Development Bank of Namibia

Full Rating Report

Ratings

Development Bank of Namibia

Foreign Currency	
Long-Term IDR	BBB-
Short-Term IDR	F3
Support Rating	2
Support Rating Floor	BBB-
Local Currency	
Long-Term IDR	BBB-
Short-Term IDR	F3
National	
Long-Term Rating	AAA(zaf)
Short-Term Rating	F1+(zaf)
Namibia	
Sovereign Risk	
Long-Term IDR	BBB-
Short-Term IDR	F3
National Long-Term Rating	AAA (zaf)

Outlooks

Foreign-Currency Long-Term IDR	Negative
Local-Currency Long-Term Rating	Negative
National Long-Term Rating	Negative
Sovereign Foreign-Currency	Negative
Sovereign National Long-Term Rating	Negative

Financial Data

Development Bank of Namibia

	31 Mar 17	31 Mar 16
Total assets (USDm)	589	312
Total assets (NADm)	7,819	4,594
Total equity (NADm)	3,055	2,875
Operating profit (NADm)	172	209*
Net income (NADm)	172	209*
Comprehensive income (NADm)	201	207*
Operating ROAA (%)	2.6	4.5
Impaired loans/gross loans (%)	6.9	9.9
Total regulatory capital ratio (%)	42.0	67.0

* 15 months to end-March 2016

Related Research

Namibia Sovereign (July 2017)

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Key Rating Drivers

Sovereign Support Drives Ratings: Development Bank of Namibia's (DBN) ratings consider the high probability of support from the Namibian sovereign (BBB-/Negative) in case of need. DBN's Long-Term Foreign and Local Currency Issuer Default Ratings (IDR), National Rating and Outlook are equalised with those of Namibia.

Policy Bank: Fitch Ratings' assessment of sovereign support reflects DBN's policy role, its 100% state-ownership and significant funding guarantees provided by the state. DBN was established by a special act and can only be dissolved by parliament.

Strategically Important to Namibia: DBN is Namibia's primary development bank. It plays a central role in the economy by financing major infrastructure projects, emerging companies, and important economic sectors. 62% of its loans are to the government or public sector. For large infrastructure or to the government, DBN can extend loans with up to 20 years maturity.

Strategy Aligned to Public Missions: DBN's strategy is fully aligned to government policy and public missions, including the National Development Plan. DBN comes under the oversight of the Ministry of Finance (MoF) but operates independently. The board is appointed by the government and comprises individuals from the private sector. The senior management team is highly experienced in public finance and has a good degree of depth and stability.

Soundly Capitalised: The state no longer injects capital into the bank as part of budget allocations. DBN, nevertheless, remains soundly capitalised with an equity/asset ratio of 39% and an internal capital adequacy ratio (total capital/risk-weighted assets) of 42% at FYE17. The decline in both ratios was due to a large sovereign-related loan extended during the year.

High Risk Appetite: As a policy bank, DBN mainly originates large ticket, long-term loans, typically to sectors which are underserved. As such, we consider DBN's underwriting standards as aggressive, but at the same time believe its risk management and controls are satisfactory and broadly in line with other regional development banks.

Low NPL Ratio: The non-performing loan (NPL) ratio improved to 6.9% at FYE17, flattered by significant loan growth (up 74.6% yoy). Absolute NPLs, however, increased by 22% to NAD 483 million in FYE17 due to weak economic growth in Namibia and the consequential impact on small- and medium-sized enterprises (SMEs). Renegotiated loans are fairly material.

State Guarantees for Funding: Around 90% of DBN's debt is state-guaranteed. DBN has a good funding mix, comprising multilateral finance, bank borrowing and promissory notes. Its largest source of funding is a credit line from African Development Bank (AfDB) that is utilised for a project of national importance. The AfDB facility is guaranteed by the state.

No VR Assigned: As is usual for development banks, Fitch does not assign a Viability Rating (VR) to DBN as the business model is highly reliant on the state and, in our view, would not be viable on a purely commercial basis.

Rating Sensitivities

Sovereign Support: DBN's ratings are directly linked to those of Namibia and any rating action on the sovereign could affect the bank's ratings. Furthermore, DBN's ratings are sensitive to changes in the state's propensity to provide support, including any change in DBN's policy role, the state's shareholding, or a material reduction in funding guarantees.

Support

Sovereign Support Drives Ratings

DBN's IDRs and National Ratings are equalised with those of the Namibian sovereign and reflect a high probability of support from the authorities if required. This considers DBN's 100% state-ownership, its policy role, and significant state funding guarantees.

We believe that the burden of supporting DBN would be moderate for Namibia given the bank's fairly small size relative to both GDP (DBN's assets/GDP of about 5%) and sovereign external reserves (DBN's assets/reserves of about 35%). In our view, any potential failure of the state to provide support to DBN could lead to project disruptions and affect other sovereign owned enterprises' (SOEs) access to, and cost of, foreign capital.

