend

Dividends of N$21,168,310 have been declared and paid in the current financial year (2019: N$8,779,484). Dividends declared in the prior years were retained for re-deployment towards special enterprise development endeavours as described in note 20 to the financial statements. The reserve is further subdivided into the following development programmes:
1. The Client Support & Development Fund
2. The Project Preparation Fund
3. The Innovation Fund
4. Skills-Based Facility Fund
5. Youth Programme Fund

Share capital

The Bank's authorised share capital remained unchanged at 2,000 Ordinary Shares of N$100,000 each.

The issued share capital remained at N$165 million (2019: N$165 million) and the share premium at N$1,842.1 million (2019: N$1,842.1 million).

Directors' interest

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.

Directorate and secretariat

The members of the Board of the Development Bank of Namibia during the year under review were:
- Tania Hangula (Chairperson)
- Tabitha Mbome
- James Cumming
- Kai Geschke
- Diana Husselmann
- Martin Inkumbi

Martin Inkumbi is the Chief Executive Officer.
Adda Angula is the Company Secretary.

Directors' emoluments

Directors' emoluments are disclosed in note 8.1 to financial statements.

Business and registered address

Development Bank of Namibia Building
12 Daniel Munamava Street
PO Box 235
Windhoek
Namibia

Taxation status

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). The Bank is subject to and complies with all other Namibian taxes, including value added tax, employees' tax and withholding tax. During the financial year the Bank paid value added tax of N$2,662,760 (2019: N$4,968,674), employees tax of N$21,137,869 (2019: N$19,219,962) and withholding tax of N$22,811 (2019: N$334,497).

Changes in accounting policies

In all material respects, the accounting policies applied during the year ended 31 March 2020 are consistent with those applied in the Annual Financial Statements for the year ended 31 March 2019, as no changes in accounting policies were affected in the year under review, with the exception of the changes as a result of the introduction of IFRS 16. The changes to the significant accounting policies are disclosed in Note 2.5.

Going concern

On 27 March 2020 the Government as a precautionary response to COVID-19 enacted a lockdown (limiting travel, closing of borders, social gatherings, non-essential and non-critical services) in Namibia (Khomas and Erongo regions) for a period of 21 days. The lockdown was expanded to include all regions and extended to 4 May 2020. The Bank was classified under critical services and successfully continued operations since the first lockdown with the majority of the employees working from home until 4 May 2020. Since 4 May 2020 Stage 2 with eased restrictive measures was enforced for 28 days and the country (except for Walvisbay municipality) moved to Stage 3 with further relaxation in restrictions from 1 June 2020 for 28 days.

The Bank has used available information to assess the possible impact of COVID-19 pandemic on its activities over the short-term. The key drivers of financial performance that could materially be impacted as result of the pandemic include repayments, impairment levels, interest rates and foreign currency exchange rates. The impairment calculation at 31 March 2020 was updated to incorporate the estimated impact of the pandemic by adjusting the probability of default ranges for the loans and resulted in the processing of an additional impairment provision of N$23.8 million. Two additional sensitivity scenarios were also performed using bull or bear outlooks, the results indicated a potential reversal of N$12.2 million or additional N$21.9m in the impairment provision for those two scenarios.

The Bank implemented relief programmes for clients impacted by the pandemic. The intervention and support scheme takes account of the varying impact the pandemic may have on the various sectors, for example the clients in the tourism and hospitality sector and most SME clients are all directly impacted with the travel and operations restrictions (especially in Stage 1 lockdown period) and therefore may be more adversely impacted and probably also for longer periods.

Interventions to date include provision for repayment holidays to mitigate the adverse business impact caused by the pandemic and the lowering of interest rates following the repo rate reduction. The repayment holidays were mainly focused on SME and Tourism & Hospitality clients, the initial 3 month repayment holidays were for the months of March 2020 to May 2020 and amounted to N$37.9 million, while some of the repayments were extended in May for an additional six months until November 2020 and amounted to N$57.0 million. The Bank is also developing a relief loans scheme to provide additional funding support for those clients impacted by the pandemic at affordable rates.

The Bank recognises the dynamic nature of this situation and will continue to review and refine the intervention if necessary, while safeguarding the Bank's financial sustainability and liquidity. The Directors have made an assessment of the ability of the Bank to continue as a going concern and have no reason to believe that the business will not be a going concern for the foreseeable future.

Subsequent events

As a result of an anonymous tip-off, DBN suspended seven of its employees, pending an investigation of alleged infractions which are inconsistent with set operational standards. The anonymous whistle-blower claimed that four employees of the Bank may be direct or indirect beneficiaries of SME enterprises that applied for business loans at DBN.

Twenty-six SMEs applied for loans to acquire trucks and side-tipping trailers to transport manganese from a mine in South Africa to Namibia for a contractor, sub-contracted by a main contractor. Twenty-one loans were approved by the Bank, but disbursements on only three loans were done, with a total value of N$ 9.6 million as at 31 March 2020. The three sub-contractors are expected to continue with the transportation contracts. Following the findings of the investigations, the board resolved that all other contracts be reviewed and presented to Board for consideration. The allegation affects the aforementioned transaction only, and has no impact on the overall DBN loan and advances.

To ensure public confidence in its integrity, the Bank uses an anonymous tip-off platform, through which members of the public can report alleged irregularities or misconduct. The Bank takes such reports seriously, and reports are investigated objectively.

The investigations carried out by external investigators has been concluded. The independent investigators report on the above investigation has found that there is possible misconduct on the part of six of the seven suspended employees, who will answer to these charges in a disciplinary hearing.

The investigation concluded that the alleged misconduct pertains to one isolated transaction only, and not to other transactions sampled. The investigation exonerated the Head: Credit Risk, who was one of the seven suspended employees. In the interim, internal measures have been instituted to provide continued seamless services to both internal and external stakeholders in the absence of the suspended employees.

The Bank holds its employees to high ethical standards in the execution of their work, and necessary systems and processes are in place to manage employee conduct. Deviations from the norm are handled expeditiously to restore public trust and operational integrity.

The Directors are not aware of any other 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 March 2020

N$	Notes	2020	2019
Interest income	4	945,254,359	848,404,138
Interest expense	5	(517,023,781)	(460,048,866)
Net interest income	5	428,230,578	388,355,272
Fee and commission income	6	23,353,295	28,246,751
Operating income		451,583,873	416,602,023
Other income	7	41,969,998	73,762,001
Fair value adjustments on loans and receivables	9	(4,835,839)	(7,430,353)
Fair value gain on cross currency swap	19.2	-	32,920,590
Foreign exchange gain on loan		-	6,169,410
Net impairment on loans and advances	14	(119,349,053)	(173,893,996)
Operating expenses	8	(140,267,091)	(136,446,574)
Profit before tax		229,101,888	211,683,101
Tax expense	10	-	-
Profit for the year		229,101,888	211,683,101
Profit for the year		229,101,888	211,683,101
Other comprehensive income, net of income tax		(10,924,625)	27,168,709
Items that may be reclassified subsequently to profit or loss			
Cash flow hedge: effective portion of changes in fair value on interest rate swap - IAS39	22.3	-	2,754,870
Items that will not be reclassified subsequently to profit or loss			
Revaluation gain on property	22.1	(2,011,627)	7,918,078
Fair value adjustments on FVOCI equity investment financial assets – IFRS 9	22.2	(8,912,998)	16,495,761
Total comprehensive income		218,177,263	238,851,810

Statement of Financial Position

as at 31 March 2020

N$	Note	2020	2019
Assets			
Cash and cash equivalents	11	601,368,773	698,977,010
Trade and other receivables	12	5,424,474	6,714,938
Staff home ownership scheme loans	15	99,116,912	84,889,580
Loans and advances to customers	13	8,465,903,601	8,507,838,685
Equity investments	17	272,789,349	281,702,347
Property and equipment and right of use assets	16	85,551,111	84,946,577
Intangible assets	18	5,201,186	5,600,646
Total assets		9,535,355,406	9,670,669,783
Liabilities			
Trade and other liabilities	19	85,586,382	27,675,865
Term loan facilities	19.3	233,000,000	233,000,000
Line of credit facility	19.4	4,048,129,370	4,050,767,808
Bonds	19.5	624,284,482	725,067,502
Fixed term facility	19.6	1,054,996,252	1,448,574,297
Credit line facility	19.7	112,757,242	-
Dividends retained for redeployment	20	49,510,183	55,501,769
Total liabilities		6,208,263,911	6,540,587,241
Equity			
Share capital and share premium	21	2,007,071,178	2,007,071,178
Retained earnings		1,276,970,120	1,069,036,542
Reserves	22	43,050,197	53,974,822
Total equity		3,327,091,495	3,130,082,542
Total liabilities and equity		9,535,355,406	9,670,669,783

Statement of Changes in Equity
for the year ended 31 March 2020

N$	Share capital and share premium: Share capital	Share premium	Revaluation reserve on land and buildings	Fair value reserve	Cash flow hedge reserve	Retained earnings	Total
Balance at 1 April 2019	165,000,000	1,842,071,178	56,246,966	(2,272,144)	-	1,069,036,542	3,130,082,542
Total comprehensive income for the year	-	-	(2,011,627)	(8,912,998)	-	229,101,888	218,177,263
Profit for the year	-	-	-	-	-	229,101,888	229,101,888
Other comprehensive income, net of income tax	-	-	(2,011,627)	(8,912,998)	-	-	(10,924,625)
Dividend paid	-	-	-	-	-	(21,168,310)	(21,168,310)
Balance at 31 March 2020	165,000,000	1,842,071,178	54,235,339	(11,185,142)	-	1,276,970,120	3,327,091,495
Note	*21*	*21*	*22.1*	*22.2*	*22.3*		

N$	Share capital and share premium: Share capital	Share premium	Revaluation reserve on land and buildings	Fair value reserve	Cash flow hedge reserve	Retained earnings	Total
Balance at 1 April 2018	165,000,000	1,842,071,178	48,328,888	(18,767,905)	(2,754,870)	1,215,684,783	3,249,562,074
Changes on initial application of IFRS 9	-	-	-	-	-	(349,551,858)	(349,551,858)
Re-stated balance at 1 April 2018	165,000,000	1,842,071,178	48,328,888	(18,767,905)	(2,754,870)	866,132,925	2,900,010,216
Total comprehensive income for the year	-	-	7,918,078	16,495,761	2,754,870	211,683,101	238,851,810
Profit for the year	-	-	-	-	-	211,683,101	211,683,101
Other comprehensive income, net of income tax	-	-	7,918,078	16,495,761	2,754,870	-	27,168,709
Transfer to dividend retained for redeployment	-	-	-	-	-	(8,779,484)	(8,779,484)
Balance at 31 March 2019	165,000,000	1,842,071,178	56,246,966	(2,272,144)	-	1,069,036,542	3,130,082,542
Note	*21*	*21*	*22.1*	*22.2*	*22.3*		

Cash Flow Statement
for the year ended 31 March 2020

N$	Note	2020	2019
Cash flows utilised in operating activities			
Cash receipts from customers	30.2	1,046,680,310	882,957,616
Cash paid to suppliers, lenders and employees	30.3	(654,347,384)	(565,451,915)
Cash flows from operating activities	30.1	392,332,926	317,505,701
Government grants received		-	60,000,000
Payments from special funds	20	(5,991,586)	(1,601,336)
Increase in loans and advance	30.4	(130,762,369)	(1,307,101,708)
Net cash utilised in operating activities		255,578,971	(931,197,343)
Cash flows utilised by investing activities		(4,082,034)	(7,007,301)
Acquisition of property and equipment		(4,374,570)	(1,734,583)
Proceeds from disposal of property and equipment		178,565	11,437
Acquisition of intangible assets		113,971	(5,284,155)
Cash flows from financing activities	19.8	(349,105,174)	975,306,091
Funding liabilities raised bonds		-	290,000,000
Funding liabilities raised fixed term facility		-	1,500,000,000
Funding liabilities raised credit line facility		120,375,000	-
Funding liabilities paid term loan		-	(670,000,000)
Funding liabilities paid bonds		(100,000,000)	(71,000,000)
Funding liabilities paid fixed term facility		(386,822,473)	(73,693,909)
Funding liabilities paid credit line facility		(10,467,391)	-
Current liabilities credit guarantee scheme funding received		48,978,000	-
Dividends paid		(21,168,310)	-
Net (decrease) / increase in cash and cash equivalents		(97,608,237)	37,101,447
Cash and cash equivalents at the beginning of the year	11	698,977,010	661,875,563
Cash and cash equivalents at the end of the year	11	601,368,773	698,977,010

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 co-operation 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 for 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'), interpretations issued by the IFRS Interpretations Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of Namibia.

2.2 Basis of measurement

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

- Land and buildings are measured at re-valued amounts.
- Equity investments are measured at fair value.
- Derivative financial instruments are measured at fair value.

The methods used to measure fair values are detailed in Notes 16, 28 and 29.

2.3 Functional and presentation currency

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

2.4 Judgements, estimates and assumptions

In preparing these financial statements, management has made judgements, estimates and assumptions that affect application of the Bank's 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 prospectively.

2.4.1 Use of judgements

Information about judgements made in applying the Bank's accounting policies that have the most significant effects on the amounts recognised in the financial statements are as follows:

2.4.1.1 Determination of control over investee

Management applies its judgement to determine if the following control indicator indicates whether the Bank controls 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. The Bank determined that it has no control over its equity investments, Ohorongo Cement (Pty) Ltd and Norsad Finance Ltd. The Bank has a minority shareholding of 5.58% in Norsad and does not have a controlling vote. The Bank has minority shareholding of 11.73% in Ohorongo Cement (Pty) Ltd and does not have controlling voting rights.

2.4.1.2 Financial assets

Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding (see Notes 3.10.2 and 31).

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information on measurement of ECL and selection and approval of models used to measure ECL (see Note 28.2).

2.4.2 Critical assumptions and estimates in applying accounting policies

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:

- impairment of loans and advances (see Note 3.10.7);
- derivatives and hedge accounting (see Note 3.16); and
- equity investments (see Note 3.10.16).

