Transforming Namibia

Development Bank of Namibia

Annual Report 2017

Transforming Namibia

The Development Bank of Namibia is more than a source of finance for enterprises and infrastructure development. Its purpose is to transform the lives of ordinary Namibians. Through its activities, it creates socio-economic benefits that include job creation, opportunities for economic participation for previously disadvantaged Namibians, infrastructure to develop and sustain productivity, housing and affordable land, and health and education.

While it does this, it pays close attention to its environmental and social impact to ensure the future.

To achieve this, the Bank transforms the private sector with finance for larger enterprises in the key sectors identified in the Harambee Prosperity Plan and 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, and financing of affordable land and housing.

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.

Index

Mandate of the Bank

The main objective of the Bank is to contribute to economic growth and social development of Namibia and for the sustainable promotion of the welfare of the Namibian people by:

- Mobilising financial and other resources from the private and public sectors nationally and internationally;
- Appraising, planning and monitoring the implementation of development schemes, export projects and other economic programmes of national importance;
- Facilitating the participation of the private sector and community organisations in development schemes, export projects and other economic programmes of national importance; and
- Assisting in the development of money and capital markets.

Comparative reporting periods

The year denoted 2017 in this report refers to the period from 1 April 2016 to 31 March 2017.

The reporting period was amended, for the 2016 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 will coincide 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

Overview

I am pleased to say that the current financial period of the Development Bank of Namibia, from 1 April 2016 to 31 March 2017, was a success. In addition to the sound results and impact stated in this annual report, the Bank reached a number of formative milestones in its journey to a sustainable future.

Triple Bottom Line

Since its early inception, the Bank determined that it would be a leader in the realm of governance. To this end, the Bank was one of the early Namibian entities to implement the IFRS systems of accounting and reporting. However the Bank also paid heed to the philosophy of Mervyn King who stated that governance extends beyond accounting and reporting, to proactively address, manage and deliver on the requirements of its broader stakeholders.

As a responsible Namibian corporate citizen, the Bank sought to embody its impact and responsibility in the form of John Elkington's Triple Bottom Line: people, planet and profit. The Triple Bottom Line is an indicator of long-term sustainability as it indicates that while the Bank sustains itself financially, it has a transformative impact on the lives of those who benefit from its finance, and that its actions will have positive long-term impacts that enhance Namibia's social and environmental outcomes.

2017 marks a culmination of the Bank's progress towards the goal of meeting the requirements of the Triple Bottom Line. All systems are in place to manage and account for people, planet and profit within the context of the Bank's mandate, business plan and operational environment.

Aspects of activities that led to this point are successful operational implementation of the Bank's environmental and social management system (ESMS), further development of reporting on the Bank's impact, particularly in terms of finance for infrastructure, and steps to take the Bank to the market and raise capital.

Raising of capital and management of returns

Through its management and fulfillment of the requirements of capital tranches provided to it, the Bank is confident that it can now raise additional capital in the market in a manner that is satisfactory to external sources of capital. It is able to satisfy the required terms and returns in a well-managed risk framework, by providing finance for developmentally beneficial enterprises and infrastructure.

The primary financial objective of the Bank has been to grow its loan book in a sustainable manner, while maintaining adequacy of its liquidity. To satisfy this requirement, the Bank has reapplied its profits to growth rather than providing returns to its shareholder. The next and ongoing step for the Bank is to provide repayment and returns to external sources of finance.

To further this aspect, in 2017, the Bank filled the position of Head of Risk, and also initiated the process of establishing a treasury function.

In the coming period, the Bank expects to issue a debut bond.

2017 marks a culmination of the Bank's progress towards the goal of meeting the requirements of the Triple Bottom Line.

All systems are in place to manage and account for people, planet and profit within the context of the Bank's mandate, business plan and operational environment.

Notable impacts

In addition to ongoing activities within parameters of the business plan, the risk framework gives the Bank the flexibility to address pressing national issues, as instructed by its shareholder, the Ministry of Finance.

In 2017 the Bank continued its drive to develop energy security, within the parameters of national energy plans and environmental sustainability. The Bank gave form to that with approval of finance for five photovoltaic (solar) energy plants, as well as finance for a large-scale wind energy generation plant, believed to be the first of its kind in Namibia.

The Bank also contributed to the emerging issue of availability of land and housing with finance for servicing of 498 erven, and construction of 670 housing units.

ESMS system

The ESMS system is now fully operational. The environmental aspect is broadly popular, however it must also be noted that the system also takes into consideration community health, as well as occupational health and safety of employees. All applications for finance are scrutinized in terms of relevant legislation and best practices. In this manner, the Bank will ensure that its activities will cause no damage to the future as well.

Larger scale finance

In 2017 the Bank successfully navigated the transition to a threshold of finance for companies with an annual turnover of N$10 million. The impact of this threshold is being monitored for impact on lending, and a decision on its suitability will be taken by the shareholder in the 2017 / 18 period.

Conclusion

Each entity undergoes continuous evolution, to ensure long-term sustainability in a changing environment. Although the Development Bank has reached significant milestones in 2017, it will evolve in the coming future. On the basis of the period under review I am confident that it will be able to do so successfully.

I thank my fellow members of the Board, as well as the management and staff of the Bank for their efforts during the 2017 period. With continued efforts of this quality, the Bank will be able to continue to transform the economy of Namibia and the lives of its people.

Tania Hangula
Chairperson

CEO's report

Overview

The basis for this report is impacted by the comparison between the 15-month period for 2016, and the 12-month period for 1 April 2016 to 31 March 2017. However, a closer look at the figures will show that the Development Bank of Namibia performed well in the course of the period under review, with significant growth, particularly in providing finance for infrastructure.

Financial results

Loans and advances grew from N$3,8 billion in 2016 to N$6,7 billion at 31 March 2017. This is mainly due to the disbursement of N$2,5 billion provided to NEF for the fuel storage project.

Net interest income for 2017 was N$ 338.5 million. Although this appears comparable to the 2016 result of N$ 339.8 million, the interest income in 2016 was an accumulation of 15 months due to the extended period, and the 2017 period indicates growth in net interest income. The interest margin was, however, lower due to the increase in borrowings to fund loan book growth. In previous periods, funding was mainly provided by the shareholder.

Profit for 2017 was N$172.0 million for 12 months, which compares well to the 15-month result of N$208.8 million in 2016. The Bank continues to reapply the available 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. During the year, the Bank receieved no capitalisation from the Government, In the 2016 period, the Bank received N$50 million.

On a further positive note, the Bank maintained a sound quality of its loan and investment portfolio with bad debts of 2.9 per cent, below the maximum budget percentage of 3.0 per cent.

The Bank's assets grew to N$7,8 billion at 31 March 2017, up from N$4.6 billion at 31 March 2016, an increase of 70.2 per cent on the back of the high loan book growth.

Impact

The Bank continued to make an impact on the lives of Namibians with transformative development impact. The Bank's lending focus is aligned to national development objectives, as contained in the Growth at Home Strategy and the Fourth National Development Plan (NDP4), and in the Harambee Prosperity Plan (HPP).

The Bank estimates that its 2017 lending will have an impact on 3,804 jobs. Of these, 2,197 are temporary and 1,607 are new jobs.

Of its lending to the private sector, N$894 million was allocated to previously disadvantaged Namibians (PDNs), with N$257 million allocated to female PDNs, and N$148 million allocated to young entrepreneurs.

N$4,079 million, the bulk of the N$4,420 million approvals, was allocated to infrastructure. This was dominated by the NEF facility in the transport and logistics sector. Transport and logistics is identified as a key sector in NDP4, as it enables the movement of goods, a key requirement for economic activity.

The Bank sought to address the need for affordable land and housing, and approved N$436 million for construction of 736 housing units, as well as N$114 million for servicing of 498 erven. Allocations to energy generation amounted to N$462 million.

The Bank estimates that its 2017 lending will have impact on 3,804 jobs. Of these, 2,197 are temporary jobs and 1,607 are new jobs.

Of its lending to the private sector, N$894 million was allocated to previously disadvantaged Namibians, with N$257 million allocated to female PDNs, and N$148 million allocated to young entrepreneurs.

The Bank maintained its focus on renewable energy, approving finance for five solar plants and one wind generation facility.

The largest regional allocation went to Erongo (N$2,968 million), followed by Khomas (N$524 million) and Omaheke (N$172 million). Projects crossing regions received N$120 million in approvals. In the densely populated northern regions, Oshana led approvals with N$143 million, followed by Omusati with N$130 million.

In terms of the three NDP4 sectors targeted by the Bank, transport and logistics received approvals of N$2,804 million, manufacturing received approvals of N$140 million, and tourism and hospitality received approvals of N$62 million.

Measurement of impact

During the course of the year, the Bank engaged in an internal exercise of refining its statistics, particularly with regard to infrastructure. These measurements run parallel to sectoral classification in national accounts, but also reflect the Bank's measurement of its impact, in terms of its internal targets, expressed in its business plan. The classification of infrastructure can be seen in the impact section of this report.

Project preparation and enterprise support

The Bank commits a small percentage of its capital and reserves to the Project Preparation Fund (PPF) The aim of the PPF is to assist projects with strong development potential to bridge the gap between the proposal and bankability. This typically includes funding for feasibility, environmental impact assessment, legal and technical due diligence.

In 2017, the Bank used the PPF to disburse N$2,7 million to preparing projects in the fields of renewable energy, and affordable land and housing.

In an effort to give more to its clients, the Bank has introduced a program to capacitate its clients in terms of mentorship, training and coaching. The Client Development Policy was approved late during the 2016 financial year, and the Client Development Program implemented in 2017. The Bank subsequently, signed service level agreements with experts in various fields of business management. To date, eight clients of the Bank are on the program and a total of N$ 441,781 was spent by the Bank on this training and mentorship program.

Conclusion

The successes of 2017 have been 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 Bank's Exco, management and staff for their effort.

Martin Inkumbi
Chief Executive Officer

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.

1 Emma Haiyambo
Board Member

2 Justus Hausiku
Board Member

3 Tania Hangula
Chairperson

4 Martin Inkumbi
CEO

5 Albie Basson
Board Member

6 Muetulamba Shingenge-Haipinge
Board Member

7 Tabitha Mbome
Board Member

Governance

Glossary, abbreviations and acronyms

Asset turnover
Revenue divided by total assets.

Average total assets
Total assets where average

$$= \frac{\text{(total assets at 2016 + total assets at 2017)}}{2}$$

The Development Bank of Namibia Limited
As incorporated by Act 8 of 2002. Also referred to as the Bank or the Development Bank in the Report.

The Development Bank of Namibia Limited
Also referred to as the "Bank" or the "DBN".

Company's Act
Refers to the Namibian Companies Act 28 of 2004, as amended.

Board of Directors or Board
Refers to the current Board of Directors of the DBN, executive and non-executive directors combined.

Chief Executive Officer
Also referred to as "CEO".

Equity
Issued capital.

Operating profit
Profit or loss from operations after depreciation and amortization.

Profit / loss
Profit or loss after taxation

Return on average total assets
Operating profit expressed as a percentage of average total assets

Return on assets
Profit before taxation expressed as a percentage of net assets

SOE
State Owned Enterprise. As defined in the State-owned Enterprise Act 2 of 2006, as amended.

Total assets
Non-current assets plus current assets

The Board

The Bank's Memorandum of Incorporation provides that there should not be less than 7 directors, and the majority should be independent non-executive directors.

As at 31 March 2017, the Board comprised of six directors, of whom the majority was non-executive and independent, including the Chairperson, and one executive director, the Chief Executive Officer.

Mr J Hausiku tendered his resignation from the Board of Directors with effect from 29 March 2017.

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

Length of tenure

0 – 3 years	*2 directors*
3 – 6 years	*2 directors*
Over 6 years	*2 directors*

Directors' gender representation

Male	*2 directors*
Female	*4 directors*

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

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

Based on the above dynamics, which are applicable to the DBN, the Bank had five non-executive independent directors at the end of the period of review. The role of the Chairperson is separate from that of the CEO. The Chairperson provides overall leadership to the Board and ensures that the directors perform effectively. The CEO is responsible for formulating and recommending long term business strategies and policies to the Board for approval. In discharging his duties the CEO is assisted by the Executive Committee.

Conflict of Interest

In terms of Part 6, sections 242 to 248 of the Company's Act 28 of 2004 as amended, all directors are required to disclose their interests in contracts. The 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.

Board committees and membership

Board

Tania Hangula	Chairperson, non-executive independent director
Martin Inkumbi (CEO)	Executive director
Emma Haiyambo	Non-executive independent director
Tabitha Mbome	Non-executive independent director
Muetulamba Shingenge-Haipinge	Non-executive independent director
Albie Basson	Non-executive independent director
Justus Hausiku *	Non-executive independent director

Audit, Risk and Compliance Committee

Justus Hausiku *	Chairman, non-executive independent director
Martin Inkumbi (CEO)	Executive director
Albie Basson	Non-executive independent director
Emma Haiyambo	Non-executive independent director
Muetulamba Shingenge-Haipinge	Non-executive independent director
Tabitha Mbome	Non-executive independent director

Credit and Investment Committee

Albie Basson	Chairman, non-executive independent director
Muetulamba Shingenge-Haipinge	Non-executive independent director
Martin Inkumbi (CEO)	Executive director
Emma Haiyambo	Non-executive independent director
Tabitha Mbome	Non-executive independent director

Human Capital and Remuneration Committee

Muetulamba Shingenge-Haipinge	Chairman, non-executive independent director
Tania Hangula	Non-executive independent director
Martin Inkumbi (CEO)	Executive director
Tabitha Mbome	Non-executive independent director

* Mr Justus Hausiku resigned from the Board of Directors on 29 March 2017

Fees

Schedule of Director's Fees

Chairperson's quarterly fee	N$21,530.72
Chairperson's sitting fee	N$11,214.80 per Board meeting
Director's quarterly fee	N$16,592.4
Director's sitting fee	N$8,403.68 per Board meeting
Sub-Committee sitting fee	N$1,680.63 per hour

Non-Executive Director's Emoluments
For the financial year 1 April 2016 to 31 March 2017

Tania Hangula	N$222,930.72
Justus Hausiku	N$145,363.65
Emma Haiyambo	N$199,144.34
Muetulamba Shingenge-Haipinge	N$209,228.12
Albie Basson	N$274,775.87
Tabitha Mbome	N$229,396.21

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

Board attendance

General Board Meetings

2017: DD/MM/YY	14.04 2016	07.07 2016	07.11 2016	31.03 2017
T Hangula (Board Chair)	√	√	√	√
M Inkumbi (CEO)	√	√	√	√
E Haiyambo	√	√	√	√
J Hausiku	√	√	√	√
M Shingenge-Haipinge	---	√	√	√
A Basson	√	√	√	√
T Mbome	√	√	√	√

Extraordinary Board Meetings

2017: DD/MM/YY	03.03 2016	15.06 2016	05.09 2016	12.09 2016	04.10 2016	01.12 2016	27.03 2017
T Hangula (Board Chair)	√	√	√	√	√	√	√
M Inkumbi (CEO)	√	√	√	√	√	√	√
E Haiyambo	√	√	√	√	√	√	---
T Mbome	√	√	√	√	---	√	√
A Basson	√	√	√	√	√	√	√
M Shingenge-Haipinge	√	√	√	---	√	√	---
J Hausiku	√	---	√	√	√	---	---

Annual General meeting

2016: DD/MM/YY	28.07 2016
T Hangula (Board Chair)	√
M Inkumbi (CEO)	√
T Mbome	√
J Hausiku	√
M Shingenge-Haipinge	√
A Basson	---
E Haiyambo	---

Audit Risk and Compliance Committee

2017: DD/MM/YY	05.04 2016	04.07 2016	31.10 2016	24.03 2017
J Hausiku (Chair)	√	√	---	---
A Basson	√	√	√*	√*
M Inkumbi (CEO)	√	√	√	√
M Shingenge-Haipinge	√	√	---	√
E Haiyambo	---	√	√	√
T Mbome	√	√	---	√

* Albie Basson took the role of Acting Chairperson of the Committee.

Credit and Investment Committee Sub-Committee *

2016: DD/MM/YY	01.02 2016	31.03 2016	27.04 2016
A Basson (Chair)	√	√	√
M Inkumbi (CEO)	√	√	√
M Shingenge-Haipinge	√	√	---
T Mbome	√	---	√
E Haiyambo	√	---	√

* The Credit and Investment Sub Committee was discontinued in view of the fact that the Limits of Authority thresholds were increased.