DBN can only be dissolved by parliament. Therefore its creditors are unable to put the bank into bankruptcy without it being passed by parliament. We believe that state support for the bank, if required, would be made available before the bank is liquidated under normal bankruptcy proceedings applicable to companies under local commercial laws.

Operating Environment

DBN only extends domestic financing and plays a pivotal role in Namibia's economic development. Its risk profile is closely linked to that of the sovereign and to the operating environment. Namibia (BBB-/Negative) is the highest Fitch-rated sovereign in Sub-Saharan Africa, but its fundamentals remain fragile. The rating was affirmed in June 2017 and reflects the country's strong growth potential and record of political stability, as well as high fiscal and external deficits. The Negative Outlook reflects uncertainties over the growth outlook and the ability of the government to reverse rising debt levels.

With a commodity-dependent economy, Namibia experienced consecutive quarters of negative growth in 2016 for the first time since 2009. With 0.2% GDP growth for the full year (2015: 6.1%), it only narrowly avoided a contraction. Lower growth in 2016 was also attributed to fiscal consolidation in the public sector.

Fitch forecasts growth recovery in 2017 (to 2.0%), notwithstanding low growth in neighbouring South Africa, which is Namibia's main trading partner. Over the medium term, we expect growth to return to around 5% or higher, similar to 2010-2015 levels. The recovery will be supported by an end to drought conditions and an associated increase in agricultural output, as well as an expected increase in uranium and gold mining. However, tight fiscal policy and low global commodity prices have put pressure on growth and will continue to present downside risks. Inflation is currently at 6.7% and rising moderately, reflecting higher housing, utility and transport costs.

Better performance in the mining sector is expected to narrow the current account deficit to 8.3% of GDP in 2017, from 10.5% in 2016, but the external deficit remains a weakness to the sovereign ratings. Namibia's foreign reserves (currently at USD1.7 billion) are low and represent just above three months of current external payments.

Namibia has recently embarked on its fifth National Development Plan (NDP5/ 2017-2022) with a twin focus on structural transformation through industrial diversification and modernisation, as well as infrastructure development, mainly in the energy, water, transport and logistic sectors. DBN is likely to play a key role in NDP5 as a direct lender and partner.

Namibia has a stable commercial banking sector with good capitalisation (average total capital adequacy ratio of 15.5%), low NPL ratios (average 1.5%) and healthy profitability (return on equity around 32.6%). Banking assets/GDP is around 70%. The sector (10 banks) comprises both domestic banks and subsidiaries of major South African banks. Slowing private sector credit growth signals that the Namibian commercial banking sector is adjusting, after rapidly

Related Criteria

Global Bank Rating Criteria (November 2016)
National Scale Ratings Criteria (March 2017)

increasing housing prices fuelled an expansion in credit. The central bank-imposed measures, aimed at reducing risks from mortgages and other retail lending, include a maximum loan/value ratio of 80% on second homes and a 90% maximum loan/value ratio on auto loans.

Namibia's 'investment grade' ratings are supported by a track record of political stability and governance indicators that are slightly higher than peers. The government's plans to implement the New Equitable Economic Empowerment Framework (which would seek to increase the economic participation and ownership levels of racially disadvantaged persons) represent a modest risk to Namibia's business and investment climate. The draft law has been published for consultation, but uncertainties remain about what will ultimately be approved as legislation. Fitch's analysis assumes policies to address inequality will be formulated in a way that avoids deterring foreign investors on a large scale.

As a public corporation, DBN is not subject to Bank of Namibia's (the central bank) supervision or regulations. Instead, the bank is governed by its act and its operations come under the oversight and supervision of the MoF.

Company Profile

Namibia's Flagship Policy Bank

Established in 2004 under a special act, DBN is strategically important to Namibia as the country's primary development bank. The bank's mandate is to finance socio-economic development and it has a non-transferable role. Other domestic development banks, such as Agri Bank, National Housing Enterprise and the SME Bank, are smaller and have their own specific focus areas and, in our view, are unable to replace or compete with DBN.

DBN provides infrastructure finance and commercial loans to both private and public enterprises. It also undertakes special tasks if requested by the government, such as financing projects/entities of national importance. The bank does not provide concessional loans, but extends loans to the private sector up to 10 years and for large infrastructure projects/public entities up to 20 years. DBN, therefore, has a higher risk appetite than commercial banks, with whom there is minimal competition.

The bank partners with regional development banks, such as South Africa's Development Bank of Southern Africa (AA+(zaf)) and Industrial Development Corporation of South Africa (AA+(zaf)) to finance large projects and to share technical expertise.