Notes 13, 14, 19.1 and 29 contain information about assumptions and estimation of uncertainty that have significant risk of resulting in a material adjustment within the next financial year.

2.4.2.1 Credit impairment losses on loans and advances

The Bank makes critical assumptions and estimates in determining inputs into the ECL measurement model, including incorporation of forward-looking information. When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Information about credit impairment of loans and advances has been included in Notes 14 and 28.2.

2.4.2.2 Credit impaired loans

Loans are impaired if amounts are due and unpaid for four or more months or if there is evidence before this that the customer is unlikely to repay the 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 credit impaired loans is included in Note 28.2.

2.4.2.3 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. If 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 liabilities are disclosed in Notes 28 and 29.

2.5 Changes in accounting policies

The Bank has initially adopted IFRS 16 (see Note 2.5.1) from 1 April 2019.

Due to the transition method chosen by the Bank in applying IFRS 16, comparative information throughout these financial statements has not generally been restated to reflect its requirements.

Accordingly, the impact on the comparative information is limited to new disclosure requirements.

The effect of initially applying the standard is mainly attributed to the following:

- additional disclosures related to IFRS 16 (see Notes 19.1)

Except for the changes below, the Bank has consistently applied the accounting policies as set out in Note 3 to all years presented in these Annual Financial Statements.

2 Basis of preparation (continued)
2.5 Changes in accounting policies (continued)

2.5.1 IFRS 16 Lease

The IASB issued financial reporting standard IFRS 16 "Leases" in January 2016. The standard replaced IAS 17 "Leases", as well as other guidance standards.

IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the lessee's Statement of Financial Position, unless the term is 12 months or less or the lease is for a low-value asset. For each lease, the lessee recognises a liability for lease obligations incurred in the future. Correspondingly, a right of use leased asset is capitalized, which is generally the present value of the future lease payments plus directly attributable costs, which is amortised over the useful life.

The Bank has adopted IFRS 16 which became mandatory for financial years commencing on or after 1 January 2019 with the same date of transition. The Bank transitioned to IFRS 16 in accordance with the modified retrospective approach and hence prior year figures were not adjusted.

The impact of the adoption IFRS 16

N$	Total	Vehicles	Office & parking space	Office equipment	IT equipment
Lease obligation as at 31 March 2019	7,775,553	21,136	4,730,909	820,278	2,203,230
Relief option for short-term leases	(3,073,083)	(21,136)	(1,815,142)	(169,055)	(1,067,750)
Gross lease liabilities as at 1 April 2019	4,702,470	-	2,915,767	651,223	1,135,480
Add new lease commitments	1,739,130		-	-	1,739,130
Discount factor for life of the leases	(353,109)	-	(87,310)	(55,417)	(210,382)
Lease liabilities and right of use assets recognized in the initial transaction to IFRS 16	6,088,491	-	2,828,457	595,806	2,664,228

Maturity of lease liability	Total	1 year	2 years	3 years
	3,448,182	3,062,453	248,902	136,827

3. Significant accounting policies

Except for the changes explained in Note 2.5, the accounting policies set out below have been applied consistently to all years presented in these financial statements.

3.1 Interest income and expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to::

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees 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 financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus principal repayments, plus or minus cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

See Note 3.10.7 for information on when financial assets are credit-impaired.

Presentation

Interest income and expenses presented in the Statement of Profit or Loss and OCI include interest on financial assets and financial liabilities measured at amortised cost.

3.2 Fees and commission income

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see Note 3.1).

Other fee and commission income, including account guarantee fees, front-end fees and other administrative fees are recognised at the point in time when the related services are performed. If a loan commitment is not expected to result in the drawdown of a loan, then the related loan commitment fee is recognised over the commitment period, unless the other fees are immaterial in comparison to the financial asset, in which instance the full amount is recognised in the Statement of Profit or Loss and OCI.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as services are received.

3 Significant accounting policies (continued)

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 shown 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.

Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

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 year.

3.6 Property and equipment

3.6.1 Recognition and measurement

Property and equipment is initially recognised at cost. Cost includes expenditures directly attributable to acquisition of the asset. Purchased software that is integral to functionality of related equipment is capitalised as part of that equipment.

Subsequently property is stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Vehicles, furniture and equipment are subsequently stated at cost less accumulated depreciation and accumulated impairment losses. Changes in the fair value are recognised directly in equity through the property revaluation reserve (see Note 3.6.4).

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 operating expenses in profit or loss. The carrying amount of a replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

3.6.2 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. Ongoing repairs and maintenance are expensed as incurred.

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.

Estimated useful lives for current and comparative periods are:

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

The estimated useful lives, residual values and depreciation method are reviewed at each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis, if appropriate. 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.

The right of use leased asset is amortised over the useful life. The estimated useful lives for the right of use assets are between 1 to 3 years

3.6.4 Revaluation

Land and buildings are revalued to market value. Valuations are from market-based appraisals by professional valuators. Revaluations are performed annually so 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 Software

Intangible assets acquired separately are recognised at cost less accumulated amortisation and accumulated impairment losses. On acquisition software is capitalised at purchase price. The useful life is set at three years for current and comparative periods with a zero-residual value. Gains and losses arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, and are recognised in profit or loss. 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 of intangible assets from the date that they are available for use. The estimated useful life, residual value and amortisation method are reviewed at the end of each annual reporting year, 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.

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 costs for which the grants are intended to compensate.

3.9 Leases

3.9.1 The Bank as lessee - Short-term lease

Applicable to 2020 only

The Bank classifies all its leases as short-term leases where the lessor effectively retains the risk and benefits of ownership or finance leases where the Bank assumes substantially all the benefits and risks of ownership of the leased assets and with terms of less than 12 months.

Lease payments payable under short-term 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

3 *Significant accounting policies (continued)*

3.9 *Leases (continued)*

3.9.2 The Bank as lessee – right of use leased assets

recognised in profit or loss as they occur. The minimum rentals due after year-end are presented under lease commitments in Note 25.

Applicable to 2020 only

All leases and the associated contractual rights are recognised in the Statement of Financial Position, unless the term is 12 months or less or the lease is for a low-value asset. Low value assets comprise of office equipment with a value belowN$50,000. For each lease, the Bank recognises a liability for lease obligations incurred in the future. The lease liabilities are measured at the present value of the remaining lease payments using the Bank's incremental borrowing rate. The incremental borrowing rate is calculated using the Bank's internal funding rate. Correspondingly, a right of use leased asset is capitalized, which is generally the present value of the future lease payments plus directly attributable costs, which is amortised over the useful life.

3.9.3 The Bank as lessee - Operating lease

Applicable to 2019 only

The Bank classifies all its leases as operating leases where the lessor effectively retains the risk and benefits of ownership or 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 instruments

Financial instruments consist of cash and cash equivalents, trade and other receivables, equity investments, loans and advances, staff home ownership scheme loans, trade and other liabilities, term loan facilities, fixed term facilities, line of credit facilities, bonds and derivative liabilities.

3.10.1 Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the trade date. All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to 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, 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 such financial assets the difference between the discounted and transaction price is released to interest income in accordance with IFRS 9.

3.10.2 Classification

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI (see Note 3.10.16). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

3. Significant accounting policies (continued)
3.10 Financial instruments (continued)
3.10.2 Classification (continued)

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after 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.

Debt securities issued, lines of credit, call loan facilities, term loans and bonds are held at amortised cost. The amortised cost of a financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation, using the effective interest method, of any difference between the initial amount recognised and the maturity amount.

3.10.3 Derecognition and modifications of financial assets and financial liabilities

3.10.3.1 Derecognition

Financial assets

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 is recognised in other comprehensive income is also recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in Note 3.10.16. 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. The Bank enters into transactions whereby it transfers assets recognised on its Statement of Financial Position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

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

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

Financial liabilities

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

3.10.3.2 Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether or not the new terms of the modified asset are substantially different to the original terms. Factors that are considered include whether modification merely reduces the contractual cash flows to amounts affordable to the borrower, any new substantial new items are introduced that substantially affects the risk profile of the loan, significant in interest rate, significant extension when borrower is not in financial difficulty and insertion of security to that significantly affect the credit risk associated with the loan.

If terms are substantially different the original financial asset is derecognised (see Note 3.10.3.1) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of incremental and directly attributable transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach affects the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset..

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 (see Note 19.7).

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. Significant accounting policies (continued)
3.10 Financial instruments (continued)
3.10.6 Fair value measurement (continued)

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, the Bank uses a valuation technique that maximises use of relevant observable input 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 the 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, the Bank measures the assets and liabilities at a representative value within the bid price and 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 to 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 individual instruments in the portfolio.

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

3.10.7 Impairment of financial assets

The Bank recognises loss allowances for ECL on the following

- financial instruments that are not measured at FVTPL:
- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- guarantees issued.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (see Note 28.2).

The Bank considers a debt investment security to have a low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECL is the ECL that results from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Also see Note 28.2.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see Note 3.10.3) and ECL is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flows and use in calculating the expected cash shortfalls for the new asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are

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

no other indicators of impairment. In addition, a retail loan that is overdue for 120 days or more is considered credit-impaired even when the regulatory definition of default is different.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

- financial assets measured at amortised cost: as a deduction

from the gross carrying amount of the assets;

- loan commitments and financial guarantee contracts: generally, as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the Statement of Profit or Loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Non-integral financial guarantee contracts

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's Bank.

If the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Bank determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired.

These assets are recognised in 'other assets' (see Note 28). The Bank presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

3.10.8 Dividends retained for redeployment

Dividends declared in 2008 to 2010 and 2016 to 2019 were retained by the Bank for redeployment to special enterprise development endeavors as resolved by the Shareholder. The special funds' liabilities payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. The fund's liabilities are settled through disbursements to the approved enterprise development projects as agreed with the Shareholder.

3.10.9 Trade payables

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

3.10.10 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 three 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 that are repayable on demand are included in cash and cash equivalents and form an integral part of the Bank's cash management (see Note 28.3).

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

3.10.11 Loans and advances

Loans and advances' line items in the Statement of Financial Position include loans and advances measured at amortised cost (see Note 3.10.2); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

3.10.12 Debt securities issued

Debt securities issued are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

3.10.13 Term loan facilities

Term loan facilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

3.10.14 Call loan and fixed term facilities

Call loan and fixed term facilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

3.10.15 Line of credit facility

Line of credit facilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

3.10.16 Bonds

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

3.10.17 Credit line facility

Credit line facilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

3.10.18 Equity instrument

The 'Equity investment' line item in the Statement of Financial Position includes equity investment securities designated as at FVOCI.

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

3.10.18 Equity instrument (continued)

The Bank elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss (see Note 3.10.2) unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

In determining the fair value for unquoted equity instruments, where the market for an equity financial instrument is not active, the Bank uses a valuation technique to establish what the transaction price would be in an arm's length transaction motivated by normal business considerations.

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

The Bank ensures that these valuation techniques:

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

3.11 Impairment of non-financial assets

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

An impairment loss is recognised in profit or loss when the carrying amount of an asset exceeds its recoverable amount. A previously recognised impairment loss will be reversed if the recoverable amount increases due to a change in 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 cost of disposal and its value in use. Net realisable value is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value-in-use, the expected future cash flows from the asset are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risks specific to the asset.

3.12 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the 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. They 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 in trade and other liabilities. Financial guarantee liabilities are recognised at the higher of the loss allowance determined in accordance with IFRS 9 (see Note 3.10.7) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Liabilities arising from financial guarantees are included in provisions.

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 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.

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 19.1 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 of the interest rate swap that is designated and qualifies as a cash flow hedge is recognised in other comprehensive income and accumulated under the heading cash flow hedging reserve. Gains or losses relating to the forex portion are recognised immediately in profit or loss and included in the 'fair value gain / 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 Profit or Loss and Other Comprehensive Income as the recognised hedged item.

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

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 gains or losses accumulated in equity are recognised immediately in profit or loss.

3.17 Comparatives

Comparatives have been restated (except for IFRS 16 see 2.5.1) to conform to disclosures in the year. Refer to Notes 4, 5, 8, 12, 13, 14, 27.1.4, 28 and Cash Flow Statement which reflect the restatement of 2019 in line with 2020 financial presentation

- to include accrued interest on loans and advances (N$21,458,874) in in the loans and advances balances previously included in trade and other receivables,
- to reduce the impairment provision and interest income with the reversal of interest suspended when credit impaired loans are cured (N$4,870,875) and
- to increase interest income and impairments to recognise interest income on the net carrying value of non-performing loans (N$4,836,555).

Summary of standards and interpretations issued

International Financial Reporting Standards and amendments relevant to the Bank issued but not effective for 31st March 2020 year-end:

The following standards are not expected to have a material impact on the Bank's financial statements in the year of initial application:

New or amended standards	Effective date	Summary of requirements
Amendments to IAS 1 and IAS 8	1 April 2020	Presentation of financial statements and accounting policies, changes in accounting estimates and errors' on the definition of material. • Use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; • Clarify the explanation of the definition of material; ("Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."); and • Incorporate some of the guidance in IAS 1 about immaterial information.
Amendment to IFRS 3	1 April 2020	Business combinations. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

4. Interest income

N$	2020	2019
Received on financial assets measured at amortised cost:		
Cash and cash equivalents	46,410,772	37,210,149
Loans and advances to customers : performing	881,039,347	790,304,139
Loans and advances to customers : credit impaired	387,408	4,836,555
Dividend income on preference shares in loan book	4,266,665	4,770,586
Loans and advances to staff	7,903,044	6,424,282
Unwinding of fair value adjustments to loans and receivables	5,247,123	4,858,427
Total interest income	945,254,359	848,404,138

Comparatives have been restated to conform to disclosures in the year. The reversal of interest suspended when credit impaired loans are cured and netted off against impairment expense, and interest income includes interest on the net carrying value of credit impaired loans.