Board attendance (contd.)

Credit and Investment Committee

2017: DD/MM/YY	03.03 2016	27.04 2016	23.06 2016	11.07 2016	21.07 2016	15.08 2016	27.09 2016	27.10 2016	15.12 2016	02.02 2017	07.03 2017
A Basson (Chair)	√	√	√	√	√	√	√	√	√	√	√
M Inkumbi (CEO)	√	√	√	---	√	√	√	√	√	√	√
M Shingenge-Haipinge	√	---	√	---	√	√	---	√	√	√	√
T Mbome	√	√	√	---	---	√	√	√	√	√	√
E Haiyambo	---	√	√	√	---	√	√	---	√	√	---

Human Capital and Remuneration Board Committee

2017: DD/MM/YY	01.04 2016	22.06 2016	19.10 2016	17.03 2017
M Shingenge-Haipinge (Chair)	√	√	√	√
T Hangula (Chair)	√	√	---	√
M Inkumbi (CEO)	√	√	√	√
T Mbome	---	√	√	√

√ indicates attendance
--- indicates absence with apology

Litigation and claims

I hereby certify that to the best of my knowledge and belief, as at 31 March 2017 the Development Bank of Namibia Limited has not been sued and does not have any claims against it.

Legislation promulgated in the past financial year of the DBN that could have a material impact on the DBN

The DBN constantly reviews recently promulgated legislation that could affect the business environment of the Bank. As at 31 March 2017, the undermentioned pieces of legislation have had an impact on the Bank.

Credit Bureau Regulations (Bank of Namibia Act), 15 of 1997

This deals with the registration and licensing of Credit Bureau, Collection of Credit Information, Data Subject and Protection.

This Regulation will require the DBN to comply with certain onerous reporting requirements that will be time consuming. Training was provided to staff and the reporting requirements that will be required from the DBN are being considered.

The Bank of Namibia is yet to finalize how they would like the reporting to be performed by institutions.

Disaster Risk Management Act 10 of 2012

This Act provides for the establishment of institutions for disaster risk management and for an integrated and coordinated disaster management approach that focuses on presenting or reducing the risk of disasters.

It provides for declarations of national, regional or local disasters and for the establishment of the National Disaster Management Risk Fund. As at financial year end the DBN is not aware that the National Disaster Management Risk Fund has been incorporated by the Namibian Government.

Financial Intelligence Act, Act 13 of 2012

This Act deals with the laundering or the financing of terrorism and provides for the establishment of the Anti-Money Laundering and Combating of the Financing of Terrorism Council. The DBN is an accountable institution in terms of this Act and thus required to report certain suspicious transactions to the Bank of Namibia.

Public Procurement Act, 15 of 2015

This Act became operational on 1 April 2017, and regulates the procurement of goods, works and services, the letting or hiring of anything or the acquisition or granting of rights for or on behalf of, and the disposal of assets of, public entities.

The DBN is classified as a public entity in terms of this Act.

The Regulations that were promulgated required the DBN to establish a procurement committee and a procurement management unit and a bid evaluation committee. Each of these committees has specific functions and the regulations identified the various skill sets that are required. The CEO remains the responsible party in respect of this Act.

Roberta Brusa
Company Secretary
19 June 2017
Windhoek, Namibia

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 28 of 2004, as amended, for the year ended 31 March 2017, and that all such returns are factual and current.

Roberta Brusa
Company Secretary
19 June 2017
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, 2004 and the Development Bank of Namibia Limited Act, 2002, for the financial year ended 31 March 2017.

Chairperson: Board of Directors
19 June 2017
Windhoek, Namibia

Annual Financial Statements

The Audit, Risk and Compliance Committee has appraised the Annual Report for the period ended 31 March 2017, 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 2017 and therefore recommended the adoption of the Annual Report on 16 June 2017 to the Board of Directors, who approved the Annual Financial Statements on 19 June 2017.

Albie Basson
Acting Chairperson: Audit, Risk and Compliance Committee
19 June 2017
Windhoek, Namibia

2017 Stakeholder summary

Alignment

The Bank's business is aligned to national development objectives, as contained in the Growth at Home Strategy and the Fourth National Development Plan (NDP4), and as summarised in the Harambee Prosperity Plan (HPP).

Growth

The Bank's assets grew to N$7.8 billion at 31 March 2017, up from N$4.6 billion at 31 March 2016, an increase of 70.2 per cent on the back of the high loan book growth.

Income

Net income for 2017 was N$172.0 million for 12 months, which compares well to the 15-month result of N$208.8 million reported for the 2016. Net interest income for 2017 was N$ 338.5 million. The interest margin was, however, lower due to the increase in borrowings to fund loan book growth.

Quality of loan book

The Bank maintained a sound quality of its loan and investment portfolio with bad debts for the period of 2.9 per cent, below the maximum budget percentage of 3.0 per cent.

Job impact

The Bank estimates that its approvals will have had an impact on 3,804 jobs. Of these, 2,197 were temporary jobs and 1,607 were new jobs.

Lending: 2017 approvals

Loans and advances grew from N$3.8 billion in 2016 to N$6.7 billion at 31 March 2017.

Infrastructure

N$4,079 million, the bulk of the N$4,420 million approvals, was allocated to infrastructure. This was dominated by the NEF facility in the transport and logistics sector.

NDP4 sectoral impact

In terms of the three NDP4 sectors targeted by the Bank, transport and logistics received approvals of N$2,804 million, manufacturing received approvals of N$140 million, and tourism and hospitality received approvals of N$62 million.

Affordable land and housing

The Bank sought to address the need for affordable land and housing, and approved N$436 million for construction of 736 housing units, as well as N$114 million for servicing of 498 erven.

Energy generation

Allocations to energy generation amounted to N$462 million. The Bank maintained its focus on renewable energy, approving finance for five solar plants and one wind generation facility.

ESMS policy

The ESMS system is now fully operational. The system also takes into consideration community health, as well as occupational health and safety of employees. All applications for finance are scrutinized in terms of relevant legislation and best practices.

Human resources

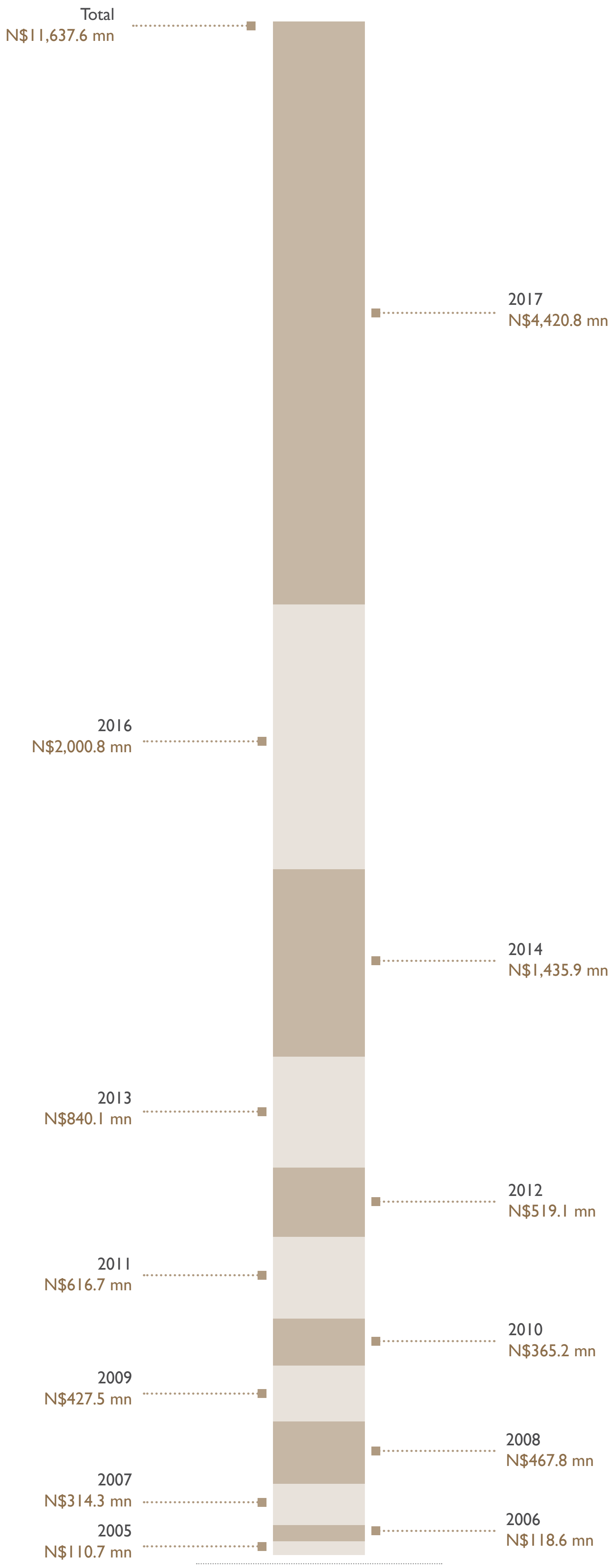
The Bank's senior management and middle management went through a professional skills development workshop to build capacity to respond to complexities in the execution of the Bank's mandate using systems thinking approaches.

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.

1. Martin Inkumbi
   CEO
2. Elriana Burger
   Head: HR & Operations Support
3. Jerome Mutumba
   Senior Manager: Communication
4. Roberta Brusa
   Company Secretary
5. Hanri Jacobs
   Chief Financial Officer
6. John Mbango
   Head: Lending
7. Vivian Groenewald
   Head: Credit Risk
8. Saima Nimengobe
   Head: Risk & Compliance
9. Heike Scholtz
   Head: Business Development

Total approvals since inception



Lending and impact

The following section cites figures and measures that are used by the Bank to assess its impact, and are based on amounts and information provided in approved applications.

The Bank's business is aligned to national development objectives, as contained in the Growth at Home Strategy and the Fourth National Development Plan (NDP4), and as summarised in the Harambee Prosperity Plan (HPP).

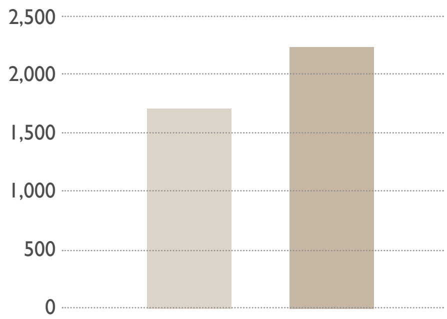
The Bank's strategy strives to contribute to NDP4's priority sectors and three pillars of HPP, pillar two which advocates economic advancement, pillar three for social progression and pillar four which focuses on infrastructure development. The Bank supports development and maintenance of infrastructure, local manufacturing, tourism and business services, transport and logistics as well as economic decentralization. The Bank promotes pillar three of HPP by supporting the provision of social services, employment creation and economic transformation.

Support for the Harambee Prosperity Plan

Pillar two: economic advancement
Goal: economic transformation

The Bank's financing is directed to projects that demonstrate the ability to achieve significant impact. This speaks to pillar two of HPP, and relates to projects which take a longer-term view of delivering transformational social and economic changes in the communities in which they operate as well as the country at large. Such enterprises develop financially and environmentally sustainable ventures for the future.

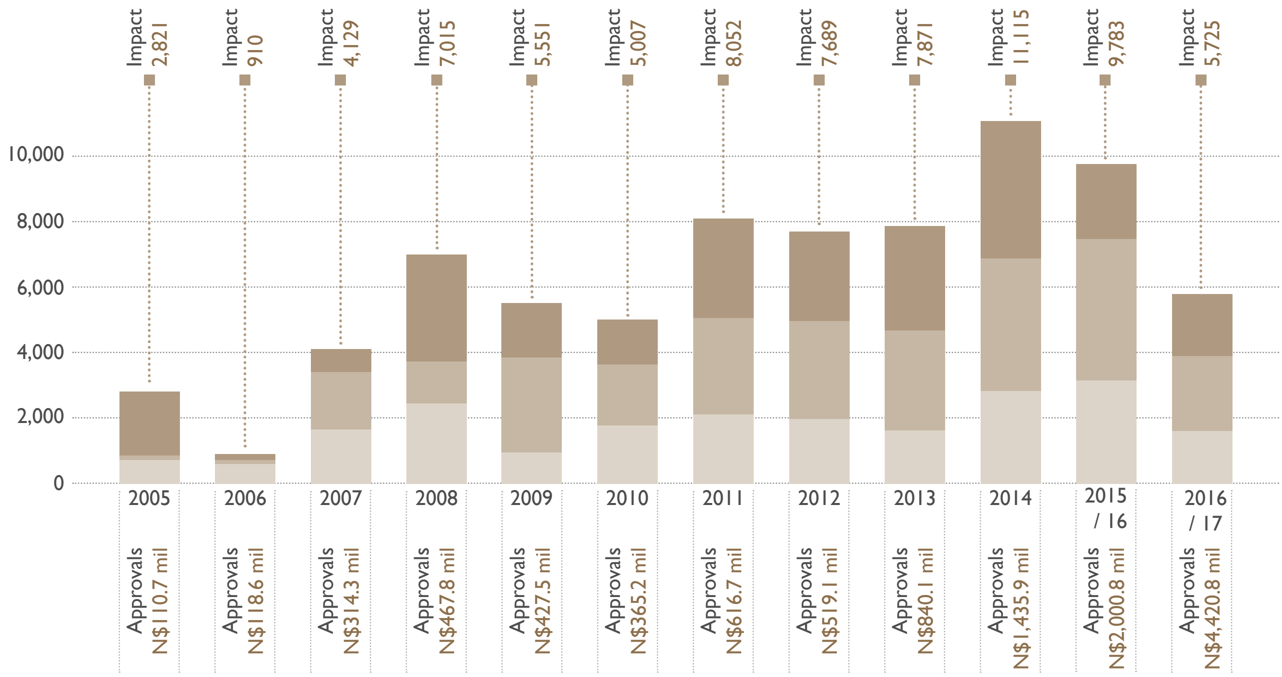
2017: projected employment impact



	2017 new jobs	1,607
	2017 temporary jobs	2,197
	2017 core job impact	3,804

In 2017 the Bank approved loans to the value of N$4.4 billion, resulting in the creation of 1,607 new jobs and 2,197 temporary jobs. This represents a growth of 121%, propelled by a substantial investment in logistics infrastructure. In 2016, loan approvals towards the support of national development objectives, amounted to N$2.0 billion.

