



## A GUIDE TO DEVELOPMENT BANK OF NAMIBIA LOAN EXPENSES AND OBLIGATIONS

Use this guide to understand the Bank's fees and charges, and how to manage your loan for the lowest possible repayment costs.

**Congratulations if you have received approval for finance from Development Bank of Namibia.** In the interests of transparency, this document will help you to understand:

- the term sheet which you need to agree to before we can pay amounts in terms of the loan approval.

It will also explain:

- additional fees (standard charges),
- fees that may arise before and after signing the term sheet,
- repayment,
- conditions of the loan,
- restructuring and rescheduling
- what to expect after approval
- the Bank's Client Support function.

By signing the term sheet and making use of the loan, you agree to the fees and conditions. *Please ensure that you fully understand the terms and conditions.* If there is anything that you do not understand, the Bank's Client Support function or your Analyst will assist with the answers you need. *Call us. We're ready to help.*

### GENERAL

#### **Your legal obligations and managing your loan**

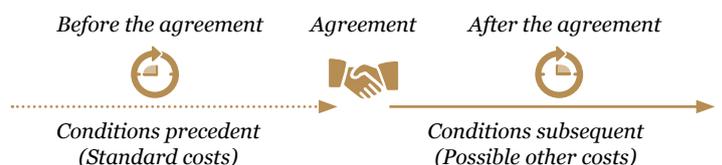
Your loan is an investment in the future of your business. It is also a business expense that comes with legal obligations. As is standard with business finance, your business is assigned a level of risk by the Bank and influences the cost of your loan. The risk determines the interest rate contributes to the cost of your loan.

#### **Manage your loan and repayments to reduce expenses**

Manage your obligations and repayments to keep the risk stable, so the interest rate will remain stable and you will not have additional costs.

#### **Conditions precedent and conditions subsequent**

Conditions precedent and conditions subsequent are legal terms. *Conditions precedent* are matters which take place before the loan begins, and *conditions subsequent* are matters which take place after the agreement is signed.



### DEFINITIONS AND EVENTS

During the period of the loan from signature of the term-sheet (below) to the final payment, *certain events occur or may occur*, of which you must be aware.

#### **Disbursement / drawdown**



After signature, payment can / will be made according to the contract. This is known as the *drawdown or disbursement*. Disbursements are made according to a contract and schedule of payments agreed to between you and the Bank. Disbursement is only made to your business account or the account of a supplier, and is never made to a personal account.



Expect more.

## Grace period

A *grace period* is a period between disbursement and the first contracted repayment. It allows your business to begin earning income without capital repayments, but interest that is unpaid may be added to the capital amount. A grace period is offered at the discretion of the Bank.

## Payment holiday

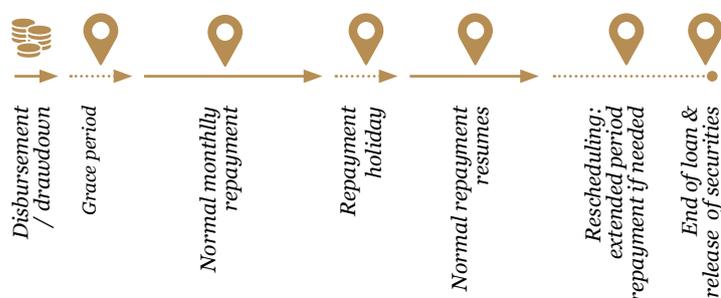
If your business experiences problems, you *may be granted a payment holiday at the discretion of the Bank* during which your repayment requirement is suspended to allow your business to recover. Your interest must either still be repaid monthly or may be recapitalized (added to the capital amount).

## Rescheduling

If your business experiences problems or receives a repayment holiday, *your loan period may be extended at the discretion of the Bank*. This is known as *rescheduling*. It means that you effectively repay less per month as you have a longer time to repay, but you repay for longer.

## Release of securities

Once you have made your final payment, the Bank *releases securities*. It cancels its legal right to the collateral that you offered.



## ABOUT THE TERM SHEET

The Term Sheet is a legal document which consists of:

- The loan contract
- The loan amount
- The loan cost (including the front-end fee)
- The loan period

Once you have agreed to the contents of the term sheet, you can make a 'drawdown' and the loan will take effect.

## The loan contract

The loan contract is an agreement on how much you will repay, under what conditions, as well as collateral and security that you offer for the loan.

