Development Bank of Namibia

Annual Report 2018/19

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

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

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

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

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

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

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

Financed by DBN

On the front cover: the Bank financed Namibia Plastics to implement advanced packaging manufacturing processes to support manufacturing and industrialisation Above: the Windhoek Palm Hotel creates jobs in the tourism and hospitality sector.

Index

Chairperson's report

The year ended 31 March 2019 produced challenges for the Bank and its customers, mainly emanating from ongoing macroeconomic conditions.

At the outset of my report I want to thank the Bank's customers for rising to the challenges during the period under review. The Bank values the development impact that its borrowers have on the economy, and the perseverance and dedication of our customers has preserved that development impact.

Alignment to national interests

The Bank aligns its operations and outcomes to national plans, particularly Vision 2030, Harambee, the Growth-At-Home Strategy and the Fifth National Development Plan (NDP5).

Bank contributions to the goals of the plans are measured and evaluated on an ongoing basis, and the Bank adjusts its operations and plans to reflect changing market realities which may have impact on attainment of the plans.

Small and medium enterprises

The long-term prosperity of the Namibian economy will be dependent on enterprise growth, measured by an increasing number of enterprises, their contribution to GDP, and their long-term viability

A broad and deep pool of SMEs is a precursor to enterprise growth. From this pool, the next generation of larger enterprises should emerge. At the same time, the greater the stock of larger enterprises in the economy, the greater the sources of off-take of goods and services for new and existing smaller enterprises.

However, growth of the SME class is constrained by persistent weakness in access to capital. This necessitates the Development Bank of Namibia to assume the financing role in a governanced and goal-directed process to achieve sustainable SME growth.

To achieve this, the SME Centre (within the Development Bank) and its attendant functions are being reconfigured.

With this in mind, the Bank is preparing for a realignment of its processes.

Preparation for SME realignment

Prior to establishment of SME Bank, SME lending was aggregated with lending to larger enterprises and infrastructure. However SMEs require a different lending environment from larger borrowers. The realignment separates the functions required by SME and larger borrowers.

The SME Centre is currently operating with a low number of staff and is complemented by a Client Support Unit housed alongside it in the Bank's Head Office. The Centre is engaged in due diligence on applications for finance. The Client Support Unit is tasked with post-application support in the form of mentorship, capacity building and transfer of requisite knowledge.

Both the SME Centre and the Client Support Unit will be upgraded in terms of capacity.

The Bank aligns its operations and outcomes to national plans, particularly Vision 2030, Harambee, the Growth-At-Home Strategy and the Fifth National Development Plan (NDP5).

In addition to mentorship through Client Support, further evolution of the SME offering will entail venture capital, equity and credit guarantees. Modalities of the latter functions are being investigated and planned.

The Lending Department of the Bank will focus on larger loans. The Business Development Department, which is responsible for assisting larger projects with attaining bankability through the Project Preparation Fund, as well as assessing the validity of assumptions in the borrowing process, will be merged with the Lending Department. This will enable better operational functionality in lending operations.

The SME Centre and the Lending Department will be straddled by the Portfolio Management Department which will be responsible for monitoring loan performance. On the basis of this monitoring the Bank expects to proactively take steps to identify borrowers who run into difficulty, and intervene in appropriate ways.

The realignment is expected to take effect in October of 2019.

Evolution of values

In order to better reflect the current reality of the Bank, the values were debated by the Board and streamlined into a set of four values: Excellence, Integrity, Transparency and Service.

These values are intended to serve as a practical guideline for the Bank as a whole, but also for collaborative teams such as Departments and Units, temporary working teams and individuals.

Values are often overlooked as a management tool. The new values are intended to provide a decentralised method of assessing approaches to activities on a day-to-day basis.

Replacement of older values, primarily operational, recognises that those values are inculcated on an operational basis through policies and structure.

Innovation is now common behaviour in the Bank in terms of its evolving product offering as well as development, streamlining and evolution of processes through an internal innovation committee. The Bank manages professionalism through its Human Capital and Operations Support Department, as well as goal setting, assessment and Training and Development Unit. Sustainability has been operationalized through the enterprise-wide risk management framework, the sustainability model and the environmental and social management system (ESMS).

The new value, Service, recognises the Bank's need to provide appropriate and timely responses to stakeholders, applicants and borrowers.

In closing I wish to thank the shareholder representative, Hon. Calle Schlettwein, the Minister of Finance, for his support, as well as my fellow Board members for their counsel and support to the Bank's operations. The Bank's success hinges on its management and staff, and my gratitude goes them for their dedication and hard work.

Tania Hangula
Chairperson

CEO's report

In the face of ongoing economic difficulty, the Bank performed two exceptional feats in the year ended 31 March 2019.

Firstly, despite the economy, the Bank continued to grow during the period. The Bank achieved a loan book growth of 10% for the period. By applying prudent risk management, the Bank was able to select projects with winning potential and grow its loans portfolio.

Secondly, the Bank gave respite to struggling businesses in the face of the macroeconomic slowdown. A combination of restructured loans, supportive interventions and the acumen and energy of the Bank's team, kept businesses open. In doing this it preserved jobs, livelihoods, economic activity and long-term development impact.

In addition, the Bank opened an office in Rundu which enhances its reach in north-eastern Namibia.

I am proud of the resilience, capability and agility that the Bank displayed, and I thank all members of the departments concerned for their energy and focus.

Earnings and growth

Loans and advances increased to N$8.5 billion, up from N$7.7 billion in 2018. The Bank's balance sheet grew to N$9.7 billion, up from N$8.8 billion in 2018. Profit for the year amounted to N$211.7 million, down from N$219.4 million. The decline was driven mainly by increased impairments as borrowers dealt with effects of the downturn.

Operating expenses grew to N$136 million, up from N$117 million in 2018. Although partially inflationary, significant components of the increase consisted of employment costs for new staff members following the Bank's resumption of lending to SMEs, costs attached to the SME Centre and the cost entailed in the new Regional Office in Rundu.

The Bond Programme attracted an additional N$290 million in subscriptions, reflecting ongoing confidence in the Bank on the part of private sector investors.

IFRS 9 and impairments

The 2019 results include the impact of the IFRS 9 adoption, specifically recognition and measurement of impairments. IFRS 9 requires impairments to be calculated based on an expected credit loss model over the lifetime of loan exposures, incorporating forward looking information.

Impairments recorded in the Statement of Financial Position increased with N$375 million as a result of IFRS9, 80% of which relate to the performing loan book. Included in the IFRS9 impact was the cumulative prior years impact of N$349 million that reduced the opening retained earnings. The net impact of increased provisions as a result of IFRS9 was a 4% downward adjustment to loans and advances and an 11% decrease in capital reserves at 2019 balances.

The Bank will, where justified, continue to assist borrowers who are in arrears or experiencing difficulties by rescheduling debts and / or providing assistance through its Client Support Unit.

A combination of restructured loans, supportive interventions and the acumen and energy of the Bank's team, kept businesses open. In doing this it preserved jobs, livelihoods, economic activity and long-term development impact.

Loan approvals

For the period ending 31 March 2019, private sector demand for finance, measured in loan approvals, continued to drag due to subdued local, regional and international demand, as well as a cautious approach to growth on the part of private sector enterprises. Fiscal consolidation had a further impact on loan approvals. In previous years approvals were positively impacted by finance to large scale public projects such as the National Energy Fund fuel storage facility and Neckartal Dam. Those projects now have their core financial requirements fulfilled, and their impact is no longer significant in the Bank's approvals.

For the period ending 31 March 2019, the Bank approved N$678.2 million in finance. The largest approvals by sector were allocated to land servicing (N$129.8 million) and housing (N$116.4 million). Land servicing consisted of 184.7 hectares on which 1,170 residential units will be constructed. Housing consists of 470 dwellings.

Manufacturing received N$91.1 million in approvals while tourism and hospitality received N$93.0 million.

Regionally, Khomas received the largest amount of approvals (N$218.4 million) followed by Omaheke (N$85.1 million) and Erongo (N$66.9 million).

Approvals for the period are projected to create 1,831 temporary jobs and 828 new permanent jobs.

SME lending

In 2019 the Bank approved N$156.4 million for SMEs. The largest approvals went to construction (N$73.1 million) and business services (N$30.5 million) followed by tourism and hospitality (N$13.0 million). Regionally, Khomas received the largest amount of allocations (N$32.9 million) followed by Oshana (N$22.1 million) and Erongo (N$10.0 million). SME projects with a national footprint were allocated N$39.3 million in approvals.

Based on the approvals, SMEs are projected to create 331 new, permanent jobs and 792 temporary jobs. These jobs are included in employment impact noted above.

During 2019, the Bank began preparation for a dedicated SME function through implementation of a realignment process which will mirror the Bank's target of 20% of the loan book consisting of SMEs and 80% of the loan book comprising of larger enterprises and infrastructure.

Both the elements will be straddled by the Loan Book Portfolio Management Department, which will monitor the quality of the loan book and give timely alerts when weaknesses or problems emerge.

Human capital

The Bank had no resignations during the period ending March 2019. This is a reflection of the Bank's reputation as an excellent employer. The Bank's staff complement numbered 105 at the end of the financial period. Fourteen new members of staff were recruited, based on the Bank's need for capacity.

The Bank is also a model for gender inclusiveness. As at the end of March 2019, 59% of the workforce was female, of which 55% were previously disadvantaged. Women constitute 43% of the management cadre of the Bank, and 50% of senior management.

The Bank rewards its staff materially with competitive salaries, provision for home ownership, a pension fund, assistance with medical aid funds under group schemes, and membership of a pension umbrella fund which includes insured benefits.

However, the Bank also rewards its staff with non-material rewards in the form of opportunities for advancement. During the year, the Bank assisted 23 staff members to upgrade their academic qualifications, and 29 training and development capacity building interventions took place to improve the competence and performance of 43 members of staff.