5. Interest expense

N$	2020	2019
Incurred on financial liabilities measured at amortised cost:		
Debt securities	-	2,310,000
Term loan facilities	19,314,596	73,825,475
Line of credit facility	312,916,849	312,334,206
Bonds	60,867,540	51,597,428
Fixed term facility	116,488,875	19,958,205
Credit line facility	7,041,377	-
Bank overdrafts	52,596	23,552
Interest on leased liabilities	341,948	-
	517,023,781	460,048,866
Net interest income	428,230,578	388,355,272

Comparatives have been restated to conform to with the additional expenditure lines disclosed in the year, except for operating leases classified as right of use assets under IFRS 16 from 2020 using the modified retrospective approach, prior year figures were not adjusted.

6. Fee and commission income

N$	2020	2019
Guarantee fees	7,924,825	6,703,083
Front-end fees	14,932,479	21,364,645
Other fees received	495,991	179,023
	23,353,295	28,246,751

7. Other income

N$	2020	2019
Subsidy Government Grant *	-	60,000,000
Other income	2,200	34,300
Dividend income on equity investments measured at FVOCI	41,967,798	13,727,701
	41,969,998	73,762,001

* 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.

No subsidy was received in 2020 (2019: N$60,000,000). The expenditure associated with the Special Development Fund amounted to N$76,545,193 (2019: N$103,629,717) for the financial year.

8. Operating expenses

N$	2020	2019
Auditors' remuneration		
audit fees	2,211,962	1,488,961
other services	205,541	-
Directors' fees		
for services as Directors	1,169,176	1,008,761
for management services	3,026,795	2,876,291
Depreciation and amortisation	8,071,514	5,727,231
Donations and sponsorships	2,072,525	1,263,985
Gain on disposal of property and equipment	(117,690)	(2,813)
Professional services	6,612,808	11,719,851
Salaries and personnel costs	98,464,052	90,531,477
Short-term leases / Operating leases:		
buildings	279,442	1,278,760
equipment	167,253	1,000,603
motor vehicles	59,865	81,313
Other expenditure:		
information technology services	3,273,448	4,072,012
promotions and marketing	2,918,217	2,740,793
building maintenance, cleaning and security services	2,695,944	2,228,543
telephone, stationary, photocopier and courier	2,251,264	2,076,459
training and development	1,750,247	1,782,813
municipal charges	1,671,473	2,018,087
subscriptions and memberships	1,199,673	899,645
traveling and accommodation	913,743	1,034,060
other operational expenditure	1,369,839	2,619,742
Total operating expenditure	140,267,091	136,446,574
Number of employees	109	105

Comparatives have been restated to conform to the additional expenditure lines disclosed in the year, except for operating leases classified as right of use assets under IFRS 16 from 2020 using the modified retrospective approach, prior year figures were not adjusted.

8.1 Directors emoluments

8.1.1 Chief Executive Officer

N$	2020	2019
Pensionable salary - M Inkumbi	1,992,037	1,901,406
Bonus	582,263	547,240
Bank contributions to pension and medical aid schemes	452,495	427,645
	3,026,795	2,876,291

8.1.2 Non-executive Directors

N$	2020	2019
T Hangula (Chairperson)	246,555	199,457
J Cumming	265,996	215,260
K Geschke	260,017	212,202
D Husselman	150,186	138,716
T Mbome	246,422	224,633
A Basson (tenure ended 31 March 2018)	-	3,363
E Haiyambo (tenure ended 31 March 2018)	-	9,246
M Shingenge-Haipinge (tenure ended 31 March 2018)	-	5,884
	1,169,176	1,008,761

8.1.3 Schedule of Directors' fees

N$	2020	08.2018 - 03.2019	04.2018 - 07.2018
Chairperson's quarterly fee	17,589	17,589	21,531
Chairperson's sitting fee per Board meeting	9,912	9,912	11,215
Director's quarterly fee	14,368	14,368	16,592
Director's sitting fee per Board meeting	6,252	6,252	8,404
Sub-committee chairperson quarterly fee	8,431	8,431	-
Sub-committee chairperson sitting fee per hour / * per meeting	* 4,622	* 4,622	1,681
Sub-committee member quarterly fee	6,424	6,424	-
Sub-committee member sitting fee per hour / * per meeting	* 3,093	* 3,093	1,681

9. Fair value adjustment on loans and receivables

N$	2020	2019
Staff home loans	4,835,839	7,430,353
	4,835,839	7,430,353

At initial recognition of financial assets held/measured at amortised cost, adjustments are made to the notional value of such financial assets where there is a difference between the transaction price and the fair value. The future cash flows of the transactions have been discounted at a market related rate or yield to determine its fair value and the difference between its fair value and notional value is recognized in Profit and Loss.

10. 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).

11. Cash and cash equivalent

	2020	2019
Bank balances and call deposits	159,808,804	258,051,207
Short term fixed deposits with local banks	441,559,969	440,925,803
	601,368,773	698,977,010

The carrying amount approximates the fair value of cash and cash equivalents as the nature is short-term. The Bank has determined that ECL in respect of cash and cash equivalents is minimal due to their short-term nature, high credit quality (local banks with national investment grade rating) and ability to readily convertible to known amounts of cash which are subject to an insignificant risk of change in values.

12. Trade and other receivables

	2020	2019
Accrued interest on short term fixed deposits with local banks	3,341,523	4,267,644
Deposits	134,687	124,366
Staff study loans	1,169,310	885,435
Prepaid expenses	334,874	993,413
Inland Revenue withholding tax	444,080	444,080
	5,424,474	6,714,938

The carrying amount approximates the fair value of trade and other receivables as the nature is short-term.

Comparatives have been restated to conform to disclosures in the year to include accrued interest on loan and advances under loans and advances (refer to Note 13).

13. Loans and advances to customers

13.1 Category analysis

N$		At amortised cost 2020	At amortised cost 2019
Instalment sales		250,324,816	239,115,247
Preference share advances		66,869,514	62,369,714
Guarantees honoured by the Bank		7,641,579	7,938,717
Term loans		9,019,321,961	8,960,817,540
Value of loans and advances		9,344,157,870	9,270,241,218
Accrued interest on loans and advances		12,067,280	21,458,874
Net loans and advances		9,356,225,150	9,291,700,092
Impairment of loans and advances	14	(890,321,549)	(783,861,407)
Loans and advances		8,465,903,601	8,507,838,685

Comparatives have been restated to conform to disclosures in the year to include accrued interest on loan and advances under loans and advances previously disclosed under trade and other receivables.

13. Loans and advances to customers (continued)

13.2 Sectoral analysis

N$	Note	2020	2019
Automotive, machinery & equipment repair services		25,394,786	23,757,941
Business services		130,435,556	136,951,996
Commercial property		302,566,872	295,297,184
Construction		470,325,618	394,182,542
Education		206,077,132	190,802,759
Electricity		462,188,647	494,708,852
Financial intermediation		174,942,160	172,768,599
Fishing		5,831,194	5,214,239
Government & public authorities		4,889,288,890	5,315,536,840
Health		159,184,788	133,350,787
Housing		387,315,865	290,634,607
Land servicing		293,595,594	203,405,042
Manufacturing		555,001,249	510,573,652
Mining & quarrying		12,385,640	5,499,037
Telecommunications		109,474,743	117,192,977
Tourism & hospitality		701,125,704	614,720,576
Transport & logistics		168,428,524	107,610,338
Wholesale & retail trade		302,662,188	279,492,124
Gross value of loans and advances		9,356,225,150	9,291,700,092
Impairment of loans and advances	14	(890,321,549)	(783,861,407)
Net loans and advances		8,465,903,601	8,507,838,685

The carrying amount approximates the fair value of loans and advances as loans and advances are carried at amortised cost less impairment and the interest rate applied is market related.

The Government of the Republic of Namibia loan was included in the Government and public authorities sector (see note 27.1.4). The 2019 figures were also adjusted to remove it from the water sector.

13.3 Maturity structure per contractual maturity date

N$	2020	2019
Repayable on demand	314,646,216	160,194,611
One year or less but not repayable on demand	606,844,730	486,234,103
Three years or less but over one year	382,646,313	538,709,680
Five years or less but over three years	993,446,974	752,794,902
Over five years	6,168,319,368	6,569,905,389
Net loans and advances	8,465,903,601	8,507,838,685

13.4 Geographical analysis*

N$	2020	2019
Namibia – net loans and advances	8,465,903,601	8,507,838,685

** DBN operates under one segment and does not provide segment reporting.*

14. Impairment of loans and advances

N$ 2020	Total impairment	Stage 1	Stage 2	Stage 3	Profit or Loss
Opening balance	783,861,407	118,731,586	184,616,316	480,513,505	-
Amounts written off against impairment provision	(126,086,081)	(55,685)	(608,164)	(125,422,232)	-
Unwinding of fair value adjustments	(743,799)	(209,507)	-	(534,292)	(813,558)
New impairments created	441,128,893	26,429,961	121,581,713	293,117,219	334,673,870
Loans and advances: Provisions	290,987,536	26,429,961	121,581,713	142,975,862	291,801,094
Non-performing loans: Interest in suspense	107,268,581	-	-	107,268,581	-
On loan written off during the year	42,872,776	-	-	42,872,776	42,872,776
Recoveries of bad debts previously written off	-	-	-	-	(12,670,023)
Impairments reversed	(207,838,871)	(60,382,466)	(89,008,481)	(58,447,924)	(201,841,236)
Transfers between stages					
Transfer to Stage 1	-	54,960,624	(23,082,072)	(31,878,552)	-
Transfer to Stage 2	-	(63,405,934)	91,221,170	(27,815,236)	-
Transfer to Stage 3	-	(38,981,753)	(50,656,468)	89,638,221	-
Closing balance	890,321,549	37,086,826	234,064,014	619,170,709	119,349,053

N$ 2019	Total impairment	Stage 1	Stage 2	Stage 3	Profit or Loss
Opening balance	266,963,600	-	11,114,392	255,849,208	-
Adjustment to reflect opening ECL allowance determined under IFRS 9 as at 1 April 2018.	349,551,858	70,891,359	102,334,771	176,325,728	-
General impairment reversed	(11,114,392)	-	(11,114,392)	-	(11,114,392)
Amounts written off against impairment provision	(90,668,340)	(4,427,692)	(3,860)	(86,236,788)	-
Unwinding of fair value adjustments	(1,176,748)	(992,065)	-	(184,683)	(1,176,748)
New impairments created	350,504,498	51,535,818	189,697,315	109,271,365	271,905,007
Loans and advances: Provisions	250,632,607	46,492,574	189,697,315	14,442,718	251,809,355
Non-performing loans: Interest in suspense	79,776,239	-	-	79,776,239	-
On loan written off during the year	20,095,652	5,043,244	-	15,052,408	20,095,652
Recoveries of bad debts previously written off	-	-	-	-	(8,079,481)
Impairments reversed	(80,199,069)	(5,150,021)	(3,242,134)	(71,806,914)	(77,606,070)
Transfers between stages	-	6,874,187	(104,169,776)	97,295,589	-
Closing balance	783,861,407	118,731,586	184,616,316	480,513,505	173,893,996

Comparatives have been restated to conform to disclosures in the year. The reversal of interest suspended when credit impaired loan are cured and netted off against impairment expense, and interest income includes interest on the net carrying value of credit impaired loans.

Non-performing loans by sector*

N$ 2020	Credit risk	Security	Contractual interest suspended	Impairment
Automotive, machinery & equipment repair services	25,394,786	9,643,815	3,683,316	12,878,723
Business services	48,109,789	20,126,517	8,379,181	19,752,273
Commercial	43,374,882	31,360,000	1,419,378	12,175,511
Construction	193,368,944	67,878,848	31,435,211	70,256,700
Education	13,808,287	6,540,000	5,204,386	1,887,845
Electricity	39,976	-	30,697	6,017
Financial intermediation	12,792,046	6,014,000	3,120,691	3,603,780
Fishing	5,831,194	2,589,780	616,955	1,986,722
Health	75,276,949	22,043,380	13,361,694	37,649,769
Housing	155,459,591	91,182,751	15,020,284	52,172,748
Manufacturing	243,284,761	123,693,385	25,755,186	97,036,171
Telecommunications	5,407,504	3,050,000	538,391	1,919,676
Tourism & hospitality	184,771,147	136,036,267	38,861,999	29,899,044
Transport & logistics	89,548,560	45,271,844	23,799,314	25,916,168
Wholesale & retail trade	162,999,347	88,538,805	24,378,831	56,424,048
Total credit impaired loans by sector	1,259,467,763	653,969,392	195,605,514	423,565,195

* Includes guarantees issued in risk categories C, D and E (see Note 23).

