Coming of Age

Development
Bank of Namibia

Annual Report 2016

Coming of age

Established in 2004, in terms of the Development Bank of Namibia Act (Act 8 of 2002), the Development Bank of Namibia Limited has come of age as a significant force in the economy of Namibia, by nurturing with finance, larger enterprises and infrastructure projects. It is now recognised as a catalytic institution, which leads the way with innovative financing. It is also well-respected by its peer development finance institutions in Southern Africa.

Guided by robust governance and a comprehensive risk framework, and enabled by a deep pool of finance, from its own sources, as well as from the private sector and other leading development finance institutions, the Bank's twin focus is an engine of transformation.

It transforms the private sector with finance for larger enterprises in the key sectors identified in the Fourth National Development Plan – manufacturing, transport and logistics, and tourism. It has also developed a sound track record of large-scale and innovative financing for infrastructure, highlights of which include power generation and transmission, Namibia's first independent photovoltaic power producer, financing of affordable land and housing, and provision of water.

Driven by a vision of sustainability of the Namibian economy, the Bank melds financial interventions in the interests of development, with commercial principles which ensure long-term sustainability of its operations and its pool of finance, as well as the viability and development impact of its borrowers.

Through its activities, the Bank seeks to stimulate critical sectors, create large-scale employment, decentralise economic activity for regions with lower levels of economic activity, generate empowerment through economic inclusivity for formerly disadvantaged Namibians, and lay the groundwork for long-term prosperity with an infrastructural environment that will serve Namibian enterprises and communities, now and in future.

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Mandate of the Bank

The main object 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.

Change of reporting period

The reporting period has been amended, for this financial period, to a 15 month cycle, for the period ending 31 March 2016.

The change in year end was undertaken so that the Bank's reporting period coincides with the reporting period of its shareholder, the Government of the Republic of Namibia.

The Board authorised the resolution to amend the reporting period in terms of clause 94 of the Articles of Association of the Company.

Chairperson's report

I am pleased to take up my responsibility of leadership of the Board of Directors with effect from 1 January 2016. It is a privilege to serve in the interests of the development of the nation, and to the highly skilled, experienced and qualified individuals who constitute the Board, and who share the responsibility to collectively nurture Namibia's development with finance.

The Bank prides itself on more than finance. Transformation of economic participation is at the heart of its operational vision. The Bank's core measures lie in growing and decentralising economic activity, and creating employment, but the Bank also seeks to empower women and young entrepreneurs, as well as improve standards of living for communities and regions with much needed infrastructure. This is the Bank's transformational mandate.

The Bank's strategy continues to evolve apace with the economic evolution of Namibia. Where once it was involved in the catalytic activity of nurturing SMEs with finance, it has now shed that role in favour of the SME Bank and other commercial sources of finance.

The Bank's new role and contribution is twofold, and lies squarely in the realm of development of large enterprises as well as infrastructure.

The Bank views larger enterprises as sources of mass employment creation, but also as integral to creating an environment of sustainability for SMEs. A larger enterprise can become a source of inputs for SMEs, as well as stimulate SMEs by making use of their products and services. In addition to this, larger enterprises will stimulate the growth of human capital in Namibia, as demand for skilled, semi-skilled and professional human capital grows.

The Bank is also now tasked with a greater emphasis on infrastructure development. In the past, the Bank has rapidly and effectively responded to critical economic issues such as employment, and empowerment of women and young entrepreneurs. Going forward, the Bank will have a greater focus on long-term sustainability by contributing through finance to critical areas such as provision of serviced land and housing, generation of power, and water infrastructure, as well as other infrastructural deficits which may become apparent.

The Bank's financial capacity continues to grow, not just from steady growth through well-managed returns to capital from repayments of loans and interest, but also through institutional tranches, and private sector capitalisation.

The trust that vests in the Bank by peer institutions and the private sector are testimony to its governance and the translation of governance into operational practices. Nowhere is this more clear than in the system of enterprise-wide risk management, embodied in the Bank's risk management framework.
Risk management may be seen by some as a curtailment of

Although the level of approvals is a watershed in the Bank's progress and contribution to the economy, it is a milestone in a series of expected progressions, and the Bank will achieve even greater heights in the coming years.

As long as Namibia requires development, nurtured by finance, the Bank will continue to perform, and will act, as a key institution in the realm of development finance.

the Bank's risk appetite, however this is not the case. The risk management framework empowers the Bank to better manage its external and internal risks and operate with greater confidence. Its culminative effect will be to give the Bank the certainty and operational underpinning to engage both in larger scale lending and increased levels of activity.

The risk management framework, as an element of the Bank's underpinnings, is also evolving. During the 2016 period, the Bank has formalised an environmental and social risk management system (ESMS, described on page 27 of this report). The ESMS has the important function of ensuring that the Bank's legacy of finance and contribution to Namibia's economy will not be marred by harmful side effects to social and environmental futures. The Bank also believes the ESMS will be catalytic in setting a standard for broader approaches to finance by the wider Namibian financial industry.

In the course of the extended 2016 period (see the note on the extended period on page 3), the Bank has made notable progress in the ongoing achievement of its goals. Approvals reached a watershed total of N$ 2,000.8 billion during the period and, notably, N$ 1,381.5 billion was allocated to infrastructure.

Although the level of approvals is a watershed in the Bank's progress and contribution to the economy, it is a milestone in a series of expected progressions, and the Bank will achieve even greater heights in the coming years.

As long as Namibia requires development, nurtured by finance, the Bank will continue to perform, and will act, as a key institution in the realm of developmental finance.

In closing, I thank my fellow members of the Board, as well as the management and staff of the Bank for their exceptional efforts during the 2016 period.

Tania Hangula

CEO's report

The 15 month period from 1 January 2015 to 31 March 2016 represents a coming of age for the Bank. On the basis of its ongoing evolution, and its revised investment and lending focus, the Bank is poised to become a highly focused and targeted entity that provides finance in a manner that will be better able to transform the economy of Namibia, with an immediate impact, as well as for decades to come.

Revised lending and investment focus

During the period under review, the Bank in consultation with the shareholder, revised its lending and investment focus and ceased providing direct finance for small and medium enterprises, and focused on the provision of finance for infrastructure and to enterprises with an annual turnover of above N$10 million, as well as business projects valued at greater than N$10 million.

The shift in strategic focus is prompted primarily by the mandate of the SME Bank to provide finance to smaller enterprises, but is also supported by a growing finance ecosystem of commercial lending activities, and specialist private funds which support SMEs.

The benefit to the Bank is that it can evolve into its new role as an impactful and effective financing agency for larger initiatives, a role for which it has prepared. Envisaging the requirements for the preservation and sound management of its own pool of capital, as well as capital entrusted to it by the shareholder, private sector sources and external agencies, the Bank has put in place a sound risk management system, which is described on page 22 of this annual report, as well as in note 28 to the financial statements, on page 64.

The Bank is also aware of the social and environmental impacts of enterprise and infrastructure, and has put in place an environmental and social management system, known as the ESMS to mitigate harmful impacts that could emanate from the projects and business activities of enterprises it is financing. An environmental risk manager has been appointed to oversee the function. The ESMS is described on page 27.

Overview of financial results

During the period under review, the Bank performed well. Loans and advances grew from N$2.3 billion in 2014 to N$3.8 billion at 31 March 2016. This is primarily attributable to the increased scope and larger amounts approved per project.

Over the same period, net interest income grew from N$ 215.56 million in 2014, to N$ 339.78 million. Net income grew from N$147.25 million to N$208,76 million. The Bank reapplies the majority of its net income to lending in the interests of development, which gives confidence in the Bank's capacity to lend in future, and to lend on a larger scale.

On a further positive note, the Bank has maintained a sound quality of its loan and investment portfolio with bad debts for the period of 4.1 per cent, below the maximum budget percentage of 5.0 per cent.

The Bank's assets grew to N$4.59 billion at 31 March 2016, up from N$2.92 billion at the end of 2014, an increase of 57.2 per cent on the back of the high loan book growth.

During the period under review, the Bank performed well.

Loans and advances grew from N$2.3 billion in 2014 to N$3.8 billion at 31 March 2016.

This is primarily attributable to the increased scope and larger amounts approved per project.

Development impact

The Bank had a significant development impact in the period under review.

For the period under review, a total of 9,783 jobs were impacted through finance provided by the Bank, of which 3,204 were new jobs and 4,296 were temporary jobs. The majority of lending, 52.37 per cent, occurred in the construction sector reflecting the high capital demand for the construction of infrastructure. This was followed by hotels and restaurants, which received 10.41 per cent of allocations, a reflection of optimism in the tourism and hospitality sector. Transport and communication received the third highest allocation, 7.68 per cent.

Regional allocations were dominated by Erongo, which received 40.9 per cent of allocations, followed by Khomas with 23.0 per cent and projects of a national scope with 13.4 per cent. The high allocations to Khomas and Erongo reflect the high degree of economic activity and the linked demand for finance.

Infrastructural allocations are measured in this annual report, in line with the national priority and the Bank's transparency. In the 15 months leading to 31 March 2016, the Bank allocated the majority of its finance, approximately N$1.4 billion, to infrastructure. Of that 63.03 per cent was allocated to utility infrastructure, followed by 16.30 per cent to business infrastructure and 8.52 per cent to public infrastructure.

Capital mobilisation

To strengthen its capital mobilisation capacity, the Bank is currently in the process of establishing an in-house treasury function to support its capital raising efforts and liquidity management. A post investment and loan monitoring function has also been created as part of the credit risk management function to ensure appropriate utilization of the Bank's funds and to support ongoing risk management of enterprises and projects the Bank has invested in.

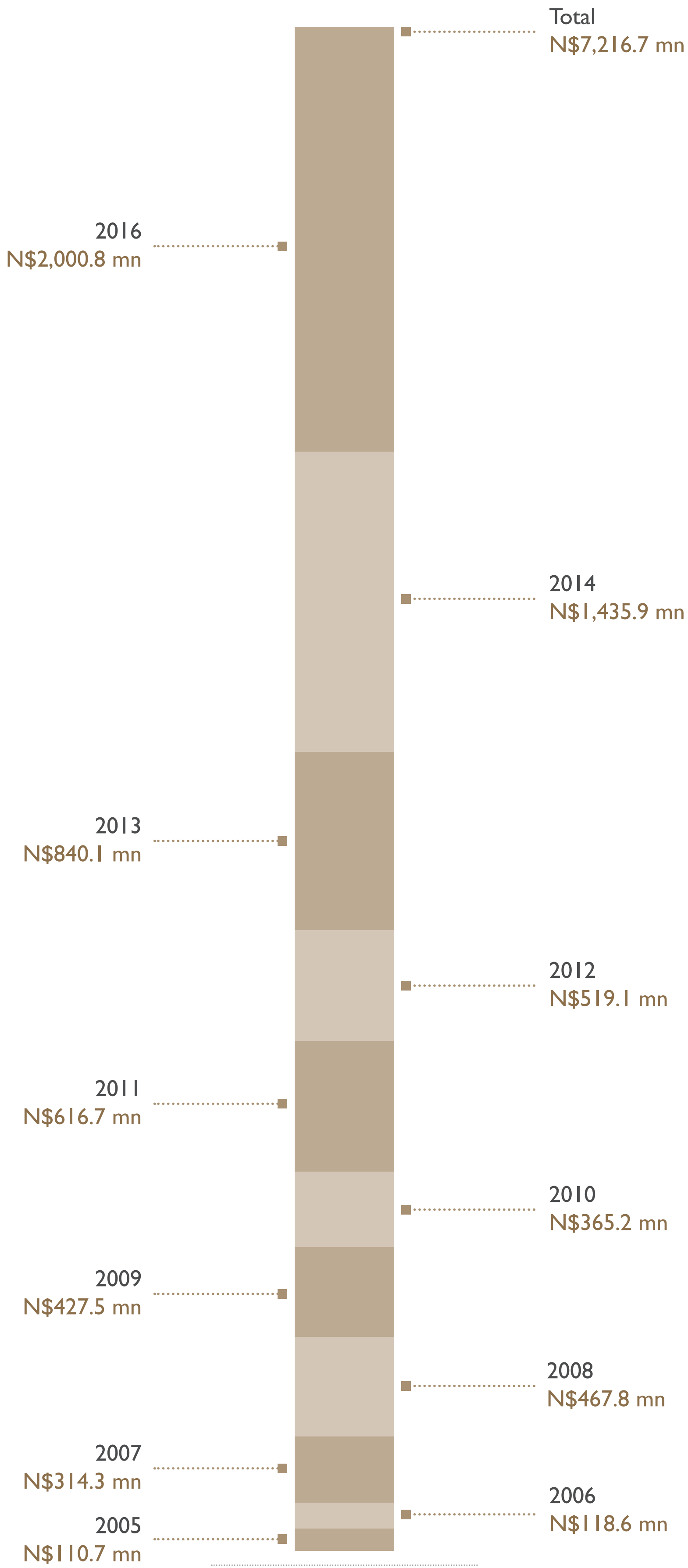
Conclusion

The 15 months leading to 31 March 2016 have been productive. The period was characterised by the coming of age transition entailed in the shift to larger enterprises and infrastructure.

The successes of the period were driven by the dedication, hard work and skills of its management and staff. In this regard, I thank my Board of Directors for their vision and the application of their skills, and the management and staff for their effort.

Martin Inkumbi

Total approvals since inception



Board of Directors

The Board's primary mandate is to ensure the sustainability and successful continuation of the business activities by providing strategic direction to the executive management.

Non-executive directors are appointed by the Shareholder in terms of section 10 of the Development Bank of Namibia Limited Act, 2002 for a period of five years, and can be re-elected.

Tabitha Mbome
Non-executive independent director

Justus Hausiku
Non-executive independent director

Tania Hangula
Chairperson, non-executive independent director

Martin Inkumbi
CEO, executive director

Emma Haiyambo
Non-executive independent director

Albie Basson
Non-executive independent director

Muetulamba Shingenge-Haipinge
Non-executive independent director

Board governance and activities

Board composition and training

The Bank's Articles of Association provide that there shall be seven directors. Currently the Board comprises of six non-executive independent directors and one executive director.

The non-executive directors have diverse skills, experiences and backgrounds and have unrestricted access to information, documents, and records of the Bank. The executive director, the Chief Executive Officer, provides an operational understanding of the Bank. The Board of the Development Bank of Namibia Limited is therefore satisfied that there is an appropriate combination of knowledge, skills, and attributes to deliver its mandate.

The Board performs its obligations as a collective and continues to constructively engage the Chief Executive Officer and other members of executive management.

The Board is of the opinion that every director must be aware and be knowledgeable on the Bank's business environment, the fiduciary duties as elucidated in the Companies' Act of 2004 and NamCode and King III, sustainability issues, and all directors are informed on a continuous basis in respect of the activities of the Bank.

Directors are encouraged to attend seminars and courses at the expense of the Bank.

Ongoing training takes place and the Board members undertake trips around Namibia to visit clients. This provides non-executive directors with an opportunity to interact with the Bank's clients and witness the execution of the Bank's mandate.

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 their interests in contracts.

The Bank's Company Secretary maintains a register of interests in contracts as per section 248 of the Companies Act. Furthermore, the directors are required to declare all interests at the meetings they attend and this is recorded in writing, as required by legislation.

Directors who have a conflict of interest on any matter to be discussed at the meeting are required to inform the Company Secretary prior to the meeting and the director is recused when the matter is discussed.

Code of Ethics

The Bank has a sound culture of entrenched values which are reflected in the approved Code of Business Conduct and Ethics (the Code). All employees are made aware of the Code during their initiation and are provided with a copy. The Code is reviewed and updated annually.

Key activities of the Board

In setting the strategic direction of the Bank, the Board focused on specific areas in the 2016 financial period, the predominant topic being the focus on infrastructure development and ensuring continued sustainable development.

Certain functions of the Board in the 2016 financial period included:

- Approval of the DBN's Five Year Business Plan January 2015 to March 2020
- Approval of the Capital and Operational Budget for 2015
- Review and amendment of various Human Resources Policies, Lending Policy and the Client Development Policy
- Change in year end from the last day in December of each year to the last day in March of each year
- Approval of Annual Report and Annual Financial Statements for the period ended 31 March 2016

Board of Directors - 01.01.2015 - 31.03.2016

Tania Hangula	*Chair, non-executive independent director*	*Effective 01.01.2016*
Penny Akwenye	*Chair, non-executive independent director*	*Resigned 01.08.2015*
Muetulamba Shingenge-Haipinge	*Acting chair, non-executive independent director*	*Acting chair from 01.08.2015, resigned 31.12.2015, ongoing board membership*
Martin Inkumbi	*CEO, executive director*	*Ongoing board membership*
Emma Haiyambo	*Non-executive independent director*	*Ongoing board membership*
Justus Hausiku	*Non-executive independent director*	*Ongoing board membership*
Albie Basson	*Non-executive independent director*	*Ongoing board membership*
Tabitha Mbome	*Non-executive independent director*	*Ongoing board membership*

Board attendance

General Board Meetings

2016: DD/MM/YY	30.03 2015	11.05. 2015	AGM 15.06 2015	05.08 2015	04.11 2015
T Hangula (Board Chair)	---	---	---	---	---
P Akwenye (Board Chair)	√	√	√	---	---
M Shingenge-Haipinge (Acting Board Chair *)	---	√	√	√ *	√ *
M Inkumbi (CEO)	√	√	√	√	√
E Haiyambo	√	√	---	√	√
J Hausiku	---	---	√	---	---
A Basson	√	√	√	√	√
T Mbome	√	√	√	√	√

Extraordinary Board Meetings

2016: DD/MM/YY	21.09 2015	Strategy session 13.11 2015	09.12 2015	03.03 2016
T Hangula (Chair)	---	---	---	√
M Shingenge-Haipinge (Acting Board Chair *)	---	√ *	√ *	√
M Inkumbi (CEO)	√	√	√	√
E Haiyambo	---	√	√	---
J Hausiku	√	√	---	√
A Basson	√	√	---	√
T Mbome	√	√	√	√

Credit and Investment Committee

2016: DD/MM/YY	26.02 2015	27.03 2015	24.04 2015	09.07 2015	31.07 2015	20.08 2015	24.09 2015	28.10 2015	26.11 2015	03.03 2016
A Basson (Committee Chair)	√	√	√	√	√	√	√	√	√	√
T Hangula (Board Chair)	---	---	---	---	---	---	---	---	---	√
P Akwenye (Board Chair)	---	√	√	√	√	√ **	---	---	---	---
M Shingenge-Haipinge (Acting Board Chair *)	√	√	√	√	√	√ *	√ *	√ *	√ *	√
M Inkumbi (CEO)	√	√	√	√	√	√	√	√	√	√
E Haiyambo	---	√	---	√	√	√	---	---	√	---
T Mbome	√	√	√	√	√	√	√	√	√	√

** Although no longer Chair or a member of the Board On 20.08.2015, Penny Akwenye attended in order to finalise outstanding Credit and Investment Committee matters.*

Human Capital and Remuneration Board Committee

2016: DD/MM/YY	20.03 2015	24.06 2015	26.10 2015	01.04 2016
M Shingenge-Haipinge (Board Chair *, Committee Chair)	√	√	√ *	√
T Hangula (Board Chair)	---	---	---	√
P Akwenye (Board Chair)	√	√	---	---
M Inkumbi (CEO)	√	√	√	√
T Mbome	---	√	√	√

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

Executive Management and Committees

The Executive Management (EXCO) is responsible for the execution of strategy and day-to-day management of the Bank. In addition to managing their own functions and / or departments, members of EXCO also participate in committees which span spheres of management that cross various departments. These are the Asset and Liabilities Committee (ALCO), the Tender Committee, the Risk and Compliance Committee, the Human Capital and Remuneration Committee, the Information Technology Committee, and the Management Credit and Investment Committee. Members of the Executive Committee generally report to the CEO, but may also be called to inform and report to the Board of Directors, either representing their departments and functions, or as members of Committees. The Company Secretary reports to the Board, as well as the CEO, on management matters.