Corporate social investment

Through its Corporate Social Investment programme, the Bank also made a material contribution to the future of development, by committing to support the University of Namibia's Masters in Development Programme in the amount of N$1 million. The size of the grant reflects the importance that the Bank places on development finance as a route to enhanced economic activity through finance.

My gratitude, on behalf of the Bank's management goes to the Board for the acumen that they have brought to the table, not just in assisting the Bank to navigate a difficult year, but also in their forethought on the future of the Bank. I also thank our shareholder, the Government, represented by the Minister of Finance.

Martin Inkumbi
Chief Executive Officer

Board of Directors

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

Tania Hangula (Chairperson)

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

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

Tabitha Mbome

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

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

James Cumming

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

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

Diana Husselmann

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

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

Kai Victor Geschke

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

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

Martin Inkumbi (CEO)

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

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

Board composition for the 2019 financial year

The Bank's Memorandum of Incorporation provides that there should be a majority of independent non-executive directors, including the Chairperson, and one executive director, the Chief Executive Officer. As at 31 March 2019, the Board comprised of six directors, of whom the majority was non-executive.

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

Board member tenure for the 2019 financial year

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

Directors' gender for the 2019 financial year

Male	*3 directors*
Female	*3 directors*

Board independence

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

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

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

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

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

Conflict of Interest

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

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

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

Board committees and membership for the year ended 31 March 2019

Board

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

Audit, Risk and Compliance Committee

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

Credit and Investment Committee

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

Human Capital and Remuneration Committee

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

Directors’ fees

Schedule of Directors’ Fees

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

Non-Executive Directors’ Emoluments
For the financial year 1 April 2018 to 31 March 2019

T Hangula (Chairperson)	N$199,457
T Mbome	N$224,633
K Geschke	N$212,202
D Husselman	N$138,716
J Cumming	N$215,260
E Haiyambo*	N$9,246
M Shingenge-Haipinge*	N$5,884
A Basson*	N$3,363

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

**Tenure ended 31 March 2018*

Board attendance

Board Induction

DD/MM/YY	25.04 2018
T Hangula	√
M Inkumbi (CEO)	√
T Mbome	√
J Cumming	√
KV Geschke	√
D Husselmann	√

General Board Meetings

DD/MM/YY	02.07 2018	25.07 2018	03.10 2018	07.12 2018	27.03 2019
T Hangula	√	√	√	√	√
M Inkumbi (CEO)	√	√	√	√	√
T Mbome	√	√	√	√	√
J Cumming	√	√	√	√	√
KV Geschke	√	√	√	√	√
D Husselmann	√	x	√	√	√

Board Strategy Meeting

DD/MM/YY	16.11 2018
T Hangula	√
M Inkumbi (CEO)	√
T Mbome	√
J Cumming	√
KV Geschke	√
D Husselmann	√

Annual General Meeting

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

Extraordinary Board Meeting

DD/MM/YY	26.02 2019
T Hangula	√
M Inkumbi (CEO)	√
T Mbome	x
J Cumming	√
KV Geschke	√
D Husselmann	x

Credit and Investment Committee

DD/MM/YY	23.05 2018	20.06 2018	25.07 2018	16.08 2018	26.09 2018	25.10 2018	21.11 2018	06.02 2019	13.03 2019
J Cumming	√	√	√	√	√	√	√	√	√
M Inkumbi (CEO)	√	√	√	√	√	√	√	√	√
T Mbome	√	√	√	x	√	√	√	√	√
KV Geschke	√	√	√	√	√	√	√	√	√

Board attendance (continued)

Audit Risk and Compliance Committee

DD/MM/YY	21.06 2018	11.09 2018	14.11 2018	07.03 2019
K Geschke	√	√	√	√
M Inkumbi (CEO)	√	√	√	√
T Mbome	√	√	√	√
J Cumming	√	√	√	√

Human Capital and Remuneration Committee

DD/MM/YY	06.06 2018	05.09 2018	26.11 2018	08.02 2019
D Husselmann	√	√	√	√
T Hangula	√	√	√	√
M Inkumbi (CEO)	x	√	√	√
T Mbome	√	√	√	√

Litigation and claims

I hereby certify that to the best of my knowledge and belief, as at 31 March 2019 the Development Bank of Namibia Limited has not been sued and does not have any claims against it apart from the collection matters which are a part the Bank's day-to-day of business.

Legislative Developments

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

Adda Angula
Company Secretary
3 July 2019
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 2019, and that all such returns are factual and current.

Adda Angula
Company Secretary
3 July 2019
Windhoek, Namibia

Statement of Compliance

The Board is of the opinion that it is substantially compliant in all material respects with the principles of NamCode and the King III Report, the Namibian Companies Act, 2004 and the Development Bank of Namibia Limited Act, 2002, for the financial year ended 31 March 2019.

Tania Hangula
Chairperson: Board of Directors
3 July 2019
Windhoek, Namibia

Annual Financial Statements

The Audit, Risk and Compliance Committee has appraised the Annual Report for the year ended 31 March 2019, 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 2019 and therefore recommendeded the adoption of this Annual Report on 19 June 2019 to the Board of Directors, who approved the Annual Financial Statements on 3 July 2019.

Kai Victor Geschke
Chairperson: Audit, Risk and Compliance Committee
3 July 2019
Windhoek, Namibia

Executive management and committees

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

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

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

Vivian Groenewald (Head: Credit Risk)

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

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

John Mbango (Head: Lending)

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

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

Saima Nimengobe (Head: Risk & Compliance)

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

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

Elriana Burger (Head: HR & Operations Support)

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

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

Adda Angula (Company Secretary & Legal Services)

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

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

Erik de Waal (Acting Head: Business Development)

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

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

Heike Scholtz (Acting Senior Manager: Business Strategy)

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

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

Jerome Mutumba (Head: Marketing and Corporate Communication, seconded to Diplomatic Corp)

Qualifications: MBA Strategic Management (Maastricht School of Management), Certificate: Senior Management Development Program (USB), Certificate in Project Management(USB), MA (TESOL) (Southern Illinois University), H.Ed Diploma (UNAM)

Experience: Senior Manager: Corporate Communications (DBN), Manager: Corporate Communications (DBN), Manager: External Affairs (Rössing Uranium), Manager: Corporate Communications(Bank of Namibia), Lecturer: English Communication (Polytechnic of Namibia), Consultant (AIMS), Lecturer: Complex English Patterns (UNAM)

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

Governance

The Bank's governance framework
achieves robust and transparent risk management
and decision-making and, in doing so,
promotes public confidence and upholds
the safety and sustainability of the Bank.

In the year ended 31 March 2019,
there were no challenges to the
integrity of the Bank.

Financed by DBN

Pictured above: construction of a new campus for Triumphant College, which provides tertiary education in the fields of science, technology and education.

Mandate

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

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

The ancillary objectives of the Bank are to:

- cooperate with, and assist, other development financial institutions in order to achieve an integrated finance system in Namibia for economic growth and sustainable development; and
- assist other institutions in the public and private sectors with the management of specific funds in order that the development requirements of Namibia may be met.

Governing legislation and its key features

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

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

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

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

The Public Enterprises Governance Act of 2006, applies to the Bank, which requires the Bank to provide regular feedback in compliance with the Public Enterprises Governance Act to the Minister of Public Enterprises.

A governance agreement was concluded on 13 June 2013 between the Bank and the Ministry of Finance as per section 17 of the Public Enterprises Governance Act.

All Directors for the year under review signed performance agreements with the shareholder in terms of section 18 of the Public Enterprises Governance Act.

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

Internal governance

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

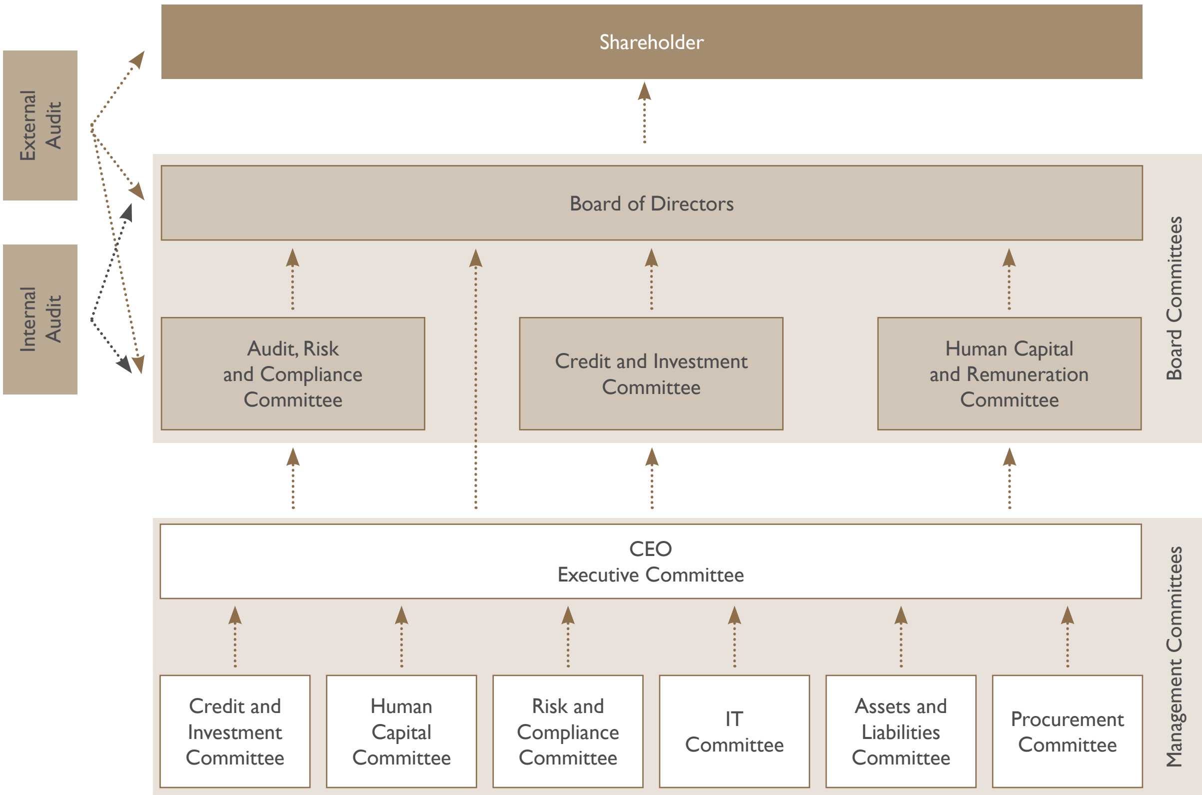
The Bank has Board and Management Charters that are reviewed on an annual basis. In the Charters, the limits of authority are stipulated as well as the roles and responsibility of the various Board Committees, Board members and management.