DBN does not have a profit motive but aims to fulfil its public mission, which often includes countercyclical lending. DBN is exempt from corporate tax. The act on which DBN was incorporated prevents it from funding projects outside Namibia.

62% of the bank's loans are to the government and the public sector (local authorities). The bank also lends to the private sector, typically to large corporates (with turnover above NAD5 million). The bank remains active in the SME segment, although it is unclear whether the government will restrict DBN's financing in this sector, as it deviates from the bank's core focus. Products offered by DBN include term loans, project finance, property finance, trade finance, performance guarantees, vehicle asset finance and invoice discounting.

DBN is relatively small compared to other regional development banks, with only 83 staff. It operates from a main office in Windhoek and two satellite offices in Walvis Bay and Ondangwa, which serve all of Namibia.

Management and Strategy

Experienced Management and Revised Strategy

In our view, the management team is highly experienced in development banking and has a good degree of depth and stability. Senior management are appointed internally; many had prior commercial banking experience. The bank has a good corporate culture, with a strong development finance ethos clearly present in the organisation.

Strategy Highly Influenced by the State

Governance standards appear satisfactory. There is an acceptable degree of management independence, but DBN's strategic direction is highly influenced by the government. The bank holds quarterly technical meetings with the MoF, as well as other ad-hoc meetings. DBN's financial statements and annual forecasts are also submitted to the ministry to ensure oversight of the bank's strategy.

Related party transactions are high and are entirely to SOEs; these facilities are mostly government backed or guaranteed. In 2017, DBN extended a NAD2.5 billion loan to the National Energy Fund (NEF, a state-backed fund) for a project of national importance. DBN's total exposure to NEF stood at NAD3.2 billion at FYE17 and represented 47% of DBN's total loans and 103% of its equity (and breached several of the bank's internal credit limits). DBN funded this mainly through a ZAR4.5 billion credit facility from the AfDB, which was in turn guaranteed by the Namibian government.

Another instance of government influence was when DBN was instructed by the MoF to transfer its SME loan book to the state-owned SME Bank at zero cost. The transfer was due to start in 2017, but ended when the Bank of Namibia ordered the closure of the SME Bank because of governance failings. DBN as a result, intends to resume SME lending to corporates with a turnover above NAD5 million.

DBN's seven-member board comprises of six non-executive independent directors and one executive director (the CEO). The government appoints the board, entirely from the private sector. Directors are appointed for a three-year term, but terms are generally extended. The CEO is appointed for a five-year period. According to the bank's charter, directors must be appointed from among persons who have shown ability in and experience with regard to socio-economic development, development finance, business, finance, banking and administration.

The bank's act allows for a minority stake to be sold to a strategic shareholder. However, there are no plans for the government to sell a stake in the bank.

DBN's strategy is dictated by and closely aligned to government policy and Namibia's public missions. The strategy is set by the board, but approved by the MoF. DBN's strategy is clearly articulated and is based on financing long-term projects for the social and economic benefit of Namibia. Given the government's economic development goals, we do not expect strategic objectives to shift over time.

Despite not having a profit motive, financial sustainability is important for DBN, reflecting a reduced reliance on government funding and capital allocations. This reduction in government support is not unusual and we have seen similar moves by other governments across the region. The bank measures itself on governance, asset quality, efficiency and its developmental impact. To date, the bank has met business targets and financial objectives. Given its mandate, execution is not variable over economic cycles but is prone to change, in line with public policy.

Risk Appetite

High Risk Appetite Due to Development Focus

As a lender to emerging sectors and companies, DBN's risk appetite is above average. Its underwriting standards are typically more aggressive than those of commercial banks, but generally in line with other development banks. DBN is a countercyclical lender and is willing to take larger ticket sizes and longer-term risks. However, it undertakes a complete evaluation and risk assessment of each project and transaction before disbursement. The bank prices appropriately for risk, but also considers its low cost of funding when assessing pricing.

DBN has an enterprise-wide risk-management framework which is commensurate with its risk profile. The bank has three lines of defence: the board; the front office (which is involved in the structuring of transactions); and the independent risk management division. The internal audit function is outsourced. The risk framework also incorporates an environmental and social risk management division, which is prudent given its public mission. The risk management framework is supported by highly experienced staff in the front office and compliance, with longevity and a sound knowledge of development finance. Risk limits are closely monitored, but are variable depending on government objectives. The new NEF loan is a typical example of government influence in the bank. Prudent underwriting standards have ensured good asset-quality metrics to date.

There is a hierarchy of approval, based on the size of the application. The management and investment committee is required to approve exposures over NAD5 million and the board credit committee approves exposures over NAD15 million. Entire board approval is required for exposures over NAD60 million (around USD4 million) with a maximum single obligor limit of 12% of capital – but these limits can be overridden by the board.