Heike Scholtz
Head: Business Development

Vivian Groenewald
Head: Credit Risk

Roberta Brusa
Company Secretary

John Jacobs
Head: Risk & Compliance

Martin Inkumbi
CEO

Elriana Burger
Head: HR & Operations Support

John Mbango
Head: Lending

Renier van Rooyen
Chief Financial Officer

Jerome Mutumba
Senior Manager: Communication

Certification and compliance

Company Secretary Certificate

I hereby certify that to the best of my knowledge and belief, the Development Bank of Namibia Limited has lodged with the Registrar of Companies, at Windhoek, Namibia, all returns required in terms of the Companies Act (Act 28 of 2004), as amended, for the period ended 31 March 2016, and that all such returns are factual and current.

Roberta Brusa
Company Secretary

7 July 2016
Windhoek, Namibia

Statement of Compliance

The Board is of the opinion that it is substantially compliant in all material respects with the principles of the NamCode and King III Report, the Namibian Companies Act, (Act 28 of 2004), and the Development Bank of Namibia Act, (Act 8 of 2002), for the period ended 31 March 2016. Furthermore, where there have been deviations from either the NamCode or King III Report, an explanation has been provided.

Tania Hangula
Chairperson: Board of Directors

7 July 2016
Windhoek, Namibia

Annual Financial Statements

The Audit, Risk and Compliance Committee has appraised the Annual Report for the period ended 31 March 2016, 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 2016 and therefore recommended the adoption of the Annual Report on 4 July 2016 to the Board of Directors, who approved the Annual Financial Statements on 7 July 2016.

Justus Hausiku
Chairman: Audit, Risk and Compliance Committee

7 July 2016
Windhoek, Namibia

Stakeholder summary

Strategic shift

The Bank, in consultation with the Shareholder, revised its lending and investment focus and ceased providing direct financing for small and medium enterprises, to focus on provision of finance to infrastructure and to enterprises with a turnover of above N$10 million, as well as business projects valued at greater than N$10 million.

Governance

The Audit, Risk and Compliance Committee reviewed the accounting policies and the financial statements and is satisfied that they are appropriate and comply with International Financial Reporting Standards (IFRS).

Growth

Assets grew to N$4.59 billion at 31 March 2016, up from N$2.92 billion at the end of 2014, an increase of 57.2 per cent.

Cash flow

Net interest income grew from N$215.56 million in 2014, to N$339.78 million, an increase of 57.6 per cent.

Job impact

For the period under review, a total of 9,783 jobs were impacted through finance provided by the Bank, of which 3,204 were new jobs and 4,296 were temporary jobs.

Lending: 2015 approvals

Loans and advances grew from N$2.3 billion in 2014 to N$3.8 billion at 31 March 2016, an increase of 65.2 per cent.

Infrastructure

Sixty nine per cent (N$1.38 bn) of total approvals was earmarked for infrastructure. High allocations to secondary industry reflect allocations to construction (52 per cent). This echoes the priority for the development and upgrading of infrastructure.

Sectoral impact

Secondary sector approvals accounted for 63 per cent of approvals, and the tertiary sector received 37 per cent.

ESMS policy

The Bank has put in place an environmental and social management system, to mitigate harmful impacts that could emanate from the projects and business activities it is financing.

Enterprise risk management

The Bank took steps to better manage the market risk inherent in treasury functions by familiarising itself with market risk management processes and systems, and identifying specialist human capital requirements.

Human resources

The Bank focused on enhancing the technical skills of its employees by presenting Development Finance and Credit Development programs. Thirty-one employees went through the Development Finance program and fifteen employees went through the Credit Development program.

Corporate social investment

The Bank approved in excess of 100 requests for assistance in 2016. The Bank's corporate social investment activities focused on enterprise development, skills development, and education and education-related interventions.

Audit, Risk and Compliance report

The Audit, Risk and Compliance Committee is a sub-committee of the Board of Directors of the Development Bank of Namibia Limited.

Audit, Risk and Compliance Terms of Reference

The Audit, Risk and Compliance Committee's (the "Committee") formal terms of reference were approved by the Board of Directors and are reviewed on an annual basis. The Committee conducted its affairs in compliance with the approved terms of reference and discharged its responsibilities contained in the terms of reference.

Audit, Risk and Compliance Committee composition and meetings

The Committee consists of three independent non-executive directors and one executive director, the majority of whom are financially literate and the Chairman of the Committee is Justus Hausiku.

Justus Hausiku is a member of the Board of Directors and provides oversight of all risk activities within the Bank, thus ensuring that all operational and financial risks are mitigated.

Audit, Risk and Compliance Committee	
Justus Hausiku	*Chairman, non-executive independent director*
Emma Haiyambo	*Non-executive independent director*
Martin Inkumbi	*CEO, executive director*
Albie Basson	*Non-executive independent director*
Tabitha Mbome	*Non-executive independent director*

The Committee has four pre-scheduled meetings and may meet for ad hoc meetings.

The Chairperson of the Board, external and internal auditors, and other expert consultants may attend committee meetings by invitation.

During the period under review three meetings were held and attendance was as follows:

	26.03.15	30.07.15	02.11.15
Justus Hausiku - *Board Chair*	√	-	-
Martin Inkumbi - *CEO*	√	√	√
Emma Haiyambo	-	√	√
Tabitha Mbome	√	√	-
Albie Basson	√	√	-
Muetulamba Shingenge-Haipinge*	-	-	√

* Muetulamba *Shingenge-Haipinge attended as the Acting Chairperson of the Board of Directors.*

Board Audit Risk and Compliance Governance Structure

The Audit, Risk and Compliance Committee has an operational governance structure. The Risk operating division as well as the IT Steering and Asset and Liabilities (ALCO) committees, manage the Bank's risk in a competent manner.

Matters emanating from these sub-structures which are considered to be significant and are reported on by either management, the internal or external independent auditors are communicated to the various levels in the Bank.

Board Audit Risk and Compliance Committee

Executive Committee

Risk and Compliance	IT Steering	ALCO
Attendees *Risk Manager, CFO, Head of Credit Risk, Head of Lending, Head of Business Development Department and other representative from Finance and Risk departments*	Attendees: *CFO, IT manager*	Attendees: *CFO, Head of Risk and Compliance, Head of Lending, Manager of Research, Head of Credit Risk, Head of Business Development and other representatives from Finance and Risk departments*
Frequency of meetings: monthly	Frequency of meetings: monthly	Frequency of meetings: monthly

Showcase
The Delight
Swakopmund, Erongo

The Development Bank of Namibia provides finance to strengthen tourism on the basis that tourism is a mass employer, provides valuable income earning opportunities and is an earner of foreign currency.

By providing finance for The Delight, a hotel in Swakopmund, the Bank assisted in increasing capacity for tourism in Swakopmund, indirectly improving prospects for other enterprises in tourism and hospitality. The Delight has created more than 30 employment opportunities.

Responsibilities of the Audit, Risk and Compliance Committee and a summary of the main activities undertaken by the Committee during the period under review

The Audit, Risk and Compliance Committee carries out its responsibilities assigned to it by the Board. The Audit, Risk and Compliance Committee followed the requirements of the NamCode and King III, but where a principle was not applied, it is explained in the governance statement.

Appointment of the external auditor and independence

The Audit, Risk and Compliance Committee has satisfied itself that the duly appointed external auditor, KPMG was independent of the Development Bank of Namibia Limited and that its appointment as auditor complied with the Companies Act of 2004. The audit strategy and audit fees for the 2016 tax year were recommended by the committee and approved by the Board of Directors.

Summary of activities undertaken by the Committee

The Committee:

Reviewed the accounting policies and the financial statements and is satisfied that they are appropriate and comply with International Financial Reporting Standards (IFRS).
Reviewed all accounting policies adopted and all proposed changes in accounting policies and practices and recommended any changes in terms of IFRS to the Board for approval.
Monitored the Bank's compliance with applicable legislation on a regular basis.
Assisted the Board of Directors in carrying out its IT responsibilities.
Reviewed all assumption and accounts prepared by management of the going concern status of the Bank and made recommendations to the going concern status of the Bank to the Board. The Board's statement on the going concern status of the Bank, as supported by the Audit, Risk and Compliance Committee is on page 33 of this Annual Report.
Reviewed and recommended for adoption by the Board the Annual Report for the period ended 31 March 2016.
Reviewed reports from management on the adequacy of capital, impairments receivable, loans and guarantees.
Reviewed and approved the Audit Plan with the external auditors, including the audit scope, approach to risk and audit fees.
Considered and noted the independence of the external auditors and ensured that where any additional services were provided, these do not impair on the auditing firm's independence.

Reviewed the reports from the internal auditors concerning the effectiveness of the internal controls of the Bank.
Reviewed the risk universe, including management's corrective actions to be taken on audit findings.
Recommended for approval to the Board the Enterprise Risk Wide Management Framework.

King III

The Audit, Risk and Compliance Committee corporate governance practices comply with the following principles in King III, and aligned principles in Namcode:

Principle 3.1. ~ The Bank has an effective and independent Audit Committee.
Principle 3.2. ~ The Audit Committee members are suitable, skilled and experienced independent non-executive directors.
Principle 3.3. ~ The Committee is led by an independent non-executive director.
Principle 3.5. ~ The Committee is satisfied with the expertise, resources and experience of the financial division including the expertise, resources and experience of management, with particular focus on the senior members of management responsible for the financial function.
Principle 3.7. ~ The Committee is responsible for the oversight of internal audit.
Principle 3.8. ~ The Committee is an integral component of the risk management process and is responsible for financial risk management and controls.
Principle 3.9. ~ The Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.
Principle 3.10. ~ The Committee reports to the Board on how its duties have been carried out.

The Committee does not comply with principles 3.4 and 3.6 of the King III report. The rationale is stated under the principle.

Principle 3.4. ~ Audit Committee should oversee stakeholder reporting. *The Bank has one shareholder, the Ministry of Finance, and reporting is done either on an informal basis or at the Annual General meeting.*
Principle 3.6. ~ Audit Committee should ensure that a combined assurance model is applied to provide co-ordinated approach to all assurance activities. *The Audit Committee is responsible for monitoring the Bank's combined assurance model and ensuring significant risks facing the Bank are adequately addressed.*

Showcase

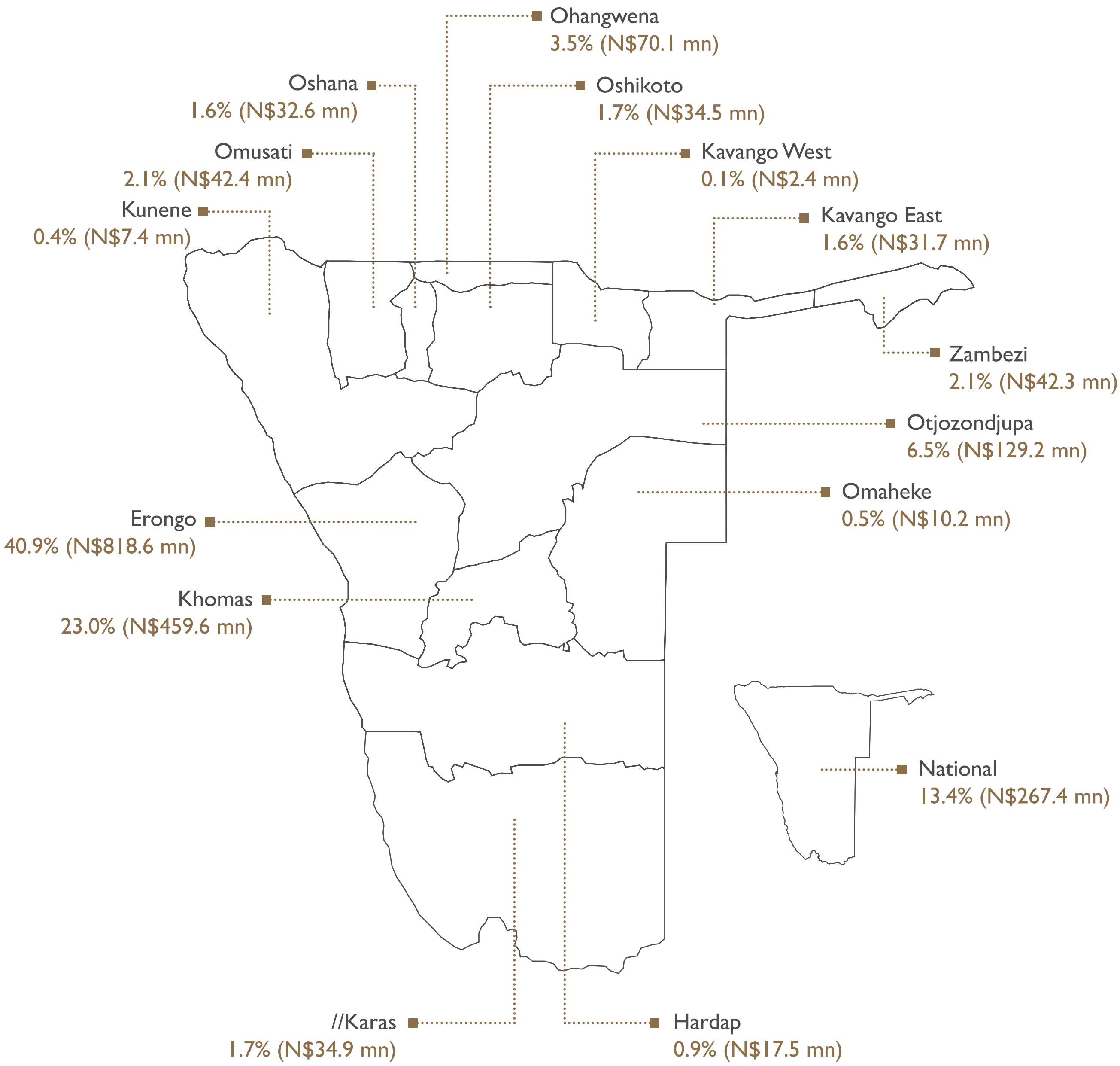
Beefcor Meat Suppliers

Okahandja, Otjozondjupa

Although the Development Bank of Namibia does not engage in direct finance to agriculture, it supports agriculture by providing finance to agri-industries that add value to agricultural produce. By providing this finance, the Bank improves food security, and prospects for agricultural exports. In this way, it also secures employment on farms.

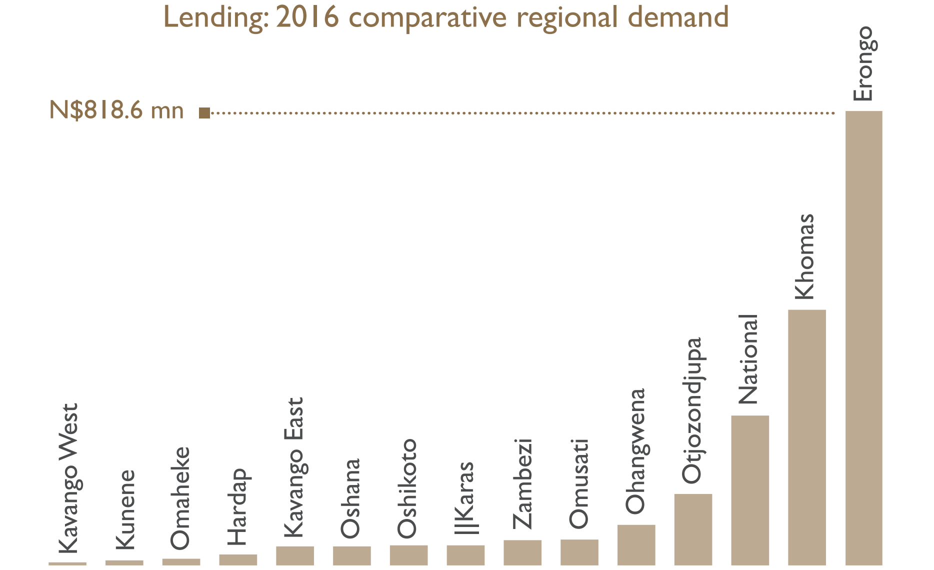
Beefcor received finance to complete development of its A-Class abattoir, as well as for machinery, equipment and trucks. The company will continue to supply local markets, and is also expected to export Namibian beef to the European Union.