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

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

- Excellence
- Integrity
- Transparency
- Service

Governance structure



Shareholder

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

Board and Board Committees

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

As at 31 March 2019, the Board comprised of six directors, of whom the majority were non-executive and independent, including the Chairperson, as well as one executive director, the Chief Executive Officer.

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

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

Internal Audit

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

External Audit

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

CEO and Executive Committee

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

Loan approvals

In 2019, the Bank approved N$678.2 million in loans.

SME approvals amounted to N$156.4 million. This amounts to approximately 23.1% of cumulative approvals for 2019.

The Bank approved finance for 3,689 jobs. Excluding the stabilizing impact on existing jobs in enterprise approvals, new and temporary jobs impacted amounted to 2,659 jobs. SMEs accounted for 1,123 or 42% of the total new and temporary jobs.

Expanding reach

Pictured above: the Bank's new office in Rundu.

Loan approvals

Loan approvals project outcomes for the Bank's finance in the period under review and are an indicator of disbursements in periods to come. Disbursements may fall in the period under review however may also lag due to post-approval processes such as delays in acceptance of terms or cancellation of projects by promoters.

In the year ending 31 March 2019 (2019), ongoing fiscal consolidation reduced overall levels of demand for infrastructure finance. Although the level of approvals was also reduced alongside demand for finance brought about by the prolonged contractionary nature of the macroeconomic environment, it does however provide a snapshot of private sector activity.

In 2019, the Bank approved N$678.2 million. In the period ending 31 March 2018 (2018), the corresponding total for approvals was N$2,513.3 million. The difference is due to the reduction in spending on large scale national infrastructure projects.

Variance of projections

Approvals vary from year to year, based on demand for finance and the nature of the project. For instance, different projects may have different employment requirements depending on the structure of the entity applying for finance and the requirement for technology as a driver or labour-intensive requirements. Levels of risk entailed in promoted projects may also place projects outside of the risk appetite of the Bank. As a result of factors outside its control, the Bank measures itself on targeted balance sheet growth.

Responsible lending and approvals

The Bank adopts an approach of responsible lending. The application process identifies a threefold set of risks in assessing the applications that it receives.

Firstly, the Bank considers risk to the borrower. If it grants finance for projects which are financially unsustainable, it will place the borrower at risk. This risk entails failure of the project with subsequent negative social impacts such as job losses and ultimately loss of collateral by the applicant.

Secondly, the Bank considers environmental and social risks through its environmental and social management system (ESMS). If the project will cause damage to the environment or poses threats to human and community health which cannot be mitigated, the Bank does not accept the application.

Thirdly the Bank considers the preservation of its capital and growth of its balance sheet in its decisions. Through preservation of its capital and growth through interest-bearing loans, the Bank is able to multiply its resources and increase the pool of capital from which it is able to lend.

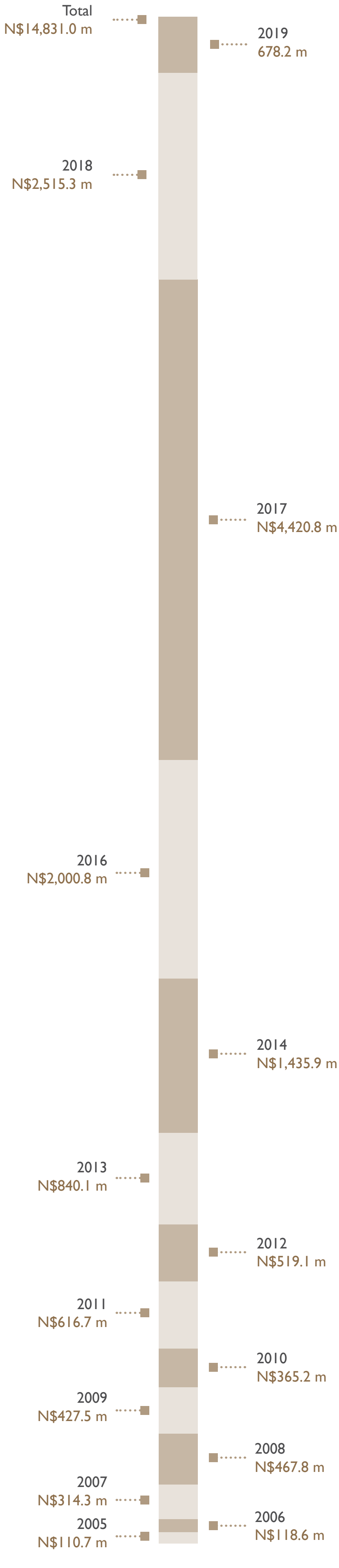
Small and medium enterprises (SMEs)

In 2018, the Bank resumed lending to SMEs. As a result, the Bank has begun to measure approvals to SMEs. This is reflected in the approvals noted in this report.

Cumulative approvals

Approvals in 2019 amounted to N$678.2 million in 2019. In 2018, they amounted to N$2,515.3 million. The large decline is driven by inclusion of 2018 approvals to the Namibia Energy Fund fuel storage facility and Neckartal Dam.

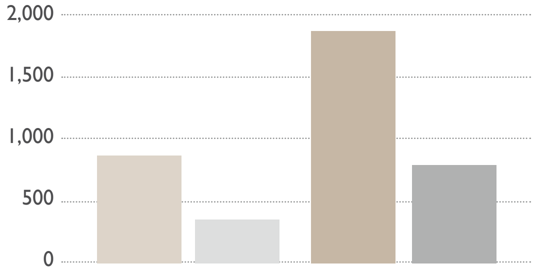
SME approvals amounted to N$156.4 million. This amounts to approximately 23.1% of cumulative approvals. The Bank has targeted 20% of its loan portfolio for SMEs.



Employment

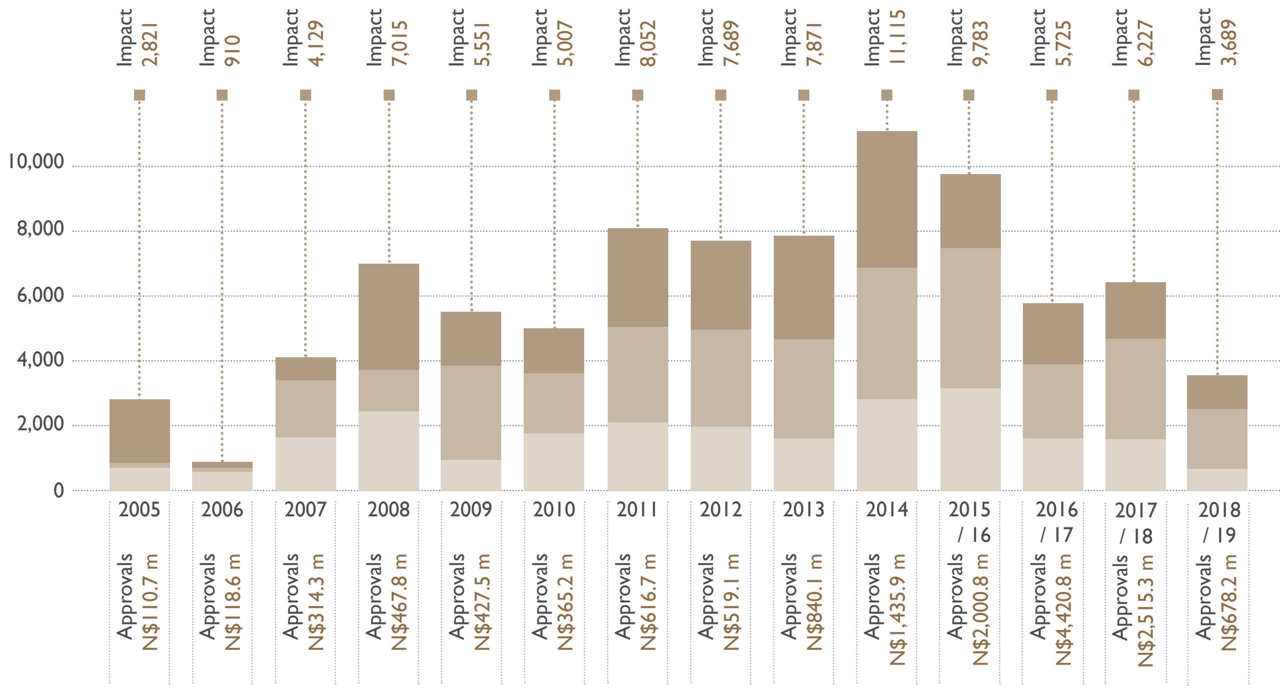
The Bank measures employment as a core indicator of its projected development impact. In 2019, the Bank began to measure projected employment from SME finance. In the year under review, the Bank approved finance for 3,689 jobs (including existing jobs), falling from 6,227 jobs in 2018. Excluding the stabilizing impact on existing jobs, new and temporary jobs impacted amounted to 2,659 jobs. SMEs accounted for 1,123 or 42% of the total new and temporary jobs.