14. Impairment of loans and advances by product

N$ 2020	Total impairment	Term loans	Instalment sales	Preference shares	Guarantees
Opening balance	783,861,407	687,365,990	80,212,657	10,589,945	5,692,815
Stage 1	118,731,586	116,763,601	1,911,315	27,445	29,225
Stage 2	184,616,316	170,906,322	3,095,126	10,562,500	52,368
Stage 3	480,513,505	399,696,067	75,206,216	-	5,611,222
Amounts written off against impairment provision	(126,086,081)	(107,905,205)	(13,044,581)	-	(5,136,295)
Unwinding of fair value adjustments	(743,799)	(743,799)	-	-	-
New impairments created	441,128,893	394,608,759	40,765,235	1,629,756	4,125,143
Loans and advances: Provisions	290,987,535	269,601,080	19,649,909	1,629,756	106,790
Non-performing loans: Interest in suspense	107,268,581	86,755,943	19,697,495	-	815,143
On loan written off during the year	42,872,777	38,251,736	1,417,831	-	3,203,210
Impairments reversed	(207,838,871)	(186,766,812)	(13,446,540)	(6,301,344)	(1,324,175)
Closing balance	890,321,549	786,558,933	94,486,771	5,918,357	3,357,488
Stage 1	37,086,826	34,311,956	2,718,091	-	56,779
Stage 2	234,064,014	225,892,423	2,239,918	5,918,358	13,315
Stage 3	619,170,709	526,354,555	89,528,761	-	3,287,393

N$ 2019	Total impairment	Term loans	Instalment sales	Preference shares	Guarantees
Opening balance	266,963,600	201,829,931	57,416,072	69,269	7,648,328
Stage 1	10,963,031	10,717,196	93,656	69,269	82,910
Stage 2	509,100	400,030	85,527	-	23,544
Stage 3	255,491,469	190,712,705	57,236,889	-	7,541,874
Adjustment to reflect opening ECL allowance determine under IFRS 9 as at 1 April 2018.	349,551,857	315,253,097	24,267,052	12,265,603	(2,233,895)
General impairment reversed	(11,114,392)	(10,456,983)	(400,964)	(69,269)	(187,176)
Amounts written off against impairment provision	(90,668,341)	(50,096,814)	(40,680,727)	-	109,200
Unwinding of fair value adjustments	(1,176,747.40)	(1,176,747)	-	-	-
New impairments created	350,504,500	290,176,075	54,650,943	(1,653,459)	7,330,941
Loans and advances: Provisions	250,632,608	216,692,250	28,820,205	(1,675,658)	6,795,811
Non-performing loans: Interest in suspense	79,776,241	61,979,198	17,244,692	22,199	530,152
On loan written off during the year	20,095,651	11,504,627	8,586,046	-	4,978
Impairments reversed	(80,199,070)	(58,162,568)	(15,039,720)	(22,198)	(6,974,584)
Closing balance	783,861,407	687,365,990	80,212,657	10,589,945	5,692,815
Stage 1	118,731,586	116,763,601	1,911,315	27,445	29,225
Stage 2	184,616,316	170,906,322	3,095,126	10,562,500	52,368
Stage 3	480,513,505	399,696,067	75,206,216	-	5,611,222

Comparatives have been restated to conform to disclosures in the year. The reversal of interest suspended when credit impaired loan are cured and netted off against impairment expense, and interest income includes interest on the net carrying value of credit impaired loans.

14. *Impairment of loans and advances (continued)*

Non-performing loans by sector* N$ 2019	Credit risk	Security	Contractual interest suspended	Impairment
Automotive, machinery & equipment repair services	23,757,941	10,027,650	2,218,073	12,730,787
Business services	59,770,798	19,502,004	6,435,379	27,357,610
Commercial	4,753,328	4,600,000	364,898	273,996
Construction	200,430,608	91,796,076	23,755,717	57,259,048
Education	82,651,184	55,900,000	6,382,846	24,025,189
Electricity	107,318	-	23,039	75,947
Financial intermediation	11,700,077	5,559,000	1,744,638	4,506,004
Fishing	5,214,239	2,589,780	-	2,286,050
Health	64,609,209	26,843,490	8,434,751	29,484,749
Housing	39,667,458	26,979,940	6,470,024	8,161,029
Land Servicing	7,271,054	2,099,940	1,793,510	3,247,914
Manufacturing	132,677,383	38,350,036	15,565,269	76,302,020
Tourism & hospitality	113,897,441	68,281,775	28,717,993	30,032,208
Transport & logistics	86,389,299	55,603,830	15,795,857	23,857,304
Wholesale & retail trade	127,963,860	77,728,239	17,170,892	46,040,764
Total credit impaired loans by sector	960,861,197	485,861,760	134,872,886	345,640,619

* Includes guarantees issued in risk categories C, D and E (see Note 23).

Credit impaired loans by category* N$ 2020	Credit risk	Security	Contractual interest suspended	Impairment
Guarantees	51,254,724	11,959,000	1,279,276	2,008,118
Preference shares	-	-	-	-
Instalment sales	159,639,536	68,033,224	39,976,233	49,552,528
Term loans	1,048,573,503	573,977,168	154,350,005	372,004,549
Total credit impaired loans	1,259,467,763	653,969,392	195,605,514	423,565,195

Credit impaired loans by category* N$ 2019	Credit risk	Security	Contractual interest suspended	Impairment
Guarantees	75,370,285	14,892,300	967,221	4,644,722
Preference shares	-	-	-	-
Instalment sales	161,430,180	93,098,236	27,823,849	47,387,550
Term loans	724,060,732	377,871,224	106,081,816	293,608,347
Total credit impaired loans	960,861,197	485,861,760	134,872,886	345,640,619

* Includes guarantees issued in risk categories C, D and E (see Note 23).

The following table provides an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in loss allowance

Loans and advances to customers at amortised cost

	Impact: increase / (decrease)					
	2020			2019		
N$	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
New loans added	417,883,863	82,655,802	9,682,648	454,611,367	98,871,011	6,503,008
Loans settled	(403,068,509)	(146,168,611)	(39,868,172)	(216,892,386)	(2,195,375)	(18,270,096)
Loans written off	(70,333)	(1,555,632)	(127,610,282)	(3,929,171)	(3,775)	(85,786,600)
Transferred to Stage 1	330,923,539	(221,098,151)	(109,825,388)	91,193,064	(51,500,733)	(39,692,331)
Transferred to Stage 2	(614,817,145)	669,790,169	(54,973,024)	(592,190,989)	597,686,860	(5,495,871)
Transferred to Stage 3	(189,733,188)	(315,129,405)	504,862,593	(86,623,955)	(109,876,354)	196,500,308

15. Staff home ownership scheme loans

N$	2020	2019
Staff home ownership scheme loans	99,116,912	84,889,580

The Bank operates a home ownership scheme, in terms of which, mortgage bonds are provided to the Bank employees at reduced interest rates. Loans are provided to a maximum of four (4) times the pensionable salary, including all costs. Staff home loans are deemed as off-market loans as they represent loans granted to staff members at lower than market related rates. The fair value adjustment at initial recognition regarding off-market staff home loans granted for the current financial year amounted to N$4,835,839 (2019: N$7,430,353). Loans are secured by fixed property. Refer to Note 28.2 for the impairment.

16. Property and equipment

N$ Cost or revalued amount	Land	Buildings	Vehicles	Furniture & equipment	Right of Use Assets	Total
Balance at 1 April 2018	28,986,000	58,444,379	1,217,429	12,339,205		100,987,013
Additions	-	235,655	473,820	1,025,108		1,734,583
Disposals	-	-	-	(144,418)		(144,418)
Revaluation gain	1,838,000	6,080,078	-	-		7,918,078
Balance at 31 March 2019	30,824,000	64,760,112	1,691,249	13,219,895	-	110,495,256
Balance at 1 April 2019	30,824,000	64,760,112	1,691,249	13,219,895	6,088,491	116,583,747
Additions	-	1,720,895	493,102	2,160,573	-	4,374,570
Disposals	-	-	(308,670)	(755,792)	-	(1,064,462)
Revaluation gain /(loss)	(3,412,000)	1,400,373	-	-	-	(2,011,627)
Balance at 31 March 2020	27,412,000	67,881,380	1,875,681	14,624,676	6,088,491	117,882,228
Accumulated depreciation and impairment						
Balance at 1 April 2018	-	(11,165,379)	(450,119)	(9,506,115)	-	(21,121,613)
Eliminated on disposals of assets				135,794	-	135,794
Depreciation expense		(2,915,683)	(251,385)	(1,395,792)	-	(4,562,860)
Balance at 31 March 2019	-	(14,081,062)	(701,504)	(10,766,113)	-	(25,548,679)
Balance at 1 April 2019	-	(14,081,062)	(701,504)	(10,766,113)	-	(25,548,679)
Eliminated on disposals of assets	-	-	262,371	741,216	-	1,003,587
Depreciation expense	-	(3,397,317)	(365,916)	(1,212,126)	(2,810,666)	(7,786,025)
Balance at 31 March 2020	-	(17,478,379)	(805,049)	(11,237,023)	(2,810,666)	(32,331,117)
Carrying amount						
As at 31 March 2019	30,824,000	50,679,050	989,745	2,453,782	-	84,946,577
As at 31 March 2020	27,412,000	50,403,001	1,070,632	3,387,653	3,277,825	85,551,111

Land and buildings are measured at the revalued amount in accordance with the Bank's policy. The carrying amount, if carried under the cost model as at 31 March 2020 is N$ 29,851,255 (2019: N$ 29,038,973).

The property represents land and buildings situated on erf numbers 5444 (portion of) and 7640 (sectional title), Windhoek; erf number 735, Walvis Bay; and erf number 1590, Oshakati. These were valued by independent external, qualified valuators on 31 March 2020. Valuation methods used were the comparative sales method (Level 2), the replacement cost method (Level 3) with the significant unobservable inputs being the associated replacement values of the land and buildings and the depreciation rate. During the year, 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 about the fair value hierarchy as at 31 March 2020 are as follows:

N$ 2020	Level 1	Level 2	Level 3	Total
Land	-	7,412,000	20,000,000	27,412,000
Buildings	-	10,403,000	40,000,000	50,403,000
	-	17,815,000	60,000,000	77,815,000

N$ 2019	Level 1	Level 2	Level 3	Total
Land	-	3,300,000	27,524,000	30,824,000
Buildings	-	1,600,000	49,079,050	50,679,050
	-	4,900,000	76,603,050	81,503,050

16. Property and equipment (continued)

Reconciliation of Level 2 and 3 fair value of property and equipment

N$	Level 2		Level 3		
2020	Land	Buildings	Land	Buildings	Total
Fair value at 1 April 2019	3,300,000	1,600,000	27,524,000	49,079,050	81,503,050
Additions	-	-	-	1,720,895	1,720,895
Fair value gains or (losses) recognised in other comprehensive income	(235,000)	134,019	(3,177,000)	1,266,354	(2,011,627)
Transfers between level 2 and 3	4,347,000	8,753,000	(4,347,000)	(8,753,000)	-
Depreciation recognised in profit or loss	-	(84,019)	-	(3,313,299)	(3,397,318)
Fair value at 31 March 2020	7,412,000	10,403,000	20,000,000	40,000,000	77,815,000

Changes in the Bank's best estimate of the unobservable inputs could affect reported fair value recognised on the Statement of Financial Position and movements in the fair values recognised in other comprehensive income. Changing these inputs to reasonably possible alternatives would change the fair values using more positive reasonable assumptions to N$81,690,664 (2019: N$85,551,975) and using more negative reasonable assumptions to N$73,910,600 (2019: N$77,404,168).

17. Equity investments

N$ **Equity investments - unlisted**	Norsad Finance Ltd	Ohorongo Cement (Pty) Ltd	Total
Fair valued amount	*5.58% Shareholding*	*11.73% Shareholding*	
Balance at 1 April 2018	44,206,586	221,000,000	265,206,586
Fair value adjustment	(1,766,884)	18,262,645	16,495,761
Balance at 31 March 2019 at FVOCI	42,439,702	239,262,645	281,702,347
Fair value adjustment	3,349,647	(12,262,645)	(8,912,998)
Balance at 31 March 2020 at FVOCI	45,789,349	227,000,000	272,789,349
Dividend income recognised in profit or loss	-	41,967,798	41,967,798

As of 1 April 2019, the DBN designated the above equity investments as at FVOCI. In 2019. The FVOCI designation was made because the investments are expected to be held for the long term for strategic development purposes.

Investments are valued based on the dividend discount model and market value approach of the entities. Refer to Note 29 on the fair value of financial instruments for the methodologies and assumptions used to determine the fair value of the investments in securities.

18. Intangible assets

N$	Software	Software development	Total
Cost			
Balance at 1 April 2018	11,611,369	128,818	11,740,187
Additions	93,705	5,190,450	5,284,155
Transfers	128,818	(128,818)	-
Balance at 31 March 2019	11,833,892	5,190,450	17,024,342
Balance at 1 April 2019	11,833,892	5,190,450	17,024,342
Additions	398,136	4,706,084	5,104,220
Monetary grant	-	(5,218,189)	(5,218,189)
Transfers	-	-	-
Balance at 31 March 2020	12,232,028	4,678,343	16,910,371
Accumulated amortisation and impairment			
Balance at 1 April 2018	(10,259,325)	-	(10,259,325)
Amortisation for the year	(1,164,371)	-	(1,164,371)
Balance at 31 March 2019	(11,423,696)	-	(11,423,696)
Balance at 1 April 2019	(11,423,696)	-	(11,423,696)
Amortisation for the year	(285,489)	-	(285,489)
Balance at 31 March 2020	(11,709,185)	-	(11,709,185)
Carrying amount			
As at 31 March 2019	410,196	5,190,450	5,600,646
As at 31 March 2020	522,843	4,678,343	5,201,186

19. Trade and other liabilities

N$	2020	2019
Trade payables	11,000,803	7,963,411
Credit Guarantee Scheme Funding	48,978,000	-
Salary related payables	21,790,003	19,533,105
Receiver of Revenue	369,393	146,016
Deferred guarantee fee income	-	33,333
Lease liabilities (19.1)	3,448,183	-
	85,586,382	27,675,865

Trade payables principally comprise of amounts outstanding for trade purchases and ongoing costs. The Credit Guarantee Scheme Funding is payable to NASRIA. The Directors consider that the carrying amount of trade payables approximates their fair value due to their short term nature.

19.1 Reconciliation of lease liabilities

NS	Total	Office & parking space	Office equipment	IT equipment
Balance at 1 April 2019	6,088,490	2,828,456	2,664,228	595,806
Interest expense	341,948	152,675	158,733	30,540
Payments	(2,982,256)	(1,285,631)	(1,437,305)	(259,320)
Balance at 31 March 2020	3,448,182	1,695,500	1,385,656	367,026

Income statement recognition of leased related expenditure

N$	2020	2019
Depreciation on right of use assets	2,810,666	-
Expenses relating to short-term leases	506,560	-
Total included in operating expenditure	3,317,226	-
Interest expense	341,948	-

19.2 Derivative held for risk management

The following table analyses the movements in the derivative held for risk management purposes:

N$	2020		2019	
	Asset	**Liability**	**Asset**	**Liability**
Balance at beginning of year	-	-	-	35,675,460
Foreign exchange	-	-	-	(32,920,590)
Interest rate	-	-	-	(2,754,870)
Balance at end of year	-	-	-	-

In 2013 the Bank entered into a 12-year cross-currency interest rate swap to hedge both the foreign currency and interest rate risks arising from a US dollar dominated advance/loan as the transaction exposes the Bank to currency risk associated with converting capital and interest payment between USD and NAD. Future cash flows were expected to be received monthly until 29 August 2025 but the derivative and underlying asset has been fully settled in the current financial year. The exposure to variability in the cash flow that was attributable to changes in interest rates impacted the Bank's profit or loss. The interest rate risk was designated for hedging purposes.