Lending: 2016 regional approvals

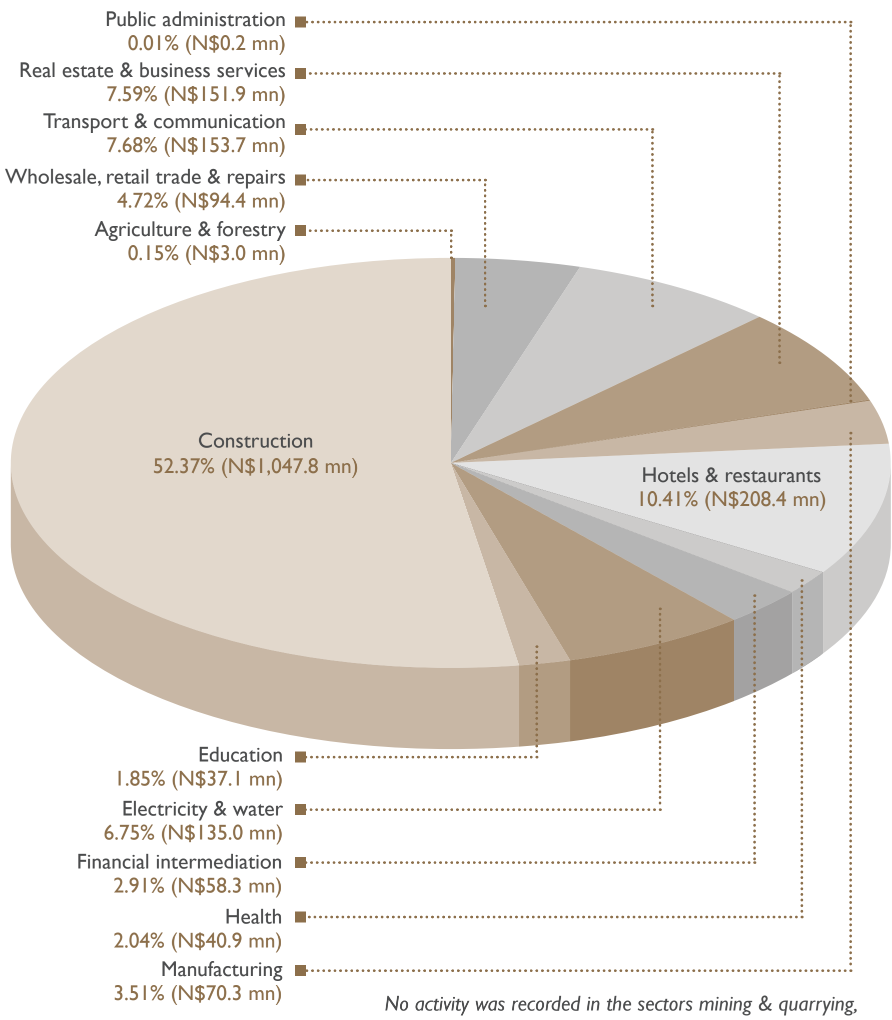


Total disbursements
N$2.008 bn

Lending: 2016 comparative regional demand

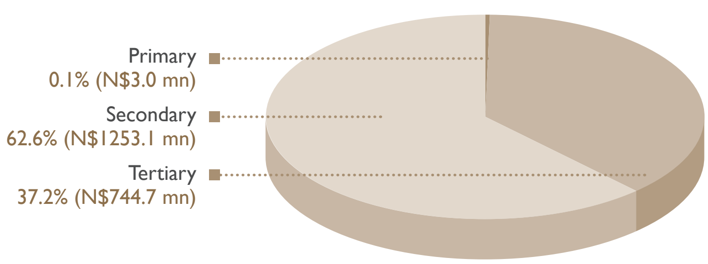


Lending: 2016 sectoral approvals



No activity was recorded in the sectors mining & quarrying, and community, social & personal services.

Lending: 2016 industry approvals

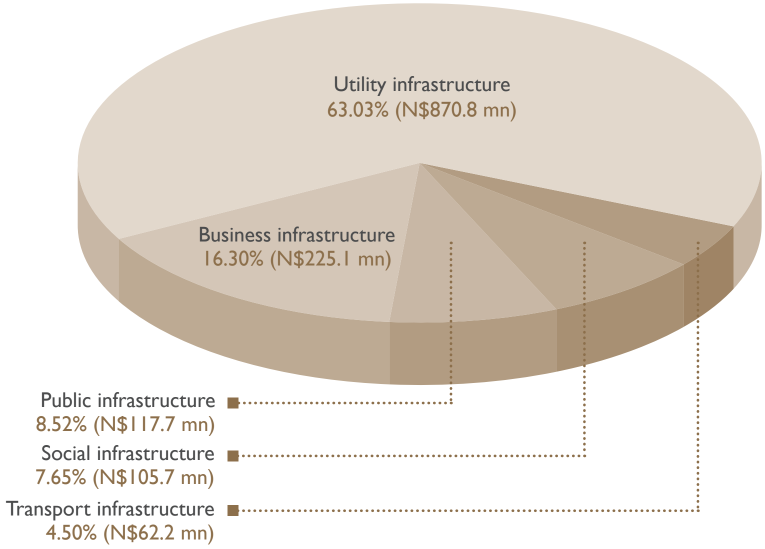


Allocations to Erongo and Khomas (a combined 64 per cent of total approvals) reflect the driving nature of the regions' national economic activities. Approvals for projects crossing over multiple or all regions (categorised as national) were also elevated. Significant investments were made in regions where lower shares were previously recorded. Approvals for projects in //Kharas, Ohangwena, Otjozondjupa and Zambezi increased between 121 and 978 per cent.

The Bank's focus lies in the secondary and tertiary sectors. Secondary sector approvals accounted for 63 per cent of approvals, and the tertiary sector received 37 per cent.

High allocations to secondary industry reflect allocations to construction (52 per cent). This echoes the priority for the development and upgrading of infrastructure. Demand for finance in the hotels and restaurants sector was robust (10 per cent), indicating optimism for the future in the sector. This was followed by transport and communications, and real estate and business services (8 per cent each). The water and electricity sector also received strong allocations, in line with the national priority for development. The manufacturing sector as a key priority sector, comprised a smaller share compared to the previous financial year.

Lending: 2016 infrastructure approvals



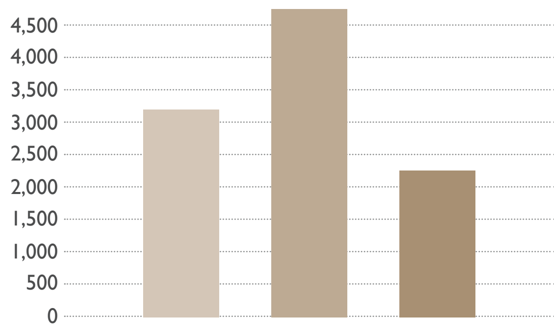
Infrastructure	N$ mn	%
Social infrastructure	105.7	7.65
Education	37.4	2.70
Healthcare	28.5	2.06
Housing	39.9	2.89
Utility infrastructure	870.8	63.03
Electricity distribution infrastructure	35.7	2.58
ICT	-	0.00
Oil & gas pipelines	671.7	48.62
Power plants	84.0	6.08
Sewerage infrastructure	6.7	0.49
Water infrastructure	72.7	5.26
Transport infrastructure	62.2	4.50
Airports	-	0.00
Bridges	-	0.00
Ports	-	0.00
Rail	-	0.00
Roads	62.2	4.50
Public infrastructure	117.7	8.52
Community facilities	0.2	0.02
Government facilities	117.5	8.51
Sports facilities	-	0.00
Business infrastructure	225.1	16.30
Commercial	225.1	16.30
Industrial	-	0.00
Total Infrastructure	1,381.65	100

In 2016, the Bank continued to address the infrastructure deficit, in addition to providing finance for larger enterprise. Upgrading and development of new infrastructure is at the core of the Namibian development agenda, as articulated in Vision 2030 and cascading interventions such as the Growth at Home Strategy, NDP4 and the Harambee Plan.

The table above shows the categorisation of the elements of infrastructure. Although activity was not recorded in a number of sector components, the complete table shows the extent of potential involvement and scope of the Bank.

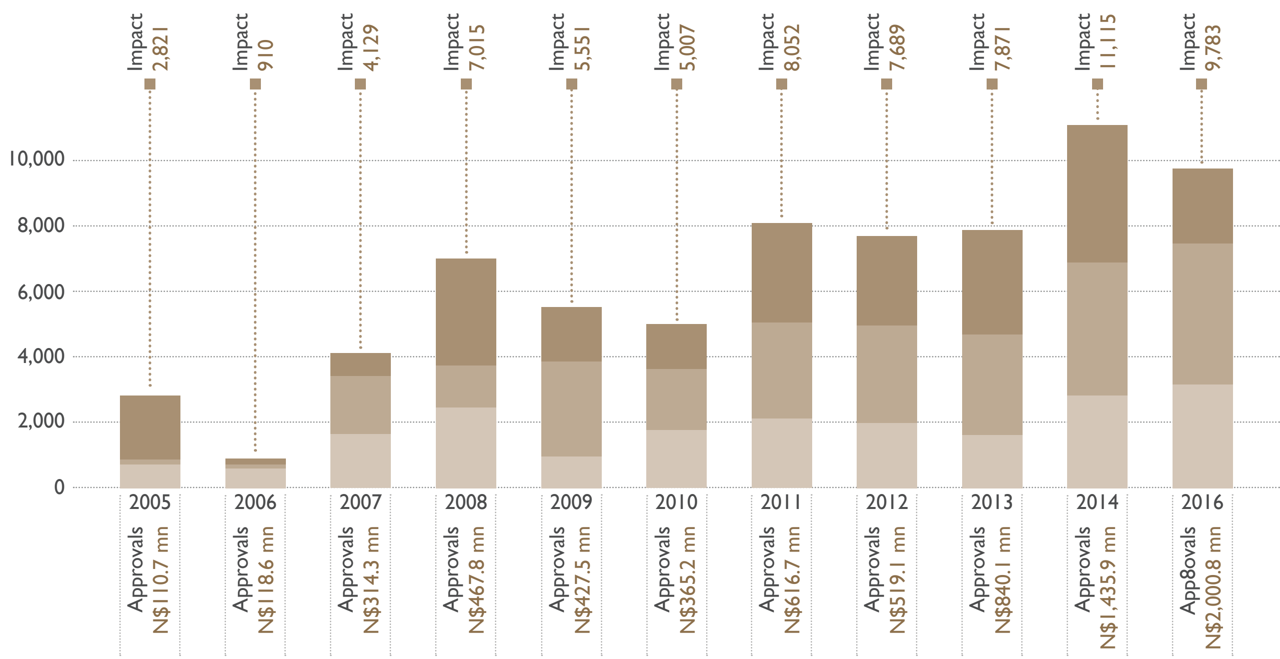
69 per cent (N$1.38 bn) of total approvals was earmarked for infrastructure. 63 per cent (N$870.8 mn) was apportioned to utility infrastructure and of that, 76.9 per cent was apportioned to a pipeline project under oil and gas pipelines. The project is intended to extend Namibia's fuel supply by one month as a buffer against undersupply of fuel. Commercial business infrastructure accounted for 16.3 per cent (N$225.1 mn) and public infrastructure absorbed 8.5 per cent (N$117.7 mn) of infrastructure approvals.

2016: projected employment impact



■	2016 new jobs	3,204
■	2016 temporary jobs	4,296
■	2016 retained jobs	2,283
	2016 total job impact	9,783

Projected employment since inception



■	Cumulative new jobs	20,055
■	Cumulative temporary jobs	25,389
■	Cumulative retained jobs	24,499
	Cumulative total job impact	69,943
	Cumulative total approvals	N$7,217.0 bn

Provision of finance has risen steadily since inception. The 2016 financial period marked a watershed with approvals crossing the N$2 bn mark compared to N$1,4 bn in 2014, translating to a growth of 43 per cent. One of the spinoffs of funding projects is the simultaneous creation of new jobs. By providing financing for commercially viable and sustainable projects, the Bank makes an impact on employment creation. Job creation is measured in terms of new, temporary and retained opportunities. Temporary jobs are common to seasonal activities and the construction sector. Retained jobs are tracked as development finance has the effect of stabilising and securing employment.

The job impact of 9,783 in 2016 fell from 11,115 in 2014 but this has to be weighted against increases in new and temporary jobs. New jobs increased to 3,204 from 2,874 in 2014. Temporary jobs increased to 4,296 from 4,040 in 2014. The increase in temporary jobs is partly attributable to increased construction activity as a result of infrastructure development. Both new and temporary jobs have shown steadily rising trends since inception of the Bank. To date, the Bank has had an impact on 20,055 new jobs, 25,389 temporary jobs and 24,499 retained jobs for a cumulative impact on 69,943 jobs.

Enterprise risk management

The Bank manages risk in the interests of its own sustainability, as well as the security of its borrowers. The purpose of risk management is to properly understand the risks that the Bank faces, and proactively and effectively mitigate against and adjust to risk. Risk management does not reduce the Bank's operational capacity and activities, but empowers the Bank to engage in operations within acceptable levels of risk.

Enterprise-wide risk management

Risk is managed on an enterprise-wide basis. All members of staff are expected to be aware of risks inherent in their functions, to report potential risks and take steps appropriate to their functions to mitigate against risk. The risk approach is determined by and is ultimately the responsibility of the Board. The collective Board is informed and counseled by the Board Audit Risk and Compliance Committee.

The Banks internal audit function monitors and manages risk on an operational basis, and reports to the Audit Risk and Compliance Committee.

Credit risk management

Credit risk mitigates against mutual risk that borrowers and the Bank face. In the process of assessing applications, the Bank assesses risk to ensure that they are viable, and pose non to low-levels of risk to the Bank. In assessing credit risk, the Bank ensures that the risk of default is minimal, and that damaging social impacts of default and bankruptcy are avoided.

The Bank ensures that its capital is recoverable, preserving its sustainability through collateral offered by borrowers. It also monitors decisions to ensure that the assessment of applications is sound and in the best interest of the Bank and its borrowers.

Market risk management

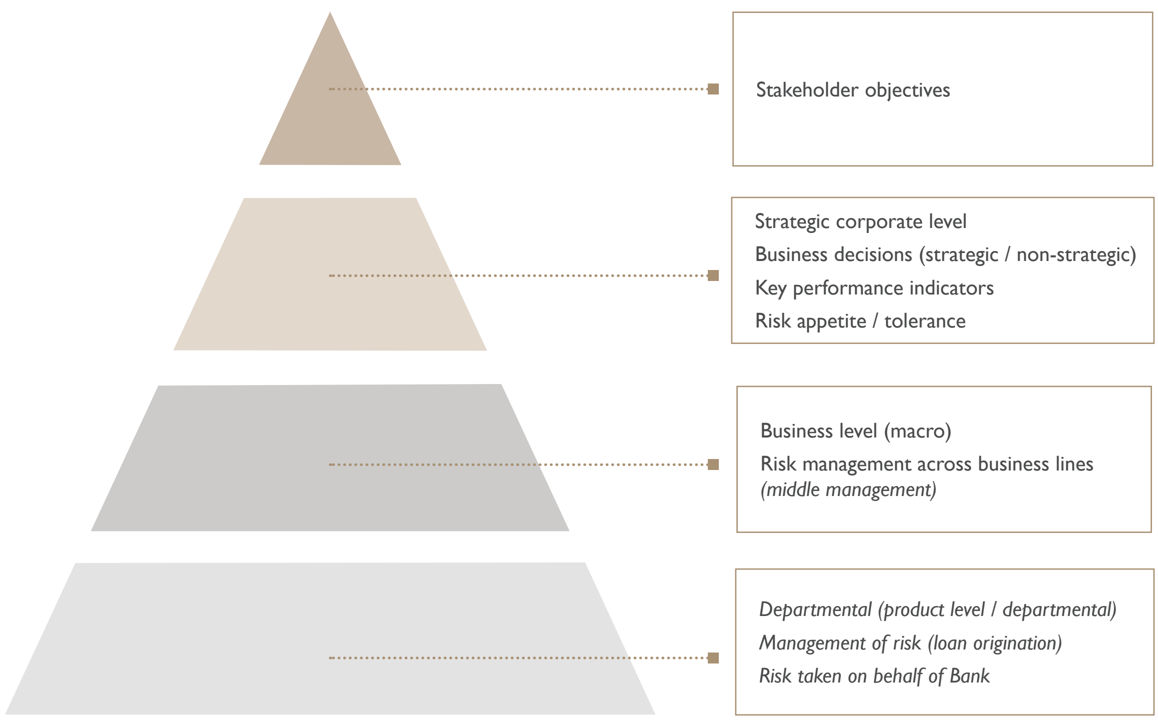
The Bank considers and adjusts to various risks in the financial market. These risks include changes in the interest rate, which may affect the Bank and its borrowers, risks to the Bank's equity investments, exchange rate fluctuations, and inflation. The Bank monitors its capital reserves to ensure that it has the required level of liquidity to sustain operations.

The Bank monitors the broader economy and its sectors to understand challenges to sectors, and to mitigate against overexposure in risk-prone sectors.

Liquidity risk management

The Bank manages liquidity risk to ensure that it has sufficient resources to continue lending. Management of liquidity risk also ensures the repayment ability of the Bank.

Key stakeholders and elements of the Bank's risk approach



Operational risk management

Operational risk management prevents fraud, corruption and misappropriation due to inadequate internal controls or their breakdown, inappropriate segregation of duties, inadequate management oversight and reporting.

Information technology is regarded as crucial to the Bank's effective functioning. Operational risk management ensures that the Bank's IT function produces credible information which leads to high-quality service levels. It also ensures business continuity and disaster recovery, as well as appropriate access control to ensure the Bank's integrity.

Compliance risk management

Compliance risk management quantifies capital, funding and liquidity, credit, country, market, operational, regulatory and business risk. A qualitative component ensuring that the correct principles, policies and procedures are applied by the Bank and reputational risks are properly managed by means of adequate controls.

Risk management in 2016

The Bank formalised and implemented and environmental and social management system (ESMS), in order to better manage the impacts of its lending on Namibia's social and environmental futures, and appointed a manager to lead and manage the function. The ESMS is described on page 27 of this report.

The Bank took steps to better manage the market risk inherent in treasury functions by familiarising itself with market risk management processes and systems, and identifying specialist human capital requirements, as well as beginning the process of recruiting those skills on a permanent or outsourced basis.

In keeping with its value of integrity, and to ward against breaches of integrity, the Bank launched a fraud hotline and email address to enable the public to report perceived or substantive reports of breaches of integrity.

The Bank developed an IT policy to ensure the integrity of its IT infrastructure through appropriate access to preserve the Bank's integrity.

Showcase

Octagon Construction

Nationwide

The Development Bank of Namibia plays an active role in providing enabling finance to enterprises that fulfill the need for serviced land and infrastructure.

Octagon Construction is actively involved in maintenance of transport infrastructure, as well as development of serviced land. The company received finance to secure its future by acquiring machinery to conduct its activities, and reducing the costs of hiring equipment.