DBN is entering a period of faster growth, as the bank becomes more active in development finance and engages in delivering Namibia's major projects. Currently 62% of DBN's loans are to the government and public authorities; furthermore, 71% of the book has tenors of over five years. Other loans originated in FY17 include financing of housing projects.

Credit risk is the bank's single biggest risk. 70% of the loan book is secured by collateral. SME loans, which are the most risky part of the loan book in our view, summed NAD366 million (5% of total loans) and pose fairly low risk for the bank.

The bank is highly exposed to interest rate risk. According to DBN, a 200bp shift in the yield curve (with all other variables held constant) would impact the bank's FY17 profit by +/- NAD155 million, which on the downside could wipe out most of its FY17 net profit (although this only represents around 5% of equity). FX risk is modest, as most of the bank's assets and liabilities are either in NAD or ZAR – both currencies are pegged one-to-one. DBN has a small book of US dollar loans (amounting to NAD208 million) which exposes it to modest FX risk. The bank is also exposed to equity price risk from its equity investments, but the book remains small and is unlikely to increase.

Financial Profile

Asset Quality

Low NPL Ratios – High Level of Renegotiated Loans

Asset Quality

(%)	FYE17[a]	FYE16[b]	FYE14
Growth of gross loans	74.6	61.9	37.5
Non-performing loans/gross loans	6.9	9.9	9.9
Reserves for impaired loans/impaired loans	44.5	40.8	58.6
Impaired loans less reserves for impaired loans/Fitch core capital	8.8	8.1	4.0
Loan impairment charges/average gross loans	1.6	2.1	1.8

[a] Financial year end-March 2017
[b] 15 months to end-March 2016
Source: Fitch

The bank's asset mix is fairly simple. Liquid assets are predominantly in cash and cash equivalents (9% of FYE17 assets). The loan book formed 87% of total assets at FYE17 and continues to grow. The most recent growth in the book came from the NEF facility.

DBN classifies loans as non-performing at 120 days past due, or earlier if there is evidence of impairment. This is a less conservative measure than the commercial banks, which classify loans at 90 days past due. The bank's NPL ratio fell to 6.9% at FYE17, but this was due to substantial loan growth in the year. Absolute NPLs (including non-performing guarantees), however, increased to NAD483 million at FYE17 (FYE16: NAD395 million). Most NPLs are in the SME book and are concentrated in the building/construction and manufacturing sectors. The bank's NPL ratio is well above the industry average of 1.5%, reflective of its higher risk appetite. DBN's target is to maintain its NPL ratio below 9%, which is below the Association of African Development Finance Institution's prudential guideline of 15%.

Collateral coverage of NPLs stood at 47% at FYE17. Reserve coverage was 45% (FYE16: 41%). Provisioning is based on prudential requirements, with a minimum 20% at 120 days overdue, moving up to 50% at 180 days overdue and 100% at one year. The bank then needs to wait a further 90 days before it is permitted to write off the loan, but typically DBN will wait for a court judgement first, given potential delays in the legal process.

In addition to NPLs, the bank had a small amount of past due but not impaired loans (NAD43 million) and a larger amount of renegotiated loans (NAD790 million) at FYE17. Renegotiated loans are fairly material and represented 11% of gross loans at FYE17. These loans were renegotiated to reduce the risk of the borrower defaulting, through maturity extensions of up to four years on average. At the same time, the bank obtains additional collateral to reduce its risk. Following renegotiation, these loans are now performing. Fitch understands that some facilities have been renegotiated several times.

Cash and cash equivalents comprise mainly undisbursed borrowings placed with local banks. Additionally, DBN holds a relatively small equities book (3% of assets at FYE17) as the bank, under its mandate, can invest in domestic companies. Currently, DBN has equity stakes in two companies: one in the financial sector and the other in the cement industry.

Earnings and Profitability

Sensitive to One-offs

Performance

(%)	FY17	FY16	FY14
Net interest income/average earning assets	5.6	8.2	9.9
Non-interest expense/gross revenues	28.1	26.5	30.4
Loans and securities impairment charges/ pre-impairment operating profit	35.3	29.2	20.7
Operating profit/average total assets	2.6	4.5	5.6
Operating profit/average equity	5.8	6.2	6.1

Source: Fitch

Profit maximisation is not an objective, but management believes the bank has to be financially sustainable. According to DBN, its main focus is to sustainably grow the loan book (to meet its public mission) while maintaining robust liquidity.