During 2019 N$ 31,920,590 net gains relating to the forex portion of the hedge were recognised in profit or loss, while net gains of N$ 2,754,870 relating to the interest rate risk portion of the cash flow hedge were recognised in OCI..

Changes in Level 3 fair value of financial liabilities

	Instrument type	
N$	Foreign exchange	Interest rate
Fair value at 31 March 2018	32,920,590	2,754,870
Total gain recognised in profit or loss	(32,920,590)	-
Total gain recognised in other comprehensive income	-	(2,754,870)
Fair value at 31 March 2019	-	-

Cross-Currency Swap Models: The fair value was calculated as the present value of estimated future cash flows. All nominal values of the future cash flows were known in advance, as all applicable interest rates are fixed in the terms of the swap. These cash flows are discounted using a yield curve constructed from sources specific to the currency in which the cash flows will be paid. This yield curve reflected relevant benchmark interbank rates used by market participants for this purpose when pricing cross-currency swaps.

19. Trade and other liabilities (continued)

N$	2020	2019
19.3 Term loan facilities		
Opening balance	233,000,000	910,319,485
Interest payable	19,314,596	79,576,188
Interest paid	(19,314,596)	(86,895,673)
Repayments	-	(670,000,000)
Closing balance	233,000,000	233,000,000
Comprising of		
Term loan from banks	200,000,000	200,000,000
Fixed term cash deposits	33,000,000	33,000,000
	233,000,000	233,000,000

The medium-tem loan facility is secured by way of a demand guarantee and has a maturity of less than one year. Interest is payable quarterly in arrears. The term loan is unsecured and has a maturity of three years. Interest is payable quarterly in arrears.

The Bank has not breached any of the loan covenants during the year ended 31 March 2020.

Fixed term cash deposits represents cash held as security by the Bank on the Nampost Financial Brokers facility and earns a floating interest rate payable monthly in arrears. The facility expires on 31 December 2020. These liabilities are held at amortised cost.

19.4 Line of credit facility

N$	2020	2019
Opening balance	4,050,767,808	4,050,277,328
Interest payable	315,555,288	311,843,727
Interest paid	(366,323,096)	(362,121,055)
Accrued interest	48,129,370	50,767,808
	4,048,129,370	4,050,767,808

Seventeen year line of credit with African Development Bank. Repayment of principal is quarterly over a twelve year period following a grace period of five years. Interest is payable quarterly on 1st February, 1st May, 1st August and 1st November annually. The first capital instalment will be payable on 1 August 2021.

19.5 Bonds

N$	2020	2019
Opening balance	725,067,502	505,154,571
Bonds issued during the year:		
DBN23	-	290,000,000
Interest payable	61,650,559	70,852,840
Interest paid	(66,718,061)	(71,684,497)
Repayments	(100,000,000)	(71,000,000)
Accrued interest	4,284,482	1,744,588
	624,284,482	725,067,502

Bonds issued consist of senior, unsecured notes, under the N$2.5 billion medium term note programme listed on the Namibian Stock Exchange (NSX), paying either a fixed or floating rate. DBN20 is a three year floating rate note linked to the 3-month JIBAR paying interest quarterly in arrears. DBN20A1, DBN20B and DBN23 are 5-year fixed-rate notes paying interest and principal semi-annually in arrears.

19.6 Fixed term facility

N$	2020	2019
Opening balance	1,448,574,297	-
New loan: Term loan	-	1,500,000,000
Interest payable	123,244,447	1,139,730
Interest paid	(145,512,653)	(1,139,730)
Accrued interest	15,512,634	22,268,206
Capital repayment	(386,822,473)	(73,693,909)
	1,054,996,252	1,448,574,297

19. Trade and other liabilities (continued)
19.6 Fixed term facility (continued)

Eight year term loan with Standard Bank of Namibia. Repayment of principal and interest is payable quarterly in arrears.

DBN entered into an agreement to obtain financing of N$1,500,000,000 to advance a loan of N$1,500,000,000 to the National Energy Fund (NEF). In terms of the agreement, DBN is required to keep a call deposit account based on 6 months' principal and interest obligations. As the facility was obtained purely for the loan advanced to NEF, DBN entered into an agreement with NEF with the same terms as above. The call deposit account earns interest monthly both at Standard Bank of Namibia and DBN. The two call accounts have been offset as DBN has a legal right to set off the call accounts and intends to realise the asset and settle the liability simultaneously.

NEF reserve facility

N$	2020	2019
Deposit by NEF	156,881,163	168 406 293
Interest accrued on deposit	594,461	750 075
Accrued interest	(594,461)	(750 075)
Deposit at Standard Bank of Namibia	(156,881,163)	(168 406 293)
	-	-

19.7 Credit line facility

N$	2020	2019
New loan: credit line	120,375,000	-
Interest payable	4,191,744	-
Interest paid	(4,191,744)	-
Accrued interest	2,849,633	-
Capital repayment	(10,467,391)	-
	112,757,242	-

Twelve-year climate related credit line with KfW. Repayment of principal and interest is payable semi-annual in arrears

19.8 Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities	
N$	2020	2019
	Other loans and borrowings	**Other loans and borrowings**
Balance at beginning of year	6,457,409,607	5,465,751,384
Changes from financing cash flows:		
Funding liabilities raised bonds	-	290,000,000
Funding liabilities raised fixed term facility	-	1,500,000,000
Funding liabilities raised credit line facility	120,375,000	-
Funding liabilities paid term loan	-	(670,000,000)
Funding liabilities paid bonds	(100,000,000)	(71,000,000)
Funding liabilities paid fixed term facility	(386,822,473)	(73,693,909)
Funding liabilities paid credit line facility	(10,467,391)	-
Total changes from financing activities excluding dividends and credit guarantee scheme funding)	(376,914,864)	975,306,091
Other changes		
Liability-related:		
Interest expense	516,681,833	460,048,866
Interest paid	(524,009,230)	(443,696,734)
Total liability-related other changes	(7,327,397)	16,352,132
Balance at end of year	6,073,167,346	6,457,409,607
Total changes from financing activities (excluding dividends and credit guarantee scheme funding)	(376,914,864)	975,306,091
Current liabilities credit guarantee scheme funding received	48,978,000	-
Dividends paid	(21,168,310)	-
Total changes from financing activities	(349,105,174)	975,306,091

20. Dividends retained for redeployment

N$	2020	2019
Balance at beginning of year	55,501,769	47,839,986
Dividend declared from retained earnings	-	8,779,484
Charged against customer accounts	-	483,635
Disbursements	(5,991,586)	(1,601,336)
Client Support & Development Fund	(1,576,322)	(1,351,703)
Innovation Fund	(821,828)	(201,579)
Project Preparation Fund	(3,593,436)	(48,054)
Balance at end of year	49,510,183	55,501,769

Dividends declared in 2008 to 2010 and 2016 to 2019 were retained by the Bank for redeployment towards special enterprise development endeavors as resolved by the shareholder and managed per funds. The liability recognised is settled through disbursements to approved enterprise development projects.

Balance at end of year	49,510,183	55,501,769
General retained dividend reserve	-	29,049,426
Client Support & Development Fund	5,712,063	7,288,386
Innovation Fund	695,199	1,517,027
Project Preparation Fund	14,053,495	17,646,930
Skill-based Facility Fund	21,049,426	-
Youth Program Fund	8,000,000	-

21. Share capital and share premium

N$	2020	2019
Share capital		
Authorised		
2,000 Ordinary shares of N$100,000 each	200,000,000	200,000,000
Issued		
Share capital: 1,650 (2017: 1,650) Ordinary shares of N$100 000 each.	165,000,000	165,000,000
Share premium		
Share premium on issue of shares	1,842,071,178	1,842,071,178
Total share capital and share premium	2,007,071,178	2,007,071,178

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.

22. Reserves

22.1 Revaluation reserve on land and buildings

N$	2020	2019
Balance at beginning of year	56,246,966	48,328,888
(Loss) / Gain on revaluation of land and buildings	(2,011,627)	7,918,078
Balance at end of year	54,235,339	56,246,966

This reserve represents the fair value adjustments recognised on the revaluation of land and buildings.

22.2 Fair value reserve

N$	2020	2019
Balance at beginning of year	(2,272,144)	(18,767,905)
FV adjustment on FVOCI equity investment financial asset	(8,912,998)	16,495,761
Balance at end of year	(11,185,142)	(2,272,144)

The fair value reserve comprises all fair value adjustments for FVOCI equity investments.

22 *Reserves (continued)*

22.3 Cash flow hedging reserve

N$	2020	2019
Balance at beginning of year	-	(2,754,870)
Derecognition of cash flow hedge	-	2,754,870
Balance at end of year	-	-

The cash flow hedging reserve represented 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 19.2 for details of the hedged risk and the fair value of the hedging instruments.

Net balance of reserves at the end of the year	43,050,197	53,974,822

23. Loan commitments and contingent liabilities

N$	2020	2019
Contingent liabilities		
Commitments in respect of loans approved	821,775,884	579,462,322
Guarantees issued	159,637,473	153,553,721
Letters of credit	3,213,708	4,399,516
Performance and demand guarantees	156,423,765	149,154,205
	981,413,357	733,016,043

N$	Note	2020				2019
		Stage 1	Stage 2	Stage 3	Total	Total
Loan commitments						
Risk category	28.2	682,930,270	109,955,913	28,889,701	821,775,884	579,462,322
		682,930,270	109,955,913	28,889,701	821,775,884	579,462,322
Impairment provision		-	-	-	-	-
Carrying amount		682,930,270	109,955,913	28,889,701	821,775,884	579,462,322
Guarantees issued						
Risk category						
A		95,565,233	16,772,593	-	112,337,826	42,286,943
B		-	7,572,867	-	7,572,867	44,948,286
C		-	-	7,071,235	7,071,235	6,990,434
D		-	-	3,222,827	3,222,827	15,691,751
E		-	-	29,432,718	29,432,718	43,636,307
		95,565,233	24,345,460	39,726,780	159,637,473	153,553,721
Impairment provision		(56,779)	(13,315)	(3,287,394)	(3,357,488)	(5,692,814)
Carrying amount		95,508,454	24,332,145	36,439,386	156,279,985	147,860,907

No ECL is provided on the loan commitments as the loan commitments are revocable. The loan commitments amount for 2019 was updated to reflect the commitments on partially disbursed loans.

24. Capital commitments

N$	2020	2019
Capital expenditure authorised:		
Not yet contracted for	100,000	2,110,000

25. Lease commitments

N$	2020	2019
Short-term lease commitments / Operating lease commitments:		
Buildings	-	4,730,909
Vehicles	-	21,136
Office equipment and leased lines	82,209	3,023,508
	82,209	7,775,553
To be incurred as follows:		
Up to 1 year	27,403	2,741,091
2 – 5 years	54,806	5,034,462
	82,209	7,775,553

Office equipment under a full maintenance lease agreement renewable annually.

26. 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 Development Bank of Namibia is a participating employer under a registered umbrella retirement fund with no actuarial valuations required at the participating employer level. All employees contribute to the Fund. Total Bank contributions for the year amounted to N$10,923,890 (2019: N$9,655,533).

27. 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.

27.1 Related party balances and transactions

27.1.1 Directors

The remuneration of Directors is determined by the Shareholder in line with the remuneration directives issued by the Minister of Public Enterprises.

- Refer to note 8.1 for Directors' emoluments. In order to avoid conflicts of interests and with a view to ensuring transparency at all times, a register of Directors' and manager's interests in other business entities containing the nature of such interests, as well as the nature and the extent of the beneficial shares held in the business entity, is submitted and circulated at each meeting of the Board of Directors for reviewing and updating where necessary.
- Where Directors have an interest in any matter before the Board for consideration, Directors concerned 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 year.

27.1.2 Shareholder

The Government of the Republic of Namibia holds 100% of the issued share capital of the Bank.

N$	2020	2019
Dividends declared	21,168,310	8,779,484

27.1.3 Key management personnel

The remuneration of key executives is determined by the Board of Directors in accordance with the remuneration directives issued by the Minister of Public Enterprises. The Bank has requested exemption from the directives to attract and retain suitably qualified and skilled staff. The remuneration of the Executive Director (CEO) and other members of key management during the year was as follows:

N$	2020	2019
Compensation	11,966,716	11,656,204
Pension benefits	1,882,389	1,817,623
Other short-term benefits	507,468	544,825
	14,356,573	14,018,652

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

27. Related party information (continued)

27.1 Related party balances and transactions (continued)

27.1.4 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$	2020		2019		2020		
Related party	Outstanding balance	Interest charged	Outstanding balance	Interest charged	ECL provision	Collateral held	*Principal type of collateral held*
Instalment Sales							
Namibian Ports Authority	(2,759)	-	(2,759)	236,016	-	10,477,060	*Notarial bond*
Preference shares advance							
Seaflower Whitefish Corporation	48,802,353	3,047,185	45,755,169	2,128,266	14,357	25,600,000	*Government guarantee*
Term loans							
Erongo Regional Electricity Distributor Company	326,116,798	32,459,978	272,697,124	26,395,973	1,251,068	84,379,826	*Commercial property & cash*
Meat Corporation of Namibia	169,898,133	11,425,203	189,203,100	20,357,159	497,560	155,800,000	*Industrial properties & farmland*
Namibia Power Corporation	21,771,491	1,560,232	26,451,367	1,871,221	265,443	-	*None*
Namibia Wildlife Resorts	86,342,736	8,513,578	82,139,019	4,147,092	-	91,500,000	*Government guarantee*
Namibian Ports Authority	-	-	-	135,901	-	-	*Commercial property*
Nampost Financial Brokers	30,451,223	2,391,942	30,451,242	2,436,217	-	33,000,000	*Cash*
National Energy Fund	3,817,319,380	376,560,656	4,154,142,266	329,467,441	521,333	3,817,319,380	*Government guarantee & cash flow*
Seaflower Whitefish Corporation	15,361,965	1,289,781	18,541,330	1,223,154	4,608	38,500,000	*Government guarantee*
Telecom Namibia	29,999,660	4,028,921	54,987,420	5,396,719	-	60,000,000	*Letter of comfort*
The Government of the Republic of Namibia	343,227,910	40,974,519	441,171,562	33,247,018	-	343,227,910	*Cash flow*
	4,889,288,890	482,251,995	5,315,536,840	427,042,177	2,554,369	4,659,814,176	

For each loan, the value of the disclosed collateral is capped to the nominal amount against which the loan is held.