2019 projected employment creation (excl. existing jobs)



■	2019 total new jobs (incl. SMEs)	828
■	2019 new jobs: SMEs	331
■	2019 total temporary jobs (incl. SMEs)	1,831
■	2019 temporary jobs: SMEs	792
	2019 total job impact	2,659
	2019 total job impact: SMEs only	1,123

Projected employment impact since inception



■	Cumulative new jobs	24,036
■	Cumulative temporary jobs	32,279
■	Cumulative retained jobs	29,269
	Cumulative total job impact	85,584
	Cumulative total approvals	N$14,831,1 m

Transformation

The Bank addresses inequities in economic participation on the part of previously disadvantaged Namibians (PDNs). It encourages applications from PDNs, including women who were excluded on the basis of gender. It also encourages applications from youth entrepreneurs who may be excluded from mainstream enterprise financing due to perceived risk on the basis of a relatively young age. Youth entrepreneurs are viewed as a resource for the future of the economy. However where there is a significant degree of risk which may impact returns to bondholders, the Bank allocates finance from the ring-fenced Development Portfolio (DP) which consists of a pool of finance received from the shareholder.

Comparative transformation approvals

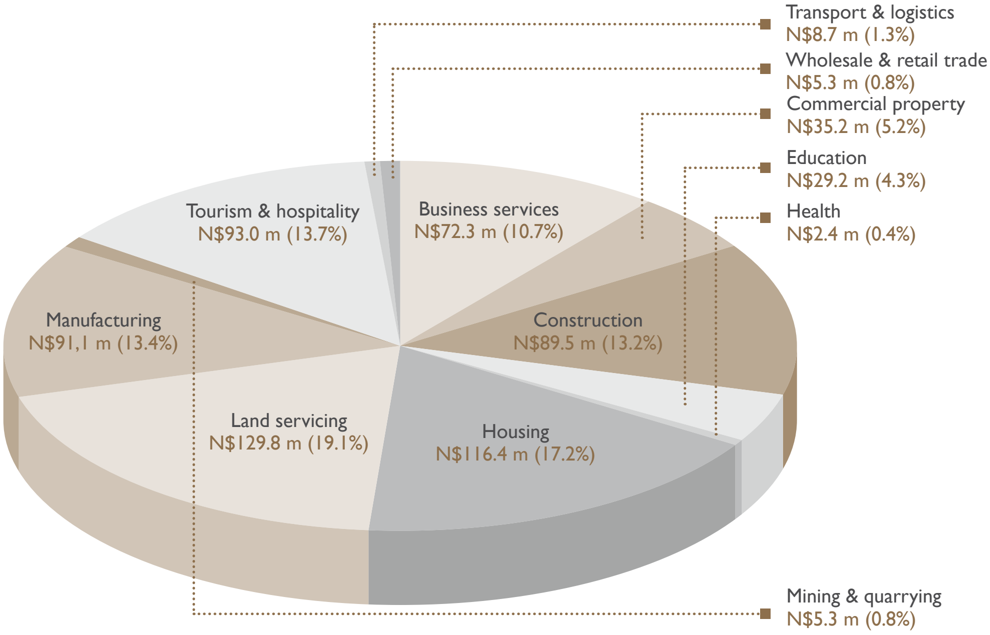
	2018	2019
Transformation (private sector)	N$m	N$m
Total effective PDN	**619,5**	**474,2**
Effective F-PDN	120,1	99,7
Effective youth	149,2	91,5

Approvals by sectors and NDP5 sectors

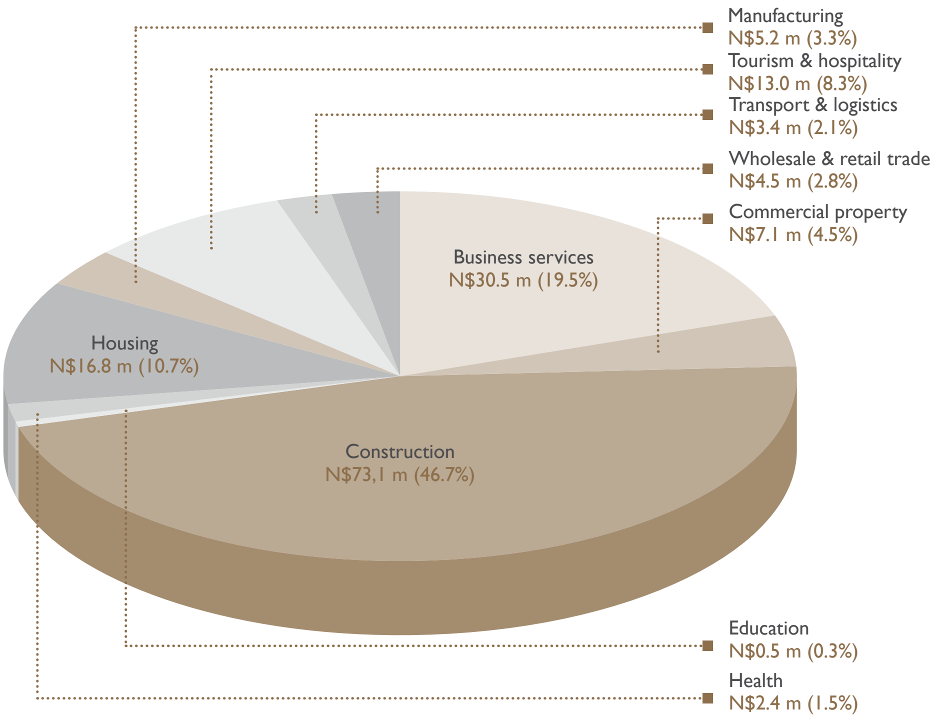
The largest approvals were allocated to land servicing and provision of affordable housing. Finance was approved for servicing of 184.7 ha of land and construction of 470 dwellings. Serviced erven are projected to amount to 1,248 of which 1,172 will be residential, and the balance will be for commercial and social use. The construction sector measured separately from affordable land and housing received significant approvals.

In terms of the Fifth National Development Plan (NDP5), the Bank places particular emphasis on tourism, manufacturing and transport & logistics as economic drivers. The Bank does not provide finance for direct agriculture but does finance agricultural enterprise entailed in processing agricultural produce. This is classified as manufacturing. In 2019 the Bank approved finance for a piggery and abbatoir to process pork meat.

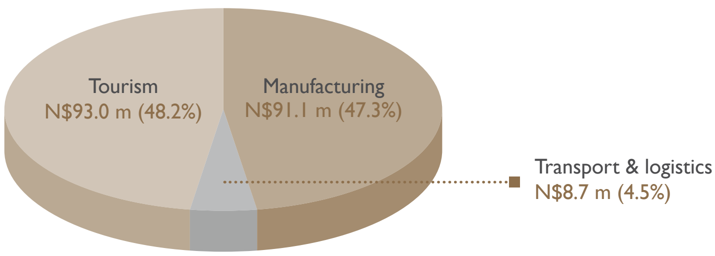
2019 sectoral approvals (incl. SMEs)



2019 SME sectoral approvals



2019 NDP5 sector approvals



Comparative sectoral approvals

	2018		2019	
Approvals by Sector	N$m	% of total	N$m	% of total
Business Services	41.7	1.7	72.3	10.7
Commercial property	74.8	3.0	35.2	5.2
Construction	28.4	1.1	89.5	13.2
Education	-	-	29.2	4.3
Electricity	355.9	14.1	-	-
Financial intermediation	0.5	0.0	-	-
Health	22.7	0.9	2.4	0.4
Housing	213.6	8.5	116.4	17.2
Land servicing	157.6	6.3	129.8	19.1
Manufacturing	74.8	3.0	91.1	13.4
Mining & quarrying	-	-	5.3	0.8
Tourism & hospitality	85.2	3.4	93.0	13.7
Transport & logistics	833.9	33.1	8.7	1.3
Water	610.0	24.3	-	-
Wholesale & retail trade	16.2	0.6	5.3	0.8
Grand Total	2,515.3	100.0	678.2	100.0

In 2019, no approvals were recorded for the electricity, financial intermediation and water sectors.

Comparative SME sectoral approvals

	2018		2019	
Approvals by Sector	N$m	% of total	N$m	% of total
Business Services	10.0	8.7	30.5	19.5
Commercial property	26.3	23.1	7.1	4.6
Construction	16.7	14.7	73.1	46.7
Education	-	-	0.5	0.3
Electricity	-	-	-	-
Financial intermediation	-	-	-	-
Health	16.0	14.0	2.4	1.5
Housing	14.0	12.3	16.8	10.7
Land servicing	-	-	-	-
Manufacturing	5.8	5.1	5.2	3.3
Mining & quarrying	-	-	-	-
Tourism & hospitality	9.9	8.7	13.0	8.3
Transport & logistics	3.9	3.4	3.4	2.2
Water	-	-	-	-
Wholesale & retail trade	11.4	10.0	4.5	2.9
Grand Total	114.0	100.0	156.4	100.0

In 2019, no approvals were recorded for electricity, financial intermediation, land servicing, mining & quarrying and water sectors.