## The loan amount

The loan amount consists of the capital and interest to be repaid, as well as the front-end fee which is added to the total which you will repay. The loan amount will also state any additional charges at the beginning of the loan (see optional additional charges below).

### Interest

*Interest charged depends on the risk of the project. The lower the risk, the lower the interest. One way to reduce risk is to offer more collateral. Speak to your Analyst to find out how you can reduce the risk.*

### The front-end fee

*The front-end fee covers the time cost to analyse your application. It only applies if your application is approved, and you accept the loan. If you accept, the front-end fee will be added to the loan amount. It does not have to be paid in advance. The fee varies from enterprise to enterprise and ranges from 0.5% to 2% of the capital and interest to be repaid, depending on the complexity of the application.*

## The loan cost

The loan cost will specify how much you must repay to the Bank over the course of the loan. It provides itemized costs for the sake of transparency.

### Optional additional charges

*Optional additional charges arise from professional services. They can be:*

- Developing an environmental and social management plan (ESMP)
- Conducting off-plan valuations
- Perfecting securities
- Appointment of auditors and / or accountants

*These services are only required if not put in place by the borrower*

## LOAN COST (to borrower)

DBN CHARGES		POTENTIAL OTHER CHARGES	
Standard costs	Possible other costs	Direct	Indirect
Interest rate	Commitment fee	Legal fees (Drawing of agreement)	Create ESM plan
Interest amount	Prepayment fee	Registration of securities	Registered auditing firm
Front-end fee	Cancellation fee		Valuation
	Late payment fee		If not yet: Appoint accountant

## HOW DBN CALCULATES COSTS

Always			Case-based			
Interest rate	Interest amount	Front-end fee	Commitment fee	Prepayment fee	Cancellation fee	Late payment fee
<b>Variable:</b> Prime interest rate (%)	Interest multiplied with the principal at the end of each month	<b>% of the initial principal</b> (= DBN loan offer) on case-by-case basis	<b>% of undrawn amount</b> payable 90 days after signature on case-by-case basis	First 2 years: <b>% of pre-payment amount</b> , on case-by-case basis, deducted immediately	<b>% of the (remaining) amount cancelled</b> on case-by-case basis	Interest rate + % on case-by-case basis

## Stamp duties



Stamp duty costs will be added

## Commitment fee



The Bank invests time in assessing and approving your loan. If you delay drawdown beyond the time allocated in the term sheet, the Bank has to cover its costs of drawing up a new term sheet by charging a commitment fee.

## UNFORESEEN INCREASES IN THE LOAN COST

The loan cost can increase during the course of the loan if there are variations such as changing the loan purpose, restructuring or rescheduling. The interest cost can, at the discretion of the Bank, increase by 0.5% to 2%. Four types of fees and charges can increase the interest charged. These charges are at the discretion of the Bank.

### Prepayment fees



You may repay the loan faster or early, provided that you present proof of origin of funds. Prepayment fees can be charged if you don't provide proof of origin of the funds. In terms of the Financial Intelligence Act (FIA), the Bank will have to investigate possible money laundering. The expense is covered by prepayment fees.

### Cancellation fees



The Bank makes a time investment in assessing and approving your loan. If you cancel a loan the Bank has to cover the cost of lost opportunity (to lend to others) by charging a cancellation fee.

### Late payment fees (arrears)



If you make a late repayment or a late series of repayments, the Bank may lose interest which it could use to lend to other borrowers. It also increases the risk of lending. To cover the cost and risk, the Bank charges late payment fees.

### Restructuring or rescheduling fees



If the term of the loan is extended or the amounts of the regular repayments are changed this represents an additional risk to the Bank so additional interest will be charged. If the purpose of the loan is changed, for instance funds diverted to other uses that the Bank did not agree to, the Bank may also charge additional interest.

## BORROWER RESPONSIBILITY FOR THIRD PARTY SURETYSHIP

Increased charges may have an impact on surety offered by third parties. It is your responsibility to ensure that third parties offering surety are informed of unforeseen increases in the loan cost, and to attend to any legal requirements.

### Collateral provided by a third party

A third party signing surety for the loan is equally and severally liable for this debt until it is settled. Also be informed that the collateral can/will be used for any subsequent debt, as long as it is held by the Bank and will only be released at the discretion of the Bank at the request of the borrower.