Human resources and operations support

The Development Bank of Namibia recognises that its pool of human assets is the most significant factor in attainment of its goals. Without human capital no other capital can be effectively put to work. With human intellect and endeavour, development and the finance that nurtures it, will succeed.

The Bank takes active, continuous measures to attract those with the best possible experience and qualifications, to create a working environment that is fulfilling and rewarding, to remunerate in a competitive manner, to develop the human assets at its disposal, and to nurture health and well-being.

Driven by the Board Committee for Human Capital and Remuneration, the Bank has five clear goals in managing its human resources.

Attracting and retaining talent

The Bank strives to be recognised as an employer of choice, one that creates value in the careers of current and future employees. Its objective is to attract, select and place capable, qualified and motivated human capital in a consistent, affirming and transparent manner. The Bank's Recruitment and Selection Policy provides a framework for all recruitment, selection and placement activities.

The Bank strives to keep employees engaged, motivated and appreciated, in the endeavour to retain solid and high performance individuals.

Recognition and reward

The Bank's remuneration strategy is aligned to its business strategy, and it remunerates and rewards employees fairly, equitably and consistently on individual performance. The Bank conducts remuneration benchmarks to monitor market trends as well as internal equity, affordability and competitiveness.

Remuneration is based on the cost of employment which includes cash payments as well as other benefits which include retirement fund and medical aid benefits. An employee housing scheme was established to provide financial assistance to employees to acquire or improve their own residence. Currently 33 employees participate in the employee housing scheme.

The Bank established a Performance Incentive Bonus Scheme to encourage employees to increase productivity in order to achieve the Bank's targets. Performance is rewarded in terms of the Bank's performance management system subject to affordability. The bonus is over and above the total cost package and is dependent on achievement of the Bank's targets.

Performance management

Performance management and development are key enablers is establishing and reinforcing employee behaviour and

DBN as a relevant employer

The DBN is a relevant employer (in that it has more than 25 employees) as defined in the Affirmative Action (Employment) Act of1998.

Staff Composition	Racially disadvantaged		Racially advantaged		Persons with disabilities		Non-Namibians		Total	
Job Category	M	F	M	F	M	F	M	F	M	F
CEO (Executive Director - E5)	1	0	0	0	0	0	0	0	1	0
Senior Management (E1 – E4)	2	0	1	2	0	0	1	1	4	3
Middle Management (D2 – D5)	9	9	1	1	0	0	0	0	10	10
Specialised / Skilled / Senior Supervisory (C1 – D1)	20	18	0	1	1	0	0	0	21	19
Skilled (B1 - B5)	2	7	0	0	0	0	0	0	2	7
Semi-skilled	0	0	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0	0	0
Total Permanent	34	34	2	4	1	0	1	1	38	39

DBN ascribes to the principles of employment equity for all employees and applicants, and does not discriminate in conditions of employment or any of its human capital / employee activities on the basis of race, colour, religion, sex, regional origin or disability. Employees are treated equitably, fairly and consistently in relation to the work they do and their contribution made, to their value in the market, and in relation to their skills and knowledge. Notwithstanding the above, to ensure internal equity and fairness, the Bank complies with its policy on Affirmative Action and all Namibian laws pertaining to, and having a bearing on, its employment activities.

The Bank strives to ensure that the racial, gender and age profile of the Bank is reflective and representative of the Namibian demographics to enable the Bank to be representative of all groups in Namibia.

outputs that will help achieve the strategic goals and objectives. This requires both formal and informal feedback as part of a continuous performance management process.

Development of skills and capacity

The Bank is a learning organisation. It provides training and developmental interventions to ensure that employees possess appropriate skills, knowledge and the requisite attitudes. The Bank identifies, prioritises and delivers needs-based training through discussions between managers and employees to plan and record the employee's Personal Development Plan.

Employee well-being

Employee wellness initiatives educate employees on the importance of identifying, preventing, managing and resolving wellness matters. The holistic Employee Wellness Program consists of wellness screenings, behavioural change programmes, information dissemination and outreach activities.

Human capital in 2016

The Bank focused on enhancing the technical skills of its employees by presenting Development Finance and Credit Development programs. Thirty-one employees went through the Development Finance program and fifteen employees went through the Credit Development program. These programs were complemented by various job-specific capacity building interventions.

The Bank established a Young Professional Program to remedy the shortage of recently qualified graduates. Graduates are employed, straight from University, and are provided with rigorous on-the-job training over 2 years, exposing them to learning opportunities within DBN. The programme provides an opportunity for young professionals to advance in the financial services industry and a recruitment framework for DBN to source promising graduates. On completion, graduates may receive an offer of employment, depending on individual performance, available vacancies and other considerations. The Bank will make two positions available under the Program. One previously disadvantaged woman has already been appointed.

An Internship Program was established to provide students opportunities for experiential learning. An internship will last only for a period of three months.

Information sessions under the Employee Wellness Program covered nutrition and exercise, breast and cervical cancer, mastering personal finances and the Namibia Medical Care products and premiums for 2015.

Showcase

Nambrick and Concrete
Swakopmund, Erongo

As part of its stimulus for various industries and regions, including housing construction and infrastructure, the Development Bank of Namibia provides finance to enterprises that manufacture materials for the construction industry.

Nambrick and Concrete received finance from the Bank to erect a plant, acquire an additional concrete manufacturing machine, and related machinery and equipment, to service unfulfilled demand in the Erongo region.

Staff

Windhoek head office staff

Ongwediva staff

Walvis Bay staff

Environmental and social management system

The Bank has been keenly aware of social and environmental sustainability since its inception. In the 2016 financial year the Bank established an environmental and social management system (ESMS) to manage its commitments, assist in mitigation of associated risks posed by applicants for finance and satisfy stakeholder requirements.

The ESMS adheres to key legislation and regulations governing environmental and social matters, as well as international best practices.

Procedures under the ESMS ensure that all applications:

- are screened and considered for their environmental and social risk.
- are evaluated to ensure that appropriate level of assessment and environmental and social and management plans (ESMPs) are executed.
- are monitored to ensure that ESMP measures are adhered to, and that they address impacts for the lifetime of the project, while the DBN has a commitment via the loan.

Commitment and responsibility

Under the ESMP, the Bank commits to and takes responsibility for six core aspects.

Systematic risk and impact assessment

The Bank assesses environmental and social risks throughout the project life cycle. Starting during project implementation, the Bank provides effective audit and monitoring of aspects in the ESMS. The priority is to avoid risk by considering project concepts and design as early in the process as possible, followed by mitigation to reduce, manage or compensate for remaining impacts.

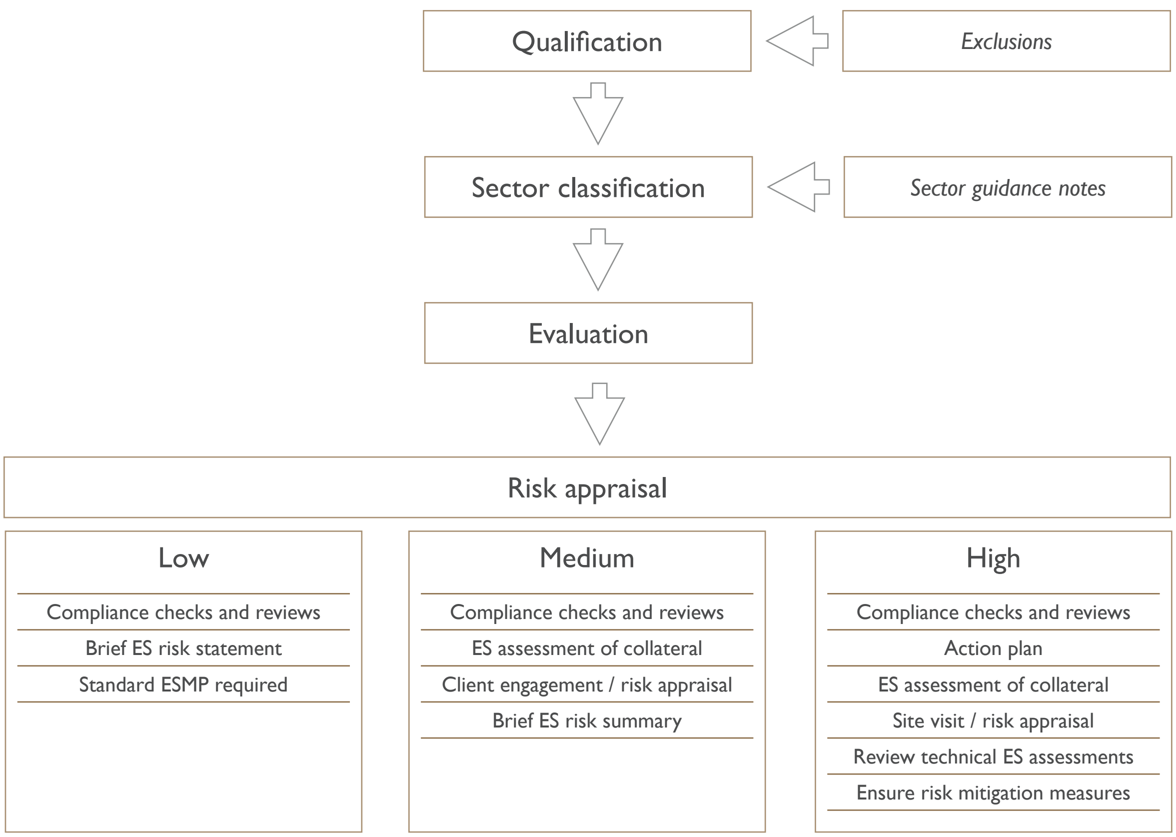
Transparency, good governance and inclusivity

The Bank and its clients are required to engage in meaningful and transparent consultation with affected communities and interested parties. All engagement processes need to warrant

Risk assessment and management

The Bank initially evaluates applications for enterprises against a list of socially or environmentally harmful categories that are automatically excluded.

If the enterprise does not fall under one of those categories, the Bank assigns a level of risk which determines the level of environmental and social (ES) management required by the ESMS within the sector.



Showcase
Trustco Finance
Nationwide

The Development Bank of Namibia understands that in order to provide Namibia with a sustainable future, it has to provide finance for education to deepen and widen Namibia's pool of skills.

By providing a tranche of capital to Trustco Finance, for onlending, the Bank is assisting tertiary students to upgrade their qualifications.

that affected and vulnerable groups can participate in a free, prior and informed manner in decision-making.

Gender equality and poverty reduction

As poverty, gender inequality and ecological degradation are often interrelated, the Bank is committed to considering gender inequality and poverty when carrying out the assessments of projects.

Occupational health and safety

The Bank is committed to respecting workers' rights as a keystone for developing a strong and productive workforce. The Bank and its clients need to adhere to Namibia's Labour laws and regulations, and the Bank also proactively works to satisfy generally accepted occupational health and safety standards and the International Labour Organisation's Core Labour Standards.

Client support

The Bank's clients span all economic sectors and vary in terms of other characteristic, so their ability to manage environmental and social issues will show a considerable degree of variance. The Bank is committed to provide its borrowers with high-quality technical guidance and support to comply with the requirements of the ESMS. The Bank takes an adaptive approach to the ESMP. Management measures are related to the level of environmental and social risk involved, project size and project changes during implementation.

Climate Change

An assessment of climate change impact is included. Clients are encouraged to develop projects that have a positive impact on climate change or minimise the impact on climate change.

Outreach, communication and corporate social investment

As an enterprise that is closely engaged with its borrowers, stakeholders and various subsets of the Namibian public, the Bank actively reaches out to potential and current borrowers, maintains productive contact with its stakeholders, and communicates as an expression of its integrity, transparency and accountability.

In addition to the beneficial nature of its development finance, the Bank engages in social responsibility activities, primarily with finance, to improve socio-economic conditions for underprivileged Namibians, but also to make contributions to initiatives that complement its operational environment.

The Bank also encourages voluntary acts of giving on the part of its staff, by initiating and arranging activities, and providing facilities.

2016 outreach

The Bank engaged with stakeholders in the course of various visits across multiple regions, as well as during consultations in Windhoek.

The purpose of stakeholder engagements is to proactively identify present and future development requirements. During the course of engagements, the Bank informs stakeholders of its role in providing finance, its capacity and requirements for application and approval.

At the same time, the Bank visits recipients of finance to identify successes and discuss problems experienced by those recipients, if need be.

The Bank promotes its role to potential borrowers with information sessions, as well as at regional trade shows. During the period under review, the Bank attended trade shows at Arandis, Keetmanshoop, Ongwediva, Tsumeb, Walvis Bay, and Windhoek, among others.

Good Business and Innovation Awards

The Bank recognised good business practices on the part of its customers with the Good Business Award.

Through the Awards the Bank seeks to promote the examples set by winners of the past awards to highlight exemplary practices and the heights of success that can be attained by other Namibian enterprises.

The first prize in the Category of Large Enterprise was awarded to Meat Corporation of Namibia for its agri-industry project which strengthens cattle farming with feedlots.

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 winner of the Innovation Award was Medirad Medical Radiology CC Company, with a concept of mobile digital mammography for remote areas.

2016 communication

The Bank's communication emphasis was dominated by the shift from a combination of SME and larger enterprise to a focus on larger enterprises, with SME business being migrated to the SME Bank.

The Bank also launched a campaign to create awareness of its fraud hot-line and email address. This will proactively address perceptions that the Bank may be an easy target for fraud.

The Bank continued to release opinion pieces and general pieces to the press, augmenting its communication to stakeholders on positions held by the Bank, and on successes, and desirable qualities for potential applicants.

Major publications included the 2014 Annual Report and the 2014 Development Impact Report. The Bank also published a compendium of commentary published by the Bank.

A short corporate video was produced to explain the Bank's vision, and its products.

2016 corporate social investment

The Bank approved in excess of 100 requests for assistance in 2016. The Bank's corporate social investment activities focused on enterprise development, skills development, and education and education-related interventions.

During the period, the Bank amended its Corporate Social Investment Policy to include poverty alleviation, reduction of inequalities and improvement of socio-economic standards. The revised policy will be implemented in 2017.

Highlight activities relating to the Bank's sphere of operations included the following sponsorships:

AIESEC Namibia received funding from the Bank to host the first Namibia Youth to Business Forum under the theme Youth Entrepreneurship. The Association promotes different perspectives towards Youth Entrepreneurship. The DBN contributed N$ 10,000 towards the event.

The Bank sponsored the Arandis Investment and Uranium Conference in the interests of enterprise development. The aim of the Conference is to promote Arandis as a preferred service hub for the logistics industry, as well as to highlight the contribution of the uranium industry to the town and the Erongo region.

The DBN also supported specific projects of the Namibia Chamber of Commerce and Industry (NCCI) aimed at advancing the Chambers capacity to promote and serve the interest of its members.

The Bank invested in the Customer Service Management Africa (CSMA) project. The aim of the project is to highlight the importance of excellent customer service in Namibia. The Bank sponsored the 2nd CSMA Conference and Awards in 2015.

DBN is committed to enhancing service delivery to its customers. Parallel to the CSMA project, the Bank is enhancing its ability to be an effective customer service agent in development finance.

2016 staff participation

In 2016, the Bank's staff reached out by donating blood, and by donating goods and / or funds to the Cancer Association of Namibia and AIDS orphans.

Showcase
Medirad
Tsumeb, Oshikoto

The Development Bank of Namibia supports social enterprises in the fields of education, and health and medicine, improving the prospects of innovative delivery of services, as well as alleviating pressure on public sector resources.

In the financial year, the Bank provided grant finance to Medirad to assist with provision of a mobile mammography clinic to reach women with limited access to mammography. Medirad was identified as the recipient of grant finance in the Innovation Awards, a component of the DBN Good Business Awards, held in 2015.

Development Bank of Namibia Limited

(Registration number: 2003 / 189)

Annual Financial Statements

for the 15 month period ended 31 March 2016

Index

Directors' responsibility statement
for the period ended 31 March 2016

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 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Namibian Companies Act, 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 in the year ahead.

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 annual financial statements of Development Bank of Namibia Limited, as identified in the first paragraph, were approved by the Board of Directors on 7 July 2016, and are signed on their behalf by:

Tanya Hangula
Chairperson (Effective, 1 January 2016)

Martin Inkumbi
Chief Executive Officer

Independent auditor's report
for the period ended 31 March 2016

To the member of the Development Bank of Namibia Limited

We have audited the financial statements of Development Bank of Namibia Limited, which comprise the statement of financial position at 31 March 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 36 to 75.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the requirements of the Development Bank of Namibia Act No. 8 of 2002 and the Namibian Companies Act, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Development Bank of Namibia Limited at 31 March 2016, and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards, and the requirements of the Development Bank of Namibia Act No. 8 of 2002 and the Namibian Companies Act.

KPMG
Registered Accountants and Auditors
Chartered Accountants (Namibia)

De Merindol Office Park
30 Schanzen Road
Windhoek
Namibia

Per Robert Grant
Partner, Windhoek
10 August 2016

Directors' report
for the period ended 31 March 2016

The Directors have pleasure in presenting this report as part of the annual financial statements of the Development Bank of Namibia Limited for the 15 month period ended 31 March 2016.

Nature of Business

The Development Bank of Namibia (DBN) is a public company registered in accordance with an Act of Parliament, 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. The mobilisation of financial and other resources from the private and public sectors nationally and internationally;
2. The appraisal, planning and monitoring of development schemes, export projects and economic programmes of national significance, including implementation;
3. The facilitation of private sector and community participation in development schemes, export projects and economic programmes of national significance; and
4. The development of money and capital markets.

Financial Results

It was resolved that the financial year of the Bank be changed from the last day in December of each year to the last day in March of each year with effect from 1 January 2015. The reason for the change in the financial year end is to coincide with the financial year-end of the Government of the Republic of Namibia.

The financial statements, for the fifteen month period ended 31 March 2016, on pages 37 to 75 set out fully the financial position, results of operations and cash flows of the Bank.

Comparative amounts represent a 12 month financial period, and hence are not entirely comparable to the current period under review.

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

Dividends

Dividends of N$ 20,876,571 (2014: Nil) were declared and approved at the Annual General Meeting held on 28 July 2016 and retained for redeployment towards objectives of the Harambee Prosperity Plan. Dividends declared in prior years were retained for re-deployment towards special enterprise development endeavours as described in note 20 to the financial statements. In the period under review the reserve was further subdivided into the following development programmes:

a. The Client Support & Development Fund
b. The Project Preparation Fund
c. The Innovation Fund

Share Capital

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

Issued share capital has increased to N$ 165 million (2014: N$ 162.1 million) with share premium increasing with N$ 140.2 million (2014: N$ 29.9 million) by the issue of a total of 29 ordinary shares (24 ordinary shares for N$ 100,000 each at a premium of N$ 4,827,364 and 5 ordinary shares of N$ 100,000 each at a premium of N$ 4,868,800, respectively). The Government of the Republic of Namibia is currently the sole shareholder of the Bank.