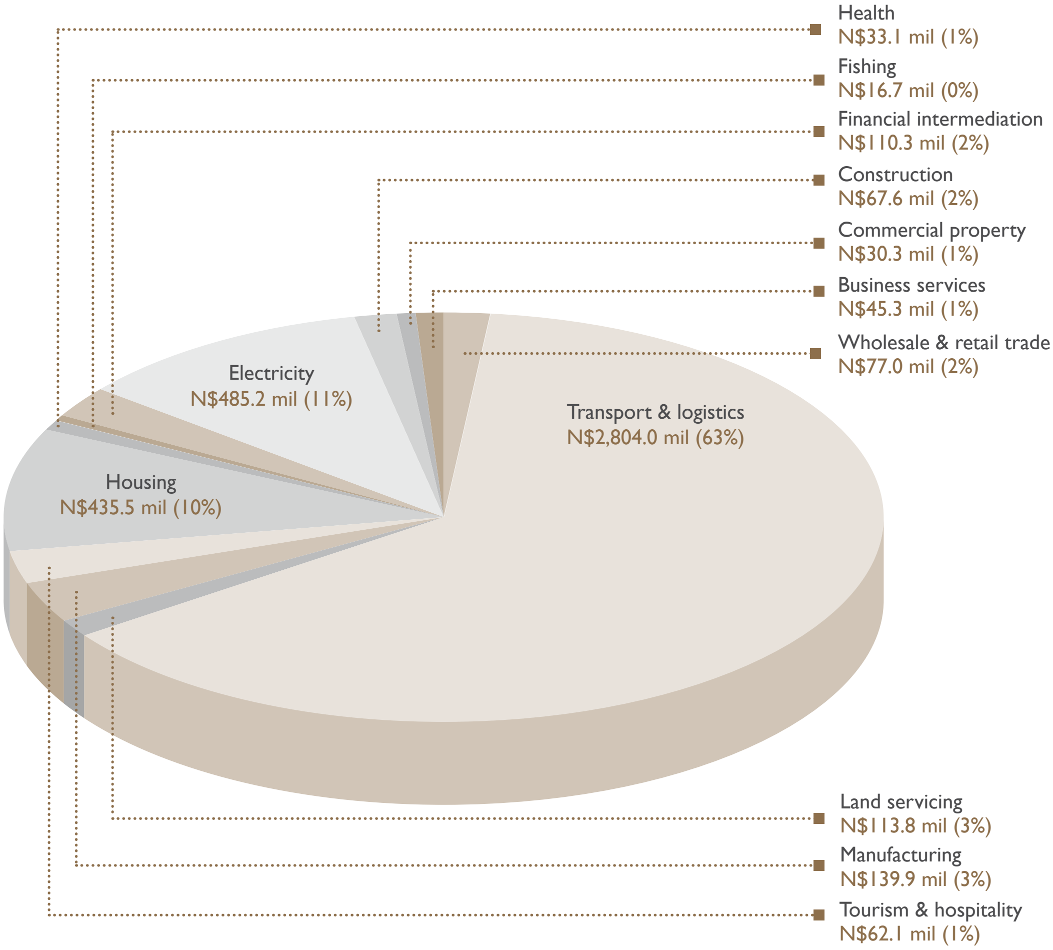
Projected employment since inception



	Cumulative new jobs	21,662
	Cumulative temporary jobs	27,586
	Cumulative retained jobs	26,420
	Cumulative total job impact	75,668
	Cumulative total approvals	N$11,637.5 mn

DBN advanced financing in areas such as construction, for housing developments, electricity, and transport and logistics. Funds were channeled to several projects with significant impact, including the ongoing fuel storage facility construction project, for which a total of N$2.8 billion was approved, in 2017 and of which N$2.5 billion was disbursed. Other significant investments were made in projects that created and expanded economic opportunities across various sectors.

Lending: 2017 sectoral approvals



Lending: comparative sectoral approvals

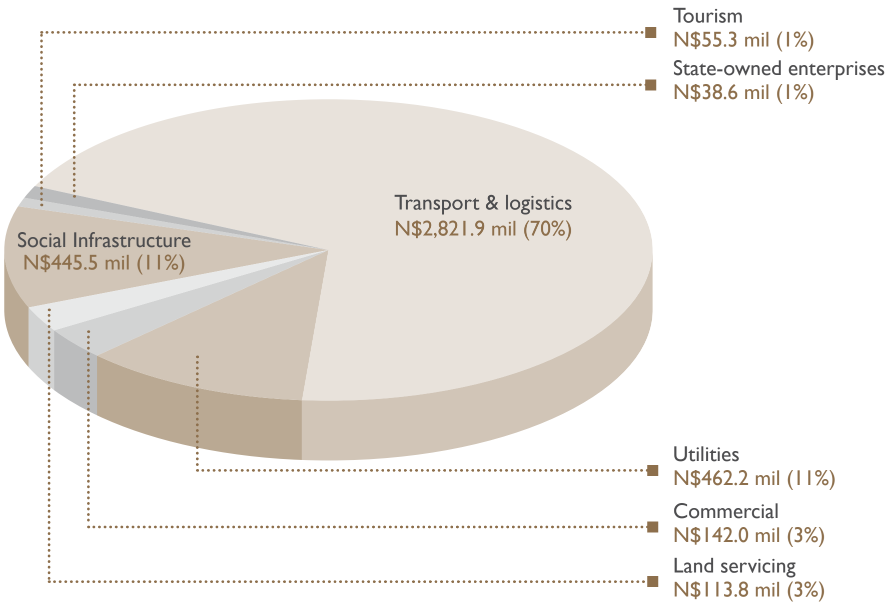
	2016		2017	
Approvals by Sector	N$ mil	% of total	N$ mil	% of total
Business services	125.7	6%	45.3	1%
Commercial property	13.6	1%	30.3	1%
Construction	311.0	16%	67.6	2%
Education	37.1	2%	-	0%
Electricity	104.0	5%	485.2	11%
Financial intermediation	58.3	3%	110.3	2%
Fishing	-	0%	16.7	0%
Health	37.9	2%	33.1	1%
Housing	35.4	2%	435.5	10%
Land servicing	65.0	3%	113.8	3%
Manufacturing	73.3	4%	139.9	3%
Telecommunications	116.5	6%	-	0%
Tourism & hospitality	208.4	10%	62.1	1%
Transport & logistics	707.3	35%	2,804.0	63%
Wholesale & retail trade	107.3	5%	77.0	2%
Total	2,000.8	100%	4,420.8	100%

Pillar three: social progression
Goal: residential land delivery, housing and sanitation

The Bank's focus on social development correlates to one of the goals of pillar three of the Harambee Prosperity Plan, which advocates for residential land delivery, housing and sanitation.

During the 2017 financial year, the Bank approved projects for housing developments to the value of N$435.5 million across six regions countrywide and N$113.8 million towards land servicing activities, to address the housing shortage challenge in the country. In the promotion of healthcare, a total of N$33.1 million was invested in health infrastructure and services.

Lending: 2017 infrastructure approvals



Lending: comparative infrastructure approvals

	2016		2017	
Infrastructure	N$ mn	%	N$ mn	%
Commercial infrastructure	10.6	1%	142.0	3%
Commercial buildings	10.6	1%	142.0	3%
Land servicing	81.0	6%	113.8	3%
Bulk infrastructure	81.0	6%	113.8	3%
Local government buildings	2.5	0%	0.0	0%
Town councils	0.5	0%	0.0	0%
Village councils	2.0	0%	0.0	0%
Social Infrastructure	98.5	8%	445.5	11%
Education	37.4	3%	0.0	0%
Healthcare	26.7	2%	10.0	0%
Housing	34.4	3%	435.5	11%
State-owned enterprise infrastructure	68.2	5%	38.6	1%
Construction and upgrading of buildings	68.2	5%	38.6	1%
Tourism infrastructure	201.0	15%	55.3	1%
New hotels	172.5	13%	20.0	0%
New lodges	0.0	0%	26.9	1%
New B&B	25.5	2%	0.0	0%
New guest houses	0.0	0%	8.4	0%
New restaurants	0.0	0%	0.0	0%
New rest camps / other accomodation facilities	0.0	0%	0.0	0%
Upgrading and additions to tourism establishments	3.0	0%	0.0	0%
Transport & logistics infrastructure	709.2	55%	2821.9	70%
Construction of new roads	14.3	1%	0.0	0%
Construction of new bridges	0.0	0%	0.0	0%
Routine maintenance of bitumen roads	0.5	0%	0.0	0%
Upgrading of roads	9.5	1%	3.0	0%
Upgrading of bridges	0.0	0%	0.0	0%
Fuel and gas storage	671.7	52%	2800.0	70%
Other storage facilities	0.0	0%	7.3	0%
Rail	0.0	0%	0.0	0%
Ports	0.0	0%	0.0	0%
Service stations	13.2	1%	11.6	0%
Utility infrastructure	119.1	10%	462.2	11%
Electricity distribution infrastructure	35.1	3%	0.0	0.0
Power plants	84.0	7%	462.2	0.0
ICT infrastructure	0.0	0%	0.0	0.0
Grand Total	1,290.1	100.0	4,079.3	100.0

Infrastructure Development

Infrastructure development remains vital for enabling business and facilitating trade. Infrastructure deficits have adverse effects on both economic and social development. Deficient infrastructure impacts on the cost of doing business and consequently undermines competitiveness. The Bank approved N$4.1 billion of the total N$4.4 billion in infrastructure projects, compared to N$1.3 billion in 2016.

Transport and logistics infrastructure accounted for 70% or N$2.8 billion of total infrastructure approvals. These funds were mainly related to the construction of the fuel storage facility under construction.

Utility infrastructure accounted for 11% or N$462.2 million for the setting up of renewable energy power plants.

Social infrastructure absorbed 11% or N$445.5 million, mainly directed towards housing developments.

Pillar four: infrastructure development
Goal: energy infrastructure

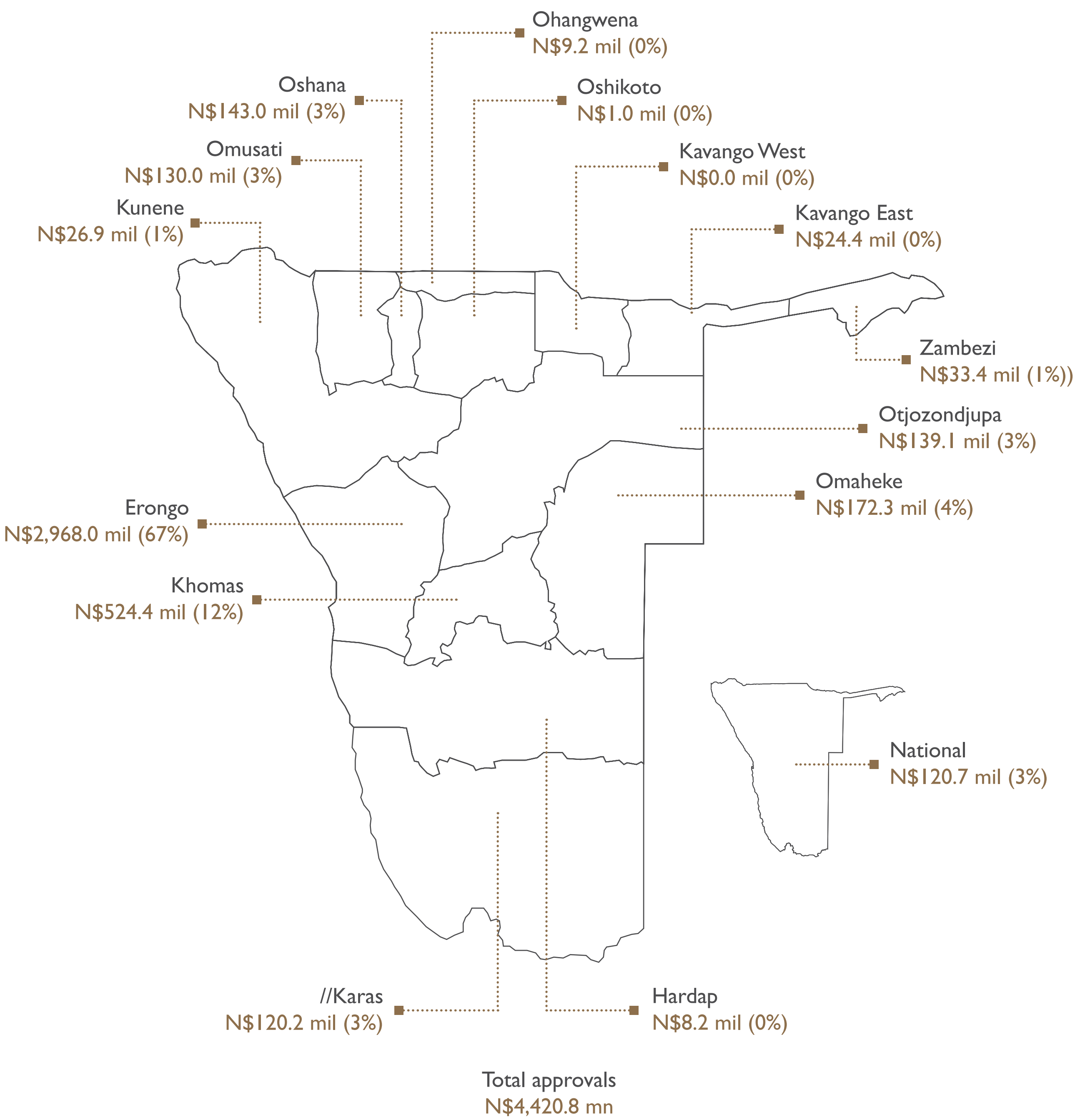
Energy infrastructure is a key enabler for all economic sectors.

The Bank supports projects in energy production, storage, transmission, distribution, supply and related services. In addressing energy demands, the Bank approved N$462.2 million for renewable energy infrastructure to facilitate the setting up of one wind power and five solar power plants.

The number of bankable energy projects approved during the year under review demonstrates the Bank's commitment towards the development of energy infrastructure, as well as the environmentally sound, privately-owned, renewable generation capacity for Namibia.

These investments are vital for generating additional capacity and enhancing the Bank's commitment to environmental sustainability.

Lending: 2017 regional approvals



Lending: comparative regional approvals

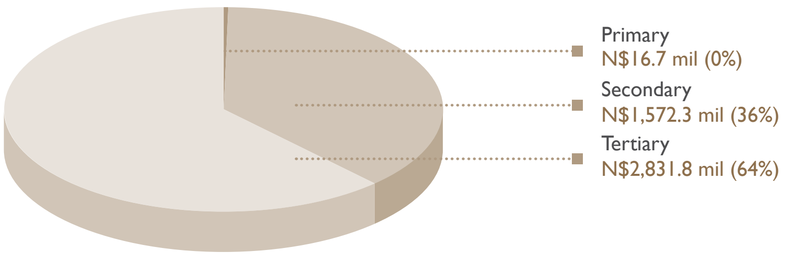
	2016		2017	
Region(s)	N$ mil	% of total	N$ mil	% of total
Erongo	818.6	41%	2968.0	67%
Hardap	17.5	1%	8.2	0%
//Karas	34.9	2%	120.2	3%
Kavango East	31.7	2%	24.4	0%
Kavango West	2.4	0%	0.0	0%
Khomas	459.6	23%	524.4	12%
Kunene	7.4	0%	26.9	1%
National	267.4	13%	120.7	3%
Ohangwena	70.1	4%	9.2	0%
Omaheke	10.2	0%	172.3	4%
Omusati	42.4	2%	130.0	3%
Oshana	32.6	2%	143.0	3%
Oshikoto	34.5	2%	1.0	0%
Otjozondjupa	129.2	6%	139.1	3%
Zambezi	42.3	2%	33.4	1%
Grand Total	2,000.8	100%	4,420.8	100%

Regional impact

The Bank's funding supports strategic projects in all regions, however the trend of regional impact has remained fairly consistent over the years, with funding flowing towards the more industrializing regions of Khomas and Erongo.

Approval of finance for five renewable energy plants potentially improved regional equity in terms of loan values across five regions, four of which received lower allocations in previous years: Karas, Omaheke, Omusati and Otjozondjupa.

Lending: 2017 industry approvals



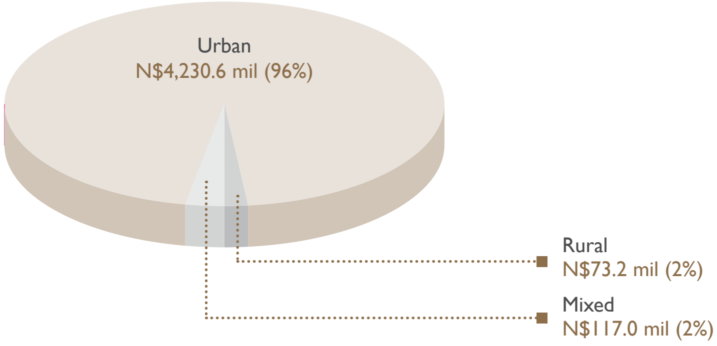
Lending: comparative industry approvals

	2016		2017	
Industry	N$ mil	% of total	N$ mil	% of total
Primary	-	-	16.7	0%
Secondary	1,285.8	64%	1,572.3	36%
Tertiary	715.0	36%	2,831.8	64%
Total	2,000.8	100.0	4,420.8	100.0

Approvals by industry

The Bank's financing was largely absorbed by tertiary industry at 64%, due to the N$2.8 billion invested in the transport and logistics sector. Secondary industry absorbed 36% of total loan approvals.