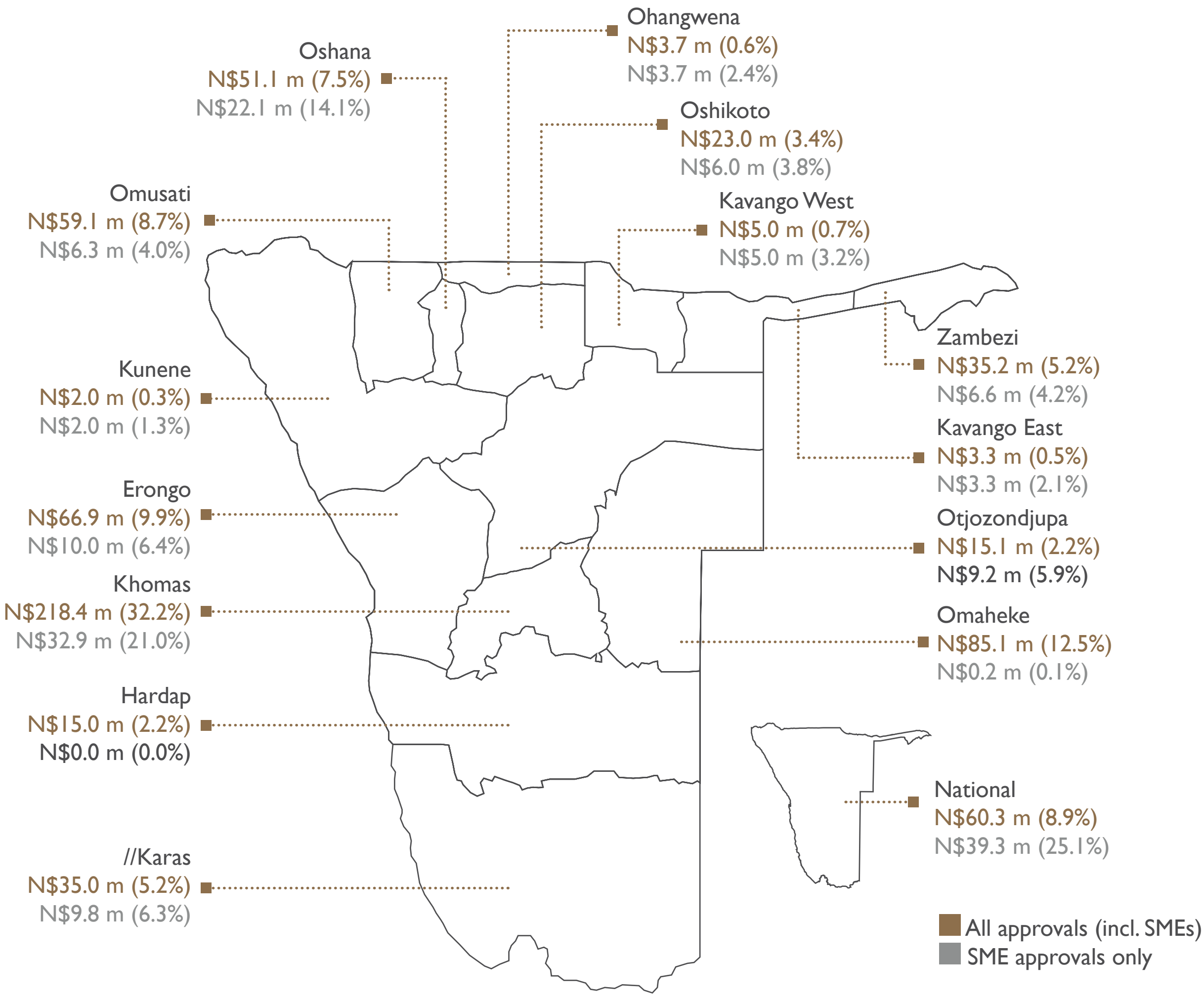
Comparative NDP5 sectors

	2018		2019	
NDP5 Priority Sectors	N$m	% of total	N$m	% of total
Manufacturing	74.8	7.5	91.1	47.3
Tourism & hospitality	85.2	8.6	93.0	48.2
Transport & logistics	833.9	83.9	8.7	4.5
Total NDP5 Priority Sectors	993.9	100.0	192.8	100.0

Regional approvals

Historically, the greatest intensity of formal economic activity has taken place in the Khomas and Erongo Regions, with varying degrees of economic activity in Namibia's other regions. This has led to a number of economic issues emerging, which include poverty due to lack of employment, urban migration to Khomas, Erongo and larger Namibian centres, and accompanying strain on resources. By encouraging finance across all of Namibia's regions, the Bank seeks to improve social and economic development in less economically active regions and reduce migration between regions. The Bank's new office in Rundu is expected to improve demand for finance in Kavango East, Kavango West and Zambezi.

2019 approvals by region



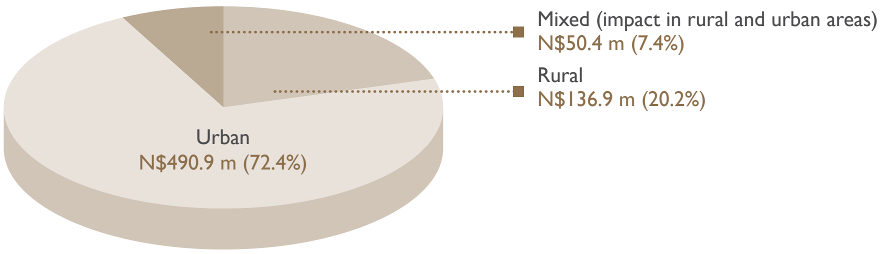
Comparative regional approvals

	2018 (incl. SMEs)		2018 SMEs only		2019 (incl. SMEs)		2019 SMEs only	
Region(s)	N$m	% of total			N$m	% of total	N$m	% of total
Erongo	1,064.1	42.3	12.9	11.3	66.9	9.9	10.0	6.4
Hardap	0.0	0.0	0.0	0.0	15.0	2.2	0.0	0.0
//Karas	500.0	19.9	0.0	0.0	35.0	5.2	9.8	6.3
Kavango East	13.1	0.5	0.0	0.0	3.3	0.5	3.3	2.1
Kavango West	0.0	0.0	0.0	0.0	5.0	0.7	5.0	3.2
Khomas	423.4	16.8	41.1	36.0	218.4	32.2	32.9	21.0
Kunene	22.4	0.9	0.7	0.6	2.0	0.3	2.0	1.3
National	151.0	6.0	13.1	11.5	60.3	8.9	39.3	25.1
Ohangwena	6.0	0.2	2.0	1.8	3.7	0.6	3.7	2.4
Omaheke	16.9	0.7	3.5	3.0	85.1	12.5	0.2	0.1
Omusati	15.4	0.6	10.1	8.9	59.1	8.7	6.3	4.0
Oshana	61.4	2.4	10.9	9.6	51.1	7.5	22.1	14.1
Oshikoto	31.4	1.2	7.1	6.2	23.0	3.4	6.0	3.8
Otjozondjupa	210.3	8.4	12.7	11.1	15.1	2.2	9.2	5.9
Zambezi	0.0	0.0	0.0	0.0	35.2	5.2	6.6	4.2
Grand Total	2.515.3	100.0	114.0	100.0	678.2	100.0	156.4	100.0

Rural urban approvals

Rural poverty and unemployment leads to urban migration, which in turn leads to pressure on the resources of villages and towns. The Bank provides finance to rural enterprises in order to create jobs. Agri-processing, typically classified under the manufacturing sector, not only creates jobs, but also adds value to agricultural produce, enhancing agricultural-based livelihoods. This also enhances Namibia's food security. Other industries that may add value to rural areas are light industries that are involved in upkeep of farm equipment and vehicles, construction and wholesale and retail. The Bank can provide finance in unproclaimed areas, subject to availability of collateral outside of the unproclaimed area.

2019 rural-urban split



Comparative rural-urban split

	2018		2019	
Classification	N$m	% of total	N$m	% of total
Rural	613.6	24.4	136.9	20.2
Urban	1,790.9	71.2	490.9	72.4
Mixed	110.8	4.4	50.4	7.4
Total	2,515.3	100.0	678.2	100.0

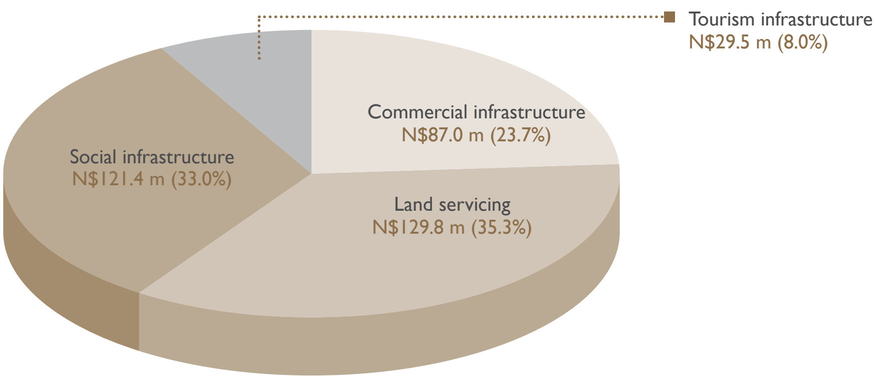
Infrastructure and public private sector allocations

Infrastructure consists of long-term structures that are needed for social wellbeing and enterprise productivity. This category can include upgrading and maintenance of the infrastructure, however it does not include operation of the infrastructure.

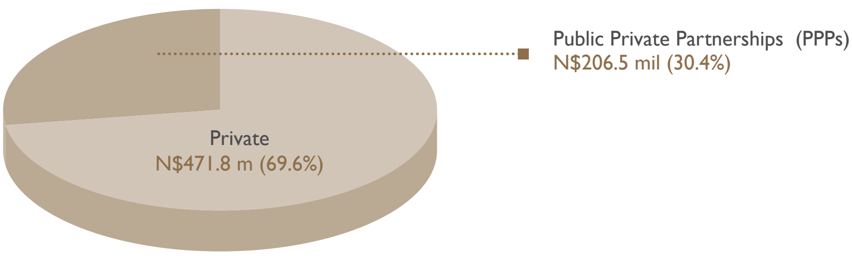
The Bank provides finance for public infrastructure as well as private infrastructure. Public infrastructure is owned by the government and its agencies, who are responsible for managing streams of revenue to the public sector. Private sector infrastructure is owned by the private sector, but may serve the public sector as well, as is the case with photovoltaic solar generators which sell power onwards to NamPower.

Serviced land is classified as bulk infrastructure in its own category, and will be made available through local authorities or PPPs. Housing is classified as social infrastructure, and is sold by property developers. Due to fiscal consolidation, no public sector infrastructure finance was applied for in 2019, and all approvals were made for the private sector and PPPs.