## WHAT HAPPENS AFTER THE LOAN BEGINS

### Management

Your file is transferred to the Portfolio Management Department (PMD) or the SME Finance Department (SMEs) who will monitor your repayment record and financial statements which you will be required to send to the Bank annually. By monitoring your business, the Bank can identify if your business is experiencing

difficulty. On this basis, the Bank can recommend relief measures such as payment holidays and rescheduling.

### Annual review

The Bank will need to examine your financial statements annually. This is written into the contract.

### Site visits

The Bank may visit your business from time to time to inspect your business, and to inspect for compliance to your environmental and social management plan and occupational health and safety.

PMD or SMEs provide assistance and management services in several ways after loan approval.

### Managing according to agreements

If a loan is approved, the PMD or SMEs receive the contract to which the borrower agrees. PMD manages the borrower's loan account according to the contract.

### Arranging and managing documents

Many documents needed are submitted during the application process. Additional documents, such as collateral documents, needed for the loan contract, will be requested by PMD or SMEs. In the course of the contract, some documents may need to be updated if there is a change in the shareholders, structure of the company or if the loan is restructured. If so, PMD or SMEs will ask for updated documents.

### Disbursements (payment of loan amounts)

When the contract is signed, payment of the loan amount can be made into the account of the company or to suppliers. The PMD or SMEs is responsible for disbursements.

### Repayments

PMD or SMEs monitor repayments in terms of the contract and manages accounts according to the repayment record.

### Management of arrears and bad debts

If the borrower needs to delay payment or is unable to repay, PMD or SMEs manage the problem. The Bank tries to be accommodating in these circumstances. PMD or SMEs may suggest and negotiate with the borrower a loan extension and/ or a repayment holiday (restructuring) to assist the business. Clients can also apply for restructuring.

### Payment

Payment methods are:

- Debit orders
- Cash deposits
- Stop orders
- Cession of Contract income (Direct payments from the issuer of the contract)

Clients must use their account number as a reference.

### Client support

If a business experiences difficulty or requires knowledge it may qualify for assistance from the Mentoring and Coaching Unit who can arrange mentoring and coaching, capacity building and / or transfer of technical knowledge. This is at the discretion of the Bank, and may be at a reduced cost, although the customer will be expected to bear some of the cost.

### Mentoring and coaching

- Business administration
- Advisory services for knowledge and practical skills gaps
- Improvement of business acumen

- Mentoring and Coaching in specific fields of business
  - Project management
  - Marketing
  - Client service
  - Corporate governance
  - Human capital
  - Administration
  - Environmental management
  - Engineering/architecture
  - ICT
  - Procurement
  - Finance/accounting

Industry specific interventions can be conducted by industry experts, with focus on:

- Technical know-how
- Production process flow
- Machinery – equipment operations/technology skills transfer
- Product development (innovation and creation, packaging, labelling & global standards)
- Exposure visits to similar business operations

## CONTACTS

### ■ Windhoek

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Tel. 061 290 8000  
 Fax 061 290 8049  
 12 Daniel Munamava Street

### ■ Windhoek SME Centre

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Tel. 061 290 8111  
 12 Daniel Munamava Street

### ■ Ongwediva

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Tel. 065 230 129 / 230 130  
 5626 Main Road  
 Trade Fair Grounds

### ■ Rundu

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Tel. 066 257 735  
 MVA Building  
 Eugene Kakukuru Street

### ■ Walvis Bay

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Tel. 064 220 924 / 221 857  
 C/o Theo Ben Gurirab & Gertrude Rikumba Kandanga  
 Hilukilwa Streets

### ■ Important email addresses

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 info@dbn.com.na

### ■ Postal address

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 10000  
 Namibia

## USEFUL WEB ADDRESSES

### ■ Home page

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<http://www.dbn.com.na>

### ■ SMES

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<https://www.dbn.com.na/sme>

### ■ Frequently asked questions

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<https://www.dbn.com.na/faq>

### ■ Portfolio management

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<https://www.dbn.com.na/pmd>

### ■ Client support

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<https://www.dbn.com.na/support>

## FRAUD REPORTING

Report theft, fraud, bribery, misconduct, nepotism, abuse of confidentiality and theft of intellectual property rights anonymously.

- E-mail [dbn@tip-offs.com](mailto:dbn@tip-offs.com)
- Call 0800 290 800 (toll free - landlines and mobiles)
- Fax: 0800 007788
- Website: [www.tip-offs.com](http://www.tip-offs.com)



**Development  
 Bank of Namibia**

Expect more.