Net income fell to NAD172 million in FY17 (from NAD209 million in FY16), mainly due to two reasons: (1) the corresponding FY16 amount was for a 15-month period; and (2) the bank received a significantly smaller grant from the government in the year. This grant (which is included in other income) was linked to certain on-lending promoted by the MoF, including SMEs (a segment which the bank started to reduce and exit in 2016). Also influencing the bottom line was a rise in loan impairment charges (LICs) in the year, due to higher NPLs. LICs are currently manageable, with LICs/pre-impairment operating profit at 35% in FY17.

Net interest income (NII) stayed broadly flat, with rising interest income (reflecting strong loan growth) offset by a higher cost of funding (reflecting higher corresponding borrowing). DBN's net interest margin (NIM) narrowed to 5.6% in FY17 (from 8.2% in the prior year), due to a higher cost of funding. The bank maintains good cost control, helped by a small workforce and a small network.

Despite these challenges, DBN maintains good profitability, with operating ROAA and ROAE at 2.6% and 5.8% respectively for FY17. Operating ROAE is constrained by the bank's large capital base.

Capitalisation and Leverage

Solid Ratios

Capitalisation

(%)	FYE17	FYE16	FYE14
Tangible common equity/tangible assets	39.1	62.6	86.5
Equity/total assets	39.1	62.6	86.5
Total regulatory capital ratio	42.0	67.0	95.0
Internal capital generation	5.0	5.3	5.8

Source: Fitch

Unlike in the past, DBN received no capital injections in FYE17 due to the government's stated aim of ensuring public entities are sustainable. The bank, nevertheless, remains soundly capitalised, with an equity/asset ratio of 39% at FYE17 (FYE16: 63%). Additionally, the bank reports its own internal capital adequacy ratio (total capital/risk-weighted assets), which was 42% at FYE17 (FYE16: 67%), calculated under a Basel I framework. The decline in both ratios was due to the NEF facility being booked in the year. We expect capital ratios to decline further, as more large transactions are originated. This is indicated by the bank's target debt/equity ratio of 2:1. DBN pays limited dividends (dividends/net income was 12% in FY16) and dividends are always reinvested by the state into the bank.

Funding and Liquidity

Good Funding Mix – Funding Mostly State-Guaranteed

DBN is sensitive to liquidity risk as a wholesale funded institution, and is therefore sensitive market conditions and confidence. Apart from the credit line (which is by far the largest source of funding), all funding is short-term. As a result, the bank runs a cumulative asset liability maturity gap in the short-term; longer-term gaps are better matched. The bank holds limited liquid assets (entirely in cash and cash equivalents) which formed only 8% of total assets at FYE17. This is supported by (relatively modest) undrawn bank lines, available for contingency funding. In our view, the primary source of liquidity support will be the government.

The bank used to be fully funded by the government. It has since diversified its funding mix through a single credit line (from the AfDB), short- and medium-term bank loans, and short-term unsecured promissory notes. Apart from the credit line, which is effectively multilateral development finance provided to the government, we believe DBN has good access to domestic capital markets as a public entity. The ZAR3.5 billion credit line from AfDB is by far the bank's largest source of funding and is part of an overall ZAR4.5 billion financing package. The AfDB facility, signed in July 2016, is fully guaranteed by the state and utilised mainly for the NEF project. Around 90% of DBN's debt was guaranteed by the state at FYE17. The bank intends to secure other financing from international development banks.

The bank also intends to issue domestic bonds on commercial terms (ie with no government guarantees). However, in the longer term, funding backed by government guarantees might be considered, to bring down the cost of borrowing in the regional and international markets. Under its licence, DBN is able to collect wholesale deposits but it considers this an expensive funding option.