Lending: 2017 rural urban split



Lending: comparative rural urban split

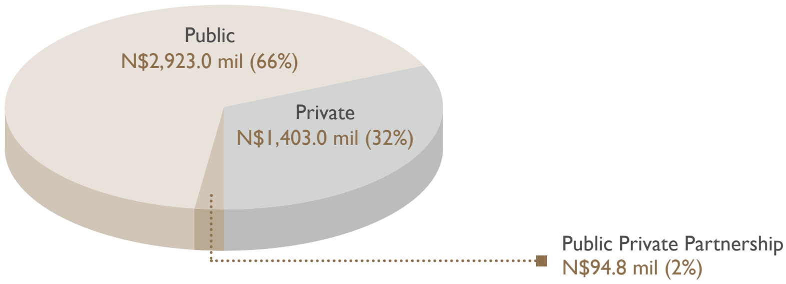
	2016		2017	
Classification	N$ mil	% of total	N$ mil	% of total
Rural	124.2	6%	73.2	2%
Urban	1,853.5	93%	4,230.6	96%
Mixed	23.1	1%	117.0	2%
Total	2,000.8	100%	4,420.8	100%

Rural urban project classification

The Bank plays a vital role in developing less established areas by funding projects that are rural-based. This is vital for achieving a more inclusive and integrated rural economy.

A total of N$73.2 million was approved for rural-based projects in 2017, with N$117.0 million earmarked for projects that cut across rural and urban areas.

Lending: 2017 public private split



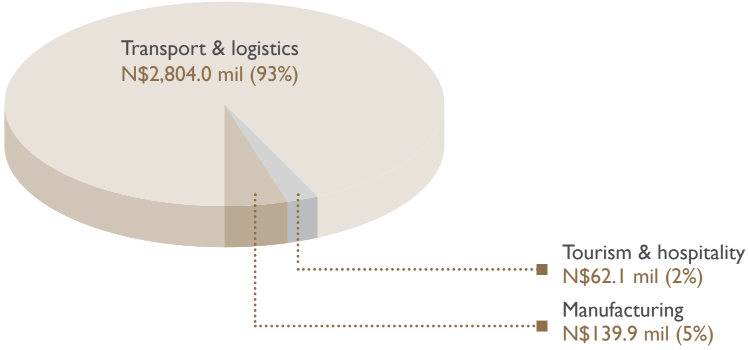
Lending: comparative public private split

	2016		2017	
Classification	N$ mil	% of total	N$ mil	% of total
Private	1,247.7	62%	1,403.0	32%
Public	700.0	35%	2,923.0	66%
Public Private Partnership	53.1	3%	94.8	2%
Total Approvals	2,000.8	100%	4,420.8	100%

Public private classification

In advancing enterprise development, the Bank continued to support private sector projects that demonstrate economic, financial and environmental sustainability. A total of N$1.4 billion was approved for the implementation of private sector projects. The public sector received a higher allocation of N$2.9 billion, owing to the fuel storage facility which absorbed N$2.8 billion. Public private partnerships received N$94.8 million in 2017 compared to N$53.1 million in the preceding financial year.

Lending: 2017 NDP4 sector approvals



Lending: comparative NDP4 sectors

	2016		2017	
NDP 4 Priority Sectors	N$ mil	% of total	N$ mil	% of total
Manufacturing	73.3	7%	139.9	5%
Tourism & hospitality	208.4	21%	62.1	2%
Transport & logistics	707.3	72%	2,804.0	93%
Total NDP 4 Priority Sectors	989.0	100%	3,006.0	100%

Approvals to NDP4 priority sectors

Approvals to the priority sectors as outlined in the Fourth National Development Plan, tripled compared to 2016 allocations, largely on account of the approvals to the transport and logistics sector. The main transaction within that sector, amounting to N$2.8 billion, was approved for the construction of the fuel storage facility. Manufacturing approvals almost doubled at a growth rate of 91%, tourism and hospitality approvals dropped by 70% in 2017.

Lending: comparative transformation approvals

	2016	2017
Transformation (private sector)	N$ mil	N$ mil
Effective PDN	1,012.2	894.1
Effective F-PDN	284.9	257.2
Effective youth	196.3	148.3
Total Approvals - (Private Sector & PPP)	1,300.9	1,497.8

Transformation

The Bank's commitment towards empowerment of previously disadvantaged individuals is evident in the proportion of funds extended towards the different categories within the previously disadvantaged individuals cluster. N$894.1 million benefited previously disadvantaged individuals. N$257.2 million supported projects owned by previously disadvantaged females. In addressing the goal of youth enterprise development under pillar two of the Harambee Prosperity Plan, the Bank allocated N$148.3 million towards the execution of youth owned projects in 2017.

Lending operations

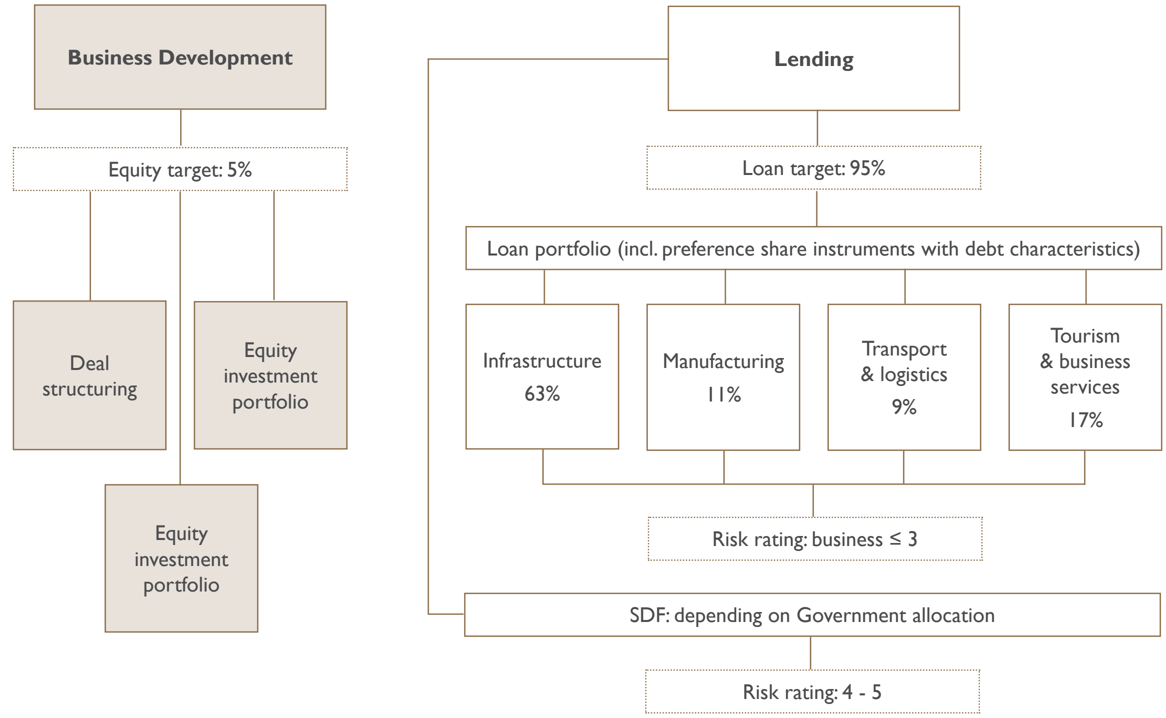
Financing is availed through two main instruments, namely equity and debt instruments. The equity instrument makes up not more than 5% of the Bank's total investment while the debt instrument, including preference shares, makes up the rest.

The debt portfolio is made up of two sub categories, namely, development portfolio (10%) and enterprise portfolio (90%).

The categories were developed after the Bank adopted a sustainability model to ensure that the assets within its investment portfolio are managed to ensure the long term sustainability of the Bank.

Depending on the risk profile of the projects as determined through a risk rating mechanism, a project may be undertaken as long as it meets a certain criteria and the quantum of the investment involved can be restricted if the risk profile does not allow, given the threshold for that category. While the Bank has to achieve its mandate, that has to be married with the sustainability of the institution to secure the future of the Bank.

Mechanisms for attainment of the DBN's mandate



Lending criteria

Projects are assessed using the following criteria:

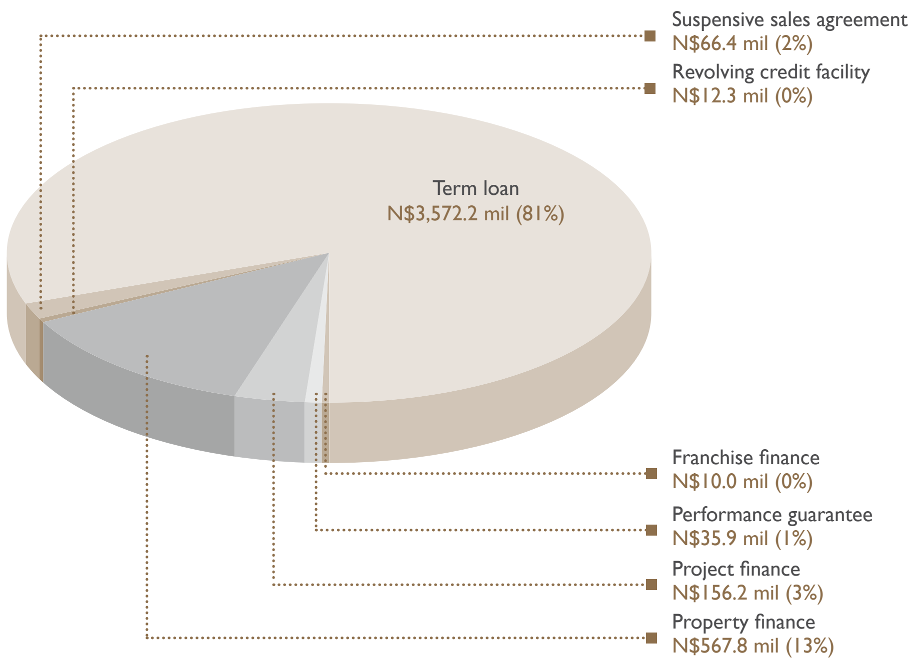
- Financial and commercial viability;
- Demonstration of a positive socio-economic impact in terms of sustainable job creation and retention and empowerment of Previously Disadvantaged Namibians;
- Provision of useful and socially acceptable goods and services;
- Technical feasibility and environmental congruency;
- Beneficiation of natural resources;
- Long term value addition;
- Export orientation;
- Technology and skills transfer to Namibia;
- Multiplier effect - Backward and forward linkages;

Current products

The current range of products and services on offer are:

- Financial Advisory Services;
- Short, medium and long term loans;
- Project finance;
- Property finance;
- Structured finance;
- Syndicated loans;
- Guarantees;
- Equity and Preference Share facilities;
- Vehicle and Asset Finance Facilities

Lending: 2017 product usage



Risk and compliance

The Bank maintains effective oversight and strong accountability through sound corporate governance practices that start with the Board and are applied at every level of the company.

The risk and compliance function takes a coordinated approach that ensures that all assurance activities provided by management, internal assurance providers and external assurance providers adequately address significant risks facing the company, and provide assurance that suitable controls exist to mitigate these risks.

As the Bank is required to take on risks to effectively serve clients, the ability to manage risks conservatively in a combined assurance model is crucial to success. DBN maintains a robust and independent enterprise risk management structure, with effective risk systems that are thorough, timely and flexible.

Enterprise Risk Management (ERM): DBN has implemented the ERM (based on COSO & ISO31000 guidelines best practice) process which is designed to identify potential risks that may impact on the Bank's achievement of objectives, and manage risk to be within the Bank's risk appetite, and to provide reasonable assurance regarding the achievement of DBN's objectives.

Internal Audit: currently outsourced to Deloitte. Reports directly to the Audit, Risk and Compliance Committee ("ARCC").

External Audit: Reports to the Board via ARCC (both perform independent assessments).

Compliance: To ensure compliance to policies, applicable laws and regulations. (Documents: Legal matrix, Board and EXCO management committee charters, non-compliance registers & AML / CFT Monitor Plan)

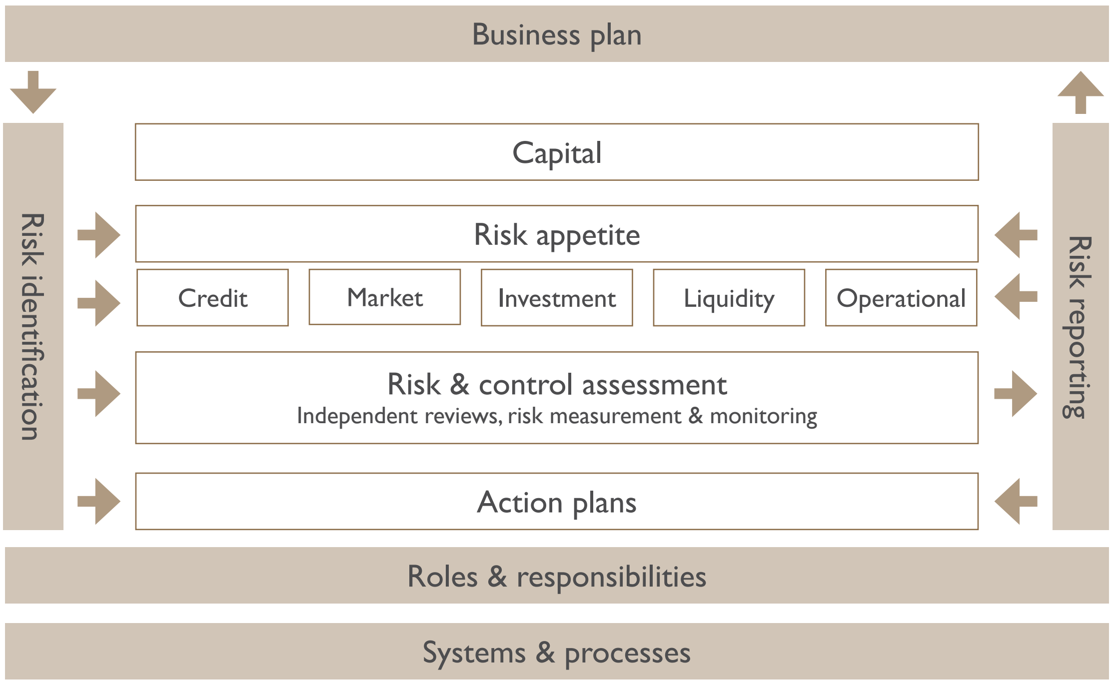
Environmental and Social Management System (ESMS): The ESMS process is implemented to assist with the screening / assessment and monitoring of all DBN financed products for compliance with Environmental regulatory requirements, laws and best practices

Business Process Management (BPM): the BPM is implemented to map business processes (develop, implement, support, document and improve processes)

Risk management is overseen by the Board Audit, Risk & Compliance Committee directly and through management committees. Within the Bank, a series of committees with specific risk management mandates have oversight or decision-making responsibilities for risk management. The Bank ensures independence of the process from the business, with the Head of Risk and Compliance reporting jointly to the CEO and the Board's Audit, Risk & Compliance Committee.

The Bank uses eight interrelated components (below) to manage its risk levels.

Enterprise risk management framework model



Environmental and social management

The Board approved and implemented the Environmental and Social Management Policy Framework on 24 June 2015 to establish a roadmap for ongoing environmental leadership. The framework guides evolving environmental as well as occupational health and safety risks and opportunities. The objective of the policy is to balance short-term gain with long-term development and sustainability to contribute to sustainable economic development and environmental progress.

Ongoing management

The Bank approaches the management of environmental and social risks with a due diligence process that takes into consideration the environmental, occupational health and safety and social impacts and practices of current and potential borrowers.

The Risk and Compliance: Environmental and Social Development team integrates environmental, occupational health, safety and social factors as part of their routine due diligence and screening on every application, and reviews existing clients for compliance.

The environmental and social assessment includes climate assessment, environmental management assessment, occupational health and safety assessment, social and communities assessment and screening to assign risk categories.

Transactions that may have major and medium environmental or social risks, including reputational risks, are elevated and monitored closely during the loan agreement period. The Environmental and Social Manager assists transaction teams by providing guidance on environmental, occupational health and safety and social issues, conducting independent reviews and identifying positive engagement opportunities with the potential client to reduce material risk.

DBN provides internal training and necessary resources to ensure that environmental, occupational health and safety, social and governance objectives are met, and that policies, procedures and performance standards are appropriately implemented throughout the Bank.

DBN champions sustainable growth, and has developed innovative financial instruments that make investing in the renewables easier and more attractive. This supplements Namibia's efforts to increase the share of renewables in electricity production.

Operational

The Bank reviewed 134 applications in the 2017 financial year since the implementation of the Environmental and Social Management System requirements in January 2016.

DBN invested N$462 million in clean energy projects, to date, and plans to continue playing a catalytic role in the transition to a more sustainable, low-carbon future by further funding projects of a similar nature and magnitude.