Impairment losses have been recorded against balances outstanding, during the year, with related entities.

Comparatives have been restated to conform to disclosures in the year to include accrued interests on loan and advance under loans and advances.

28 Financial risk management

28.1 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.

Risk management framework

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

Enterprise-wide risk management monitors and manages the financial risks relating to the operations of the Bank through internal risk reports which analyse exposures by degree and magnitude of risks.

These risks and their performances are measured against the Risk Appetite of the Bank, via the Sustainability Model, and include 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 Management Risk and Compliance Committee ultimately reports to the Board Audit Risk and Compliance Committee but together with the Management Credit and Investment 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 Board Audit, Risk and Compliance Committee, which monitors risks and policies implemented to mitigate risk exposure.

28.2 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, and 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 the Management Credit and Investment Committee. An authorisation structure has been established for the approval and renewal of credit facilities within the limits of the Senior Manager: SME Finance, the Head of Credit, the Management Credit and Investment Committee ('MCIC'), and the Board 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 require approval by the Board and / or the Board Credit and Investment Committee.

The Credit Department which also reports to Exco, is responsible for oversight of the Bank's credit risk, including:

- recommending all credit applications, reviews, write-offs, legal proceedings, restructurings, rescheduling and changes in collateral in excess of limits delegated to the department;
- ensuring the effectiveness of the Loan Monitoring 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. These exposure limits are determined on an annual basis.

28. Financial risk management (continued)

28.2 Credit risk (continued)

Concentration risk is monitored by assessing the following exposure limits:

- 12 % of capital (ito the Credit & Equity Investment Policy) for a single counterparty or project exposure.
- 30 % sectoral exposure (ito AADFI guidelines).

None of these exposure limits have been exceeded, with the exception of the NEF loan which was approved by the Board of Directors.

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.

Maximum exposure to credit risk

N$	2020	2019
Cash and short term funds	601,368,773	698,977,010
Loans and advances: at carrying amount	8,465,903,601	8,507,838,685
Instalment sales	155,838,045	158,902,592
Term loans	8,244,830,308	8,294,910,422
Preference Share advances	60,951,157	51,779,768
Guarantees honored by Bank	4,284,091	2,245,903
Trade and other receivables	5,089,600	5,721,525
Staff home ownership scheme loans	99,116,912	84,889,580
	9,171,478,886	9,297,426,800
Amounts not recognised on the Statement of Financial Position		
Guarantees	159,637,474	153,553,720
Commitments to borrowers	301,689,105	153,679,139
	9,632,805,465	9,604,659,659

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

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

Maximum exposure to credit risk

A: Pass or Acceptable	Stage 1 Performing	These are loans that are performing in accordance with contractual terms, and are expected to continue doing so. 12-month ECL is recognized based on the portion of the ECL that result from default events on the loans or assets that are possible within the 12 months (or contractual lifetime if shorter) after the reporting date.
B: Watch or Special Mention	Stage 2 Under performing	Loans in this category are currently protected, but exhibit potential weaknesses which if not corrected, may weaken the asset and therefore significant increase in credit risk is prevalent. Life-time ECL is recognized based on the ECL that result from all possible default events over the expected life of the loans or assets.
C: Substandard D: Doubtful E: Loss or All Interest Stopped	Stage 3 Non - performing	Loans, or other assets, in this category are assessed to be credit-impaired. Life-time ECL is recognized based on the ECL that result from all possible default events over the expected life of the loans or assets. For these credit impaired (or 'stage 3') loans, interest income is calculated by applying the effective interest rate to the net carrying value.

28. Financial risk management (continued)
28.2 Credit risk (continued)

Loans and advances to customers at amortised cost

N$ Risk category	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Total
A	6,543,663,075	763,332,349	-	7,306,995,424	7,245,780,278
B	73,772,860	755,715,886	-	829,488,746	1,151,376,701
C	-	-	202,214,102	202,214,102	194,270,749
D	-	-	145,233,041	145,233,041	131,433,753
E	-	-	872,293,837	872,293,837	568,838,611
Gross value	6,617,435,935	1,519,048,235	1,219,740,980	9,356,225,150	9,291,700,092
Impairment allowances	(37,086,826)	(234,064,014)	(619,170,709)	(890,321,549)	(783,861,407)
Carrying amount	6,580,349,109	1,284,984,221	600,570,271	8,465,903,601	8,507,838,685

Instalment sales to customers at amortised cost

N$ Risk category	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2020 *Collateral held*	2019 Total	2019 *Collateral held*
A	69,078,287	13,737		69,092,024	*110,740,265*	31,824,992	*33,060,068*
B	-	21,593,256	-	21,593,256	*18,027,681*	45,860,075	*44,398,633*
C	-	-	3,209,115	3,209,115	*3,464,409*	23,075,826	*24,127,846*
D	-	-	13,158,496	13,158,496	*10,670,841*	26,850,245	*18,231,184*
E	-	-	143,271,925	143,271,925	*53,897,975*	111,504,110	*50,739,206*
Gross value	69,078,287	21,606,993	159,639,536	250,324,816	*196,801,171*	239,115,248	*170,556,937*
Impairment allowances	(2,718,091)	(2,239,918)	(89,528,761)	(94,486,770)		(80,212,657)	
Carrying amount	66,360,196	19,367,075	70,110,775	155,838,046		158,902,591	

Preference shares to customers at amortised cost

N$ Risk category	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2020 *Collateral held*	2019 Total	2019 *Collateral held*
A	18,067,162	-	-	18,067,162	*25,600,000*	45,755,169	*25,600,000*
B	-	48,802,353	-	48,802,353	*5,337,000*	16,614,545	*5,337,000*
C	-	-	-	-	-	-	-
D	-	-	-	-	-	-	-
E	-	-	-	-	-	-	-
Gross value	18,067,162	48,802,353	-	66,869,515	*30,937,000*	62,369,714	*30,937,000*
Impairment allowances	(27,445)	(10,562,500)	-	(10,589,945)		(10,589,945)	
Carrying amount	18,039,717	38,239,853	-	56,279,570		51,779,769	

Term loans to customers at amortised cost

N$ Risk category	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2020 *Collateral held*	2019 Total	2019 *Collateral held*
A	6,478,881,912	745,149,857	-	7,224,031,769	*6,480,847,524*	7,168,985,658	*6,323,817,663*
B	73,772,859	685,011,112	-	758,783,971	*533,823,440*	1,089,229,617	*757,858,821*
C	-	-	199,151,629	199,151,629	*107,545,521*	171,013,023	*108,763,655*
D	-	-	131,417,182	131,417,182	*81,245,098*	104,153,748	*53,741,314*
E	-	-	718,004,690	718,004,690	*385,186,549*	448,894,367	*215,366,254*
Gross value	6,552,654,771	1,430,160,969	1,048,573,501	9,031,389,241	*7,588,648,132*	8,982,276,413	*7,459,547,707*
Impairment allowances	(34,311,956)	(225,892,423)	(526,354,554)	(786,558,933)		(687,365,991)	
Carrying amount	6,518,342,815	1,204,268,546	522,218,947	8,244,830,308		8,294,910,422	

28. Financial risk management (continued)
28.2 Credit risk (continued)

Guarantees to customers at amortised cost

N$ Risk category	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2020 *Collateral held*	2019 Total	2019 *Collateral held*
A	(4,297,123)	*101,594*	-	(4,195,529)	*24,841,130*	(785,540)	*2,946,000*
B	-	309,165	-	309,165	*3,163,000*	(327,536)	*3,109,000*
C	-	-	(146,642)	(146,642)	-	181,900	-
D	-	-	657,363	657,363	*2,200,000*	429,760	*2,780,000*
E	-	-	11,017,222	11,017,222	*8,379,000*	8,440,133	*12,112,300*
Gross value	(4,297,123)	410,759	11,527,943	7,641,579	*38,583,130*	7,938,717	*20,947,300*
Impairment allowances	(56,779)	(13,315)	(3,287,394)	(3,357,488)		(5,692,814)	
Carrying amount	(4,353,902)	397,444	8,240,549	4,284,091		2,245,903	

N$ 2020 Risk category	Instalment sales	Preference shares	Term loans	Guarantees	Total	*Collateral held*
A	69,092,023	18,067,162	7,224,031,768	(4,195,529)	7,306,995,424	*6,628,233,854*
B	21,593,256	48,802,352	758,783,972	309,165	829,488,745	*580,614,121*
C	3,209,115	-	199,151,629	(146,642)	202,214,102	*112,389,929*
D	13,158,496	-	131,417,182	657,363	145,233,041	*91,915,940*
E	143,271,926	-	718,004,690	11,017,222	872,293,838	*449,663,524*
Gross value	250,324,816	66,869,514	9,031,389,241	7,641,579	9,356,225,150	*7,862,817,368*
Impairment allowances	(94,486,770)	(5,918,358)	(786,558,933)	(3,357,488)	(890,321,549)	
Carrying amount	155,838,046	60,951,156	8,244,830,308	4,284,091	8,465,903,601	

N$ 2019 Risk category	Instalment sales	Preference shares	Term loans	Guarantees	Total	*Collateral held*
A	31,824,992	45,755,169	7,168,985,658	(785,540)	7,245,780,278	*6,385,423,731*
B	45,860,075	16,614,545	1,089,229,617	(327,536)	1,151,376,701	*810,703,454*
C	23,075,826	-	171,013,023	181,900	194,270,749	*132,891,501*
D	26,850,245	-	104,153,748	429,760	131,433,753	*74,752,498*
E	111,504,110	-	448,894,367	8,440,133	568,838,611	*278,217,761*
Gross value	239,115,248	62,369,714	8,982,276,413	7,938,717	9,291,700,092	*7,681,988,945*
Impairment allowances	(80,212,656)	(10,589,946)	(687,365,991)	(5,692,814)	(783,861,407)	
Carrying amount	158,902,592	51,779,768	8,294,910,422	2,245,903	8,507,838,685	

The following types of collateral are held in respect of these loans: guarantees, cession of contract income and investments, continuing covering mortgage bonds over commercial and residential properties, general notarial bonds and insurance policies. Comparatives have been restated to conform to disclosures in the year to include accrued interest previously disclosed under trade and other receivables.

Other loans and trade receivables

	Risk category	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total
Staff home loans (100% collateral)	*A*	99,116,912	-	-	99,116,912
Staff study loans	A	1,169,310	-	-	1,169,310
Trade receivables	A	4,255,164	-	-	4,255,164
Gross value		104,541,386	-	-	104,541,386
Impairment allowances		-	-	-	-
Carrying amount		104,541,386	-	-	104,541,386

28. *Financial risk management (continued)*
28.2 *Credit risk (continued)*

	Risk category	2019 Stage 1	Stage 2	Stage 3	Total
Staff home loans (100% collateral)	A	84,889,580	-	-	84,889,580
Staff study loans	A	885,435	-	-	885,435
Trade receivables	A	5,829,503	-	-	5,829,503
Notional value		91,604,518	-	-	91,604,518
Impairment allowances		-	-	-	-
Carrying amount		91,604,518	-	-	91,604,518

		2020			2019		
N$	Risk category	Gross amount	Impairment allowances	Carrying amount	Gross amount	Impairment allowances	Carrying amount
Staff home and study loans	A	100,286,222	-	100,286,222	85,775,015	-	85,775,015
Trade receivables	A	4,255,164	-	4,255,164	5,829,503	-	5,829,503
Carrying amount		104,541,386	-	104,541,386	91,604,518	-	91,604,518

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. Collateral values do not include collateral not readily convertible to cash or without reasonable determined value, for those collateral the Bank will 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 is generally 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 the Bank in determining expected recovery values for varying types of security are illustrated below:

Type of security	2020 Risk Value of Security ('RVS')	2019 Risk Value of Security ('RVS')
Immovable assets	• Residential properties: 70% - 90% of realisable market value • Commercial properties: 60% - 80% of realisable market value • Industrial properties: 50% - 70% of realisable market value	• Residential properties: 70% to 90% of realisable market value • Commercial properties: 60% to 80% of realisable market value • Industrial properties: 50% to 70% of realisable market value
Movable assets	• 60% of net present market value	• 60% of net present market value
Intangible assets	• 0% - 60% of net present market value	• 0% - 60% of net present market value
Ceded investments Shares / stocks / equity Callable cash investments	 • 100% of fair value • 100% of fair value	 • 100% of fair value • 100% of fair value
Third party collateral Ceded investments Bank and Government guarantees	 • As above for ceded investments • 100% of guarantee value	 • As above for ceded investments • 100% of guarantee value
Insurance - e.g. endowment policies	• 100% of surrender value	• 100% of surrender value
Debtors book (30 days)	• 70% of net present value	• 70% of surrender value
GRN and SOE guaranteed cash flows *(e.g. GRN loan repayments & ceded NEF strategic fuel storage levy)*	• 100% of exposure	• 100% of exposure

The Bank determines the fair value only in the following instances:
- on the date that the loan or advance is initiated; and / or
- when the loan or advance is being renegotiated; or
- when a loan or advance has been transferred to the collections department of the Bank.

Collateral for all loans are reviewed annually and immovable property held as collateral are revalued at least every three years.

As at 31 March 2020, the net carrying amount of credit-impaired loans and advances to corporate customers amounted to N$ 600,570,272 (2019: N$ 414,803,326) and the value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to N$653,969,392 (2019: N$485,861,760). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

Non-financial assets obtained by the Bank during the year under review by taking possession of collateral held as security against loans and advances and held at year end amounts to N$3,360,000 (2019: N$1,230,000).