Development Bank of Namibia Limited
Income Statement

		31 Mar 2017		31 Mar 2016		31 Dec 2014	
	Year End USDm No Opinion	Year End NADm No Opinion	As % of Earning Assets	Year End NADm Audited - Unqualified	As % of Earning Assets	Year End NADm Audited - Unqualified	As % of Earning Assets
1. Interest Income on Loans	39.6	525.0	7.42	416.9	8.10	188.0	7.54
2. Other Interest Income	1.6	20.6	0.29	26.5	0.51	26.8	1.07
3. Dividend Income	0.4	5.7	0.08	4.0	0.08	3.2	0.13
4. Gross Interest and Dividend Income	**41.5**	**551.3**	**7.79**	**447.4**	**8.69**	**218.0**	**8.74**
5. Interest Expense on Customer Deposits	n.a.	n.a.	-	0.3	0.01	0.0	0.00
6. Other Interest Expense	15.9	211.6	2.99	107.0	2.08	2.4	0.10
7. Total Interest Expense	**15.9**	**211.6**	**2.99**	**107.3**	**2.08**	**2.4**	**0.10**
8. Net Interest Income	**25.6**	**339.7**	**4.80**	**340.1**	**6.60**	**215.6**	**8.65**
9. Net Gains (Losses) on Trading and Derivatives	2.9	37.9	0.54	(63.0)	(1.22)	(22.6)	(0.91)
10. Net Gains (Losses) on Other Securities	(3.6)	(48.1)	(0.68)	0.0	0.00	0.9	0.04
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	n.a.	-	n.a.	-
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	2.8	37.2	0.53	25.1	0.49	19.4	0.78
14. Other Operating Income	0.2	2.9	0.04	98.9	1.92	53.4	2.14
15. Total Non-Interest Operating Income	**2.3**	**29.9**	**0.42**	**61.0**	**1.18**	**51.1**	**2.05**
16. Personnel Expenses	5.4	71.6	1.01	73.9	1.43	56.4	2.26
17. Other Operating Expenses	2.4	32.1	0.45	32.5	0.63	24.6	0.99
18. Total Non-Interest Expenses	**7.8**	**103.7**	**1.47**	**106.4**	**2.07**	**81.0**	**3.25**
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	n.a.	-
20. Pre-Impairment Operating Profit	**20.0**	**265.9**	**3.76**	**294.7**	**5.72**	**185.7**	**7.45**
21. Loan Impairment Charge	7.1	93.8	1.33	85.9	1.67	38.4	1.54
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	n.a.	-	n.a.	-
23. Operating Profit	**13.0**	**172.1**	**2.43**	**208.8**	**4.05**	**147.3**	**5.91**
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	n.a.	-
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-
29. Pre-tax Profit	**13.0**	**172.1**	**2.43**	**208.8**	**4.05**	**147.3**	**5.91**
30. Tax expense	n.a.	n.a.	-	0.0	0.00	0.0	0.00
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-
32. Net Income	**13.0**	**172.1**	**2.43**	**208.8**	**4.05**	**147.3**	**5.91**
33. Change in Value of AFS Investments	0.7	8.7	0.12	(0.2)	(0.00)	38.2	1.53
34. Revaluation of Fixed Assets	0.6	7.5	0.11	4.2	0.08	5.6	0.22
35. Currency Translation Differences	n.a.	n.a.	-	n.a.	-	n.a.	-
36. Remaining OCI Gains/(losses)	1.0	13.1	0.19	(6.1)	(0.12)	(5.9)	(0.24)
37. Fitch Comprehensive Income	**15.2**	**201.4**	**2.85**	**206.7**	**4.01**	**185.2**	**7.43**
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	-	n.a.	-	n.a.	-
39. Memo: Net Income after Allocation to Non-controlling Interests	13.0	172.1	2.43	208.8	4.05	147.3	5.91
40. Memo: Common Dividends Relating to the Period	1.6	20.8	0.29	20.9	0.41	n.a.	-
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-
Exchange rate		USD1 = NAD13.2736		USD1 = NAD14.7321		USD1 = NAD11.5809	