DBN funded six renewable projects, which will yield a total of 24MW capacity when fully installed. In the 2017 period, the Bank funded four projects which, will generate 13.68 MW when in operation and these are in various stages of development. These are all solar photovoltaic plants with the exception of one wind farm.

Photovoltaic projects approved by DBN

Client	Project Description	Date Approved	Status
Omburu Sun	5 MW Solar PV Plant	April 2014	Operational
Osona Sun Energy	5 MW Solar PV Plant	November 2015	Operational
Okakarara Solar Farm	0.68 MW Solar PV Plant	July 2016	In final negotiations
OLC Arandis Solar	3.8 MW Solar PV Plant	September 2016	Under construction
Camelthorn Business Ventures	5 MW Solar PV Plant	September 2016	Under construction
Ombepo Energy	5 MW Solar PV Plant	November 2016	Under construction

Human resources and operations support

The DBN's vision to be an "employer of choice" is fundamentally supported by its efforts to focus on providing its staff with opportunities to learn, grow and develop their potential in a working environment that is conducive to productivity and employee wellbeing.

The Development Bank of Namibia has developed an employer branding and communication strategy that made the DBN a recognizable brand which is linked to its values that are shared by the employees in the marketplace.

The Bank offers a work culture and work environment that attract and retain employees, and favours the well-being of its employees through consistent concerted effort, and follow through.

The Bank managed to create an inclusive, positive and supportive community where employees invest in their careers, and are passionate about what they do, how they do it, and who they associate with. This corporate culture provides a sense of belongingness that attracts and retains the right people long term.

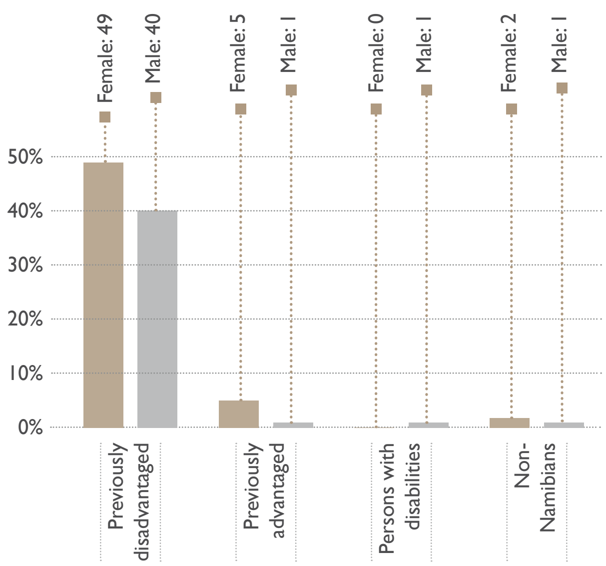
Attracting and retaining the best people

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

Staff movements during the last three financial years

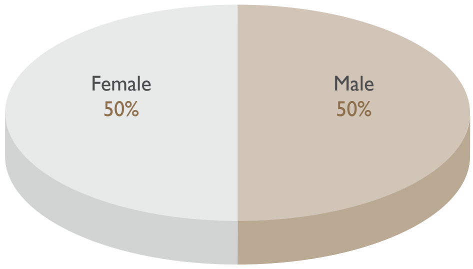
Total DBN Staff	2014	2016	2017
Employees at start of period	60	76	79
Recruitment	23	9	6
Resignations	(7)	(6)	(3)
Total	76	79	82

Workforce composition: 2017

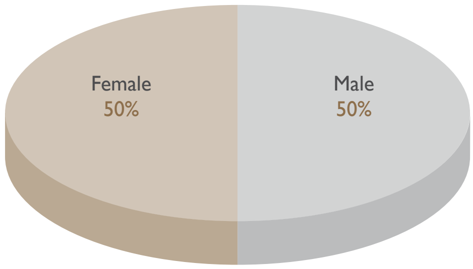


Our recruitment decisions were aligned with the deliverables of the DBN's employment equity plan and enhance workforce equality. During the reporting period, 86% of the new employees were from the previously disadvantage group and therefore the Banks representation of racially disadvantage employees amounts to 89%.

Gender equality: executive and middle management



Gender equality: executive management



During the period under review, 56% of the Bank's workforce consisted of women of which 40% of the workforce was previously disadvantage women. Women constitute 50% of the management cadre of the Bank as well as 50% of Senior Management.

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.

Staff turnover

Staff turnover decreased to 3.7% during the past financial year with an average turnover rate of 6.7% for the past three financial years.

Promotions

The DBN encourages its employees to develop their skills and seek advancement opportunities. The Bank is committed to career mobility of employees with the requisite qualifications and skills to perform the job responsibilities.

During the reporting period 11 employees were promoted within the Bank of which 91% are from the previously disadvantaged category.

Employee Onboarding

The Bank acknowledges the fact that to start a new job is a demanding and often stressful experience and also acknowledges the need to become accustomed to a new organization, new environment and new colleagues.

DBN follows a comprehensive and detailed onboarding process to support new employees, ensure their effective integration into and across the Bank and to make them feel welcome. The Bank's onboarding process is designed to enable new employees to:

- understand the organization holistically,
- understand the parameters in which they work (Standards of Conduct, Policies),
- to become fully effective in their role,
- establish effective working relationships with colleagues, managers and customers,
- and to establish a foundation for their training and development plans.

During 2017, a review of the induction and onboarding processes was done, which resulted in the enhancement of the programmes and initiatives that embody the induction and on-boarding processes. These include an exhaustive Induction Programme, which is conducted through presentations by all Heads of Departments in the organization, a buddy system and a prescribed process of ensuring that the new incumbent is informed comprehensively about the organization, the relevant functional unit and the job.
The probation management tools were enhanced in order to conduct a more holistic performance evaluation at 3 month intervals.

Recognition and reward philosophy

The DBN strives to be an employer of choice in its chosen market by creating an environment where people deliver great results and share in the value they create.

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

As prescribed by our remuneration philosophy, employees are remunerated fairly, equitably and consistently, based on individual performance, market remuneration trends, cost of living and availability of budgeted funds.

In addition to the normal statutory benefits such as various types leave, staff receive benefits such as a retirement fund which includes insured benefits (death and disability), medical aid, formal study support, and financial assistance to acquire their own residences by providing subsidized home loans.

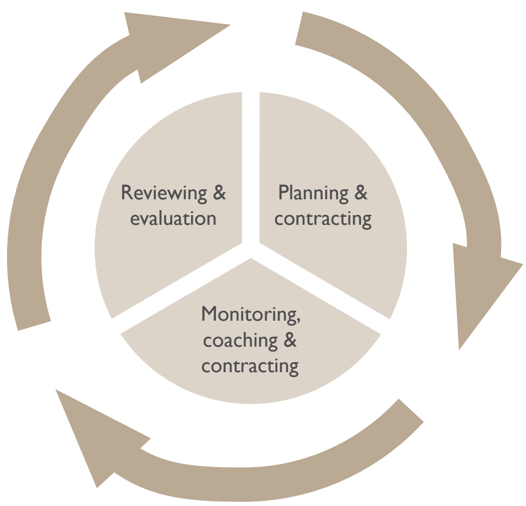
Currently 33 employees make use of the Bank's Housing scheme with a total exposure of N$ 71,228,641.

Performance management approach

The Bank, being serious about managing performance, used an integrated approach with other key business processes. Using the basic strategic performance management model, the Bank begins by defining it's strategy, determining Key Performance Areas, Key Performance Indicators and setting specific measurable goals for each KPI.

It then measures performance using the results to analyze the performance in order to extract and make better informed decisions which lead to actions and performance improvements.

The Bank's performance management cycle



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

The Bank's Performance Incentive Bonus scheme is directly linked to the Bank's Performance Management System. The main objective of the scheme is to encourage high performing employees through appropriate rewards that serve the retention of capacity.

Training and development

The Bank as a learning organization creates an environment that supports growth for individual capability and experience and, at the same time, increases business performance. Its objective is to integrate sustainability thinking into its culture and ensure that employees, through value addition, can effectively perform their jobs, gain competitive advantage and seek self-growth, a training and development process was established.

The Training and Development Unit provides support to ensure employees are developed in their personal and organisational skills, knowledge, abilities and attitudes. Training and Development focuses on employees as individuals. This ensures that each employee is trained to full job competence and supervised in such a way to be willing to give 100% performance at all times. This extends the range of development / growth, capacity building outside traditional work skills and knowledge, creating more exciting, liberating, motivational opportunities for employees and the Bank.

Benefits of training and development

Training and development seeks to:

increase knowledge of the Bank, its structure, its systems, procedures and goals,
improve attitudes towards the Bank, the work, the management or other employees
increases job satisfaction and morale.
provide for better interpersonal communication and service excellence,
develop a well-trained and committed workforce, and a positive image of the Bank,
improve risk management and employee safety consciousness,
increase productivity,
increase creativity and innovation in strategies and products, and
stay abreast with latest developments in functional areas.

The Bank has realigned the training and development strategy to a human resource development approach that integrates use of training and development, organisational development, career development and performance development to improve individual, group, and the Bank's effectiveness.

The Bank as a learning organization and its strategic training and development alignment, management's active involvement in training and development, and the training and development formalization including its implementation and evaluation are positively related to the Bank's performance.

Development programmes

The Bank offered revised curricula for the Development Programme for Development Financiers and the Credit Development & Franchising for Financiers Programmes. Employees in the departments of Lending, Credit Risk, Risk and Compliance, and Business Development completed the full programmes or individual modules of the programmes.

Short capacity enhancement programmes / courses

Employees of the Bank attended various short job-specific soft, professional and specialised technical programmes / courses aimed at building capacity.

Qualification-based interventions

The Bank encourages employees to embark on further studies for the acquisition of formal and / or professional qualifications that will assist employees in job performance and career expansion. The Bank financially assists employees who wish to obtain a formal qualification. Currently 11 employees are enrolled towards professional qualifications relevant to their jobs through Institutions of higher learning. Nine employees successfully completed their programs during the period under review.

Organisational development (I-Transform Session)

The I-Transform session was arranged to commence a bank-wide discussion from an appreciative approach to hear employees and especially to tap into their hopes and inspirations.

The facilitation was aimed at guiding all employees to reflect on their own sense of engagement and ownership of the Bank and its processes.

It included a motivational talk as well as a facilitated small group sharing. The outcome of the process was used as one of the foundations for building the Transformational Leadership workshop for Senior and Middle Managers.

Transformational leadership workshop

The Bank's senior management and middle management went through a professional skills development workshop to build capacity to respond to complexities in the execution of the Bank's mandate using systems thinking approaches. The intervention, presented as a facilitated process that integrates both theory and practice, also strengthened the synergy of the diverse team towards leveraging their expertise for the attainment of a viable, sustainable and effective organisation.
A key outcome of the workshop was that it contributed towards a more effective and cohesive functioning team as well as a viable and effective organisation, and a healthy emphasis and focus on both task and relationship needs were created.

Employee wellness

Wellness initiatives are implemented to support and educate employees in enhancing holistic wellbeing. The Employee Wellness Programme consists of employee appreciation gestures, information dissemination and awareness session and interventions, wellness screenings and outreach activities.

2017 Headquarters staff during a casual day

Walvis Bay staff

Ongwediva staff

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.

2017 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 various trade shows across Namibia.

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 The Delight Hotel in Swakopmund, which strengthens tourism in the Erongo Region, and creates notable employment in the industry.

The Emerging Enterprise Category was won by Ocotagon Construction, a company that specialises in roads, bridges, municipal services, earth works, building structures and housing development projects.

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 Kiyomisandz Beauty Products, which manufactures cosmetics.

2017 publications

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 2016 Annual Report and the Development Impact Report.

Environmental and social communication

Through an internal programme, the DBN discusses environmental, occupational health and safety, and community issues, raise awareness and harnesses the talents of staff.

Throughout the year, the DBN publishes topic-specific content, such as alerts, or shares information internally and externally, to educate staff and engage with external stakeholders on the evolving environmental landscape and the DBN's requirements concerning these matters.

2017 corporate social investment

DBN's Corporate Social Investment policy was approved by the Board on 14 April 2016.

While the DBN's biggest contribution in the country is financing of economic activities, voluntary community investment programmes offer the Bank an important additional avenue to enhance positive impacts and socio-economic benefits, so augmenting its socio-economic footprint as a good corporate citizen.

As a signatory to the Namibia Financial Sector Charter, the DBN will annually, in April each year, contribute to corporate social investment an amount of at least 1% of its estimated profit, based on the figures of the previous year, of which at least 50% will be dedicated to poverty alleviation programmes.

The Bank's corporate social investment focuses on enterprise development, skills development and improvement, environmental and biodiversity management, community safety and health management, education and educational related activities, and poverty alleviation programs.

During the year under review, DBN sponsored or made donations to the following initiatives and instances, among others:

Project	Purpose of Donation
Omalaeti Media SOE Symposium	Enterprise development - support for implementation of the 1st media conference for State Owned Enterprises.
Walvis Bay Corridor Group Logistics Hub Project	Enterprise development - support for skills development in the logistics sector.
Luderitz Crayfish Festival	Enterprise development - support for implementation of the crayfish festival.
Otavi Investment Expo	Enterprise development - support for implementation of the Otavi Expo.
Prisa Namibia Region	Enterprise development - support for public relations industry initiatives.
One Economy Foundation	Enterprise development - support for launch of the Foundation.
Oonte OVC Organisation	Poverty alleviation - funds to support initiatives of Oonte OVC.
Helao Nafidi Town Council	Enterprise development - support for implementation of the Town Council Expo.
National Youth Council Winter Charity	Poverty alleviation - shack dwellers charity drive to build low cost housing.
African Drought Conference	Environmental and biodiversity management - support for the Ministry of Environment and Tourism awareness campaign for the drought relief conference.
Red Cross Drought Relief Campaign	Community investment - support the National Red Cross Drought relief initiatives.
Oshakati Totem Expo	Enterprise development - support for implementation of the Annual Oshakati Expo.
Cosmos Digital Namibia	Community investment - support for the National Red Cross Campaign.
Zambezi Education Foundation	Education - assistance with launch of the Foundation.
Khorixas Town Council & NCCI	Enterprise development - training of SMEs in Khorixas.
Romanus Kamunoko Secondary School	Education - construction of a school hall.
Namibia Mental Health Organization	Enterprise development and health management - half-day workshop on skills development and community health management.
Schlip Primary School	Education - chairs for pre-primary learners.
Harold Pupkewitz Graduate School of Business	Enterprise development - half-day workshop on Namibia's thought leadership, hosted by the Business School.
Swakopmund Municipality	Community investment - Christmas dinner for the pensioners.
Mariental Municipality	Community investment - Christmas dinner for the pensioners and people living with disabilities.
Harambee Youth Service	Enterprise development - certificates for 20 youth graduates in entrepreneurship.
Youthia	Skills development and improvement - youth community program in Katutura.
NBII Business Plan Competition	Enterprise development - 1st prize for the overall Business Plan Competition host by NBII.
Tutaleni Primary School	Education - chairs for upper primary learners.
National Disability Council	Enterprise development - entrepreneurship training programme for those living with disabilities.
Omayembeko Hope Foundation	Enterprise development and health management - 3-day training workshop for mothers living with HIV / AIDS in the Karas Region.
Given Hope School	Education - contribution towards building of a classroom for a pre-primary school.

Index

Directors' Responsibility Statement
for the year ended 31 March 2017

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 2017, 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, other explanatory notes and the directors' report, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

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 30 June 2017, and are signed on their behalf by:

Tania Hangula
Chairperson
30 June 2017

Martin Inkumbi
Chief Executive Officer
30 June 2017

Independent Auditor's Report
for the year ended 31 March 2017

To the member of the Development Bank of Namibia Limited

Opinion

We have audited the financial statements of Development Bank of Namibia Limited, set out on pages 37 to 79, which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' report.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Development Bank of Namibia Limited as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Namibia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises of:

- Mandate of the bank
- Comparative reporting periods
- Chairperson's report
- CEO's report
- Board of directors
- Governance
- Board committees and membership
- Litigation and claims
- Certification and compliance
- 2017 Stakeholder summary
- Executive management and committees
- Total approvals since inception
- Lending and impact
- Risk and compliance
- Environmental and social management
- Human resources and operations support
- Outreach, communication and corporate social investment
- Corporate philosophy

The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

Independent Auditor's Report (continued)
for the year ended 31 March 2017

To the member of the Development Bank of Namibia Limited

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG

KPMG
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Per: S. Rosado
Partner, Windhoek
30 June 2017

De Merindol Office Park
30 Schanzen Road
Windhoek
Namibia

Directors' Report
for the period ended 31 March 2017

The Directors have pleasure in presenting this report as part of the annual financial statements of the Development Bank of Namibia Limited for the year ended 31 March 2017.