Interest of Directors

At no time during the financial period were any contracts of significance entered into relative to the Banks business in which a director had an interest.

Director’s report (continued)

for the period ended 31 March 2016

Directorate and Secretariat

The members of the Board of the Development Bank of Namibia during the period and at the date of this report are and were:

- Penny Akwenye (Chairperson, tenure ended 31 July 2015)
- Muetulamba Shingenge-Haipinge (Acting Chairperson, tenure ended 31 December 2015)
- Tania Hangula (Chairperson, effective 1 January 2016)
- Emma Haiyambo
- Tabitha Mbome
- Albie Basson
- Justus Hausiku
- Martin Inkumbi (Chief Executive Officer)
- Roberta Brusa (Secretary)

Director’s Emoluments

Director’s emoluments are disclosed in note 8.1 to financial statements.

Business and Registered Address

Development Bank Building
12 Daniel Munamava Street
Windhoek
Namibia

Postal address

P O 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 period the Bank paid value added tax of N$3,381,263 and employees tax of N$13,222,187 (withholding tax: nil).

Changes in Accounting Policies

In all material respects, the accounting policies applied during the period ended 31 March 2016 are consistent with those applied in the annual financial statements for the year ended 31 December 2014, as no changes in accounting policies were affected during the period under review.

Subsequent Events

The Directors are not aware of any fact or circumstance, which occurred between the date of the financial statements and the date of this report, which may require adjustment to the annual financial statements.

Statement of profit or loss and other comprehensive income

For the period ended 31 March 2016

N$	Note	*15 months* 2016	*12 months* 2014
Interest income	4	447,075,608	217,947,568
Interest expense	5	(107,292,913)	(2,386,339)
Net interest income	5	339,782,695	215,561,229
Fee and commission income	6	25,104,575	19,353,826
Revenue		364,887,270	234,915,055
Other income	7	63,973,784	47,770,199
Fair value adjustments on loans and receivables	9	(4,848,346)	(6,280,133)
Fair value loss on cross currency swap	19.1	(62,969,249)	(22,603,516)
Foreign exchange gain on loan		35,183,176	6,542,520
Net impairment on loans and advances	14	(81,015,861)	(32,095,959)
Operating expenses	8	(106,445,067)	(80,994,478)
Profit before tax		208,765,707	147,253,688
Tax expense	10	-	-
Profit for the period		208,765,707	147,253,688
Other comprehensive income, net of tax		(2,063,103)	37,902,913
Items that may be reclassified subsequently to profit or loss			
Net change in fair value on available-for-sale financial assets	22.2	(185,986)	38,216,586
Cash flow hedge: effective portion of changes in fair value on interest rate swap	22.3	(6,096,667)	(5,929,450)
Items that will not be reclassified subsequently to profit or loss			
Revaluation gain on property	22.1	4,219,550	5,615,777
Total comprehensive income		206,702,604	185,156,601

Statement of financial position
at 31 March 2016

N$	Note	2016	December 2014
Assets			
Cash and cash equivalents	11	387,043,770	367,806,530
Trade and other receivables	12	10,684,134	5,533,747
Staff home ownership scheme loans	15	38,594,951	25,908,103
Loans and advances to customers	13	3,807,136,815	2,305,148,982
Equity investments	17	287,911,089	162,877,871
Property and equipment	16	59,877,789	52,187,595
Intangible assets	18	2,526,128	478,711
Total assets		4,593,774,676	2,919,941,539
Liabilities			
Bank overdraft	11	449,169,400	88,247,385
Trade and other liabilities	19	22,588,564	30,883,804
Debt securities issued	19.2	196,518,229	201,545,611
Term loan facilities	19.3	911,037,393	-
Dividends retained for redeployment	20	12,729,330	16,402,238
Derivative held for risk management	19.1	126,938,080	57,872,165
Total liabilities		1,718,980,996	394,951,203
Equity			
Share capital and share premium	21	2,007,071,178	1,863,970,438
Retained earnings		862,254,206	653,488,499
Reserves	22	5,468,296	7,531,399
Total equity		2,874,793,680	2,524,990,336
Total liabilities and equity		4,593,774,676	2,919,941,539

Statement of changes in equity
for the period ended 31 March 2016

N$	Share capital and share premium						
	Share capital	Share premium	Capital revaluation reserve on Land and Buildings	Fair value reserve	Cash flow hedge reserve	Retained earnings	Total
Balance at 1 January 2015	162,100,000	1,701,870,438	21,739,761	4,122,584	(18,330,946)	653,488,499	2,524,990,336
Total comprehensive income for the period	-		4,219,550	(185,986)	(6,096,667)	208,765,707	206,702,604
Profit for the period	-	-	-	-	-	208,765,707	208,765,707
Other comprehensive income, net of tax	-	-	4,219,550	(185,986)	(6,096,667)	-	(2,063,103)
Transactions with owner, recognised directly in equity	2,900,000	140,200,740	-	-	-	-	143,100,740
New shares issued	2,900,000	140,200,740	-	-	-	-	143,100,740
Balance at 31 March 2016	165,000,000	1,842,071,178	25,959,311	3,936,598	(24,427,613)	862,254,206	2,874,793,680
Note	*21*	*21*	*22.1*	*22.2*	*22.3*		

N$	**Share capital and share premium**						
	Share capital	Share premium	Capital revaluation reserve on Land and Buildings	Fair value reserve	Cash flow hedge reserve	Retained earnings	Total
Balance at 1 January 2014	161,500,000	1,671,965,938	16,123,984	(34,094,002)	12,401,496)	506,234,811	2,309,329,235
Total comprehensive income for the year	-	-	5,615,777	38,216,586	(5,929,450)	147,253,688	185,156,601
Profit for the year	-	-	-	-	-	147,253,688	147,253,688
Other comprehensive income, net of tax	-	-	5,615,777	38,216,586	(5,929,450)	-	37,902,913
Transactions with owner, recognised directly in equity	600,000	29,904,500	-	-	-	-	30,504,500
New shares issued	600,000	29,904,500	-	-	-	-	30,504,500
Balance at 31 December 2014	162,100,000	1,701,870,438	21,739,761	4,122,584	(18,330,946)	653,488,499	2,524,990,336
Note	*21*	*21*	*22.1*	*22.2*	*22.3*		

Cash flow statement

for the period ended 31 March 2016

N$	Note	*15 months* 2016	*12 months* 2014
CASH FLOWS UTILISED IN OPERATING ACTIVITIES			
Cash receipt from customers	B	461,674,909	232,841,485
Cash paid to suppliers and employees	C	(204,042,713)	(75,187,790)
Cash flows from operating activities	A	257,632,196	157,653,695
Government grants received		50,000,000	50,000,000
Increase in income earning assets	D	(1,681,155,403)	(609,744,366)
NET CASH UTILISED IN OPERATING ACTIVITIES		(1,373,523,207)	(402,090,671)
CASH FLOWS UTILISED IN INVESTING ACTIVITIES		(9,262,307)	(1,938,378)
Acquisition of property and equipment		(6,912,566)	(1,613,709)
Proceeds from disposal of property and equipment		15,650	16,001
Acquisition of intangible assets		(2,365,391)	(340,670)
CASH FLOWS FROM FINANCING ACTIVITIES		1,041,100,740	230,504,500
Proceeds from issue of shares		143,100,740	30,504,500
Funding liabilities raised - debt securities		245,000,000	200,000,000
Funding liabilities raised - other		870,000,000	-
Funding liabilities paid - debt securities		(250,000,000)	-
Proceeds from cash deposits		33,000,000	-
Net (decrease) / increase in cash and cash equivalents		(341,684,774)	(173,524,549)
Cash and cash equivalents at the beginning of the year	11	279,559,145	453,083,694
CASH AND CASH EQUIVALENTS at the end of the period	11	(62,125,630)	279,559,145
A. CASH GENERATED BY OPERATIONS			
Profit for the period		208,765,707	147,253,688
Adjusted for:			
Unwinding of discounted present value on off-market loans		(4,188,883)	(3,785,088)
Fair value adjustments of off-market loans		4,848,346	6,280,133
Depreciation and amortisation		3,754,247	2,508,417
Net impairment on loans and advances		81,015,861	32,095,960
Profit on disposal of equity investment		-	(901,840)
Net loss on cross currency swap		62,969,249	22,603,516
Foreign exchange gain on loan		(35,183,176)	(6,542,520)
Gain on disposal of assets		(10,003)	(13,744)
Government grants		(63,619,484)	(46,868,359)
		258,351,864	152,630,163
(Increase) / decrease in trade receivables		(5,150,389)	(1,037,874)
Increase / (decrease) in trade payables		4,430,721	6,061,406
		257,632,196	157,653,695
B. CASH RECEIPTS FROM CUSTOMERS			
Interest income		436,570,334	213,487,659
Fee income		25,104,575	19,353,826
		461,674,909	232,841,485
C. CASH PAID TO SUPPLIERS AND EMPLOYEES			
Interest expense		(105,774,684)	(840,728)
Operating expenditure		(98,268,029)	(74,347,062)
		(204,042,713)	(75,187,790)
D. CHANGE IN INCOME EARNING ASSETS			
Staff home ownership scheme loans		(12,686,848)	(11,746,239)
Loans and advances		(1,573,890,491)	(604,649,967)
Equity investments		(94,578,064)	6,651,840
		(1,681,155,403)	(609,744,366)

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 to Namibia.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

2.2 Basis of measurement

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

- Land and Buildings and land are measured at re-valued amounts;
- Available for sale equity investments are measured at fair value; and
- Derivative financial instruments are measured at fair value.

The methods used to measure fair values are detailed in notes 16 and 30.

2.3 Functional and presentation currency

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

2.4 Use of judgments, estimates and assumptions

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the 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 Judgments

Information about judgments 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 investee

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

The Bank controls an investee when it is exposed or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Bank determined that it has no control over its equity investments.

2.4.2 Critical assumptions and estimates in applying accounting policies

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

- Loans and advances (note 3.10.10)
- Impairment of loans and advances (note 2.4.2.1)
- Derivatives and hedge accounting (note 3.16)
- Equity investments (note 3.10.11)

Notes 13.1, 14, 19.1 and 30 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 assesses its credit portfolios for impairment at each reporting period. In determining whether an impairment loss should be recorded in the statement of profit or loss and other comprehensive income, the Bank makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.

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

2.4.2.2 Non-performing loans

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

Information about non-performing loans has been included in note 28.2.

2.4.2.3 Impairment of available-for-sale equity instruments

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

2.4.2.4 Fair value measurement and valuation process

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and are liabilities are disclosed in notes 29 and 30.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Interest income and expense

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

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial asset or liability (or where appropriate a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and interest expense presented in the statement of comprehensive income includes interest on financial assets and liabilities measured at amortised cost calculated on an effective interest basis. Instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances. Dividends received on these instruments are included in interest income.

3.2 Fees and commission income

Fees and commissions are recognised on an accrual basis when the service has been provided.

Other fee income, including guarantee fees, front-end fees and other administrative fees are recognised as the related services are performed. When a loan commitment is not expected to result in the drawdown of a loan, loan commitment fees are recognised on a straight line basis over the commitment period.

3.3 Other income

Refer to note 3.8 for the accounting policy on grants.

3.4 Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of net interest income.

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

3.5 Employee benefits

3.5.1 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus plans when there is a legal or constructive obligation to make such payments as a result of past performance and the obligation can be estimated reliably.

3.5.2 Post-retirement employee benefits

It is the policy of the Bank to provide retirement benefits for employees through a defined contribution plan being a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and will have no legal obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when due in respect of service rendered before the end of the reporting period.

3.6 Property and equipment

3.6.1 Recognition and measurement

Property and equipment is initially recognised at cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequently property is stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Equipment is subsequently stated at cost less accumulated depreciation and accumulated impairment losses. Changes in the fair value are recognised directly to equity through the revaluation reserve on land and buildings (refer to note 3.6.4).

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised within 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.

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

3.6.2 Subsequent costs

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

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

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

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

3. Significant accounting policies (continued)
3.6 Property and equipment (continued)

3.6.4 Revaluation

Land and Buildings are revalued to its market value. Valuations are from market-based appraisals undertaken by professional valuers. Revaluations are performed annually such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of the property is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such property is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset. On subsequent sale or retirement of revalued property, the attributable surplus remaining in the revaluation reserve is transferred directly to retained earnings.

3.7 Intangible assets

3.7.1 Software

Intangible assets acquired separately are recognised at cost less accumulated amortisation and accumulated impairment losses. On acquisition the software is capitalised at purchase price. The useful life has been set at three years for current and comparative periods with a zero residual value. 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 period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.8 Grants

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

Hence, monetary government grants are initially treated as deferred income and recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses related cost for which the grants are intended to compensate.

3.9 Leases

3.9.1 The Bank as lessee

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

Lease payments payable under operating leases are recognised in profit or loss on a straight-line basis over the term of the relevant lease or another basis if more representative of the time pattern of the Bank's benefit. Contingent lease payments are recognised in profit or loss as they occur. The minimum rentals due after year-end are presented under commitments.

3.10 Financial instruments

Financial instruments consists 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 and debt securities issued, and derivative liabilities.

3.10.1 Recognition and initial measurement

The Bank initially recognises loans and advances, debt securities issued and subordinated liabilities on the date at which they are originated. All other financial assets and financial liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

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

3.10.2 Classification

Financial assets

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

- Loans and receivables (comprises of cash and cash equivalents, trade and other receivables, staff home ownership loans, loans and advances to customers);
- Available for sale (comprises of equity investments).

Financial assets are not reclassified subsequent to their initial recognition, except when the Bank changes its business model for managing financial assets.

Financial liabilities

The Bank measures financial liabilities subsequently at amortised cost or fair value through profit or loss.

The Bank has designated financial liabilities at fair value through profit or loss when liabilities contain embedded derivatives that significantly modify the cash flows that would otherwise be required under the contract.

Financial guarantees and commitments to provide a loan at a below-market interest rate are subsequently measured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent

Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

Debt securities and term loan facilities are held at amortised cost.

3.10.3 Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. In addition, any cumulative gain or loss that had been recognised in other comprehensive income is also recognised in profit or loss.

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.

In certain transactions the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

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

The Bank securitises various consumer and commercial financial assets, which generally results in the sale of these assets to structured entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches, interest-only strips or other residual interests (retained interests). Retained interests are primarily recognised as investment securities and carried at amortised cost or fair value. Gains or losses on securitisation depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognised and the retained interests based on their relative fair values at the date of the transfer. Gains or losses on securitisation are recognised in other revenue.

3.10.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

3.10.5 Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.10.6 Fair value measurement

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

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

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at

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

the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

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

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

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

3.10.7 Impairment of financial assets

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

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

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter into bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank.

Assets carried at amortised cost

The Bank first assesses whether objective evidence of impairment loss on loans and advances, including staff home loans, exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Loans and advances carried at amortised cost assessed on an individual basis are classified according to risk categories as defined in note 28.2 and impaired according to the determined classification.

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

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of all estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against trade receivables.

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

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

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

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

(i) Past due advances

Advances are considered past due in the following circumstances:

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

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

(ii) Renegotiated financial assets

Financial assets are deemed renegotiated financial assets when the terms of the financial assets that would otherwise be past due or impaired have been renegotiated or restructured in an effort to reduce the risk of the borrower defaulting and the Bank ultimately incurring a loss. Restructuring is done by granting a concession to the borrower, such as restructuring the repayment terms or interest rate to improve the borrowers cash flow position, and obtaining further or better security, subsequently reducing the risk of default. Where advances have been reclassified as neither past due nor impaired, the adherence to the new terms are closely monitored (refer to note 28.3). These assets form part of the collective assessment for impairment.

Available for sale financial assets

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

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

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

Refer to note 17 for the accounting treatment of the available for sale equity investments during the period under review.

3.10.8 Trade payables

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

3.10.9 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, callable on demand and highly liquid financial assets with original maturities of less than four months which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Overdraft facilities that are payable on demand are included in cash and cash equivalents, and form an integral part of the Bank's cash management (refer to note 28.3).

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

3.10.10 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. Loans and advances are initially measured at fair value plus incremental direct transaction costs and subsequently measured at their amortised cost using the effective interest method.

3.10.11 Equity instruments

The Bank classifies its investments in equity instruments as available-for-sale. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in the statement of comprehensive income. The fair value reserve comprises the cumulative net change in the fair value of available for sale financial assets until the assets are derecognised or impaired.

Unquoted equity instruments whose fair values cannot be reliably measured are held at cost. If the market for an equity financial instrument is not active, the Bank uses a valuation technique to establish what the transaction price would be in an arm's length transaction motivated by normal business considerations.

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

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

The Bank ensures that these valuation techniques:

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

When an investment is derecognised, the gain and loss accumulated in equity is reclassified to profit or loss.

3.11 Impairment of non-financial assets

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

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. A previously recognised impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined net of depreciation and amortisation had no impairment loss been recognised.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In assessing value-in-use, the expected future cash flows from the asset are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risks specific to the asset.

3.12 Provisions

Liabilities and provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Refer to notes 19 and 20.

3. Significant accounting policies (continued)
3.10 Financial instruments (continued)
3.10.12 Liabilities and provisions (continued)

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

3.13 Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

3.14 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.

3.15 Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivate 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 that 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.

3.15.1 Cash flow hedges

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

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

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

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

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

Summary of standards and interpretations issued

The relevant Standards and Interpretations which are not yet effective and which should be disclosed for March 2016 year-ends are identified in the table below, together with the dates on which these were issued by the IASB:

International Financial Reporting Standards and amendments issued but not effective for 31st March 2016 year-end:

New or amended standards	Effective date	Summary of requirements	Possible impact on financial statements
IFRS 9 – Financial Instruments (2014): A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement.	Application of the standard is mandatory for annual reporting periods starting from 1 January 2018 onwards.	**Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	The Bank is in the process of assessing the potential impact on its financial statements resulting from the implications of IFRS 9. Given the nature of the Bank's operations, this standard is expected to have a pervasive impact on the Bank's financial statements.
IFRS 15 Revenue from Contracts with Customers: Establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces the existing revenue guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.	Application of the standard is mandatory for annual reporting periods starting from 1 January 2018 onwards. Earlier application is permitted.	Provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: 1. Identify the contract with the customer 2. Identify the performance obligations in the contract. 3. Determine the transaction price 4. Allocate the transaction price to the performance obligations in the contracts. 5. Recognise revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.	The Bank is assessing the potential impact on its financial statement resulting from the application of IFRS 15.
IFRS 16 Leases: Specifies how an IFRS reporter will recognise, measure, present and disclose leases.	Application of the standard is mandatory for annual reporting periods beginning on or after 1 January 2019	The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	The amendment is not expected to have a material impact on the Bank's financial statements.