Development Bank of Namibia Limited
Balance Sheet

	31 Mar 2017			31 Mar 2016		31 Dec 2014	
	Year End USDm	Year End NADm	As % of Assets	Year End NADm	As % of Assets	Year End NADm	As % of Assets
Assets							
A. Loans							
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Corporate & Commercial Loans	n.a.	n.a.	-	n.a.	-	n.a.	-
5. Other Loans	527.1	6,995.9	89.47	4,007.2	87.23	2,475.2	84.77
6. Less: Reserves for Impaired Loans	16.2	215.0	2.75	161.5	3.52	144.2	4.94
7. Net Loans	**510.9**	**6,780.9**	**86.72**	**3,845.7**	**83.72**	**2,331.0**	**79.83**
8. Gross Loans	**527.1**	**6,995.9**	**89.47**	**4,007.2**	**87.23**	**2,475.2**	**84.77**
9. Memo: Impaired Loans included above	36.4	482.7	6.17	395.4	8.61	245.9	8.42
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets							
1. Loans and Advances to Banks	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Trading Securities and at FV through Income	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Derivatives	n.a.	n.a.	-	n.a.	-	n.a.	-
5. Available for Sale Securities	22.3	296.6	3.79	287.9	6.27	162.9	5.58
6. Held to Maturity Securities	n.a.	n.a.	-	n.a.	-	n.a.	-
7. Equity Investments in Associates	n.a.	n.a.	-	n.a.	-	n.a.	-
8. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-
9. Total Securities	**22.3**	**296.6**	**3.79**	**287.9**	**6.27**	**162.9**	**5.58**
10. Memo: Government Securities included Above	n.a.	n.a.	-	n.a.	-	n.a.	-
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	n.a.	n.a.	-	n.a.	-	n.a.	-
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-
15. Total Earning Assets	**533.2**	**7,077.5**	**90.52**	**4,133.6**	**89.98**	**2,493.9**	**85.41**
C. Non-Earning Assets							
1. Cash and Due From Banks	49.8	661.6	8.46	387.1	8.43	367.8	12.60
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	4.9	65.7	0.84	59.9	1.30	52.2	1.79
5. Goodwill	n.a.	n.a.	-	n.a.	-	n.a.	-
6. Other Intangibles	0.2	2.4	0.03	2.5	0.05	0.5	0.02
7. Current Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-
8. Deferred Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	0.9	11.7	0.15	10.7	0.23	5.5	0.19
11. Total Assets	**589.1**	**7,818.9**	**100.00**	**4,593.8**	**100.00**	**2,919.9**	**100.00**
Liabilities and Equity							
D. Interest-Bearing Liabilities							
1. Customer Deposits - Current	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Total Customer Deposits	**n.a.**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**
5. Deposits from Banks	n.a.	n.a.	-	n.a.	-	n.a.	-
6. Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-
7. Commercial Paper and Short-term Borrowings	0.0	0.0	0.00	1,322.2	28.78	289.7	9.92
8. Total Money Market and Short-term Funding	**0.0**	**0.0**	**0.00**	**1,322.2**	**28.78**	**289.7**	**9.92**
9. Senior Unsecured Debt (original maturity > 1 year)	14.3	189.9	2.43	234.5	5.10	0.0	0.00
10. Subordinated Borrowing	n.a.	n.a.	-	n.a.	-	n.a.	-
11. Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-
12. Other Long-term Funding	335.2	4,449.3	56.90	n.a.	-	n.a.	-
13. Total LT Funding (original maturity > 1 year)	**349.5**	**4,639.2**	**59.33**	**234.5**	**5.10**	**0.0**	**0.00**
14. Derivatives	5.7	75.9	0.97	126.9	2.76	57.9	1.98
15. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-
16. Total Funding	**355.2**	**4,715.1**	**60.30**	**1,683.6**	**36.65**	**347.6**	**11.90**
E. Non-Interest Bearing Liabilities							
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Current Tax Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-
5. Deferred Tax Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	3.7	48.6	0.62	35.4	0.77	47.3	1.62
10. Total Liabilities	**358.9**	**4,763.7**	**60.93**	**1,719.0**	**37.42**	**394.9**	**13.52**
F. Hybrid Capital							
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-
G. Equity							
1. Common Equity	227.6	3,020.5	38.63	2,895.3	63.03	2,539.2	86.96
2. Non-controlling Interest	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Securities Revaluation Reserves	n.a.	n.a.	-	3.9	0.08	4.1	0.14
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	2.6	34.7	0.44	(24.4)	(0.53)	(18.3)	(0.63)
6. Total Equity	**230.2**	**3,055.2**	**39.07**	**2,874.8**	**62.58**	**2,525.0**	**86.48**
7. Total Liabilities and Equity	**589.1**	**7,818.9**	**100.00**	**4,593.8**	**100.00**	**2,919.9**	**100.00**
8. Memo: Fitch Core Capital	230.0	3,052.8	39.04	2,872.3	62.53	2,524.5	86.46
Exchange rate		USD1 = NAD13.2736		USD1 = NAD14.7321		USD1 = NAD11.5809	