2019 infrastructure approvals



2019 public-private split



Comparative infrastructure approvals

	2018		2019	
Infrastructure	N$m	%	N$m	%
Commercial infrastructure	65.1	2.9	87.0	23.7
Commercial buildings	48.1	2.1	7.1	1.9
Industrial buildings	13.1	0.6	64.9	17.7
Service stations	3.9	0.2	15.0	4.1
Land servicing	157.6	6.8	129.8	35.3
Bulk infrastructure	157.6	6.8	129.8	35.3
Local government buildings	0.0	0.0	0.0	0.0
Town councils	-	-	-	-
Village councils	-	-	-	-
Social infrastructure	224.7	9.7	121.4	33.0
Education	-	-	26.7	7.3
Healthcare	11.0	0.5	-	-
Housing	213.6	9.2	94.7	25.7
State-owned enterprise infrastructure	0.0	0.0	0.0	0.0
Construction and upgrading of buildings	-	-	-	-
Tourism infrastructure	74.0	3.2	29.5	8.0
New hotels	69.0	3.0	-	-
New lodges	-	-	-	-
New bed and breakfasts	-	-	5.0	1.4
New guest houses	-	-	-	-
New restaurants	-	-	-	-
New rest camps / other accommodation facilities	-	-	-	-
Upgrading and additions to tourism establishments	5.0	0.2	24.5	6.7
Transport & logistics infrastructure	830.0	35.8	0.0	0.0
Construction of new roads	-	-	-	-
Construction of new bridges	-	-	-	-
Routine maintenance of bitumen roads	-	-	-	-
Upgrading of roads	-	-	-	-
Upgrading of bridges	-	-	-	-
Fuel and gas storage	830.0	35.8	-	-
Other storage facilities	-	-	-	-
Rail	-	-	-	-
Ports	-	-	-	-
Utility infrastructure	966.0	41.7	0.0	0.0
Electricity distribution infrastructure	155.1	6.7	-	-
Oil and gas pipelines	-	-	-	-
Power plants: solar	73.9	3.2	-	-
Power plants: wind	-	-	-	-
Power plants: non-renewable	127.0	5.5	-	-
Water infrastructure	610.0	26.3	-	-
Grand Total	2.317.3	100.0	367.7	100.0

Comparative public private split

	2018		2019	
Classification	N$m	% of total	N$m	% of total
Private	681.4	27.1	471.8	69.6
Public	1,717.0	68.3	-	-
Public private partnerships	116.9	4.6	206.5	30.4
Total Approvals	2,515.3	100.0	678.2	100.0

Lending criteria and products

The Bank stimulates demand for its services with a range of products that enable it to provide finance in a range of circumstances according to borrower needs. The product range also takes into account complex requirements of larger projects, and provides for structured finance.

Term loans accounted for the bulk of product usage, followed by commercial property finance, which is allocated for development of fixed property that will be used in the long-term by the borrower.

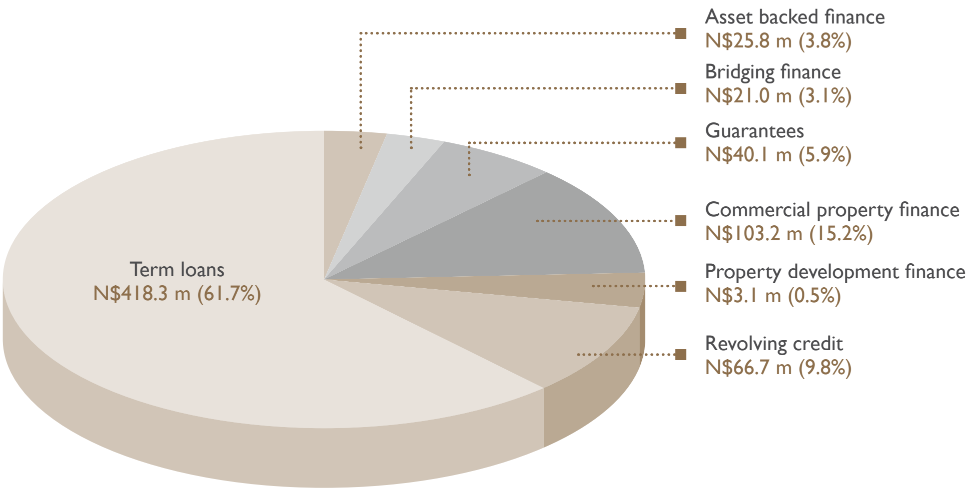
Projects are assessed using the following criteria:

- 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 effects - backward and forward linkages

Products include:

- Term loans
- Project finance
- Property development finance
- Commercial property finance
- Installment sales agreements
- Revolving credit facilities
- Performance guarantees
- Franchise finance
- Structured finance
- Equity and preference share facilities

2019 product usage



Comparative product usage

	2018		2019	
Product	N$m	% of total	N$m	% of total
Asset-backed Finance (ISA)	27.5	1.1	25.8	3.8
Bridging Finance	-	-	21.0	3.1
Guarantees	10.2	0.4	40.1	5.9
Commercial Property Finance	117.4	4.7	103.2	15.2
Property Development Finance	185.7	7.4	3.1	0.5
Revolving Credit Facility	32.4	1.3	66.7	9.8
Term Loan	2,142.1	85.2	418.3	61.7
Total	2,515.3	100.0	678.2	100.0

Finance

Loans and advances increased by 10% to N$8.5 billion up from N$7.7 billion in 2018. Profit for the 2019 financial year was N$211.7 million, a slight decrease of 4% compared to 2018.

The 2019 profit was impacted by the continuous downturn in the economy that affected numerous borrowers and resulted in significant increases in impairments.

Total assets grew to N$9.7 billion, an increase of 10% compared to 2018 results, and an eightfold increase compared to the total assets of N$1.2 billion reported in 2010.

Financed by DBN

Pictured above: the Bank provided finance for 100 core and conventional houses at Ekuku, Oshakati, for the low to middle income earning segment.

Overview of financial results

Despite challenges in the macroeconomic environment, the Bank posted strong results for the year ending 31 March 2019.

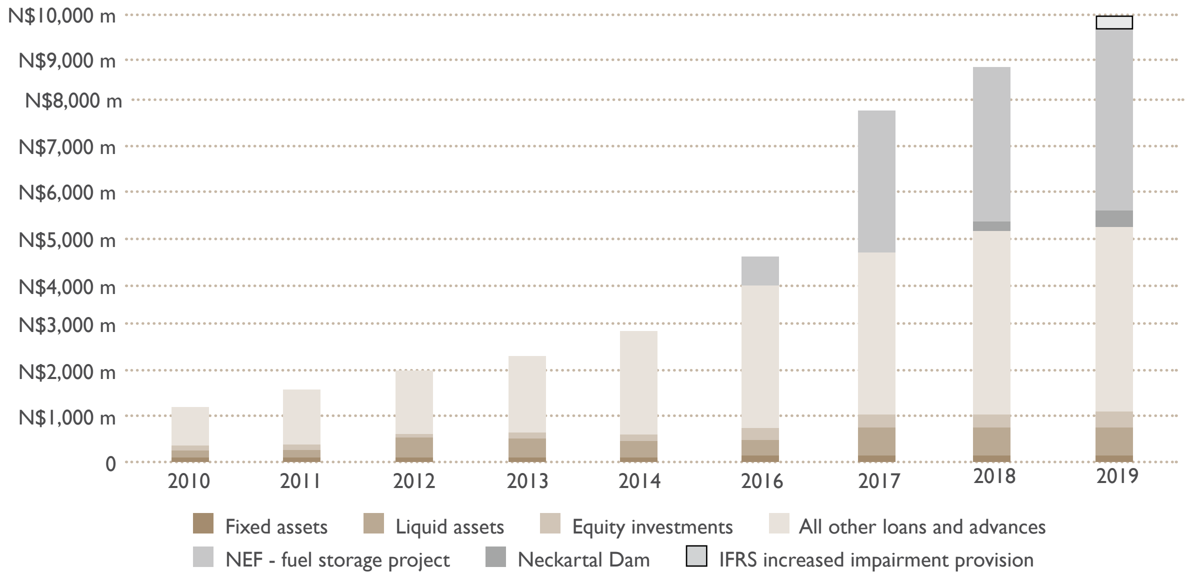
The 2019 results include the impact of the IFRS 9 adoption, specifically recognition and measurement of impairments. IFRS 9 requires impairments to be calculated based on an expected credit loss model over the lifetime of loan exposures, incorporating forward looking information. This methodology is materially different to the previous incurred credit loss model, which measured losses based on historical data, mainly loans in arrears, at a point in time. As a consequence the impairments have increased materially, largely due to increased impairments for the performing loan book. Consequently the following material, once-off adjustments, to impairments were processed:

- Impairments recorded in the statement of financial position increased with N$375 million (cumulative prior years impact: N$349 million), 80% of which relate to the performing loan book.
- The net impact of increased provisions was a 4% downward adjustment to the loans and advances and 11% decrease in capital reserves at 2019 balances.

Loans and advances increased by 10% to N$8.5 billion (2018: N$7.7 billion. Profit for the 2019 financial year was N$211.7 million, a slight decrease of 4% compared to 2018. The 2019 profit was impacted by the continuous downturn which affected numerous borrowers and resulted in significant increases in impairments. The implementation of IFRS 9 further impacted the impairment figure negatively.