New or amended standards	Effective date	Summary of requirements	Possible impact on financial statements
Amendments to IAS 7 - Disclosure Initiative	Applicable to annual periods beginning on or after 1 January 2017	Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	The amendment is not expected to have a material impact on the Bank's financial statements.

The following amendments were effective at 31 March 2016 and do not have a significant impact on the financial statements:

New or amended standards	Effective date	Summary of requirements
Amendments to IAS 16 and 38	1-Jul-14	Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
Amendments to IAS 24 - Related Party Disclosures	1-Jul-14	Clarify how payments to entities providing management services are to be disclosed
Amendments to IFRS 13 - Fair Value Measurement	1-Jul-14	Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
Amendments to IAS 1: Disclosure Initiative	Application of the standard is mandatory for annual periods beginning on or after 1 January 2016	Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgment in presenting their financial reports by making the following changes: • Clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; • Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; • Additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

3. *Significant accounting policies (continued)*
Summary of standards and interpretations issued (continued)

New or amended standards	Effective date	Summary of requirements
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities Applying the Consolidation Exception.	Applicable to annual periods beginning on or after 1 January 2016	Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points: • The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. • A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. • When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. • An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

N$	*15 months* 2016	*12 months* 2014
4. INTEREST INCOME		
Received on financial assets measured at amortised cost:		
Cash and cash equivalents	22,334,930	20,724,738
Loans and advances to banks	-	2,143,671
Loans and advances to staff	3,688,586	1,664,802
Unwinding of fair value adjustments to loans and receivables	4,188,883	3,785,088
Loans and advances to customers: performing	379,224,824	166,870,333
Loans and advances to customers: non-performing	34,033,675	19,483,839
Dividend income on preference shares in loan book	3,604,711	3,215,097
	447,075,608	217,947,568
5. INTEREST EXPENSE		
Incurred on financial liabilities measured at amortised cost:		
Debt securities issued	24,194,095	1,545,611
Deposits from customers	253,000	-
Term loan facilities	82,619,849	840,728
Trade payables	225,969	-
	107,292,913	2,386,339
NET INTEREST INCOME	339,782,695	215,561,229
6. FEES AND COMMISSION INCOME		
Guarantee fees	9,430,739	7,089,322
Front-end fees	15,606,780	12,325,999
Other fees received	67,056	(61,495)
	25,104,575	19,353,826
7. OTHER INCOME		
Subsidy - Government Grant *	63,619,484	46,868,359
Gain on sale of equity investment **	-	901,840
Dividend income	354,300	-
	63,973,784	47,770,199

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

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

The subsidy received in the year under review was N$ 50 million. The development expenditure associated with the grant conditions amounted to N$ 63,619,484 for the fifteen months financial period, and subsequently recognised as income reducing the deferred Government subsidy to N$ 2,868,505 at the end of the period. Refer to note 19.

** During the year ended 31 December 2014 the Bank sold its investment in the Nest Luderitz Investment (Pty) Ltd where a profit was realised. The carrying amount of the available for sale equity investment was N$ 2,917,875 at derecognition.

N$	*15 months* 2016	*12 months* 2014
8. OPERATING EXPENSES		
Auditors' remuneration		
audit fees	1,171,485	1,101,049
other services	-	-
Directors' fees - for services as directors	1,031,309	1,087,972
for management services	2,935,919	2,327,986
Depreciation and amortisation	3,754,247	2,508,417
(Gain) on disposal of assets	(10,003)	(13,744)
Professional services	2,845,752	2,811,949
Salaries and personnel costs	69,929,721	53,020,505
Operating leases:		
buildings	239,633	258,066
equipment	950,110	657,200
motor vehicle	335,679	245,524
Other expenditure:		
information technology services	4,058,979	3,094,705
promotions and marketing	3,374,021	2,998,205
training and development	2,380,220	1,655,369
other operational expenditure	13,447,995	9,241,275
Total operating expenditure	106,445,067	80,994,478
Number of employees	80	78
8.1 Directors emoluments		
8.1.1 Chief Executive Officer		
Pensionable salary - M Inkumbi	2,057,942	1,487,355
Bonus	450,925	505,710
Company contributions to pension and medical aid schemes	427,052	334,921
	2,935,919	2,327,986
8.1.2 Non-executive directors		
T Hangula (Chairperson)	34,530	-
T Mbome	203,209	-
E Haiyambo	172,039	187,521
M Shingenge-Haipinge	200,090	155,518
A Basson	201,529	213,638
J Hausiku	104,430	109,180
E Angula (tenure ended 31 December 2014)	-	233,301
A Getachew (tenure ended 31 December 2014)	-	188,814
P Akwenye (tenure ended 31 July 2015)	115,482	-
	1,031,309	1,087,972
8.1.3 Schedule of directors' fees		
Chairperson's quarterly fee	21,531	20,312
Chairperson's sitting fee (per board meeting)	11,215	11,215
Director's quarterly fee	16,592	16,592
Director's sitting fee (per board meeting)	8,404	7,928
Subcommittee sitting fee (per hour)	1,681	1,586

N$	Note	15 months 2016	12 months 2014
9. FAIR VALUE ADJUSTMENTS ON LOANS AND RECEIVABLES			
Loans and advances		-	857,671
Staff home loans		4,848,346	5,422,462
		4,848,346	6,280,133

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 deferred at initial recognition. Differences are recognised in profit or 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).

	2016	December 2014
11. CASH AND CASH EQUIVALENTS		
Bank balances and call deposits	374,082,869	258,582,400
Short term fixed deposits with local banks	12,960,901	109,224,130
	387,043,770	367,806,530
Bank overdraft	(449,169,400)	(88,247,385)
	(62,125,630)	279,559,145

The carrying amount approximates the fair value of cash and cash equivalents.

	2016	December 2014
12. TRADE AND OTHER RECEIVABLES		
Prepaid expenses	41,676	-
Other receivables	702,982	1,130,665
Inland Revenue - withholding tax	444,080	444,080
Accrued income	9,468,300	3,336,119
Deposits	27,096	8,093
Accrued interest on short term fixed deposits with local banks	-	614,790
	10,684,134	5,533,747

The carrying amount approximates the fair value of trade and other receivables.

	Note	2016	December 2014
13. LOANS AND ADVANCES TO CUSTOMERS			
13.1 Category analysis			
Installment sales		330,654,389	251,706,106
Preference share advances		52,810,412	48,048,205
Guarantees honored by Bank		3,957,778	2,153,725
Term loans		3,581,211,384	2,147,406,289
Notional value of loans and advances		3,968,633,963	2,449,314,325
Impairment of loans and advances	14	(161,497,148)	(144,165,343)
Loans and advances, including guarantees honoured		(156,334,535)	(137,974,359)
Fair value adjustment on off-market Development Fund loans		(920,212)	(1,216,129)
Fair value adjustment on off-market loans		(4,242,401)	(4,974,855)
Net loans and advances		3,807,136,815	2,305,148,982

13. Loans and advances to customers (continued)

N$	Note	2016	December 2014
13.2 Sectoral analysis			
Agriculture including fishing		39,717,839	61,781,070
Building and property development		352,503,543	198,707,434
Government and public authorities		1,745,904,681	564,647,841
Manufacturing and commerce		470,583,412	648,637,411
Mining		7,148,806	10,576,876
Transport and communication		277,984,513	271,341,597
Medical services		91,547,684	67,043,450
Financial institutions		242,865,322	107,022,169
Hotel and tourism		214,631,038	187,969,533
Business services		525,747,125	331,586,944
Notional value of advances		3,968,633,963	2,449,314,325
Impairment of loans and advances	14	(161,497,148)	(144,165,342)
Net loans and advances		3,807,136,815	2,305,148,983
13.3 Maturity structure per contractual maturity date			
Repayable on demand		57,257,611	29,500,337
One year or less but not repayable on demand		966,777,340	106,210,372
Three years or less but over one year		379,932,548	286,385,928
Five years or less but over three years		521,948,899	467,213,139
Over five years		1,881,220,417	1,415,839,206
Net loans and advances		3,807,136,815	2,305,148,982
13.4 Geographical analysis			
Namibia – net loans and advances		3,807,136,815	2,305,148,982

The carrying amount approximates the fair value of loans and advances.

14. IMPAIRMENT OF LOANS AND ADVANCES

N$ 2016	Total Impairment	Specific Impairment	Portfolio Impairment	Profit or Loss
Opening balance	144,165,342	135,611,917	8,553,425	-
Amounts written off against impairment provision	(65,421,685)	(65,421,685)	-	-
Unwinding of discounted present value loans	(1,028,371)	(1,028,371)	-	(1,028,371)
New impairments created	153,437,194	153,437,194	-	154,465,564
Non-performing loans: Provisions	101,824,822	101,824,822	-	102,853,193
Non-performing loans: Interest in suspense	39,885,915	39,885,915	-	39,885,915
Loans written off during the year	11,726,456	11,726,456	-	11,726,456
Recoveries of bad debts previously written off	-	-	-	(5,222,094)
Impairments reversed	(69,655,333)	(69,443,344)	(211,989)	(67,199,238)
Closing balance	161,497,147	153,155,712	8,341,436	81,015,861

N$ December 2014	Total Impairment	Specific Impairment	Portfolio Impairment	Profit or Loss
Opening balance	158,651,020	143,540,937	15,110,083	-
Amounts written off against impairment provision	(43,960,363)	(43,960,363)		-
Unwinding of discounted present value loans	(1,906,470)	(1,906,470)	-	(1,906,470)
New impairments created	98,201,157	98,201,157	-	93,905,790
Non-performing loans: Provisions	69,966,208	69,966,208	-	69,966,208
Non-performing loans: Interest in suspense	17,991,874	17,991,874	-	17,991,874
Loans written off during the year	10,243,075	10,243,075	-	5,947,708
Recoveries of bad debts previously written off	-	-	-	(1,764,318)
Impairments reversed	(66,820,002)	(60,263,344)	(6,556,658)	(58,139,043)
Closing balance	144,165,342	135,611,917	8,553,425	32,095,959

N$ **Non-performing loans by sector** 2016	Credit Risk	Security	Contractual Interest Suspended	Impairment Provision
Agriculture including fishing	10,514,150	1,026,167	1,753,023	7,656,833
Building and property development	103,194,117	35,386,390	7,917,457	28,032,120
Business services	59,236,062	26,942,553	6,376,226	19,013,152
Financial institutions	1,104,534	386,800	209,440	508,293
Hotel and tourism	58,414,675	34,752,880	7,523,970	10,484,720
Manufacturing and commerce	114,465,515	50,132,685	10,217,643	31,969,688
Medical services	5,989,350	6,347,986	623,019	1,867,757
Mining	4,246,644	2,698,942	363,039	713,502
Transport and communication	38,218,884	23,651,033	5,339,856	7,843,088
Total non-performing loans	395,383,931	181,325,436	40,323,673	108,089,154

14. Impairment of loans and advances (continued)

N$

Non-performing loans by sector December 2014	Credit Risk	Security	Contractual Interest Suspended	Impairment Provision
Agriculture including fishing	28,710,144	5,029,907	2,264,067	21,222,543
Building and property development	52,063,351	11,284,153	4,808,921	22,936,907
Business services	42,415,758	18,760,949	4,829,071	14,723,420
Financial institutions	951,724	386,800	67,831	497,093
Hotel and tourism	46,761,427	27,468,523	3,441,902	11,617,628
Manufacturing and commerce	57,344,036	18,859,603	6,151,078	24,120,354
Medical services	1,847,611	4,187,300	93,259	378,777
Mining	3,679,563	1,008,942	610,000	1,769,667
Transport and communication	25,100,986	12,924,941	2,813,845	7,559,994
Total non-performing loans	258,874,600	99,911,118	25,079,974	104,826,383

N$

Non-performing loans by category 2016	Credit Risk	Security	Contractual Interest Suspended	Impairment Provision
Guarantees	31,239,088	2,370,000	454,503	3,014,705
Preference Shares	14,903,978	-	1,719,841	8,641,808
Installment sales	87,063,122	38,485,729	9,855,539	16,415,154
Term loans	262,177,743	140,469,707	28,293,790	80,017,487
Total non-performing loans	395,383,931	181,325,436	40,323,673	108,089,154

N$

Non-performing loans by category December 2014	Credit Risk	Security	Contractual Interest Suspended	Impairment Provision
Guarantees	15,693,020	1,952,500	35,256	904,776
Preference Shares	8,568,724	-	615,819	8,083,447
Installment sales	53,875,130	18,089,757	6,234,978	19,296,816
Term loans	180,737,726	79,868,861	18,193,921	76,541,344
Total non-performing loans	258,874,600	99,911,118	25,079,974	104,826,383

N$	2016	December 2014
15. STAFF HOME OWNERSHIP SCHEME LOANS		
Staff home ownership scheme loans	38,594,951	25,908,103

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

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 reporting period amounted to N$ 4,848,346 (2014: N$ 5,422,462).

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

16. PROPERTY AND EQUIPMENT

N$ Cost or revalued amount	Land	Buildings	Vehicles	Furniture & equipment	Total
Balance at 1 January 2014	19,502,971	29,812,513	47,592	7,134,215	56,497,291
Additions	-	197,777	-	1,426,011	1,623,788
Disposals	-	-	-	(165,724)	(165,724)
Reclassification	(609,971)	609,971	-	-	-
Revaluation gain	1,071,000	4,544,777	-	-	5,615,777
Balance at 31 December 2014	19,964,000	35,165,038	47,592	8,394,502	63,571,132
Balance at 1 January 2015	19,964,000	35,165,038	47,592	8,394,502	63,571,132
Additions	2,161,113	2,073,834	617,339	2,060,280	6,912,566
Disposals	-	-	-	(346,888)	(346,888)
Revaluation gain / (loss)	(371,113)	4,590,661	-	-	4,219,548
Balance at 31 March 2016	21,754,000	41,829,533	664,931	10,107,894	74,356,358
Accumulated depreciation and impairment					
Balance at 1 January 2014	-	(3,815,485)	(16,658)	(5,442,710)	(9,274,853)
Eliminated on disposals of assets	-	-	-	163,467	163,467
Depreciation expense	-	(1,313,554)	(9,519)	(949,078)	(2,272,151)
Balance at 31 December 2014	-	(5,129,039)	(26,177)	(6,228,321)	(11,383,537)
Balance at 1 January 2015	-	(5,129,039)	(26,177)	(6,228,321)	(11,383,537)
Eliminated on disposals of assets	-	-	-	341,241	341,241
Depreciation expense	-	(1,981,494)	(135,368)	(1,319,411)	(3,436,273)
Balance at 31 March 2016	-	(7,110,533)	(161,545)	(7,206,491)	(14,478,569)
Carrying amount					
As at 31 December 2014	19,964,000	30,035,999	21,415	2,166,181	52,187,595
As at 31 March 2016	21,754,000	34,719,000	503,386	2,901,403	59,877,789

Land and buildings are measured at the revalued amount in accordance with the Bank's policy.

There were no capitalised borrowing costs related to the acquisition of property and equipment during the period under review (2014: nil). The carrying amount, if carried under the cost model as at 31 March 2016 was N$ 29,842,436 (2014: 26,557,504).

Valuation methods used were as follows:

The property represents land and buildings situated on erven 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 2016. Valuation methods used were the comparative sales method (Level 2), the replacement cost and linear regression methods (Level 3) with the significant unobservable inputs being the associated replacement values of the land and buildings and the depreciation rate. During the period, the Bank carried out a review of useful lives and residual values of furniture and equipment. The review has not led to any change in estimations of 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 2016 is as follows:

N$ 2016	Level 1	Level 2	Level 3	Total
Land	-	6,375,000	15,379,000	21,754,000
Buildings	-	7,500,000	27,219,000	34,719,000
	-	13,875,000	42,598,000	56,473,000

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

16. Property and equipment (continued)

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

N$ December 2014	Level 2		Level 3		
Additions	Land	Buildings	Land	Buildings	Total
Fair value at 1 January 2015	-	-	19,964,000	30,035,999	49,999,999
Additions	1,250,000	12,468	911,113	2,061,366	4,234,947
Fair value gains or (losses) recognised in other comprehensive income	(1,805,000)	833,465	1,433,887	3,757,196	4,219,548
Depreciation recognised in profit or loss	-	(415,933)	-	(1,565,561)	(1,981,494)
Transfers out of Level 3	-	-	(6,930,000)	(7,070,000)	(14,000,000)
Transfers into Level 2	6,930,000	7,070,000	-	-	14,000,000
Fair value at 31 March 2016	6,375,000	7,500,000	15,379,000	27,219,000	56,473,000

Changes in the Bank's best estimate of the unobservable inputs could affect the reported fair value recognised on the statement of financial position and movements in the fair values recognised in the statement of other comprehensive income. Changing these inputs to reasonably possible alternatives would change the fair values using more positive reasonable assumptions to N$ 63,048,175 (2014:N$ 60,513,182) and using more negative reasonable assumptions to N$ 53,235,160 (2014: N$ 45,444,900).

17. EQUITY INVESTMENTS

N$ **Available for sale equity investments - unlisted**	* Norsad Finance Ltd	** Ohorongo Cement (Pty) Ltd	Total
Cost or fair valued amount	*4.54% Shareholding*	*11.73% Shareholding*	
Balance at 31 December 2014 / 1 January 2015	7,132,337	155,745,534	162,877,871
Acquisitions	40,524,380	54,053,684	94,578,064
Loan conversion	-	30,641,140	30,641,140
Disposals	-	-	-
Fair value adjustment	(2,362,969)	2,176,983	185,986
Balance at 31 March 2016	45,293,748	242,617,341	287,911,089
Dividend income recognised in profit or loss	354,300	-	354,300
Director's valuation of unlisted equity investments	45,293,748	242,617,341	287,911,089

* The Bank subscribed to 400 noncumulative preference shares in May 2015. The preference shares have the same voting rights as the ordinary shares.