Development Bank of Namibia Limited
Summary Analytics

	31 Mar 2017 Year End	31 Mar 2016 Year End	31 Dec 2014 Year End
A. Interest Ratios			
1. Interest Income on Loans/ Average Gross Loans	8.85	10.32	8.79
2. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	n.a.	n.a.
3. Interest Income/ Average Earning Assets	9.12	10.84	9.99
4. Interest Expense/ Average Interest-bearing Liabilities	6.00	8.48	1.27
5. Net Interest Income/ Average Earning Assets	5.62	8.24	9.88
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	4.07	6.16	8.12
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	5.62	8.24	9.88
B. Other Operating Profitability Ratios			
1. Non-Interest Income/ Gross Revenues	8.09	15.21	19.16
2. Non-Interest Expense/ Gross Revenues	28.06	26.53	30.37
3. Non-Interest Expense/ Average Assets	1.58	2.27	3.06
4. Pre-impairment Op. Profit/ Average Equity	8.94	8.76	7.68
5. Pre-impairment Op. Profit/ Average Total Assets	4.06	6.30	7.01
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	35.28	29.15	20.68
7. Operating Profit/ Average Equity	5.79	6.21	6.09
8. Operating Profit/ Average Total Assets	2.63	4.46	5.56
9. Operating Profit / Risk Weighted Assets	n.a.	n.a.	n.a.
C. Other Profitability Ratios			
1. Net Income/ Average Total Equity	5.79	6.21	6.09
2. Net Income/ Average Total Assets	2.63	4.46	5.56
3. Fitch Comprehensive Income/ Average Total Equity	6.77	6.14	7.66
4. Fitch Comprehensive Income/ Average Total Assets	3.08	4.42	6.99
5. Taxes/ Pre-tax Profit	n.a.	0.00	0.00
6. Net Income/ Risk Weighted Assets	n.a.	n.a.	n.a.
D. Capitalization			
1. FCC/FCC-Adjusted Risk Weighted Assets	n.a.	n.a.	n.a.
2. Tangible Common Equity/ Tangible Assets	39.06	62.56	86.47
3. Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.
4. Total Regulatory Capital Ratio	42.00	67.00	95.00
5. Common Equity Tier 1 Capital Ratio	n.a.	n.a.	n.a.
6. Equity/ Total Assets	39.07	62.58	86.48
7. Cash Dividends Paid & Declared/ Net Income	12.09	10.01	n.a.
8. Internal Capital Generation	4.95	5.25	5.83
E. Loan Quality			
1. Growth of Total Assets	70.21	57.32	22.84
2. Growth of Gross Loans	74.58	61.89	37.52
3. Impaired Loans/ Gross Loans	6.90	9.87	9.93
4. Reserves for Impaired Loans/ Gross Loans	3.07	4.03	5.83
5. Reserves for Impaired Loans/ Impaired Loans	44.54	40.84	58.64
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	8.77	8.14	4.03
7. Impaired Loans less Reserves for Impaired Loans/ Equity	8.76	8.14	4.03
8. Loan Impairment Charges/ Average Gross Loans	1.58	2.13	1.80
9. Net Charge-offs/ Average Gross Loans	n.a.	1.62	2.06
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	6.90	9.87	9.93
F. Funding and Liquidity			
1. Loans/ Customer Deposits	n.a.	n.a.	n.a.
2. Interbank Assets/ Interbank Liabilities	n.a.	n.a.	n.a.
3. Customer Deposits/ Total Funding (excluding derivatives)	n.a.	n.a.	n.a.
4. Liquidity Coverage Ratio	n.a.	n.a.	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.

Development Bank of Namibia Limited
Reference Data

	31 Mar 2017			31 Mar 2016		31 Dec 2014	
	Year End USDm	Year End NADm	As % of Assets	Year End NADm	As % of Assets	Year End NADm	As % of Assets
A. Off-Balance Sheet Items							
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	13.6	180.1	2.30	153.7	3.35	127.4	4.36
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	23.5	0.51	7.4	0.25
5. Committed Credit Lines	58.9	782.0	10.00	623.2	13.57	522.2	17.88
7. Other Off-Balance Sheet items	n.a.	n.a.	-	12.3	0.27	10.6	0.36
8. Total Assets under Management	n.a.	n.a.	-	n.a.	-	n.a.	-
B. Average Balance Sheet							
Average Loans	447.0	5,933.2	75.88	3,241.2	70.56	2,137.6	73.21
Average Earning Assets	455.6	6,047.2	77.34	3,313.8	72.14	2,182.8	74.76
Average Assets	493.0	6,544.5	83.70	3,756.9	81.78	2,648.4	90.70
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	265.8	3,528.2	45.12	1,015.6	22.11	188.5	6.46
Average Common equity	224.2	2,976.1	38.06	2,717.3	59.15	2,447.5	83.82
Average Equity	224.1	2,974.0	38.04	2,699.9	58.77	2,417.2	82.78
Average Customer Deposits	n.a.	n.a.	-	n.a.	-	n.a.	-
C. Maturities							
Asset Maturities:							
Loans & Advances < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Loans & Advances > 5 years	n.a.	n.a.	-	n.a.	-	n.a.	-
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:							
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-
D. Risk Weighted Assets							
1. Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Fitch Core Capital Adjustments for Insurance and Securitisation Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Fitch Core Capital Adjusted Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-
5. Fitch Adjusted Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-
E. Equity Reconciliation							
1. Equity	230.2	3,055.2	39.07	2,874.8	62.58	2,525.0	86.48
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	n.a.	n.a.	-	2,874.8	62.58	2,525.0	86.48
F. Fitch Core Capital Reconciliation							
1. Total Equity as reported (including non-controlling interests)	230.2	3,055.2	39.07	2,874.8	62.58	2,525.0	86.48
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00
5. Other intangibles	0.2	2.4	0.03	2.5	0.05	0.5	0.02
6. Deferred tax assets deduction	0.0	0.0	0.00	0.0	0.00	0.0	0.00
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	**230.0**	**3,052.8**	**39.04**	**2,872.3**	**62.53**	**2,524.5**	**86.46**
Exchange Rate		USD1 = NAD13.2736		USD1 = NAD14.7321		USD1 = NAD11.5809	

The ratings above were solicited and assigned or maintained at the request of the rated entity/Issuer or a related third party. Any exceptions follow below.