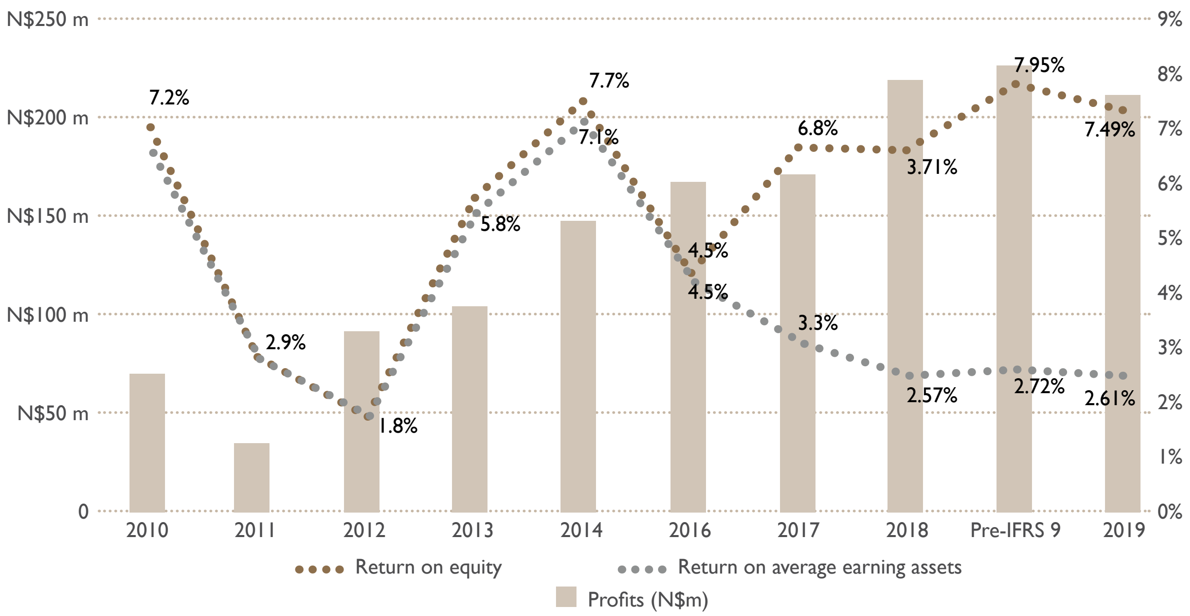
Asset base growth

Total assets grew to N$9.7 billion, an increase of 10% compared to 2018 results, and an eightfold increase compared to the total assets of N$1.2 billion reported in 2010. An additional N$830 million was disbursed to NEF, bringing the Bank's investment in this project to N$4.2 billion. The debt obligation is being funded by the strategic fuel storage levy. Government guarantees were issued to the external financiers. African Development Bank and Standard Bank of Namibia, provided capacity for the Bank to on-lend to this project. The Bank also provided an additional N$200 million finance for the Neckartal Dam project with a balance of N$437 million at 31 March 2019.



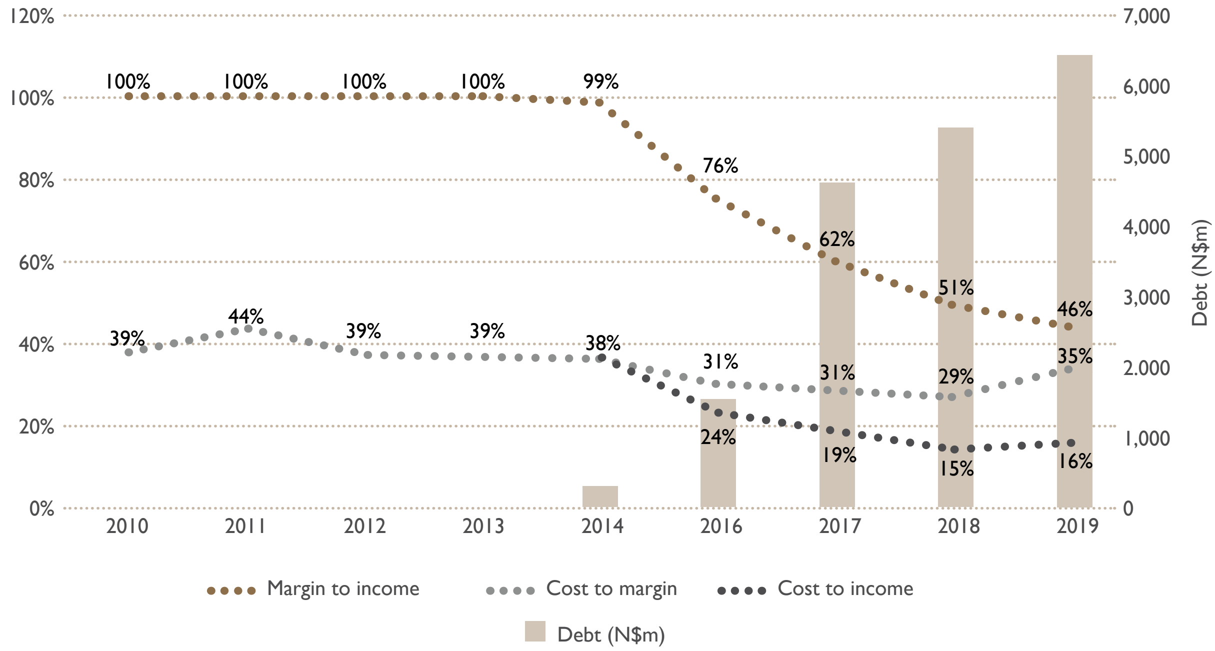
Operating profits and returns

Profit increased year-on-year for the last 6 years, while after the IFRS 9 impact, the profit for 2019 is slightly lower than the prior year. Returns on equity increased over the last 3 years as result of the introduction of debt to fund the loan book growth. The increase in debt levels from 2015, however, had a negative impact on the return on average assets. The Bank received N$60 million in grant funding from its shareholder in 2019, compared to N$30 million in 2018. This is deployed to finance SMEs.



Margin and cost analysis

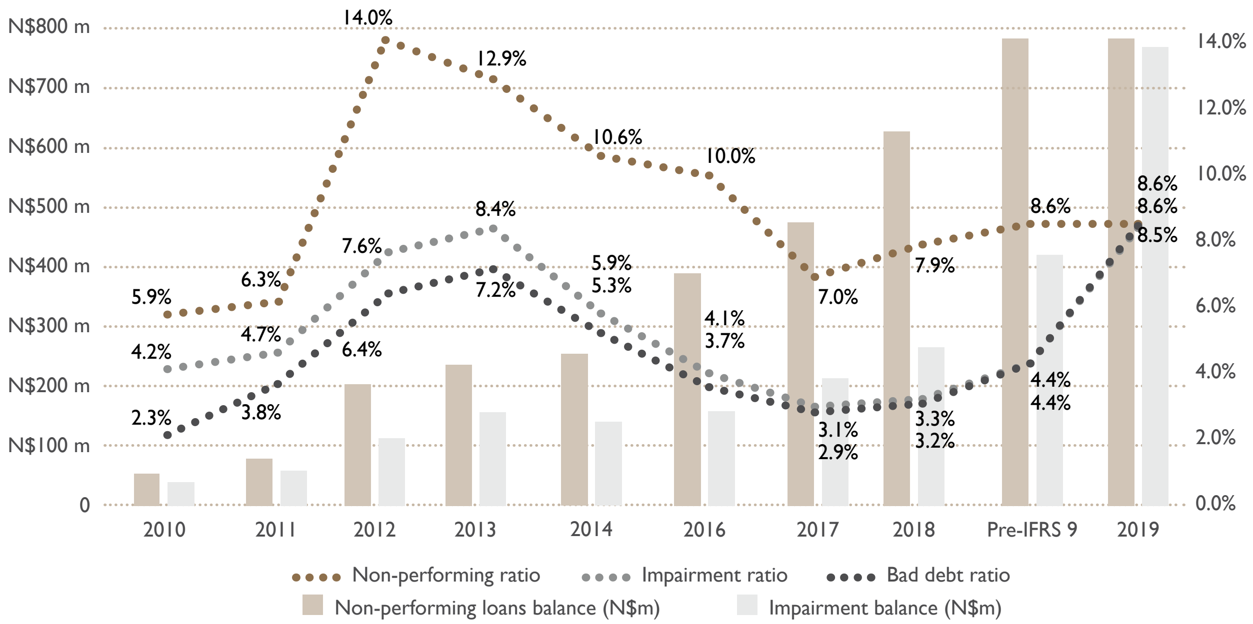
The net interest income (margin) for 2019 was N$388.4 million, increasing 10% from 2018's result of N$353.5 million (excluding interest in suspense of N$50 million). The interest margin percentage continue to be lower due to the increase in borrowings to fund loan book growth. In previous years, funding was mainly provided by the Shareholder. The approved equity to debt ratio is 1:2 (excluding the IFRS9 impact).



Impairment ratios

Ongoing challenges in the economic environment continue to have a negative impact on the impairment and bad debt ratios. Since 2012, the Bank improved the quality of its loan book, but the economic downturn over the past three years across a number of industries resulted in increased non-performing loan ratios for the last two years, at 8.6% for 2019 and 7.9% for 2018. During the year the Bank implemented the IFRS 9 impairment model in order to be compliant with accounting standards. This resulted in a higher impairment raised during the year as previous calculations were under IAS 39.

The impairment ratio pre-IFRS 9 stood at 4.4% in the year under review, increasing to 8.5% when including the additional IFRS 9 impairment provisions. The ratio compares favorably with other DFIs in the region, with the Association of African Development Institution benchmarking a limit of 15%. The Bank upheld the additional review processes to maintain the quality of its loan and investment portfolio. The Bank is in the process of developing a Portfolio Management Unit to strengthen monitoring of loans and to better monitor and support clients that are experiencing challenges with honoring loan obligations.



Bond

The Bank registered an N$2.5 billion medium-term note programme on the Namibian Stock Exchange in 2018. The programme serves the dual purpose of fulfilling the Bank's mandate to develop Namibia's financial markets and providing the Bank with an alternative source of funding for on-lending to sustainable development projects at short notice. During the year ended 31 March 2019, the Bank raised an additional N$290 million in private placements in support of lending activities. Demand for the bond indicates ongoing market confidence in the Bank.

Financial sustainability

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

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

The Bank's pre-IFRS 9 bad debt ratio was 4.4% at 31 March 2019, which was relatively higher compared to the ratio of 3.2% at the end of the previous financial year. The post-IFRS 9 bad ratio was 8.5%. This is in line with the application of the new Accounting Standard that now requires specific impairments to be raised on both performing and non-performing loans.

On average the fair value of collateral held in respect of the Bank's loans was 77% at 31 March 2019 (2018: 35%). This increased due to the amendment to Credit and Investment Policy during the financial year. Exposure to related entities (note 27.1.4) reduces the average collateral level.