28. Financial risk management (continued)
28.2 Credit risk (continued)

Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3.10.7.

Significant increase in credit risk (SICR)

When determining if the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative Information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative tests, including any asset which is overdue 60 days or more; and
- qualitative indicators, including deteriorating collateral; and
- deteriorating economic conditions or negative trends in the client's financial position.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment.

Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

- Client and DBN correspondence on file, i.e. the purposes for which the various loans were given, the current status of the loans, if they were in arrears or not and whether they had been restructured or not and whether the cash flows were sufficient to repay capital and interest over the remaining term and the respective collateral values were reviewed; compliance with covenants, quality of management, senior management changes.
- Analysis of the latest audited Annual Financial Statements and / or Management Accounts, i.e. In terms of the Statement of Comprehensive Income the profitability of the business is assessed including Gross Profit margin, Net Profit margin and income before interest & taxation (EBITDA) and after interest & taxation; In terms of the Statement of Financial Position the solvency of the business is assessed as well as the liquidity and the debt to equity ratio; Statement of Cash Flows is assessed to understand where the cash is generated and how the cash is utilized.
- The repayment ability or affordability of the respective loan agreements is determined and the debt service cover ratio is calculated.
- The customer's performance risk is assessed to understand whether contracts are completed in time and within budget or whether contracts have consistent time delays and budget overruns. Where there are delays the nature of the delays are assessed whether caused by external uncontrollable factors like excessive rain, recession etc. or internally generated delays predicting performance risk which increases the probability of default on an account.
- The customer's business is assessed for all the risks that can influence the performance of the business and therefore its account with DBN i.e. forex risk, market risk including competition, supply/demand risk, sourcing of supplies and based on the risk assessment the probability of default is determined.
- On portfolio basis, an analysis is performed of the categorisation of the loan book (performing, under-performing and credit impaired) and arrears report, comparing changes over time.
- Existing and forecast changes in business, financial and economic conditions.

The table below provides an indicative mapping of how the Bank's internal credit risk grades relate to PD and, for the Development Portfolio ('DP') and Enterprise Portfolio ('EP'), with further segmentation for exposures above and below N$15 million.

Staging table			Portfolios PD ranges			
Internal classification		IFRS 9 stages	DP < N$ 15m	DP > N$ 15m	EP < N$ 15m	EP >N$ 15m
A	Pass / Acceptable	Stage 1: Performing	10% - 20%	1% - 4%	3% - 5%	1% - 2%
B	Watch / Special Mention	Stage 2: Under-performing	20% - 100%	5% - 100%	5% - 100%	2% - 100%
C D E	Sub-standard Doubtful Loss	Stage 3: Non-performing	100%	100%	100%	100%

Generating the term structure of PD

Contractual run-off, as obtained from the loan book system, is utilized to generate the term structure of PD exposures, with stage 1 loans being the shorter of remaining contractual term or 12 months.

28. Financial risk management (continued)
28.2 Credit risk (continued)

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. Management determines credit risk at a client level and not on a individual financial instrument level as the Bank believes this provides the most reliable assessment of credit risk. Consequently a client's credit risk assessment is assigned to all of the client's financial instruments.

What is considered significant differs for different types of lending, in particular between the Development Portfolio and Enterprise Portfolio. The DP portfolio includes smaller loans (e.g. SMEs), not limited to activities based exclusively on commercial operating principles, but also activities based on socio economic benefit with an inherent higher risk rating. The Government over the years provided grant funding for the SDF activities which form part of this portfolio. The DP portfolio exposure is limited to 10% of the total loan book based on the approved strategy. The DP portfolio exposure was N$ 302 million or 3.6% of total loan and advances at 31 March 2020 (N$224 million or 2.6% of total loan and advances). Accounts with a turnover of less than N$ 10 million qualify to be in this portfolio with a minimum loan of N$150,000

The credit risk is deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list.

Such qualitative factors are based on its expert judgment and relevant historical experiences including deteriorating collateral, deteriorating economic conditions or negative trends in the client's financial position.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period, generally of six (6) months, during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default:
- the criteria do not align with the point in time when an asset becomes 60 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

The PDs for some financial assets are determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques at the time of default. Sensitivity analyses were performed by assessing further COVID-19 pandemic and economic change's impact on the PDs. The sensitivity results are disclosed under the forward-looking information.

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower has not repaid part or all of previously agreed upon interest and principle repayments for an extended period of time.
- The credit impaired asset is therefore not yielding any income to the lender in the form of principal and interest payments. Chances of recovery are still possible; or
- the borrower is more than 120 days past due on any material credit obligation to the Bank.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

The Bank's approach of using 60 days and 120 days in determining SICR and default is similar to the Bank of Namibia BID2 regulatory classification and industry practice for SICR in Namibia, while the default definition is based on internal risk management practices that adopted 120 days considering that its an unregulated, non-commercial bank with no wide-spread branch representation and without transactional banking facilities. The Bank's quantitative analysis demonstrated only a few clients in number were in these respective aging buckets; 30 to 60 days and 90 to 120 days; and that based on exposure amount, the majority of clients were correctly classified in terms of IFRS 9 stages, the remaining clients were immaterial.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the ECL impairment calculations. The Bank includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact individual counterparty and / or portfolio exposures. For example, for large individual counterparty exposures, information considered in the analysis includes the purposes for which the various loans were given, the current status of the loans, whether the loans are in arrears or have been restructured, whether the cash flows are expected to be sufficient to repay capital and interest over the remaining term and the respective collateral values. When necessary and possible, additional information is obtained from customers, including latest annual financial statements, management accounts, cash flow forecasts and recent collateral valuations. The impact of forward looking economic conditions is embedded in the total IFRS 9 impairment assessments.

As a consequence of the COVID 19 pandemic certain clients, specifically in the tourism and DP portfolios, were granted payment holidays to reduce the financial impact on the clients. Contractual terms were amended on the system so that clients did not inadvertently trigger migration to IFRS 9 stage 2 due to technical arrears. In addition, the biggest exposures were individually assessed for SICR due to COVID 19 and where required clients were reclassified to Stage 2 at year end.

In addition to the Base case, the Bank has compiled three economic scenarios: better, worse and stress. We obtained external GDP growth forecasts and identified sectors to which DBN was significantly exposed, i.e. construction, land servicing, tourism & hospitality, financial services and wholesale & retail trade. We identified clients with the largest exposures at risk in these sectors and assessed their financial information and determined the potential impact on their credit risk and ECL. We also estimated the potential impact on the portfolios, including specifically SME. The result was a Base case that assumed a moderate impact due to COVID 19. The Better scenario is one where the COVID 19 impact is minimal, i.e. clients are able to recover. The Worse scenario assumes that the clients are not able to bounce back within a short period, and therefore results in increasing ECL impairments. The Stress scenario is one where the impact of COVID 19 is prolonged beyond the short term or is far more severe making it difficult for clients to recover.

28. Financial risk management (continued)
28.2 Credit risk (continued)

N$

Scenario	Better	Base	Worse	Stress
Expected ECL provisioning	852,159,485	890,321,549	958,312,718	1,029,817,167
Reduction / (Increase) compared to Base case	38,162,064		(67,991,169)	(139,495,618)
Tourism & hospitality	9,686,387	0	(14,210,306)	(32,611,174)
Construction	4,695,487	0	(6,411,720)	(14,492,407)
Land servicing	2,734,145	0	(13,368,650)	(33,402,002)
Financial services	20,226,587	0	(8,016,517)	(8,610,594)
Wholesale & retail trade	73,338	0	(1,627,458)	(6,886,155)
Other sectors	746,121	0	(24,356,518)	(43,493,286)

Measurement of ECL

The key Inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for Stage I is calculated by multiplying the 12-month PD by the LGD and EAD

Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value (LTV) ratios are a key parameter in determining LGD. The LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty end potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

As described above, and subject to a maximum of a 12-month PD for Stage I financial assets, DBN measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, DBN considers a longer period. The maximum contractual period extends to the date at which DBN has the right to require repayment of an advance or terminate a loan commitment or guarantee. Where modeling of a parameter is carried out on a collective basis, financial instruments are grouped on the basis of shared risk characteristics that include:
- instrument type;
- credit risk gradings;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

At the client or transactional level, these assessments serve as one of DBN's primary mechanisms through which client credit quality is monitored. At 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.

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 the performing loans category after being kept in the original category for at least 3 months. 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 the period under review amounts to N$542,744,140 as at 31 March 2020 (2019: N$530,865,502).

Write-off policy

As at year-end, DBN has a total balance of N$342,129,952 (2019: N$279,928,387) loans that has been written off but are still subject to the enforcement activities in order to comply with the bank's procedures for recovery of amounts due.

28 *Financial risk management (continued)*

28.3 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 assets.

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.

The key measure used by the Bank is the cash level reserves measured as a percentage of capital reserves. For the period under review, the reserve levels were at a minimum of 12.5% and a maximum of 22.5% based on the financial model used for budgeting. As at 31 March 2020 the cash level reserve stood at 18.1% (2019: 22.3%).

N$	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and balances with banks	159,808,804	159,808,804	258,051,207	258,051,207
Call deposits	441,559,969	441,559,969	440,925,803	440,925,803
Undrawn facilities *	470,000,000	-	470,000,000	-
Total liquidity reserves	1,071,368,773	601,368,773	1,168,977,010	698,977,010

**This is the actual unused amount on the approved borrowings.*

		Contractual cash flows				
N$: 2020	Carrying amount	Demand	1-12 months	1-3 years	3-5 years	Over 5 years
Cash and cash equivalents	601,368,773	244,923,445	356,445,328	-	-	-
Trade and other receivables	5,424,474	5,424,474	-	-	-	-
Staff home ownership scheme loans*	99,116,912	-	9,796,736	27,192,959	18,141,185	114,944,537
Loans and advances to customers	8,465,903,601	-	1,980,672,069	2,575,572,792	2,064,255,692	4,826,996,132
Total financial assets	9,171,813,760	250,347,919	2,346,914,133	2,602,765,751	2,082,396,877	4,941,940,669
Liabilities						
Trade and other payables	(85,586,382)	-	(88,430,622)	(3,466,847)	(151,241)	-
Term loan facilities	(233,000,000)	-	(249,374,589)	-	-	-
Line of credit facility	(4,048,129,370)	-	(186,208,767)	(674,528,505)	(714,772,403)	(4,991,718,622)
Bonds	(624,284,482)	-	(431,367,525)	(227,357,896)	(30,293,797)	-
Fixed term facility	(1,054,996,252)	-	(312,264,468)	(277,115,669)	(335,078,420)	(1,023,109,931)
Credit line facility	(112,757,242)	-	(20,763,510)	(50,552,180)	(44,772,684)	(5,233,696)
Total financial liabilities	(6,158,753,728)	-	(1,288,409,481)	(1,233,021,097)	(1,125,068,545)	(6,020,062,249)
Net liquidity excess	3,013,060,032	250,347,919	1,058,504,652	1,369,744,654	957,328,332	(1,078,121,580)
Cumulative liquidity excess		250,347,919	1,308,852,571	2,678,597,225	3,635,925,557	2,557,803,977

28. Financial risk management (continued)
28.3 Liquidity risk (continued)

Liquidity reserves

		Contractual cash flows				
N$: 2019	Carrying amount	Demand	1-12 months	1-3 years	3-5 years	Over 5 years
Cash and cash equivalents	698,977,010	438,049,510	260,927,500	-	-	-
Trade and other receivables	6,714,938	6,714,938	-	-	-	-
Staff home ownership scheme loans*	84,889,580	-	11,598,286	24,821,160	16,072,079	108,278,364
Loans and advances to customers	8,486,379,811	-	1,953,713,552	2,998,182,355	1,984,635,508	5,307,245,454
Total financial assets	9,276,961,339	444,764,448	2,226,239,338	3,023,003,515	2,000,707,587	5,415,523,818
Liabilities						
Trade and other liabilities	(27,675,865)	-	(27,675,865)	-	-	-
Bonds	(725,067,502)	-	(162,222,091)	(549,508,328)	(139,510,890)	-
Term loan facilities	(233,000,000)	-	(19,764,000)	(251,820,767)	-	-
Fixed term facility	(1,448,574,297)	-	(299,844,454)	(470,092,500)	(270,456,570)	(1,207,019,418)
Line of credit facility	(4,050,767,808)	-	(318,800,000)	(928,391,661)	(1,172,502,369)	(4,249,955,731)
Total financial liabilities	(6,485,085,472)	-	(828,306,410)	(2,199,813,256)	(1,582,469,829)	(5,456,975,149)
Net liquidity excess	2,791,875,867	444,764,448	1,397,932,928	823,190,259	418,237,758	(41,451,331)
Cumulative liquidity excess		444,764,448	1,842,697,376	2,665,887,635	3,084,125,393	3,042,674,062

** Comparative for staff home ownership scheme loans revised to correctly reflect the contractual cash flow per period.*

28.4 Market risk

The Asset and Liability Committee (ALCO) reports quarterly to the Board Audit, Risk and Compliance Committee, which 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 income or the value of its holdings. The Bank's activities expose it primarily to the financial risks of changes in interest rates. The Bank entered into transactions that resulted in exposures to foreign currency risk in prior years.

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 and equity for the year ended 31 March 2020 would increase/decrease by N$16,154,524 (2019: increase/decrease by N$15,326,666). 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, and funding liabilities.

The Bank's sensitivity to interest rates has not changed during the current year. 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 repricing of the majority of interest earning assets are therefore either immediate on demand or on a short-term base.