** The Shareholding in Ohorongo Cement (Pty) Ltd increased from 9.07% to 11.73% during the period under review. Investments are valued based on the discounted cash flows of the entities. Refer to note 30 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 January 2014	8,392,775	-	8,392,775
Additions	340,670	-	340,670
Balance at 31 December 2014	8,733,445	-	8,733,445
Balance at 1 January 2015	8,733,445	-	8,733,445
Additions	1,805,047	560,344	2,365,391
Balance at 31 March 2016	10,538,492	560,344	11,098,836
Accumulated amortisation and impairment			
Balance at 1 January 2014	(8,008,389)	-	(8,008,389)
Amortisation for the year	(246,345)	-	(246,345)
Balance at 31 December 2014	(8,254,734)	-	(8,254,734)
Balance at 1 January 2015	(8,254,734)	-	(8,254,734)
Amortisation for the year	(317,974)	-	(317,974)
Balance at 31 March 2016	(8,572,708)	-	(8,572,708)
Carrying amount			
As at 31 December 2014	478,711	-	478,711
As at 31 March 2016	1,965,784	560,344	2,526,128

N$	2016	December 2014
19. TRADE AND OTHER LIABILITIES		
Trade payables	4,691,553	2,296,084
Receiver of Revenue	(216,023)	32,024
Deferred guarantee fee income	998,522	105,000
Deferred Government Subsidy - SDF	2,868,505	16,487,988
Salary related payables	14,246,007	11,962,708
	22,588,564	30,883,804

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

N$	**2016**		**December 2014**	
19.1 Derivative held for risk management	**Asset**	**Liability**	**Asset**	**Liability**
Balance at beginning of year	-	57,872,164	-	29,339,198
Instrument type:			-	
Foreign exchange	-	62,969,249	-	22,603,516
Interest rate	-	6,096,667	-	5,929,450
Balance at end of year	-	126,938,080	-	57,872,165

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. The cash flow hedge was effective for the period under review.

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

During 2016, net loss of N$ 62,969,249 (2014: N$ 22,603,516) relating to the forex portion of the hedge was recognised in profit or loss for the year, while net losses of N$ 6,096,667 (2014: N$ 5,929,450) relating to the interest rate risk portion of the cash flow hedge were recognised in OCI.

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

The derivative instruments are disclosed at fair value.

The time periods in which the hedge cash flows (in US dollars) are expected to occur and affect profit or loss are as follows:

Period	**Within 1 year**	**1 - 5 years**	**Over 5 years**
31 March 2017	2,546,303	9,401,735	10,185,213

Changes in Level 3 fair value of financial liabilities	Instrument type	
N$	Foreign exchange	Interest rate
Fair value at 31 December 2014	39,541,219	18,330,946
Total loss recognised in profit or loss	62,969,249	-
Total loss recognised in other comprehensive income	-	6,096,667
Fair value at 31 March 2016	102,510,468	24,427,613

Although the Bank believes its estimates of fair value are appropriate, the use of different assumptions could lead to different measurements of fair value. Please refer to note 28.5 for more information.

19. Trade and other liabilities (continued)

N$	2016	December 2014
19.2 Debt securities issued		
Balance at 1 January 2015/ 1 January 2014	201,545,611	-
Promissory notes issued	245,000,000	200,000,000
Interest payable	22,675,866	-
Interest paid	(24,221,477)	-
Promissory notes repaid	(250,000,000)	-
Interest accrued	1,518,229	1,545,611
Balance at 31 March 2016 / 31 December 2014	196,518,229	201,545,611

Debt securities issued consist of unsecured promissory notes, and have a maturity of one year. Interest is payable quarterly in arrears.

The Bank has not had any defaults of interest or other breaches with respect to its debt securities issued during the years ended 31 March 2016 and 31 December 2014.

Debt securities at amortised cost:		
Floating-rate	196,518,229	201,545,611
	196,518,229	201,545,611

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

19.3 Term loan facilities		
Facilities from banks	878,037,393	-
Medium term loan facility ("MTL")	676,546,983	-
Term loan	201,490,410	-
Fixed term cash deposits	33,000,000	-
	911,037,393	-

The MTL facility is secured by way of a demand guarantee and has a maturity of one year. Interest is payable quarterly in arrears.

The term loan is unsecured and has a maturity of two years. Interest is payable quarterly in arrears.

The Bank has not breached any of the loan covenants during the year ended 31 March 2016.

Fixed term cash deposits represents cash held as security by the Bank on the Nampost Financial Brokers facility and earns a floating interest rate equal to Prime less 3.5% , payable monthly in arrears. The facility expires on 31 December 2020.

These liabilties are held at amortised cost.

20. DIVIDENDS RETAINED FOR REDEPLOYMENT

Balance at beginning of year	16,402,238	16,402,238
Disbursements	(3,672,908)	-
Client support & development fund	(175,709)	-
Innovation fund	(380,000)	-
Project Preparation Fund	(3,117,199)	-
Balance at end of year	12,729,330	16,402,238

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

N$	2016	December 2014
21. SHARE CAPITAL AND SHARE PREMIUM		
Share capital		
Authorised		
2,000 Ordinary shares of N$100,000 each	200,000,000	200,000,000
Issued		
Share capital: 1,650 (2014: 1,621) Ordinary shares of N$100 000 each.	165,000,000	162,100,000
Share premium		
Share premium: 50 Ordinary shares of N$4 236 518.76 each	211,825,938	211,825,938
Share premium: 25 Ordinary shares of N$4 230 000.00 each	105,750,000	105,750,000
Share premium: 15 Ordinary shares of N$4 196 667.67 each	62,950,000	62,950,000
Share premium: 35 Ordinary shares of N$4 185 714.29 each	146,500,000	146,500,000
Share premium: 35 Ordinary shares of N$4 185 714.29 each	146,500,000	146,500,000
Share premium: 20 Ordinary shares of N$4 900 000.00 each	98,000,000	98,000,000
Share premium: 70 Ordinary shares of N$4 900 000.00 each	343,000,000	343,000,000
Share premium: 75 Ordinary shares of N$4 819 200.00 each	361,440,000	361,440,000
Share premium: 40 Ordinary shares of N$4 900 000.00 each	196,000,000	196,000,000
Share premium: 6 Ordinary shares of N$4 984 083.00 each	29,904,500	29,904,500
Share premium: 24 Ordinary shares of N$4 827 364.00 each	115,856,740	-
Share premium: 5 Ordinary shares of N$4 868 800.00 each	24,344,000	-
	1,842,071,178	1,701,870,438
Total share capital and share premium	2,007,071,178	1,863,970,438

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

	2016	December 2014
Balance at beginning of period	21,739,761	16,123,984
Gain on revaluation of land and buildings	4,219,550	5,615,777
Balance at end of period	25,959,311	21,739,761

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

22.2 Fair value reserve

	2016	December 2014
Balance at beginning of year	4,122,584	(34,094,002)
(Decrease) / increase in reserve	(185,986)	38,216,586
Balance at end of year	3,936,598	4,122,584

The fair value reserve comprises all fair value adjustments for available -for-sale designated equity investments.

22.3 Cash flow hedging reserve

	2016	December 2014
Balance at beginning of year	(18,330,946)	(12,401,496)
Unrealised loss on cash flow hedge	(6,096,667)	(5,929,450)
Balance at end of year	(24,427,613)	(18,330,946)
Net balance at the end of the year	32,545,775	7,531,399

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

Please refer to note 19.1 for details of the hedged risk and the fair value of the hedging instruments.

N$	2016	December 2014
23. LOAN COMMITMENTS AND CONTINGENT LIABILITIES		
Irrevocable commitments in respect of loans approved	623,208,383	522,163,854
Guarantees issued	177,233,461	134,773,686
Letters of credit	23,490,614	7,377,601
Performance and demand guarantees	153,742,847	127,396,085
	800,441,843	656,937,540
24. CAPITAL COMMITMENTS		
Capital expenditure authorised:		
Not yet contracted for	2,273,719	6,125,500
25. LEASE COMMITMENTS		
Operating lease commitments:		
Buildings	108,000	644,700
Vehicles	585,727	1,114,680
Office equipment and leased lines	9,373,870	2,751,552
	10,067,597	4,510,932
To be incurred as follows:		
Up to 1 year	2,856,137	1,090,727
2 – 5 years	7,211,461	3,420,205
	10,067,597	4,510,932

The Bank leases three motor vehicles under full maintenance lease agreements covering a six year period. These lease agreements are reviewed annually. Lease lines and office equipment leases typically run for a three year period with the option to renew.

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 Fund is exempted from actuarial valuations and is classified as a defined contribution fund. All employees contribute to the Fund. Total Bank contributions for the period amounted to N$ 8,045,383 (2014: N$ 5,423,946).

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.

Refer to note 8.1 for directors' emoluments. In order to avoid conflicts of interest and with a view to ensuring transparency at all times, a register of directors' and manager's interests in other business entities containing the nature of such interests, as well as the nature and the extent of the beneficial shares held in the business entity, is submitted and circulated at each meeting of the board of directors for reviewing and updating where necessary.

Where directors have an interest in any matter before the board for consideration, directors concerned recuse themselves from the meeting and thus have no influence on the decision on the particular matter. In addition, all applications for finance in which directors have an interest, irrespective of the amount involved, are submitted to the board for consideration after being reviewed by a committee of non-interested directors.

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

- Approved facility for Guinas Investments (Pty) Ltd of which Ms. Muetulamba Shingenge-Haipinge is a director.
- Loan value: N$ 5.77 million (2014: N$ 6.08 million).

27.1.2 Shareholder

The Government of the Republic of Namibia holds 100% of the issued share capital of the Bank. Equity contribution from the Government of the Republic of Namibia increased to N$ 165 million (2014: N$162.1 million) with share premium increasing with N$ 140.2 million (2014: 29.9 million).

N$	2016	December 2014
Dividends declared	-	-

27.1.3 Key management personnel

The remuneration of key executives is determined by the Board of Directors, having regard to the performance of individuals and market trends. The remuneration of the executive director and other members of key management during the year were as follows:

Compensation	11,406,429	11,057,631
Pension benefits	1,607,551	1,382,797
Other short-term benefits	796,216	395,460
	13,810,196	12,835,888

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 ("SOEs") 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 SOE's, individually or collectively as significant for disclosure purposes.

N$	2016		December 2014			
Related party	Outstanding Balance	Interest charged	Outstanding Balance	Interest charged	Collateral held	*Principal type of collateral held*
Installment Sales						
Namibian Ports Authority	21,174,143	2,604,557	29,296,785	2,445,163	10,447,060	*Notarial bond*
Preference shares advance						
Seaflower Whitefish Corporation	36,311,743	2,259,045	34,304,648	2,299,098	25,600,000	*Government guarantee*
Term loans						
Erongo Regional Distributor Company	215,994,208	19,916,853	69,687,167	1,044,134	40,062,370	*Commercial property*
Namibia Power Corporation	38,842,681	3,076,897	48,029,845	2,371,090	-	
Namibia Wildlife Resorts	94,091,694	7,232,065	90,859,629	6,665,158	91,500,000	*Government guarantee*
Namibian Ports Authority	12,192,291	1,499,830	16,886,096	160,133	12,192,291	*Commercial property*
Nampost Financial Brokers	30,253,785	253,675	103	-	30,253,785	*Cash*
National Energy Fund	670,000,012	48,678,914	-	-	670,000,000	*Government guarantee*
National Housing Enterprise of Namibia	9,022,435	968,986	15,354,768	991,048	9,022,435	*Government guarantee*
Oshakati Town Council	27,441,195	5,372,730	30,836,121	1,060,285	27,441,195	*Marketable securities*
Polytechnic of Namibia	65,903,163	8,428,231	83,317,064	7,894,648	65,903,103	*Government guarantee*
Seaflower Whitefish Corporation	32,308,604	3,118,739	34,052,698	1,929,160	32,308,604	*Government guarantee*
Telecom Namibia Limited	100,000,000	10,064,143	112,022,917	7,729,579	-	*Letter of comfort*
	1,353,535,954	113,474,665	564,647,841	34,589,496	1,014,760,903	

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

No impairment losses have been recorded against balances outstanding, during the period, with related entities, and no specific allowances have been made for impairment losses with related entities at the reporting date.

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. The Board of Directors has established the Risk and Compliance Management Committee which is responsible for developing and monitoring of the Banks 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.

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 Risk and Compliance Management Committee ultimately reports to the Board Audit Risk and Compliance Committee but would together with the Credit and Equity Investment Management Committees provide monthly input to the Asset and Liability Committee ("ALCO").

The Bank is governed by policies approved by the Board, which provide written principles on interest rate risk, credit risk, use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity.

28. Financial risk management (continued)
28.1 Introduction and review (continued)

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Bank does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Asset and Liability Committee reports quarterly to the Audit, Risk and Compliance Committee, a board represented body that monitors risks and policies implemented to mitigate risk exposure.

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 to a commercial bank. In the course of its 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 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: Credit Risk Governance Framework, Board and Executive Management Oversight, Systems, Policies and Procedures for identification, acceptance, measurement, monitoring and control of risks. The Credit Risk Framework manages credit risk through clearly defined mandates and delegated authorities. The Board of Directors has delegated responsibility for management of credit risk to its Credit Investment Committee. An authorisation structure approves and renews credit facilities within the limits of the Head of Credit, Management Credit and Investment Committee ("MCIC"), DBN Credit and Investment Committee (consisting of CEO, Head of Credit and two Board members) and the Credit Investment Committee (consisting of the CEO and three board members). Tiered authorisation limits are allocated to the Head of Credit and the various Credit and Investment Committees. Credit authorisations falling outside of the mandates of the Management Credit and Investment Committee, DBN Credit and Investment Sub-Committee, Credit Investment Committee require approval of the Board of Directors.

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

- Recommending all credit applications, reviews, write-offs, legal proceedings, restructurings, rescheduling and changes in collateral in excess of limits delegated to the department;
- Ensuring the effectiveness of the Workout and Recoveries unit;
- Determining and recommending portfolio objectives and risk tolerance levels;
- 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.

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 one loan 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.

N$	2016	December 2014
Maximum exposure to credit risk		
Cash and short term funds	387,043,770	279,559,146
Loans and advances: at carrying amount	3,807,136,815	2,305,148,982
Installment sales	303,718,250	224,563,949
Term loans	3,460,575,103	2,040,630,378
Preference Share advances	42,355,960	38,800,252
Guarantees honoured by Bank	487,502	1,154,403
Trade and other receivables	10,642,458	2,197,628
Staff home ownership scheme loans	38,594,951	25,908,103
	4,243,417,994	2,612,813,858
Amounts not recognised on the statement of financial position		
Guarantees	177,233,461	134,773,686
Irrevocable commitments to borrowers	623,208,383	522,163,854
	5,043,859,838	3,269,751,398

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

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

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

A - Pass or Acceptable:	These are loans that are performing in accordance with contractual terms, and are expected to continue doing so. Subject only to portfolio impairment.
B - Watch or Special Mention:	Loans in this category are currently protected, but exhibit potential weaknesses which if not corrected, may weaken the asset. The risk potential is greater than when the loan or advance was originally granted. Subject only to portfolio impairment.
C - Substandard:	Loans, or other assets, in this category are not adequately protected by the current sound worth and paying capacity of the obligor. Specific impairment applicable.
D - Doubtful:	Loans, or other assets, in this category have all the weaknesses inherent in a sub-standard asset plus the added characteristic that the asset is not well secured. Specific impairment applicable.
E - Loss or All Interest Stopped:	Loans, or other assets, which are considered uncollectible or of such little value that their continuance as a bankable asset is not warranted shall be classified as Loss. Specific impairment applicable.

N$

2016 **Risk category**	Installment sales	Preference shares	Term loans	Guarantees	Total	Collateral held
A	200,071,173	37,142,524	3,087,402,841	(1,392,092)	3,323,224,446	2,218,823,736
B	43,520,094	-	231,630,799	240,952	275,391,845	198,191,457
C	20,565,277	5,677,910	52,034,848	82,822	78,360,857	36,112,570
D	24,257,652	-	67,233,897	1,063,330	92,554,879	47,178,644
E	42,240,193	9,989,978	142,908,999	3,962,766	199,101,936	79,245,549
Notional value	330,654,389	52,810,412	3,581,211,384	3,957,778	3,968,633,963	2,579,551,956
Impairment allowances	(27,701,494)	(10,925,984)	(119,211,517)	(3,658,153)	(161,497,148)	
Carrying amount	302,952,895	41,884,428	3,461,999,867	299,625	3,807,136,815	

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December 2014 **Risk category**	Installment sales	Preference shares	Term loans	Guarantees	Total	Collateral held
A	165,003,654	39,117,752	1,903,196,708	(485,052)	2,106,833,062	1,272,533,629
B	32,827,322	-	63,471,855	258,699	96,557,877	54,852,274
C	5,628,670	-	22,312,895	92,244	28,033,809	17,772,348
D	13,272,514	-	48,532,049	206,290	62,010,853	27,672,431
E	34,973,946	8,930,453	109,892,781	2,081,544	155,878,724	54,466,339
Notional value	251,706,106	48,048,205	2,147,406,288	2,153,725	2,449,314,325	1,427,297,021
Impairment allowances	(27,142,156)	(9,247,953)	(106,775,911)	(999,322)	(144,165,343)	
Carrying amount	224,563,950	38,800,252	2,040,630,377	1,154,403	2,305,148,982	

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.

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

N$		2016			December 2014		
Risk category		Gross amount	Impairment allowances	Carrying amount	Gross amount	Impairment allowances	Carrying amount
Staff home and study loans:	A	39,297,933	-	39,297,933	26,284,311	-	26,284,311
Trade receivables	A	5,690,199	-	5,690,199	3,335,540	-	3,335,540
	B	3,777,520	-	3,777,520	-	-	-
	E	581	(581)	-	580	(580)	-
		48,766,233	(581)	48,765,652	29,620,431	(580)	29,619,851

Collateral

The Bank requires collateral in order to secure its own sustainability. Collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, investment securities, session of contract income and guarantees. For collateral not readily convertible to cash, the Bank obtains judgment whereby the assets are attached and then sold. The proceeds are used towards the settlement of debt.

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and thereafter on an annual basis. Collateral generally is not held over loans and advances to banks acting as intermediaries. The industry approach to valuing securities for risk pricing adjustments is to value securities offered on the basis of the 'net present market value', which is defined as the net realisable proceeds from a present day sale of the security offered. The net present value of security is generally expressed as a percentage that could reasonably be expected to be recovered in a forced sale situation. For securities provided the Bank initially, depending on the various risk factors, adjusts the 'net present market value' to the expected recoverable value based on industry benchmarks adopted.