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

In the prior year, it was resolved that the financial year of the Bank change from the last day in December of each year to the last day in March of each year with effect from 1 January 2015. Thus the 2016 results and cash flows encompass 15 months while 2017 only has 12 months. The reason for the change in the financial year end is to coincide with the financial year of the Government of the Republic of Namibia, the shareholder of the Bank.

The financial statements, for the financial year ended 31 March 2017, on pages 39 to 79 set out fully the financial position, results of operations and cash flows of the Bank.

Comparative amounts represent a 15 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 pages 6 to 7 of the Annual Report.

Dividend

Dividends of N$20,876,571 have been declared in the current financial year (2016: Nil). Dividends declared in the current year and 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.

The issued share capital remained at N$ 165 million (2016:N$ 165 million) and the share premium at N$ 1,842.1 million (2016: N$ 1,842.1 million).

Interest of Directors

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

Director's Report (continued)
for the period ended 31 March 2017

Directorate and Secretariat

The members of the Board of the Development Bank of Namibia during the year and at the date of this report were as follows:

- Tania Hangula (Chairperson)
- Muetulamba Shingenge-Haipinge
- Emma Haiyambo
- Tabitha Mbome
- Albie Basson
- Justus Hausiku (resigned 29 March 2017)
- 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$ 5,131,051 (2016: N$ 3,381,263), employees tax N$ 14,397,434 (2016: N$ 13,222,187) and withholding tax was nil (2016: N$ nil).

Changes in Accounting Policies

In all material respects, the accounting policies applied during the year ended 31 March 2017 are consistent with those applied in the annual financial statements for the year ended 31 March 2016, as no changes in accounting policies were affected in either years.

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 2017

N$	Notes	*12 Months* 2017	*15 Months* 2016
Interest income	4	550,028,623	447,075,608
Interest expense	5	(211,573,363)	(107,292,913)
Net interest income	5	338,455,260	339,782,695
Fee and commission income	6	37,156,265	25,104,575
Revenue		375,611,525	364,887,270
Other income	7	4,020,425	63,973,784
Fair value adjustments on loans and receivables	9	(6,448,414)	(4,848,346)
Fair value gain / (loss) on cross currency swap	19.1	37,942,965	(62,969,249)
Foreign exchange (loss) / gain on loan		(41,605,724)	35,183,176
Net impairment on loans and advances	14	(93,782,232)	(81,015,861)
Operating expenses	8	(103,716,279)	(106,445,067)
Profit before tax		172,022,266	208,765,707
Tax expense	10	-	-
Profit for the year		172,022,266	208,765,707
Profit for the year		172,022,266	208,765,707
Other comprehensive income, net of income tax		29,261,256	(2,063,103)
Items that may be reclassified subsequently to profit or loss			
Net change in fair value on available-for-sale financial assets	22.2	8,659,009	(185,986)
Cash flow hedge: effective portion of changes in fair value on interest rate swap	22.3	13,114,278	(6,096,667)
Items that will not be reclassified subsequently to profit or loss			
Revaluation gain on property	**22.1**	7,487,969	4,219,550
Total comprehensive income		201,283,522	206,702,604

Statement of Financial Position
as at 31 March 2017

N$	Note	2017	2016
Assets			
Cash and cash equivalents	11	661,638,928	387,043,770
Trade and other receivables	12	11,625,797	10,684,134
Staff home ownership scheme loans	15	56,938,551	38,594,951
Loans and advances to customers	13	6,724,049,829	3,807,136,815
Equity investments	17	296,570,098	287,911,089
Property and equipment	16	65,742,549	59,877,789
Intangible assets	18	2,406,066	2,526,128
Total assets		7,818,971,818	4,593,774,676
Liabilities			
Bank overdraft	11	167	449,169,400
Trade and other liabilities	19	17,886,074	22,588,564
Debt securities issued	19.2	189,882,227	196,518,229
Term loan facilities	19.3	911,966,986	911,037,393
Call loan facilities	19.4	155,706	-
Line of credit facility	19.5	3,537,289,999	-
Dividends retained for redeployment	20	30,709,190	12,729,330
Derivative held for risk management	19.1	75,880,838	126,938,080
Total liabilities		4,763,771,187	1,718,980,996
Equity			
Share capital and share premium	21	2,007,071,178	2,007,071,178
Retained earnings		1,013,399,901	862,254,206
Reserves	22	34,729,552	5,468,296
Total equity		3,055,200,631	2,874,793,680
Total liabilities and equity		7,818,971,818	4,593,774,676

Statement of Changes in Equity
for the period ended 31 March 2017

N$	Share capital	Share premium	Revaluation reserve on Land and Buildings	Fair value reserve	Cash flow hedge reserve	Retained earnings	Total
	Share capital and share premium						
Balance at 1 April 2016	165,000,000	1,842,071,178	25,959,311	3,936,598	(24,427,613)	862,254,206	2,874,793,680
Total comprehensive income for the year	-		7,487,969	8,659,009	13,114,278	172,022,266	201,283,522
Profit for the year	-	-	-	-	-	172,022,266	172,022,266
Other comprehensive income, net of tax	-	-	7,487,969	8,659,009	13,114,278	-	29,261,256
Transfer to dividend retained for redeployment	-	-	-	-	-	(20,876,571)	(20,876,571)
Balance at 31 March 2017	165,000,000	1,842,071,178	33,447,280	12,595,607	(11,313,335)	1,013,399,901	3,055,200,631
Note	*21*	*21*	*22.1*	*22.2*	*22.3*		

N$	Share capital	Share premium	Revaluation reserve on Land and Buildings	Fair value reserve	Cash flow hedge reserve	Retained earnings	Total
	Share capital and share premium						
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 year	-	-	4,219,550	(185,986)	(6,096,667)	208,765,707	206,702,604
Profit for the year	-	-	-	-	-	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*		

Cash Flow Statement
for the year ended 31 March 2017

N$	Note	*12 Months* 2017	*15 Months* 2016
Cash flows utilised in operating activities			
Cash receipt from customers	B	593,536,413	467,251,303
Cash paid to suppliers and employees	C	(273,061,756)	(196,387,001)
Cash flows from operating activities	A	320,474,657	270,864,302
Government grants received		-	50,000,000
Dividends retained for redeployment payments		(2,896,711)	(3,672,908)
Increase in income earning assets	D	(3,084,440,240)	(1,690.714,601)
Net cash utilised in operating activities		(2,766,862,294)	(1,373,523,207)
Cash flows utilised by investing activities		(2,286,753)	(9,262,307)
Acquisition of property and equipment		(1,696,855)	(6,912,566)
Proceeds from disposal of property and equipment		8,497	15,650
Acquisition of intangible assets		(598,395)	(2,365,391)
Cash flows from financing activities		3,492,913,438	1,041,100,740
Proceeds from issue of shares		-	143,100,740
Funding liabilities raised - debt securities		187,757,732	245,000,000
Funding liabilities raised - other		-	870,000,000
Funding liabilities raised - call loan facility		130,000,000	-
Funding liabilities raised - line of credit facility		3,500,000,000	-
Funding liabilities paid - debt securities		(195,000,000)	(250,000,000)
Funding liabilities paid - call loan facility		(129,844,294)	-
Proceeds from cash deposits		-	33,000,000
Net increase / (decrease) in cash and cash equivalents		723,764,391	(341,684,774)
Cash and cash equivalents at the beginning of the year	11	(62,125,630)	279,559,144
Cash and cash equivalents at the end of the period	11	661,638,761	(62,125,630)

Cash Flow Statement (continued)
for the year ended 31 March 2017

N$	Note	*12 Months* 2017	*15 Months* 2016
A. Cash generated by operations			
Profit for the year		172,022,266	208,765,707
Adjusted for:			
Unwinding of discounted present value on off-market loans		(3,832,369)	(4,188,883)
Fair value adjustments of off-market loans		6,448,414	4,848,346
Depreciation and amortisation		4,024,299	3,754,247
Net impairment on loans and advances		104,961,858	86,237,955
Net (gain) / loss on cross currency swap		(37,942,965)	62,969,249
Foreign exchange loss / (gain) on loan		41,605,724	(35,183,176)
Loss / (gain) on disposal of assets		5,725	(10,003)
Government grants		-	(63,619,484)
Accrued interest		38,825,858	8,010,012
		326,118,810	271,583,970
(Increase) / decrease in trade receivables		(941,663)	(5,150,389)
Increase / (decrease) in trade payables		(4,702,490)	4,430,721
		320,474,657	270,864,302
B. Cash receipts from customers			
Interest income		544,048,602	436,570,335
Bad debts recovered		11,179,626	5,222,094
Fee & dividend income		38,308,185	25,458,875
		593,536,413	467,251,303
C. Cash paid to suppliers and employees			
Interest expense		(172,532,268)	(98,118,972)
Operating expenditure		(100,529,488)	(98,268,029)
		(273,061,756)	(196,387,001)
D. Change in income earning assets			
Staff home ownership scheme loans		(22,051,108)	(12,686,848)
Loans and advances		(3,062,389,132)	(1,583,449,689)
Equity investments		-	(94,578,064)
		(3,084,440,240)	(1,690,714,601)

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 are measured at re-valued amounts; and
- 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 Dollar, 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 over investee

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

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

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:

- Impairment of loans and advances (note 3.10.7)
- Derivatives and hedge accounting (note 3.16)
- Equity investments (note 3.10.11)

Notes 13, 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 or more 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 I 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 property revaluation reserve (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 property and equipment, 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 has 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, deposits, 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 and 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

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

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

Debt securities, call facilities, line-of-credit facilities 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 was 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 special-purpose 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, then the Bank uses valuation technique that maximise the use of relevant observable input and maximise 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 Bank measures assets and long positions at a bid price and liabilities and short position 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 its carrying amount is greater than its estimated recoverable amount.

At each reporting date the Bank assesses whether there is objective evidence that a financial assets or group of financial assets is impaired. A financial asset or a group of financial assets is 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 Bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Bank 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 (trade receivables),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 28.1 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 release 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

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

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 are 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 exists.

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 comprehensive income as a reclassification adjustment. The amount of cumulative loss reclassified from equity to comprehensive income 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.

Overdrafts facilities that are repayable 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 receivables 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 other comprehensive income.

The fair value reserve comprises the cumulative net change in fair value of 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 net realisable value and its value in use. Net realisable value is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value-in-use, the expected future cash flows from the asset are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risks specific to the asset.

3.12 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events,

3. Significant accounting policies (continued)
3.12 Provisions (continued)

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.

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 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. Contingent liabilities are not recognised in the statement of financial position, but disclosed in notes to the financial statements.

3.15 Commitments

Items are classified as commitments where the Bank has committed itself to future transactions. Commitments are not recognised in the statement of financial position, but are disclosed in the notes to the financial statements.

3.16 Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

The Bank designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships.

On initial designation of the hedge, the Bank formally documents the relationship between the hedging instruments(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method the will be used to assess the effectiveness of the relationship.

The Bank makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%.

The Bank makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Note 19.1 sets out details of the fair values of the instruments used for hedging purposes.

3.16.1 Cash flow hedges

The effective portion of changes in the fair value of the interest rate swap that 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 gain / loss on cross currency swap" line item.

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

3.17 Comparatives

Comparatives have been restated to conform with disclosures in the current year.

Summary of standards and interpretations issued

The relevant Standards and Interpretations which are not yet effective and which should be disclosed for March 2017 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 2017 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. Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below. • The Bank plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS generally will be recognised in retained earnings and reserves as at 1 January 2018. • New hedge accounting requirements should generally be applied prospectively. However the Bank may elect to apply the expected change in accounting for forward points retrospectively. The Bank has not made a decision in relation to this election. • The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application. - The determination of the business model within which a financial asset is held. - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL. - The designation of certain investments in equity instruments not held for trading as at FVOCI.

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

New or amended standards	Effective date	Summary of requirements	Possible impact on 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. The Bank has elected to apply the cumulative effect approach.
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.
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 2017, and do not have a significant impact on the financial statements:

New or amended standards	Effective date	Summary of requirements
IFRS 14 Regulatory Deferral Accounts	1 January 2016	IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	"Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to: clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset."

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

The following amendments were effective at 31 March 2017, and do not have a significant impact on the financial statements:

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.
Amendments to IAS 16 and IAS 38: Classification of Acceptable Methods of Depreciation and Amortisation	Applicable to annual periods beginning on or after 1 January 2016	Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.
Annual Improvements 2012 -2014 Cycle- various standards	Applicable to annual periods beginning on or after 1 January 2016	Makes amendments to the following applicable standards: IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements

N$	*12 Months* 2017	*15 Months* 2016
4. Interest income		
Received on financial assets measured at amortised cost:		
Cash and cash equivalents	16,718,712	22,334,930
Loans and advances to staff	4,347,387	3,688,586
Unwinding of fair value adjustments to loans and receivables	3,832,369	4,188,883
Loans and advances to customers : performing	483,403,771	379,224,823
Loans and advances to customers : non-performing	37,217,235	34,033,675
Dividend income on preference shares in loan book	4,509,149	3,604,711
	550,028,623	447,075,608
5. Interest expense		
Incurred on financial liabilities measured at amortised cost:		
Debt securities issued	16,381,550	24,194,095
Wholesale funding	2,385,719	253,000
Other loan facilities	192,806,094	82,619,849
Trade payables	-	225,969
	211,573,363	107,292,913
Net interest income	338,455,260	339,782,695

N$	*12 Months* 2017	*15 Months* 2016
6. Fee and commission income		
Guarantee fees	10,506,384	9,430,739
Front-end fees	24,543,123	15,606,780
Other fees received	2,106,758	67,056
	37,156,265	25,104,575

7. Other income

Subsidy - Government Grant *	2,868,505	63,619,484
Dividend income	1,151,920	354,300
	4,020,425	63,973,784

* 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.

There was no subsidy received in the year under review (2016: N$ 50 million). The development expenditure associated with the grant conditions amounted to N$ 2,868,505 (2016: N$ 63,619,484) for the financial year, and subsequently recognised as income reducing the deferred Government subsidy to Nil (2016: N$ 2,868,505) at the end of the period. Refer to note 19.

8. Operating expenses

N$	*12 Months* 2017	*15 Months* 2016
Auditors' remuneration		
- audit fees	1,338,511	1,171,485
- other services	57,353	-
Directors' fees - for services as directors	1,280,839	1,031,309
- for management services	2,523,735	2,935,919
Depreciation and amortisation	4,024,299	3,754,247
Loss / (gain) on disposal of asset	5,725	(10,003)
Professional services	4,278,425	2,845,752
Salaries and personnel costs	69,121,118	69,929,721
Operating leases:		
- buildings	105,306	239,633
- equipment	657,070	950,110
- motor vehicle	253,630	335,679
Other expenditure:		
- information technology services	3,203,520	4,058,979
- promotions and marketing	3,326,800	3,374,021
- training and development	1,938,311	2,380,220
- other operational expenditure	11,601,637	13,447,995
Total operating expenditure	103,716,279	106,445,067
Number of employees	83	80

8.1 Directors emoluments

8.1.1 Chief Executive Officer

N$	*12 Months* 2017	*15 Months* 2016
Pensionable salary - M Inkumbi	1,673,829	2,057,942
Bonus	477,980	450,925
Company contributions to pension and medical aid schemes	371,926	427,052
	2,523,735	2,935,919

8.1.2 Non-executive directors

N$	*12 Months* 2017	*15 Months* 2016
T Hangula (Chairperson)	222,931	34,530
T Mbome	229,396	203,209
E Haiyambo	199,144	172,039
M Shingenge-Haipinge	209,228	200,090
A Basson	274,776	201,529
J Hausiku	145,364	104,430
P Akwenye (tenure ended 31 July 2015)	-	115,482
	1,280,839	1,031,309

8.1.3 Schedule of directors' fees

N$	*12 Months* 2017	*15 Months* 2016
Chairperson's quarterly fee	21,531	21,531
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	8,404
Subcommittee sitting fee (per hour)	1,681	1,681

9. Fair value adjustment on loans and receivables

N$	2017	2016
Staff home loans	6,448,414	4,848,346
	6,448,414	4,848,346

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 it's fair value and the difference between it's 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).