28 Financial risk management (continued)

Interest rate exposure

N$ 2020 **Assets**	Effective interest rate	Carrying amount	Demand	1-12 months	2 - 5 years	Over 5 years	Non-interest earning / bearing
			Term to repricing				
Cash and cash equivalents	6.34%	601,368,773	244,923,445	356,445,328	-	-	-
Trade and other receivables	-	5,424,474	-	-	-	-	5,424,474
Staff home ownership scheme loans	6.60%	99,116,912	99,116,912	-	-	-	-
Loans and advances to customers	10.21%	8,465,903,601	4,225,444,439	3,892,219,718	348,239,444	-	-
Total financial assets		9,171,813,760	4,569,484,796	4,248,665,046	348,239,444	-	5,424,474
Liabilities							
Term loan facilities	6.96%	(233,000,000)	(33,000,000)	(200,000,000)	-	-	-
Bonds	8.64%	(624,284,482)	-	(291,000,000)	(333,284,482)	-	-
Line of credit facility	7.43%	(4,048,129,370)	-	(4,048,129,370)	-	-	-
Fixed term facility	9.06%	(1,054,996,252)	-	(1,054,996,252)	-	-	-
Credit line facility	6.91%	(112,757,242)	-	(112,757,242)	-	-	-
Trade and other liabilities	-	(85,586,382)	-	-	-	-	(85,586,382)
Dividends retained for redeployment	-	(49,510,183)	-	-	-	-	(49,510,183)
Total financial liabilities		(6,208,263,911)	(33,000,000)	(5,706,882,864)	333,284,482)	-	135,096,565)
Net interest sensitivity excess / (gap)		2,963,549,849	4,536,484,796	(1,458,217,818)	14,954,962	-	(129,672,091)

Interest rate exposure

N$ 2019 **Assets**	Effective interest rate	Carrying amount	Demand	1-12 months	2 - 5 years	Over 5 years	Non-interest earning / bearing
			Term to repricing				
Cash and cash equivalents	6.39%	698,977,010	438,049,510	260,927,500	-	-	-
Trade and other receivables	-	28,173,812	-	-	-		28,173,812
Staff home ownership scheme loans	7.08%	84,889,580	84,889,580	-	-	-	-
Loans and advances to customers	10.51%	8,486,379,811	3,888,718,010	4,152,780,531	436,798,787	8,082,483	-
Total financial assets		9,298,420,213	4,411,657,100	4,413,708,031	436,798,787	8,082,483	28,173,812
Liabilities							
Term loan facilities	8.46%	(233,000,000)	(33,000,000)	(200,000,000)	-	-	-
Bonds	8.93%	(725,067,502)	-	(291,000,000)	(434,067,502)	-	-
Line of credit facility	8.01%	(4,050,767,808)	-	(4,050,767,808)	-	-	-
Fixed term facility	9.65%	(1,448,574,297)	-	(1,448,574,297)	-	-	
Trade and other liabilities	-	(27,675,865)	-	-	-	-	(27,675,865)
Dividends retained for redeployment	-	(55,501,769)	-	-	-	-	(55,501,769)
Total financial liabilities		(6,540,587,241)	(33,000,000)	(5,990,342,105)	(434,067,502)	-	(83,177,634)
Net interest sensitivity excess / (gap)		2,757,832,972	4,378,657,100	(1,576,634,074)	2,731,285	8,082,483	(55,003,822)

The interest repricing gap between the 1-12 month category results from the mismatch between prime-linked assets (included under Demand category) and JIBAR-linked liabilities (repriced quarterly). The potential shift in the spread between SA Prime rate and JIBAR over any period of time poses a risk to the bank. Although hedging strategies can be put in place to manage this risk, management is of view that this risk is minimal as historically, there has been a perfect correlation between SA Prime rate and JIBAR and equally between SA Prime rate and Nam Prime rate.

28 Financial risk management (continued)

28.5 Foreign currency risk

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

The carrying amount of the Bank's foreign currency denominated monetary assets at the end of the reporting year are as follows:

N$	2020	2019
Loans and advances	-	-
Equity investments	45,789,349	42,439,702

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 exposure for the cross currency exposure. An exchange rate of NAD/USD 17.86 (2019: 14.33) was applied at year end and a movement of 10% was added or deducted to calculate the sensitivity.

N$	2020	2019
Profit or loss	4,578,935	4,243,970

The sensitivity analysis represent the change in the foreign currency rate used at yearend to convert the equity investment amount. In management's opinion, the Bank's foreign currency exposure is therefore very limited and does not pose a risk to the Bank's operation.

28.6 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 year.

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

- Profit for the year ended 31 March 2020 would have been unaffected as the equity investments are classified as Equity investment FVOCI, and no investments were disposed of or impaired.
- Other comprehensive income for the year ended 31 March 2020 would increase/decrease by N$13,639,467 (2019: N$14,085,117).

28.7 Capital management

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

Overall capital adequacy within the Bank is measured both quantitatively and qualitatively. The quantitative analysis focuses on risk-based and leverage 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 adhering voluntarily to the overarching regulatory capital requirement applicable to local financial institutions. At reporting date, the Bank's capital adequacy ratio stood at 73% (2019: 78%), while the target per the financial model was 61%.

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 balance sheet assets (as shown on the Statement of Financial position) after applying the relevant risk weights for each asset category.

N$	2020	2019
Share capital	165,000,000	165,000,000
Share premium	1,842,071,178	1,842,071,178
Retained earnings plus reserves	1,320,020,317	1,123,011,364
	3,327,091,495	3,130,082,542

29. Fair value of financial instruments

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

- Level 1: Financial instruments valued with reference to quoted market price (unadjusted) in an active market for identical assets and liabilities. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. This category includes capital market assets, listed equity investments and debt securities.
- Level 2: Financial instruments valued using inputs other than quoted prices as in level 1 but that are observable for the asset or liability, either directly or indirectly, such as: quoted prices for similar assets or liabilities in inactive markets; quoted price for identical or similar assets or liabilities in inactive markets; valuation models using observable inputs; and valuation models using inputs derived from or corroborated by observable market data. This category includes deposits, derivatives, unlisted equity investments and debt securities.
- Level 3: Financial instruments valued using net present value or discounted cash flow models. Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique include inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market data exists, pricing models and other valuation models.

29 Fair value of financial instruments (continued)

The objective of using valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses recognised valuation models to determine the fair value of the interest rate and currency swap, that use only observable market data and require little of management judgment and estimation. Observable prices or model inputs are usually available in the market for simple over-the-counter (OTC) derivatives such as interest rate swaps. Observable market prices and model inputs reduce the need for management judgment and estimation and reduces the uncertainty associated with determining fair values. Observable market prices and model inputs are prone to changes based on specific events and general conditions in the financial markets.

Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of expected volatilities and correlations and selection of appropriate discount rates.

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 its 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.

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognised in the Statement of Financial Position

N$ 2020	Note	Level 1	Level 2	Level 3	Total
Equity investments at FVOCI					
Equity investments	17	-	-	272,789,349	272,789,349
Financial assets		-	-	272,789,349	272,789,349

N$ 2019	Note	Level 1	Level 2	Level 3	Total
Equity investments at FVOCI					
Equity investments	17	-	239,262,645	42,439,702	281,702,347
Financial assets		-	239,262,645	42,439,702	281,702,347

The Ohorongo valuation model is sensitive to changes in sales volume. If the year 1 sales volumes are reduced to -2% of 2019 actuals, the valuation reduces to N$184 million, or -15%. Sales volume is the key driver of value in OC, and it can be expected to have a significant impact. A 5% sales reduction in year 1 reduces the valuation by 4%. A worst case and best case scenario on the Ohorongo valuation was done by mainly changing the assumptions for the different scenarios of sales volumes from year 2 to 5. The worst case assumes that plant utilisation will only grow to 50% within the next five years and the best case at 66% (valuation assumes year 5 utilisation at 61%). Marginal changes in the selling price is expected (assumed). The results of the worst case scenario was a valuation of N$184m, with the best scenario resulting in a valuation of between N$240 million using the median similar to the 2020 valuation.

The Norsad valuation key sensitivity is to foreign currency fluctuation with the sensitivity disclosed in note 28.5.

Financial liabilities designated as at fair value through profit or loss					
Derivatives held for risk management	19.2				
Foreign exchange		-	-	-	-
Interest rate		-	-	-	-
Financial liabilities		-	-	-	-

There was no transfer between levels for the 2020 financial year. In the reporting period ending 31 March 2019, there was a transfer out of Level 3 fair value measurements to Level 2 due to a change in the valuation methods (see Note 30).

Reconciliation of financial instruments

N$ 2020	Equity investments	Derivative	Total
Balance at 1 April 2019	281,702,347	-	281,702,347
Total (loss) / gain recognised in other comprehensive income	(8,912,998)	-	(8,912,998)
Fair value at 31 March 2020	272,789,349	-	272,789,349

N$ 2019	Equity investments	Derivative	Total
Balance at 1 April 2018	265,206,586	(35,675,460)	229,531,126
Total gain recognised in profit or loss	-	32,920,590	32,920,590
Total gain recognised in other comprehensive income	16,495,761	2,754,870	19,250,631
Fair value at 31 March 2019	281,702,347	-	281,702,347

29. Fair value of financial instruments (continued)

Equity investments

The fair value of equity investments is determined by using dividend discount methodologies and discounted cash flow (DCF). 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

Applicable to 2020

The fair value was determined by using the discounted cash flow method, and using the market value to calibrate the model. A minority discount of 18% being applied to determine the fair value of the Bank's investment in Ohorongo. The key assumptions on which the valuation is based are as follows:

1. Production and sales are based on Namibia GDP forecast, and an expected improvement in export volumes.
2. COVID-19 considerations are reflected in the use of the GDP forecast data that lowered the Namibian outlook.
3. A forecast period of 5 years was used for discounting the projected free cash flow, the Gordon Growth model was used to estimate terminal value.
4. The mid-point weighted average cost of capital applied is 15.14%.
5. A terminal growth rate percentage of 3.29% was applied.
6. The SENS announcement by West China Cement Limited with regards to the Purchase Sale Agreement in March 2020 for the acquisition of 100% shares in Schwenk Namibia is valid. Schwenk Namibia's main asset is Ohorongo Shares. The SENS announcement indicated that Schwenk's 100% shareholding in Energy For Future (mainly engaged in the business of sourcing for alternative energy sources and businesses related to that) represents less than 5% of the transaction value.

Applicable to 2019

The fair value was determined by using the market value approach with a minority discount of 18% being applied to determine the fair value of the Bank's investment in Ohorongo. The key assumptions on which the valuation is based are as follows:

1. The SENS announcement by International Cement Group with regards to the Purchase Sale Agreement in March 2020 for the acquisition of 100% shares in Schwenk Namibia is valid. Schwenk Namibia's main asset is Ohorongo Shares. The SENS announcement indicated that Schwenk's 100% shareholding in Energy For Future (mainly engaged in the business of sourcing for alternative energy sources and businesses related to that) represents less than 5% of the transaction value.
2. The transaction is binding, orderly and there is no indication that the sale is forced.
3. The latest dividends declared by Ohorongo Cement does not form part of the Purchase Sales Agreement.

Norsad Finance Ltd

The equity investment shareholding was fair valued using the dividend discount model approach. 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 Namibian Bond GC37 (2019: GC40) yield rate, with a premium of 300bps for the ordinary shares;
3. 2/3 preference dividends for the preference shares; and
4. A forecast period of five years was used and a multiple of 9.1 (2019: 7) times was used to estimate terminal value.
5. COVID-19 considerations are reflected by the discounting of the forecast performance with the change in the Botswana GDP forecast data.

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.

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 as market related fixed leg derived from the swap curve at the inception of the hedge. This is the interest rate which ensures that the hypothetical fixed leg is equal and opposite to the floating rate leg (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 an interest rate 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 interest rate swap, with a profile as indicated in the notional amounts of the hypothetical derivative.

The allocated portion of the debt matches the interest rate swap's term to maturity.

30 Cash flow statement notes

N$	Note	2020	2019
30.1 Cash generated by operations			
Profit for the year		229,101,888	211,683,101
Adjusted for:			
Unwinding of discounted present value on off-market loans		(5,247,123)	(4,858,427)
Fair value adjustments of off-market loans		4,835,839	7,430,353
Depreciation and amortisation		8,071,514	5,727,231
Net impairment on loans and advances		132,019,076	181,973,477
Net gain on cross currency swap		-	(32,920,590)
Foreign exchange gain on loan		-	1,396,132
Fair value gain on cross currency swap		-	(6,169,410)
Gain on disposal of property and equipment		(117,690)	(2,813)
Government grants received		-	(60,000,000)
Interest on right of use assets		341,948	-
Lease payments on right of use assets		(2,982,256)	-
Accrued interest		(7,327,397)	16,352,132
Other income reversal		2,116,328	-
IIS reversal and Interest on net non-performing loans per IFRS9		25,637,309	(7,307,824)
		386,449,436	313,303,362
Increase in trade receivables		1,290,464	(3,646,585)
Increase in trade payables		4,593,026	7,848,924
		392,332,926	317,505,701
30.2 Cash receipts from customers			
Interest received		966,570,666	832,869,383
Bad debts recovered		12,670,023	8,079,481
Fee and dividend income		67,439,621	42,008,752
		1,046,680,310	882,957,616
30.3 Cash paid to suppliers and employees			
Interest paid		(524,009,230)	(443,696,734)
Operating expenditure		(130,338,154)	(121,755,181)
		(654,347,384)	(565,451,915)
30.4 Increase in loans and advances			
Increase in staff home ownership scheme loans		(14,629,606)	(21,057,870)
Increase in loans and advances		(116,132,763)	(1,286,043,838)
		(130,762,369)	(1,307,101,708)

Contacts

Windhoek

Tel. 061 290 8000
Fax 061 290 8049
12 Daniel Munamava Street

Postal address

Development Bank of Namibia
PO Box 235
Windhoek
10000
Namibia

Windhoek SME Centre

Tel. 061 290 8111
12 Daniel Munamava Street

Ongwediva

Tel. 065 230 129 / 230 130
5626 Main Road
Trade Fair Grounds

Rundu

Tel. 066 257 735 / 257 736
MVA Building
Eugene Kakukuru Street

Walvis Bay

Tel. 064 220 924 / 221 857
C/o Theo Ben Gurirab & Gertrude Rikumba Kandanga Hilukilwa Streets

Development
Bank of Namibia

Expect more.

12 Daniel Munamava Street
PO Box 235
Windhoek
Namibia

Tel. + 264 61 290 8000
www.dbn.com.na