Industry benchmarks used by the Bank in determining expected recovery values for varying types of security are illustrated below:

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

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.

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

Non-financial assets obtained by the Bank during the period under review by taking possession of collateral held as security against loans and advances and held at year end amounts to N$ 2,347,000.

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

At the client or transactional level, these assessments serve as one of the Bank's primary mechanisms through which client credit quality is monitored. At the portfolio level, results of the semi-annual review program are aggregated on the basis of consistent criteria, viz. default probabilities, industry and geographical sector, and the portfolio assessed to measure and monitor changes in its credit quality and diversification.

Past due but not impaired loans

Past due but not impaired loans are those for which contractual interest or principal payments are past due, but no impairment is recognised as the value of the security / collateral exceeds exposure.

N$ 2016	Total unimpaired loans	Past due but not impaired: 31 - 60 days	61 - 119 days	120 -179 days	More than 180 days	Total
Installment sales	246,808,600	10,672,321	1,195,308	1,091,193	1,153,406	14,112,228
Preference shares	37,142,523	-	-	-	-	-
Term loans	3,314,082,984	25,766,605	4,570,253	1,772,920	4,437,966	36,547,744
Guarantees	125,681,210	19,194	(491,743)	39,339	(631,468)	(1,064,678)
	3,723,715,317	36,458,120	5,273,818	2,903,452	4,959,904	49,595,294

N$ December 2014	Total unimpaired loans	Past due but not impaired: 31 - 60 days	61 - 119 days	120 -179 days	More than 180 days	Total
Installment sales	207,828,141	4,018,502	1,764,900	1,425,458	2,002,257	9,211,117
Preference shares	39,117,752	-	-	-	-	-
Term loans	1,964,028,418	19,921,801	5,517,446	3,187,952	6,432,744	35,059,943
Guarantees	117,442,786	895,5323	153,222	92,646	143,581	1,284,981
	2,328,417,097	24,835,835	7,435,568	4,706,056	8,578,582	45,556,041

Credit decisions are subject to both single obligor limits and the appraised debt service capacity of the borrowers. As part of the credit risk decision process, the Bank also requires collateral in the form of eligible assets or third-party guarantees when deemed prudent. All lending decisions are further subject to an independent risk review performed by the Credit Unit. This review aims to ensure that all significant risks have been identified and, where deemed prudent, appropriately mitigated.

Credit quality of past due but not impaired loans and advances

N$ 2016 Category	Installment sales	Preference shares	Term loans	Guarantees	Total
A	6,761,902	-	19,758,276	(1,392,091)	25,128,087
B	7,103,939	-	14,495,678	240,952	21,840,569
C	163,271	-	1,808,131	25,944	1,997,346
D	83,116	-	485,659	60,517	629,292
	14,112,228	-	36,547,744	(1,064,678)	49,595,294

N$ December 2014 Category	Installment sales	Preference shares	Term loans	Guarantees	Total
A	1,345,869	-	16,640,158	718,939	18,704,966
B	4,188,498	-	13,399,311	258,699	17,846,508
C	407,552	-	369,039	15,101	791,692
D	1,494,556	-	975,161	129,405	2,599,122
E	1,774,642	-	3,676,274	162,837	5,613,753
	9,211,117	-	35,059,943	1,284,981	45,556,041

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

Credit quality of neither past due nor impaired loans and advances

N$ 2016 Category	Installment sales	Preference shares	Term loans	Guarantees	Total
A	96,099,414	37,142,523	2,040,479,195	62,284,236	2,236,005,368
B	-	-	12,648,848	-	12,648,848
	96,099,414	37,142,523	2,053,128,043	62,284,236	2,248,654,216

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

Credit quality of total unimpaired loans and advances

N$ 2016 Category	Installment sales	Preference shares	Term loans	Guarantees	Total
A	200,071,173	37,142,523	3,071,568,881	112,638,595	3,421,421,172
B	43,520,094	-	231,630,800	9,296,399	284,447,293
C	3,134,216	-	9,645,363	2,240,032	15,019,611
D	83,116	-	1,237,941	1,506,184	2,827,241
	246,808,599	37,142,523	3,314,082,985	125,681,210	3,723,715,317

N$ December 2014 Category	Installment sales	Preference shares	Term loans	Guarantees	Total
A	164,992,666	39,117,752	1,886,881,722	95,240,800	2,186,232,940
B	32,827,322	-	63,471,855	16,790,748	113,089,925
C	1,447,003	-	972,051	500,000	2,919,054
D	4,010,429	-	6,103,332	2,856,254	12,970,015
E	4,550,721	-	6,599,458	2,054,984	13,205,163
	207,828,141	39,117,752	1,964,028,418	117,442,786	2,328,417,097

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it is reclassified to risk category A. Extensions of credit are monitored and reviewed periodically to make sure that the creditworthiness of the borrower has not deteriorated.

The total outstanding balance of loans restructured during the period under review amounts to N$ 933,291,790 as at 31 March 2016 (2014: N$ 229,020,673).

Write-off policy

The Bank writes off a loan balance and any related allowances for impairment losses, when the credit department determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a loan-specific past due status.

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 set at a minimum of 12.5% and a maximum of 17.5%. As at 31 March 2016 the cash level reserve stood at 13.46%.

Liquidity reserves

N$	2016		December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and balances with banks	374,081,314	374,081,314	258,581,466	258,581,466
Call deposits	12,960,900	12,960,900	13,850,863	13,850,863
Short term fixed deposits	-	-	95,373,267	95,373,267
Undrawn facilities	110,830,600	-	61,752,616	-
Total liquidity reserves	497,872,814	387,042,214	429,558,212	367,805,596

Contractual cash flows of assets and liabilities

N$ 2016 **Assets**	Carrying amount	Term to maturity Demand	1 - 12 months	1 - 3 years	3 - 5 years	Over 5 years
Cash and cash equivalents	387,043,770	244,358,940	-	-	-	142,684,830
Trade and other receivables	10,684,134	27,096	4,278,938	702,982	4,217,296	1,457,823
DBN Housing scheme advances	38,594,951	-	-	-	-	38,594,951
Equity investments	287,911,089	-	-	-	-	287,911,089
Loans and advances to customers	3,807,136,815	57,257,611	966,777,340	379,932,548	521,948,899	1,881,220,417
Financial assets	4,531,370,759	301,643,647	971,056,278	380,635,530	526,166,195	2,351,869,110
Non-financial assets	62,403,917	-	-	-	-	-
Total assets	4,593,774,676	301,643,647	971,056,278	380,635,530	526,166,195	2,351,869,110
Liabilities						
Trade and other liabilities	(22,588,564)	-	(22,588,564)	-	-	-
Dividends retained for redeployment	(12,729,330)	-	(2,601,288)	(7,596,032)	(2,532,011)	-
Funding liabilities - debt securities issued	(196,518,229)	-	(196,518,229)	-	-	-
Funding liabilities - other	(911,037,393)	-	(676,546,983)	(201,490,410)	-	(33,000,000)
Bank overdraft	(449,169,400)	(449,169,400)	-	-	-	-
Total non-derivative liabilities	(1,592,042,915)	(449,169,400)	(898,255,063)	(209,086,442)	(2,532,011)	(33,000,000)
Derivative held for risk management	(126,938,080)	-	-	-	-	(126,938,080)
Total financial liabilities	(1,718,980,996)	(449,169,400)	(898,255,063)	(209,086,442)	(2,532,011)	(159,938,080)
Net liquidity gap	2,874,793,680	(147,525,753)	72,801,214	171,549,088	523,634,184	2,191,931,030
Cumulative liquidity gap	-	(147,525,753)	(74,724,538)	96,824,550	620,458,734	2,812,389,764

28. Financial risk management (continued)
28.3 Liquidity risk (continued)

N$ December 2014 **Assets**	Carrying amount	Demand	1 - 12 months	1 - 3 years	3 - 5 years	Over 5 years
	Term to maturity					
Cash and cash equivalents	367,806,530	258,582,399	109,224,131	-	-	-
Trade and other receivables	5,533,747	-	5,533,747	-	-	-
Staff home ownership scheme loans	25,908,103	-	-	-	-	25,908,103
Equity investments	162,877,871	-	-	-	-	162,877,871
Loans and advances to customers	2,305,148,982	29,500,337	106,210,372	286,385,928	467,213,139	1,415,839,206
Financial assets	2,867,275,233	288,082,736	220,968,250	286,385,928	467,213,139	1,605,625,180
Non-financial assets	52,666,305	-	-	-	-	-
Total assets	2,919,941,539	288,082,736	220,968,250	286,385,928	467,213,139	1,605,625,180
Liabilities						
Trade and other liabilities	(30,883,804)	-	(30,883,804)	-	-	-
Dividends retained for redeployment	(16,402,238)	-	(3,280,448)	(4,920,672)	(4,920,671)	(3,280,448)
Funding liabilities - debt securities issued	(201,545,611)	-	(201,545,611)	-	-	-
Bank overdraft	(88,247,385)	(88,247,385)	-	-	-	-
Total non-derivative liabilities	(337,079,038)	(88,247,385)	(235,709,863)	(4,920,672)	(4,920,671)	(3,280,448)
Derivative held for risk management	(57,872,165)	-	-	-	-	(57,872,165)
Total financial liabilities	(394,951,203)	(88,247,385)	(235,709,863)	(4,920,672)	(4,920,671)	(61,152,613)
Net liquidity gap	2,524,990,336	199,835,351	(14,741,613)	281,465,256	462,292,468	1,543,472,567
Cumulative liquidity gap	-	199,835,351	185,093,738	466,558,994	928,851,462	2,472,324,029

28.4 Market risk

The ALCO reports quarterly to the Audit, Risk and Compliance Committee, a board represented body that monitors risks and policies implemented to mitigate risk exposures.

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

Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily.

As part of the process of managing the Bank's interest rate risk, interest rate characteristics of new investments and the refinancing of existing investments are positioned according to expected movements in interest rates.

Sensitivity analysis for interest rates

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Bank's profit and equity for the period ended 31 March 2016 would decrease/increase by N$ 26,964,569 (2014: decrease/increase by N$ 10,950,382), respectively. 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.

28. Financial risk management (continued)
28.4 Market risk (continued)

The Bank's sensitivity to interest rates has not changed during the current period. Loans and advances are normally priced at variable rates linked to market rates such as prime lending rate or Johannesburg Interbank Agreed Rate (JIBAR) and are re-priced as and when these interest rates change. The term to re-pricing of the majority of interest earning assets are therefore either immediate on demand or on a short-term base.

Interest rate sensitivity			Term to repricing				
N$ 2016	Average effective interest rate	Carrying amount	Demand	1-12 months	2 - 5 years	Over 5 years	Non-interest earning / bearing
Assets							
Cash and cash equivalents	5.6%	387,043,770	374,082,870	12,960,900	-	-	-
Trade and other receivables	-	10,684,134	-	-	-		10,684,134
Staff home ownership scheme loans	5.86%	38,594,951	38,594,951	-	-	-	-
Loans and advances to customers	11.53%	3,807,136,815	2,964,013,357	670,000,000	-	173,123,458	-
Total financial assets	-	4,243,459,670	3,376,691,178	682,960,900	-	173,123,458	10,684,134
Liabilities and shareholders' equity							
Bank overdraft	-	(449,169,400)	(449,169,400)	-	-	-	-
Funding liabilities - debt securities issued	8.73%	(196,518,229)	-	(196,518,229)	-	-	-
Funding liabilities - other	8.50%	(911,037,393)					
Trade and other liabilities	-	(22,588,564)	-	-	-	-	(22,588,564)
Derivative held for risk management	-	(126,938,080)	-	-	-	-	(126,938,080)
Dividends retained for redeployment	-	(12,729,330)	-	-	-	-	(12,729,330)
Total liabilities and shareholders' equity	-	(1,718,980,996)	(449,169,400)	(196,518,229)	-	-	(162,255,974)
Net interest sensitivity gap	-	2,524,478,674	2,927,521,778	486,442,671	-	173,123,458	(151,571,840)

Interest rate sensitivity			Term to repricing				
N$ December 2014	Average effective interest rate	Carrying amount	Demand	1-12 months	2 - 5 years	Over 5 years	Non-interest earning / bearing
Assets							
Cash and cash equivalents	6.4%	367,806,530	258,852,400	109,224,130	-	-	-
Trade and other receivables	-	5,533,747	-	-	-	-	5,533,747
Staff home ownership scheme loans	6.0%	25,908,103	-	-	-	25,908,103	-
Loans and advances to customers	9.46%	2,305,148,982	2,298,642,743	-	-	6,506,239	-
Total financial assets	-	2,704,397,362	2,557,495,143	109,224,130	-	32,414,342	5,533,747
Liabilities and shareholders' equity							
Bank overdraft	-	(88,247,385)	-	(88,247,385)	-	-	-
Funding liabilities - debt securities issued	7.61%	(201,545,611)	-	(201,545,611)	-	-	-
Trade and other liabilities	-	(30,883,804)	-	-	-	-	(30,883,804)
Derivative held for risk management	-	(57,872,165)	-	-	-	-	(57,872,165)
Dividends retained for redeployment	-	(16,402,238)	-	-	-	-	(16,402,238)
Total liabilities and shareholders' equity	-	(394,951,203)	-	(289,792,966)	-	-	(105,158,207)
Net interest sensitivity gap	-	2,309,446,159	2,557,495,143	(180,568,866)	-	32,414,342	(99,624,460)

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

N$	2016	December 2014
Loans and Advances	220,727,082	200,882,106
Equity Investments	45,293,748	7,132,337

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.

Profit or loss	5,717,601	4,734,751
Equity	4,529,375	713,238

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

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 period.

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

- Profit for the year ended 31 March 2016 would have been unaffected as the equity investments are classified as available-for-sale and no investments were disposed of or impaired.
- Other comprehensive income for the year ended 31 March 2016 would increase/decrease by N$14,395,554 (2014: N$8,143,894).

28.7 Capital management

The Bank's objective in managing its capital is to safeguard its 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 adheres voluntarily to the overarching regulatory capital requirement applicable to local financial institutions. At reporting date the Bank's capital adequacy ratio stood at 67% (2014: 95%).

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

Capital	165,000,000	162,100,000
Share capital	1,854,800,508	1,718,272,676
Share premium	894,799,981	661,019,898
Retained earnings plus reserves	2,914,600,489	2,541,392,574

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 an 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.

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 model/s 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 OTC derivatives such as interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs the products and markets and is 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 it's operations or to undertake a transaction on adverse terms. Fair value is not therefore, the amount that an entity would receive or pay in a forced transaction, involuntary liquidation, or distress sale. However, fair value reflects the credit quality of the instrument.

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 categorised. The amounts are based on the values recognised in the statement of financial position.

N$ 2016	Note	Level 1	Level 2	Level 3	Total
Available for sale financial assets					
Equity investments	17	-	-	287,911,089	287,911,089
Financial assets		-	-	287,911,089	287,911,089
Financial liabilities designated as at fair value through profit and loss					
Derivatives held for risk management	19.1				
Foreign exchange		-	102,510,468	-	102,510,468
Interest rate		-	24,427,612	-	24,427,612
Financial liabilities		-	126,938,080	-	126,938,080

N$ December 2014	Note	Level 1	Level 2	Level 3	Total
Available for sale financial assets					
Equity investments	17	-	-	162,877,871	162,877,871
Financial assets		-	-	162,877,871	162,877,871
Financial liabilities designated as at fair value through profit and loss					
Derivatives held for risk management	19.1				
Foreign exchange		-	-	39,541,219	39,541,219
Interest rate		-	-	18,330,946	18,330,946
Financial liabilities		-	-	57,872,165	57,872,165

During the reporting periods ending 31 March 2016 and 31 December 2014 respectively, there was no transfer into or out of Level 3 fair value measurements nor any fair value measurements exits for Level 1 or 2.

N$ Reconciliation of Level 3 fair value measurements	Equity investments	Derivative	Total
Balance at 1 January 2015	162,877,871	(57,872,165)	105,005,706
Total loss recognised in profit or loss	-	(62,969,248)	(62,969,248)
Purchases	125,219,204	-	125,219,203
Total gain recognised in other comprehensive income	(185,986)	(6,096,667)	(6,282,653)
Fair value at 31 March 2016	287,911,089	(126,938,080)	160,993,009)

30. USE OF ESTIMATES AND JUDGMENTS

Equity investments

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

Ohorongo Cement (Pty) Ltd

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

Norsad Finance Ltd

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

1. A dividend of 50% of the annual profit was assumed to determine cash flows;
2. Discount rate at the GC35 yield rate, with a premium of 300bps for the ordinary shares;
3. 2/3 preference dividends for the preference shares; and
4. Annual net profits based on the most recent financial statements adjusted for an average 23% increase for the next 5 years.

The methods described above may produce a fair value measurement that may not be indicative of ultimate realisable value. However, management believes there is no other means of determining fair value for this investment. The estimated values may differ significantly from the values that would have been used had a readily available market for such investments existed, or had such investments been liquidated, and these differences could be material to the financial statements.

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 modeled 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 modeled 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.

Corporate philosophy

Mission

The Development Bank of Namibia mobilizes investment capital and facilitates national and international co-operation among public and private entities as well as community organizations in the planning and implementation of larger scale projects capable of delivering sustainable economic growth as well as social development in the form of human capital development and empowerment to Namibia.

Vision

DBN strives to be recognized for the unquestionable impact it has on sustainable socio-economic development and transformation in Namibia.

DBN strives to attain its vision through:

Being an effective mobiliser of capital for development projects with proven potential.

Bringing innovative development products and services to market.

Forging valuable development products and services to market.

Developing human capital in the economic sphere through supporting capacity building.

Core Values

The DBN's guiding principles for it's decisions and activities are:

Namibia First

Our decisions and actions are guided by what will be best for Namibia.

Integrity

We focus on doing the right thing, matching deeds with words.

Transparency

Our policies and practices are clear and visible to all.

Professionalism

We prefer to be judged by our purposefulness and the standards of our workmanship and communications.

Sustainability

We only support initiatives that are financially and economically feasible, socially equitable and environmentally responsible as only such initiatives are likely to have lasting developmental impact and contribute to the sustainability of the Bank.

Innovation

While we have continuity of purpose, we are always ready to adopt better methods and to stop doing what is no longer effective.

Development
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