11. Cash and cash equivalents

	2017	2016
Bank balances and call deposits	138,960,737	374,082,869
Short term fixed deposits with local banks	522,678,191	12,960,901
	661,638,928	387,043,770
Bank overdraft	(167)	(449,169,400)
	661,638,761	(62,125,630)

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

12. Trade and other receivables

	2017	2016
Prepaid expenses	642,036	41,676
Other receivables	635,349	702,982
Inland Revenue - withholding tax	444,080	444,080
Accrued income	8,943,400	9,468,300
Deposits	27,096	27,096
Accrued interest on short term fixed deposits with local banks	933,836	-
	11,625,797	10,684,134

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

13. Loans and advances to customers

13.1 Category analysis

N$		2017	2016
Installment sales		315,516,587	330,654,389
Preference share advances		70,419,935	52,810,412
Guarantees honored by Bank		10,398,854	3,957,778
Term loans		6,542,673,069	3,581,211,384
Notional value of loans and advances		6,939,008,445	3,968,633,963
Impairment of loans and advances	14	(214,958,616)	(161,497,148)
Loans and advances, including guarantees honoured		(210,887,466)	(156,334,535)
Fair value adjustment on off -market Development Fund loans		(683,479)	(920,212)
Fair value adjustment on off-market loan		(3,387,671)	(4,242,401)
Net loans and advances		6,724,049,829	3,807,136,815

13.2 Sectoral analysis

N$	Note	2017	2016
Agriculture including fishing		21,200,634	39,717,839
Building and property development		543,105,462	352,503,543
Government and public authorities		4,152,814,922	1,745,904,681
Manufacturing and commerce		564,782,211	470,583,412
Mining		6,554,869	7,148,806
Transport and communication		224,885,546	277,984,513
Medical services		96,031,184	91,547,684
Financial institutions		223,438,978	242,865,322
Hotel and tourism		341,996,744	214,631,038
Business services		764,197,895	525,747,125
Notional value of advances		6,939,008,445	3,968,633,963
Impairment of loans and advances	14	(214,958,616)	(161,497,148)
Net loans and advances		6,724,049,829	3,807,136,815

13.3 Maturity structure per contractual maturity date

N$	2017	2016
Repayable on demand	77,483,431	57,257,611
One year or less but not repayable on demand	1,053,128,603	966,777,340
Three years or less but over one year	324,476,106	379,932,548
Five years or less but over three years	500,296,620	521,948,899
Over five years	4,768,665,069	1,881,220,417
Net loans and advances	6,724,049,829	3,807,136,815

13.4 Geographical analysis

N$	2017	2016
Namibia – net loans and advances	6,724,049,829	3,807,136,815

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

14. Impairment of loans and advances

N$ 2017	Total Impairment	Specific Impairment	Portfolio Impairment	Profit or Loss
Opening balance	161,497,147	153,155,711	8,341,436	-
Amounts written off against impairment provision	(44,759,991)	(44,759,991)	-	-
Unwinding of fair value adjustments	(1,091,463)	(1,091,463)	-	(1,091,463)
New impairments created	178,488,332	178,488,332	-	179,579,795
- Non-performing loans: Provisions	120,742,766	120,742,766	-	121,834,229
- Non-performing loans: Interest in suspense	43,789,051	43,789,051	-	43,789,051
- On loan written off during the year	13,956,515	13,956,515	-	13,956,515
Recoveries of bad debts previously written off	-	-	-	(11,179,626)
Provisions reversed	(79,175,409)	(78,635,931)	(539,478)	(73,526,474)
Closing balance	214,958,616	207,156,658	7,801,958	93,782,232

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)	(67,199,239)
Closing balance	161,497,147	153,155,711	8,341,436	81,015,861

N$ **Non-performing loans by sector** 2017	Credit Risk	Security	Contractual Interest Suspended	Impairment Provision
Agriculture including fishing	11,148,184	1,445,190	1,556,047	1,668,627
Building and property development	118,941,592	41,923,010	12,963,165	41,009,587
Business services	82,173,095	36,043,216	8,743,413	23,162,618
Financial institutions	204,802	-	23,429	36,275
Hotel and tourism	49,244,040	32,985,363	10,724,466	8,271,225
Manufacturing and commerce	142,775,641	60,871,045	16,529,970	47,849,810
Medical services	18,170,898	8,403,475	415,374	9,048,632
Mining	6,124,527	3,412,585	1,013,237	1,583,083
Transport and communication	53,936,846	40,488,628	9,525,481	9,328,242
Total non-performing loans	482,719,625	225,572,512	61,494,582	141,958,099

14. Impairment of loans and advances (continued)

Non-performing loans by sector

N$ 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	19,013,151
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	4,246,643	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

Non-performing loans by category

N$ 2017	Credit Risk	Security	Contractual Interest Suspended	Impairment Provision
Guarantees	38,967,845	4,746,251	255,480	6,815,003
Preference Shares	17,257,831	-	2,255,062	8,974,577
Installment sales	118,242,696	61,854,409	14,551,743	19,806,288
Term loans	308,251,253	158,971,852	44,432,297	106,362,231
Total non-performing loans	482,719,625	225,572,512	61,494,582	141,958,099

Non-performing loans by category

N$ 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

15. Staff home ownership scheme loans

N$	2017	2016
Staff home ownership scheme loans	56,938,551	38,594,951

The Bank operates a home ownership scheme,in terms of which, mortgage bonds are provided to the Bank employees at reduced interest rates. Loans are provided to a maximum of four (4) times the pensionable salary, including all costs.

Staff home loans are deemed as off-market loans as they represent loans granted to staff members at lower than market related rates. The fair value adjustment at initial recognition regarding off-market staff home loans granted for the current reporting period amounted to N$ 3,707,508 (2016: N$ 4,848,346).

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 01 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)
Gain: Revaluation	(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
Balance at 1 April 2016	21,754,000	41,829,533	664,931	10,107,894	74,356,358
Additions	-	651,762	348,554	696,539	1,696,855
Disposals	-	-	-	(91,091)	(91,091)
Revaluation gain / (loss)	4,192,000	3,295,969	-	-	7,487,969
Balance at 31 March 2017	25,946,000	45,777,264	1,013,485	10,713,342	83,450,091
Accumulated depreciation and impairment					
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)
Balance at 1 April 2016	-	(7,110,533)	(161,545)	(7,206,491)	(14,478,569)
Eliminated on disposals of assets	-	-	-	76,869	76,869
Depreciation expense	-	(1,916,731)	(138,794)	(1,250,317)	(3,305,842)
Balance at 31 March 2017	-	(9,027,264)	(300,339)	(8,379,939)	(17,707,542)
Carrying amount					
As at 31 March 2016	21,754,000	34,719,000	503,386	2,901,403	59,877,789
As at 31 March 2017	25,946,000	36,750,000	713,146	2,333,403	65,742,549

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 (2016: nil). The carrying amount, if carried under the cost model as at 31 March 2017 was N$ 29,681,612 (2016: 29,842,436).

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 the useful lives and residual values of furniture and equipment. The review has not led to any change in estimations of the useful lives of any class of assets. No assets of the Bank are encumbered or carry any restrictions.

Details of the Bank's freehold land and buildings and information about the fair value hierarchy as at 31 March 2017 is as follows:

N$ 2017	Level 1	Level 2	Level 3	Total
Land	-	7,500,000	18,446,000	25,946,000
Buildings	-	8,200,000	28,550,000	36,750,000
	-	15,700,000	46,996,000	62,696,000

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

16. Property and equipment (continued)

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

N$ 2017	Level 2		Level 3		
	Land	Buildings	Land	Buildings	Total
Depreciation recognised in profit or loss	6,375,000	7,500,000	15,379,000	27,219,000	56,473,000
Additions	-	61,984	-	589,779	651,762
Fair value gains or (losses) recognised in other comprehensive income	1,125,000	1,015,370	3,067,000	2,280,599	7,487,969
Transfers into Level 2	-	(377,354)	-	1,538,377	(1,916,731)
Fair value at 31 March 2017	7,500,000	8,200,000	18,446,000	28,550,000	62,696,000

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$ 70,319,725 (2016: N$ 63,048,175) and using more negative reasonable assumptions to N$ 60,289,275 (2016: N$ 53,235,160).

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 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
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
Fair value adjustment	7,276,350	1,382,659	8,659,009
Balance at 31 March 2017	52,570,098	244,000,000	296,570,098
Dividend income recognised in profit or loss	1,151,920	-	1,151,920
Director's valuation of unlisted equity investments	52,570,098	244,000,000	296,570,098

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

** There was no change in the Shareholding in Ohorongo Cement (Pty) Ltd 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 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
Balance at 1 April 2016	10,538,492	560,344	11,098,836
Additions	598,395	-	598,395
Transfers	471,526	(471,526)	-
Balance at 31 March 2017	11,608,413	88,818	11,697,231
Accumulated amortisation and impairment			
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)
Balance at 1 April 2016	(8,572,708)	-	(8,572,708)
Amortisation for the year	(718,457)	-	(718,457)
Balance at 31 March 2017	(9,291,165)	-	(9,291,165)
Carrying amount			
As at 31 March 2016	1,965,784	560,344	2,526,128
As at 31 March 2017	2,317,248	88,818	2,406,066

19. Trade and other liabilities

N$	2017	2016
Trade payables	2,130,611	4,691,553
Receiver of Revenue	(126,665)	(216,023)
Deferred guarantee fee income	2,045	998,522
Deferred Government Subsidy - SDF	-	2,868,505
Salary related payables	15,880,083	14,246,007
	17,886,074	22,588,564

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.

19.1 Derivative held for risk management

N$	2017		2016	
	Asset	**Liability**	**Asset**	**Liability**
Balance at beginning of year	-	126,938,080	-	57,872,165
Instrument type:			-	
Foreign exchange	-	(37,942,965)	-	62,969,249
Interest rate	-	(13,114,278)	-	6,096,667
Balance at end of year	-	75,880,838	-	126,938,080

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 2017, net gains of N$ 37,942,965 (2016: net losses N$ 62,969,249) relating to the forex portion of the hedge were recognised in profit or loss for the year, while net gains of N$ 13,114,278 (2016: net losses N$ 6,096,666) 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 carried 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**
N$			
2017	2,350,434	9,401,735	7,834,780

Changes in Level 3 fair value of financial liabilities	**Instrument type**	
N$	Foreign exchange	Interest rate
Fair value at 31 March 2016	102,510,468	24,427,613
Total gain recognised in profit or loss	(37,942,965)	-
Total gain recognised in other comprehensive income	-	(13,114,278)
Fair value at 31 March 2017	64,567,503	11,313,335

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 29 for more information.

19. Trade and other liabilities (continued)

19.2 Debt securities issued

N$	2017	2016
Balance at 1 April 2016 / 1 January 2015	196,518,229	201,545,611
Promissory notes issued	187,757,732	245,000,000
Interest payable	15,748,980	22,675,866
Interest paid	(15,775,284)	(24,221,477)
Promissory notes repaid	(195,000,000)	(250,000,000)
Interest accrued	632,570	1,518,229
Balance at 31 March 2017 / 31 March 2016	189,882,227	196,518,229

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 2017 and 31 March 2016.

N$	2017	2016
Debt securities at amortised cost:		
Floating-rate	189,882,227	196,518,229
	189,882,227	196,518,229

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

N$	2017	2016
19.3 Term loan facilities		
Facilities from banks	878,966,986	878,037,393
Medium term loan facility ("MTL")	677,467,944	676,546,983
Term loan	201,499,042	201,490,410
Fixed term cash deposits	33,000,000	33,000,000
	911,966,986	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 2017.

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 liabilities are held at amortised cost.

19.4. Call loan facilities

N$	2017	2016
Facilities from banks		
Call loan facility		
Opening balance	-	-
Drawn	130,000,000	-
Interest payable	3,523,129	-
Interest paid	(3,523,129)	
Capital repaid	(129,844,294)	-
	155,706	-

19.5 Line of credit facility

N$	2017	2016
Opening balance	-	-
Drawn	3,500,000,000	-
Interest payable	39,244,932	-
Interest paid	(39,244,932)	-
Accrued interest	37,289,999	-
	3,537,289,999	-

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

20. Dividends retained for redeployment

N$	2017	2016
Balance at beginning of year	12,729,330	16,402,238
Dividend declared from retained earnings	20,876,571	-
Disbursements	(2,896,711)	(3,672,908)
Client support & development fund	(441,782)	(175,709)
Innovation fund	(201,563)	(380,000)
Project Preparation Fund	(2,253,366)	(3,117,199)
Balance at end of year	30,709,190	12,729,330

Dividends declared in 2008 to 2010, and in 2016, 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.

21. Share capital and share premium

N$	2017	2016
Share capital		
Authorised		
2,000 Ordinary shares of N$100,000 each	200,000,000	200,000,000
Issued		
Share capital: 1,650 (2016: 1,650) Ordinary shares of N$100 000 each.	165,000,000	165,000,000
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	115,856,740
Share premium: 5 Ordinary shares of N$4 868 800.00 each	24,344,000	24,344,000
	1,842,071,178	1,842,071,178
Total share capital and share premium	2,007,071,178	2,007,071,178

The Bank has one class of ordinary shares which carry no right to fixed income. All issued shares are fully paid up.

Each share is entitled pari passu to dividend payments or any other distribution.

22. Reserves

22.1 Revaluation reserve on land and buildings

N$	2017	2016
Balance at beginning of period	25,959,311	21,739,761
Gain on revaluation of land and buildings	7,487,969	4,219,550
Balance at end of year	33,447,280	25,959,311

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

22.2 Fair value reserve

N$	2017	2016
Balance at beginning of period	3,936,598	4,122,584
Gain on revaluation of available-for-sale financial assets	8,659,009	(185,986)
Balance at end of year	12,595,607	3,936,598

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

22.3 Cash flow hedging reserve

N$	2017	2016
Balance at beginning of year	(24,427,613)	(18,330,946)
Unrealised gain / (loss) on cash flow hedge	13,114,278	(6,096,667)
Balance at end of year	(11,313,335)	(24,427,613)
Net balance at the end of the year	34,729,552	5,468,296

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.

23. Loan commitments and contingent liabilities

N$	2017	2016
Irrevocable commitments in respect of loans approved	781,955,136	623,208,383
Guarantees issued	180,148,494	177,233,461
Letters of credit	4,951,179	23,490,614
Performance and demand guarantees	175,197,315	153,742,847
	962,103,630	800,441,843

24. Capital commitments

N$	2017	2016
Capital expenditure authorised:		
Not yet contracted for	3,616,646	2,273,719

25. Lease commitments

N$	*12 Months* 2017	*15 Months* 2016
Operating lease commitments:		
Buildings	1,451,095	108,000
Vehicles	337,887	585,727
Office equipment and leased lines	6,205,661	9,373,870
	7,994,643	10,067,597
To be incurred as follows:		
Up to 1 year	3,215,204	2,856,137
2 – 5 years	4,779,439	7,211,461
	7,994,643	10,067,597

The Bank leases two 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$ 7,431,509 (2016: N$ 8,045,383).

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

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

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

- Approved facility for Guinas Investments (Pty) Ltd of which Ms. Muetulamba Shingenge-Haipinge is a director.
- Loan value : N$ 2.34 million (2016: N$ 5.77 million).

27.1.2 Shareholder

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

N$	2017	2016
Dividends declared	20,876,571	-

27. Related party information (continued)
27.1 Related party balances and transactions (continued)

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:

N$	2017	2016
Compensation	12,611,242	11,406,429
Pension benefits	1,523,290	1,607,551
Other short-term benefits	473,019	796,216
	14,607,551	13,810,196

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

27.1.4 Related entities

Other State-owned enterprises ("SOE") in which the Government of the Republic of Namibia holds the majority of the issued share capital are deemed to be related parties under common control. Transactions undertaken with these SOEs were done on a developmental basis at arm's length and under commercial terms and conditions.

The Bank deems transactions with other SOE's, individually or collectively as significant for disclosure purposes.

N$	2017		2016			
Related party	Outstanding Balance	Interest charged	Outstanding Balance	Interest charged	Collateral held	*Principal type of collateral held*
Installment Sales						
Namibian Ports Authority	14,044,348	1,588,749	21,174,143	2,604,557	10,477,060	*Notarial bond*
Preference shares advance						
Seaflower Whitefish Corporation	38,923,220	2,719,653	36,311,743	2,259,045	25,600,000	*Government guarantee*
Term loans						
Erongo Regional Distributor Company	230,823,646	27,720,552	215,994,208	19,916,853	40,062,370	*Commercial property*
Namibia Power Corporation	34,970,863	2,456,384	38,842,681	3,076,897	-	
Namibia Wildlife Resorts	91,067,422	8,233,765	94,091,694	7,232,065	91,067,422	*Government guarantee*
Namibian Ports Authority	8,102,955	914,866	12,192,291	1,499,830	8,102,955	*Commercial property*
Nampost Financial Brokers	30,452,775	2,506,050	30,253,785	253,675	30,452,775	*Cash*
National Energy Fund	3,168,367,765	141,060,313	670,000,012	48,678,914	670,000,000	*Government guarantee*
National Housing Enterprise of Namibia	4,326,234	508,245	9,022,435	968,986	4,326,234	*Government guarantee*
Oshakati Town Council	19,696,195	2,571,723	27,441,195	5,372,730	19,696,195	*Marketable securities*
Polytechnic of Namibia	-	-	65,903,163	8,428,231	-	*Government guarantee*
Seaflower Whitefish Corporation	25,628,341	2,484,050	32,308,604	3,118,739	25,628,341	*Government guarantee*
Telecom Namibia Limited	90,000,000	8,149,946	100,000,000	10,064,143	-	*Letter of comfort*
	3,756,403,764	200,914,296	1,353,535,954	113,474,665	925,413,352	

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.

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 of counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's lending activities as well as the placement of deposits with financial institutions. For the Bank, credit risk comprises the potential loss on loans, advances, and guarantees.

As a development finance institution, the Bank has a different risk profile compared to a commercial bank. In the course of its development finance activities the Bank is exposed to credit risk, which is minimised through mitigating credit risk management procedures in terms of which loans and advances are reviewed at regular time intervals to ensure that bad debts are contained within acceptable limits. At year-end the Bank did not consider there to be any significant credit risk which has not been adequately provided for.

The Credit Risk Management Framework consists of the following: 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 Governance Framework manages credit risk through clearly defined mandates and delegated authorities. The Board of Directors has delegated responsibility for the management of credit risk to its Credit Investment Committee. An authorisation structure has been established for the approval and renewal of 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 by the Board.

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.

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

28.2 Credit risk

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.

Maximum exposure to credit risk

N$	2017	2016
Cash and short term funds	661,638,928	387,043,770
Loans and advances: at carrying amount	6,724,049,829	3,807,136,815
Installment sales	279,864,560	303,718,250
Term loans	6,382,355,824	3,460,575,103
Preference Share advances	58,767,364	42,355,960
Guarantees honored by Bank	3,062,081	487,502
Trade and other receivables	10,983,761	10,642,458
Staff home ownership scheme loans	56,938,551	38,594,951
	7,453,611,069	4,243,417,994
Amounts not recognised on the statement of financial position		
Guarantees	180,148,494	177,233,461
Irrevocable commitments to borrowers	781,955,136	623,208,383
	8,415,714,699	5,043,859,838

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.

28. Financial risk management (continued)

28.2 Credit risk (continued)

N$ 2017 **Risk category**	Installment sales	Preference shares	Term loans	Guarantees	Total	Collateral held
A	149,784,426	13,299,927	6,037,635,778	348,982	6,201,069,114	2,560,838,942
B	47,489,465	39,862,176	196,786,037	288,812	284,426,491	170,939,468
C	47,419,491	8,749,867	47,680,503	1,162,852	105,012,713	51,816,495
D	17,455,605	-	49,072,389	1,228,744	67,756,737	40,342,454
E	53,367,600	8,507,965	211,498,362	7,369,464	280,743,390	133,413,564
Notional value	315,516,587	70,419,935	6,542,673,069	10,398,854	6,939,008,445	2,957,350,922
Impairment allowances	(35,652,027)	(11,652,571)	(160,317,245)	(7,336,773)	(214,958,616)	
Carrying amount	279,864,560	58,767,364	6,382,355,824	3,062,081	6,724,049,829	

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	

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.

N$		2017			2016		
Risk category		Gross amount	Impairment allowances	Carrying amount	Gross amount	Impairment allowances	Carrying amount
Staff home and study loans:	A	57,573,900	-	57,573,900	39,297,933	-	39,297,933
Trade receivables	A	8,942,854	-	8,942,854	5,690,199	-	5,690,199
	B	-	-	-	3,777,520	-	3,777,520
	E	546	(546)	-	581	(581)	-
		66,517,300	(546)	66,516,754	48,766,233	(581)	48,765,652

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.

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

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$ 2,050,000 (2016: N$ 2,347,000).

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.

		Past due but not impaired				
N$ 2017	Total unim- paired loans	31 - 60 days	61 - 119 days	120 -179 days	More than 180 days	Total
Installment sales	197,586,952	8,066,097	1,975,785	1,079,824	674,353	11,796,059
Preference shares	53,162,103	-	-	12	-	12
Term loans	6,221,067,885	31,522,780	647,579	(5,387,194)	4,455,625	31,238,790
Guarantees	152,723,017	1,045,009	(761,030)	621,457	(78,752)	826,684
	6,624,539,957	40,633,886	1,862,334	(3,685,901)	5,051,226	43,861,545

		Past due but not impaired				
N$ 2016	Total unim- paired loans	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

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

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$ 2017 Category	Installment sales	Preference shares	Term loans	Guarantees	Total
A	9,674,192	13	23,287,642	348,981	33,310,828
B	1,878,696	-	6,835,979	288,812	9,003,487
C	243,092	-	98,095	-	341,187
D	-	-	18,265	-	18,265
E	79	-	998,809	188,890	1,187,778
	11,796,059	13	31,238,790	826,683	43,861,545

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

Credit quality of neither past due nor impaired loans and advances

N$ 2017 Category	Installment sales	Preference shares	Term loans	Guarantees	Total
A	38,217,057	-	5,326,169,343	38,340,676	5,402,727,076
B	147,258	39,862,176	73,425,511	-	113,434,945
	38,364,315	39,862,176	5,399,594,854	38,340,676	5,516,162,021

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

Credit quality of total unimpaired loans and advances

N$ 2017 Category	Installment sales	Preference shares	Term loans	Guarantees	Total
A	149,784,426	13,299,927	6,022,059,346	138,718,632	6,323,862,331
B	47,489,465	39,862,176	196,786,037	12,860,872	296,998,551
C	312,982	-	742,726	954,624	2,010,332
D	-	-	18,265	-	18,265
E	79	-	1,461,511	188,890	1,650,479
	197,586,952	53,162,103	6,221,067,885	152,723,017	6,624,539,957

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

Credit quality of neither past due nor impaired loans and advances

N$ March 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

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$ 789,763,471 as at 31 March 2017 (2016: N$ 933,291,790).

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.

28.3 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meetings its obligations associated with its financial liabilities that are being settled by delivering cash or another financial assets.

The Bank manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by monitoring cash flow forecasts and by matching the maturity profiles of financial assets and liabilities on a monthly basis.

The key measure used by the Bank is the cash level reserves measured as a percentage of capital reserves. For the period under review, the reserve levels were at a minimum of 12.5% and a maximum of 22.5%. As at 31 March 2017 the cash level reserve stood at 21.7%.

Liquidity reserves

N$	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and balances with banks	138,960,737	138,960,737	374,081,314	374,081,314
Call deposits	522,678,191	522,678,191	12,960,900	12,960,900
Short term fixed deposits	-	-	-	-
Undrawn facilities	629,844,127	-	110,830,600	-
Total liquidity reserves	1,291,483,055	661,638,928	497,872,814	387,042,214

28. Financial risk management (continued)

28.3 Liquidity risk (continued)

Contractual undiscounted cash flows of assets and liabilities

N$ 2017 **Assets**	Carrying amount	Term to maturity Demand	1 - 12 months	1 - 3 years	3 - 5 years	Over 5 years
Cash and cash equivalents	661,638,928	661,638,928	-	-	-	-
Trade and other receivables	11,625,797	960,932	4,484,956	1,257,845	3,404,269	1,517,795
DBN Housing scheme advances	56,938,551	-	-	-	-	56,938,551
Equity investments	296,570,098	-	-	-	-	296,570,098
Loans and Advances to customers	6,724,049,829	77,483,431	1,053,128,603	324,476,106	500,296,620	4,768,665,069
Financial assets	7,750,823,203	740,083,291	1,057,613,559	325,733,951	503,700,889	5,123,691,513
Non-financial assets	68,148,615	-	-	-	-	-
Total assets	7,818,971,818	740,083,291	1,057,613,559	325,733,951	503,700,889	5,123,691,513
Liabilities						
Trade and other liabilities	(17,886,074)	-	(17,886,074)	-	-	-
Dividends retained for redeployment	(30,709,190)	-	(9,283,359)	(15,997,020)	(5,428,812)	-
Debt securities issued	(189,882,227)	-	(189,882,227)	-	-	-
Term loan facilities	(911,966,986)	-	(878,966,986)	-	-	(33,000,000)
Call loan facilities	(155,706)	-	(155,706)	-	-	-
Line of credit facility	(3,537,289,999)				(73,693,542)	(3,463,596,457)
Bank overdraft	(167)	(167)	-	-	-	-
Total non-derivative liabilities	(4,687,890,349)	(167)	(1,096,174,352)	(15,997,020)	(79,122,353)	(3,496,596,457)
Derivative held for risk management	(75,880,838)					(75,880,838)
Total financial liabilities	(4,763,771,187)	(167)	(1,096,174,352)	(15,997,020)	(79,122,353)	(3,572,477,295)
Total equity	(3,055,200,631)	-	-	-	-	-
Total liabilities and equity	(7,818,971,818)	(167)	(1,096,174,352)	(15,997,020)	(79,122,353)	(3,572,477,295)
Net liquidity gap	2,987,052,016	740,083,124	(38,560,792)	309,736,931	424,578,536	1,551,214,217
Cumulative liquidity gap		740,083,124	701,522,332	1,011,259,263	1,435,837,799	2,987,052,016

28. Financial risk management (continued)
28.3 Liquidity risk (continued)
Contractual undiscounted cash flows of assets and liabilities (continued)

N$ March 2016		Term to maturity				
Assets	Carrying amount	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
Staff home ownership scheme loans	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)	-
Debt securities issued	(196,518,229)	-	(196,518,229)	-	-	-
Term loan facilities	(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	(1,718,980,995)	(449,169,400)	(898,255,063)	(209,086,442)	(2,532,011)	(159,938,080)
Net liquidity gap	2,874,793,681	(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

28.4 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 its holdings. The Banks activities expose it primarily to the financial risks of changes in interest rates. The Bank entered into transactions that resulted in exposures to foreign currency risk in prior years. 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 for the period ended 31 March 2017 would increase / decrease by N$ 38,900,232 (2016: increase / decrease by N$ 26,964,569). 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)
Sensitivity analysis for interest rates *(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$ 2017	Effective interest rate	Carrying amount	Demand	1-12 months	2 - 5 years	Over 5 years	Non-interest earning / bearing
Assets					-	-	-
Cash and cash equivalents	7.32%	661,638,928	138,960,738	522,678,190	-	-	-
Trade and other receivables	-	11,625,797	-	-	-	-	11,625,797
Staff home ownership scheme loans	7.54%	56,938,551	56,938,551	-	-	-	-
Loans and advances to customers	10.94%	6,724,049,829	3,417,999,391	3,143,971,955	-	162,078,483	-
Total financial assets		7,454,253,105	3,613,898,680	3,666,650,145	-	162,078,483	11,625,797
Liabilities and shareholders' equity							
Bank overdraft	9.98%	(167)	(167)	-	-	-	-
Debt securities issued	9.53%	(189,882,227)	-	(189,882,227)	-	-	-
Term loan facilities	8.77%	(911,966,986)	-	-	-	-	-
Call loan facilities	10.75%	(155,706)	-	(155,706)	-	-	-
Line of credit facility	8.03%	(3,537,289,999)	-	-	-	(3,537,289,999)	-
Trade and other liabilities	-	(17,886,074)	-	-	-	-	(17,886,074)
Derivative held for risk management	-	(75,880,838)	-	-	-	-	(75,880,838)
Dividends retained for redeployment	-	(30,709,190)	-	-	-	-	(30,709,190)
Total liabilities and shareholders' equity		(4,763,771,187)	(167)	(190,037,933)	-	(3,537,289,999)	(124,476,102)
Net interest sensitivity gap	-	2,690,481,918	3,613,898,513	3,476,612,212	-	(3,375,211,516)	(112,850,305)

28. Financial risk management (continued)
28.4 Market risk (continued)
Interest rate sensitivity (continued)

Interest rate sensitivity

N$ 2016	Effective interest rate	Carrying amount	Term to repricing Demand	1-12 months	2 - 5 years	Over 5 years	Non-interest earning / bearing
Assets							
Cash and cash equivalents	5.60%	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	9.95%	(449,169,400)	(449,169,400)	-	-	-	-
Debt securities issued	8.73%	(196,518,229)	-	(196,518,229)	-	-	-
Term loan facilities	8.50%	(911,037,393)	-	(676,546,983)	(201,490,410)	-	(33,000,000)
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)	(873,065,212)	(201,490,410)	-	(195,255,974)
Net interest sensitivity gap	-	2,524,478,674	2,927,521,778	(190,104,312)	(201,490,410)	173,123,458	(184,571,840)

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$	2017	2016
Loans and Advances	207,527,435	220,727,082
Equity Investments	52,570,098	45,293,748

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.

N$	2017	2016
Profit or loss	3,490,156	5,717,601
Equity	5,257,010	4,529,375

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 2017 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 2017 would increase / decrease by N$ 14,828,505 (2016: N$ 14,395,554).

28.7 Capital management

The Bank's objective in managing its capital is to safeguard the Bank's ability to continue as a going concern, through ensuring a sufficient cushion against unexpected losses, and to provide for an acceptable growth rate in the Bank's development finance activities. The Bank monitors and manages its capital adequacy within the applicable policy guidelines, a resource mobilisation strategy and in line with the capital adequacy framework approved by the Board.

Overall capital adequacy within the Bank is measured both quantitatively and qualitatively. The quantitative analysis focuses on risk-based and leverage ratios whilst the qualitative assessment considers the quality of earnings, the quality of assets, the Bank's business strategy and the effectiveness of risk management.

The Bank has adopted a self-imposed capital adequacy framework that differentiates between the risks assumed on different asset classes and provides for market and operational risk, whilst at the same time adheres voluntarily to the overarching regulatory capital requirement applicable to local financial institutions. At reporting date the Bank's capital adequacy ratio stood at 42% (2016: 67%).

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).

N$	2017	2016
Share capital	165,000,000	165,000,000
Share premium	1,842,071,178	1,842,071,178
Reserves	34,729,552	5,468,296
Retained income	1,013,399,901	862,254,206
Dividends retined for redeployment	30,709,190	12,729,330
	3,085,909,821	2,887,523,010

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.

29. Fair value of financial instruments (continued)

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$ 2017	Note	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Equity investments	17	-	-	296,570,098	296,570,098
Financial assets		-	-	296,570,098	296,570,098
Financial liabilities designated as at fair value through profit and loss					
Derivatives held for risk management	19.1				
Foreign exchange		-	64,567,503	-	64,567,503
Interest rate		-	11,313,335	-	11,313,335
Financial liabilities		-	75,880,838	-	75,880,838

N$ 2016	Note	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Equity investment		-	-	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

During the reporting periods ending 31 March 2017 and 31 March 2016 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 2 and 3 fair value measurements**	Equity investments	Derivative	Total
Balance at 1 April 2016	287,911,089	(126,938,080)	160,973,009
Total loss recognised in profit or loss	-	37,942,965	37,942,965
Purchases	-	-	-
Total gain recognised in other comprehensive income	8,659,009	13,114,278	21,773,287
Fair value at 31 March 2017	296,570,098	(75,880,837)	220,689,261

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
Bank of Namibia

12 Daniel Munamava Street
PO Box 235
Windhoek
Namibia

Tel. + 264 61 290 8000
www.dbn.com.na