Sustainability Model	31 March 2019 (%)	31 March 2018 (%)	AADFI Benchmark (%)
NPL ratio (% of total loan book)	8.55	7.94	15
Bad debt ratio (specific impairments % of loan book)	* 8.46	** 3.20	** 6
Opex / asset ratio	1.49	1.42	4
Average collateral provision	77	35	110

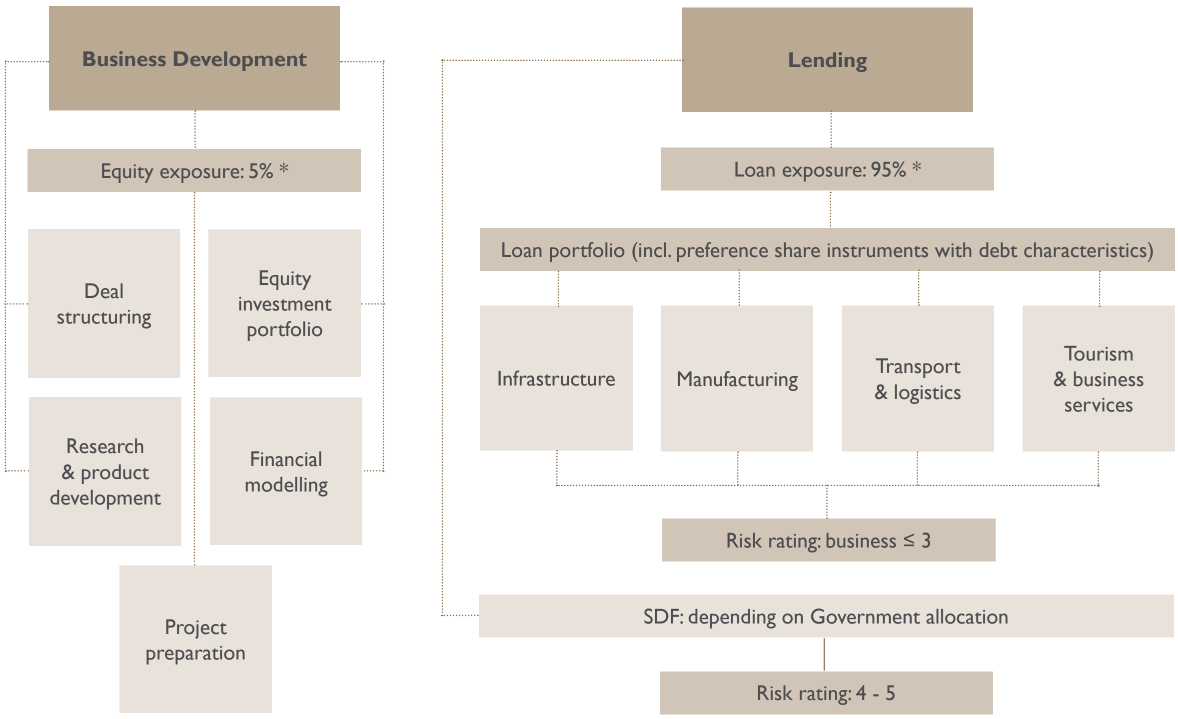
** Post-IFRS ** Pre-IFRS*

Sustainability and lending

Financing is provided through two main instruments, namely equity and debt instruments. Equity finance makes up not more than 10% of the Bank's total investment while debt, including preference shares, makes up the remainder. The debt portfolio is made up of two sub categories, the development portfolio with a target of 10% and enterprise portfolio with a target of 90%. The development portfolio is geared to transformational lending, particularly to women and young entrepreneurs.

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, determined through a risk rating mechanism, a project may be undertaken as long as it meets certain criteria. The quantum of the investment can be restricted if the risk profile does not allow for it, given the threshold for that category. While the Bank has to achieve its mandate, investments are considered in light of sustainability of the institution, to secure the future of the Bank.



** % of overall investment exposure.*

Risk and compliance

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

The Bank has developed its own qualitative and quantitative risk appetite metrics reflecting the Bank's business models and risk strategies.

Projects valued at N$5.5 billion were inspected and assessed for compliance against their submitted Environmental and Social Management Plans.

Preserving biodiversity

Pictured above: the Gladiolus diluvalis, a rare plant, was identified on a site where infrastructure was being constructed, and thanks to an intervention from the Bank's Environmental and Social Management Unit, the plants were relocated to the National Botanical Garden for preservation.

Risks and opportunities

Risk and opportunity management is the control of business risks and opportunities in a manner that ensures that both long and short term objectives of the Bank are achieved and that opportunities are fully maximised. The Risk Management System is a decision making and executing structure through risk governance which enables the environment for management oversight and reporting of risks, the risk processes which cover the planning, understanding, response to risks in the DBN strategy and providing risk assurance through the combined efforts to reach consensus on the key risks and opportunities facing the bank, their significance and effectiveness of treatment strategies, thereby reducing the likelihood that significant risks and opportunities remain unidentified.

Within the Bank, the principal risks remain broadly consistent with those described in the 2017/2018 Annual Reports. The table below contains the top key risks listed in order of descending materiality. All key risks, and their related mitigating actions, are overseen by the Board's Audit, Risk and Compliance Committee (BARCC) through the combined assurance model, informing their view of the adequacy of the Bank's risk management and internal controls.

Key risks

No	Current Top 10 risk outlook	Risk description and impact	Residual Risk
1	**Credit risk**	The Bank provides loans to clients, which exposes it to credit risk. Credit risk is the risk of loss due to non-performance of clients in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads and IFRS 9 application. Credit risk also includes credit default risk, pre-settlement risk, concentration risk and securitization risk.	High
2	**High value transaction risk**	The Bank is expected to deliver on its mandate of infrastructure development. In some instances such projects require major financial funding which impacts on the Bank's risk appetite and sustainability and should be managed with due consideration.	High
3	**IFRS 9 compliance risk**	IFRS 9 introduces specific changes to the classification, measurement and impairment assessment requirements. The potential risk of non-compliance to IFRS 9 requirements as a result of historical information, skills and knowledge will have an impact on the banks financial reporting.	Moderate
4	**Information and communication technology risk**	ICT is a key enabler in unlocking operational effectiveness for continuous delivery of the Bank's mandate, however during the process of enabling operational effectiveness information security can be breached accidentally and/or maliciously.	Moderate
5	**IT Core Shift implementation risk**	The Bank is in the process of implementing a Core-Shift IT project for the management of the loan process. Project failure will have an impact on the operational effectiveness of the bank.	Moderate
6	**Stakeholder management risk**	Recognizing that effective stakeholder management is imperative to the success of achieving the Bank's strategic objectives, and operational goals, it is critical to identify and build effective long-term sustainable relationships with key stakeholders to meet expectations.	Moderate
7	**Compliance risk**	The Bank is not immune to ever-increasing regulatory requirements within the financial services sector. Therefore any non-compliance with legislation & industrial regulatory guidelines/internal policies/mandate will result in fines and penalties, and can negatively impact on the Bank	Moderate
8	**Reputational risk**	DBN is exposed to potential negative publicity, public perception or uncontrollable events which can have an adverse impact on the Bank. Therefore it is important to prevent and respond to reputational risk events impacting on the Bank's reputation and goodwill.	Moderate
9	**Sustainable lending focus risk**	The Bank has embedded sustainability assessments in projects it prepares, finances and monitors, thus enhancing the sustainable development of the social, economic and environment, therefore any unsustainable lending focus can negatively impact loan book growth.	Moderate
10	**Capital level and liquidity risk**	DBN has capital restrictions through the maximum gearing limits. To enable the Bank to meet its infrastructure developmental targets over the medium term, it requires an appropriate level of capital and funding to sustainably meet its strategic objectives.	Moderate

Risk culture

The Bank promotes a culture that brings about an awareness and recognition of the value of risk identification, measurement, management, monitoring and reporting as part of daily business activities. The risk culture emanates from the Bank's risk philosophy and risk appetite and is reflected in the share mindset, values, beliefs and practices that underpin how DBN manages risk on a day-to-day basis.

Training and awareness programmes are in place to ensure that a risk aware culture is fostered, that employees understand the importance of good risk management and know how to implement these practices. One of the objectives of performance management is to encourage and incentivise good risk management practice via internal controls.

Risk appetite

The Bank has developed its own qualitative and quantitative risk appetite metrics reflecting the Bank's business models and risk strategies. These will be monitored by the BARCC. The Bank uses risk appetite limits and early warning thresholds to define the boundaries of risk taking and manage the risk/return profile.

Managing risk of politically exposed persons

DBN, as an accountable institution, is required to comply with the Financial Intelligent Centre (FIC) Guidance Note as issued on the Treatment of Politically Exposed Person (PEP) in terms of Section 9(1)(h) of the Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended. A PEP is defined by the FIC as an individual who is or has been entrusted with a prominent public function. Due to their position and influence, it is recognized that many PEPs are in positions that potentially can be abused for the purpose of committing Money Laundering (ML) offences and related predicate offences, including corruption and bribery, as well as conducting activities related to Terrorist Financing (TF) and Proliferation Financing (PF). Due to these risks, the Bank has taken steps to identify through risk management mechanisms whether a client or potential client or beneficial owner is a PEP and apply Enhanced Due Diligence (EDD) through the Risk-Based Approach to prevent the misuse of the financial systems by PEPs. The Bank is not prevented from doing business with a PEP thus the identification of a PEP does not on its own create an automatic reason to decline an application for funding.

Managing fraud and corruption

The Bank is committed to ethical behaviors and to the prevention, detection, and reporting of fraud and corruption in a zero-tolerance approach. The BARCC has implemented mechanisms to provide oversight on fraud and corruption. As part of the vital component of a broader ethics and fraud risk management programme, the mechanisms amongst others implemented are:

- A reliable, secure and confidential whistle blowing facility known as Tip-Offs Anonymous Hotline to creates a mechanism for early detection and serves as a deterrent measure for unethical behavior that causes losses. All investigative activities are reported to BARCC and to the relevant law enforcement agencies where applicable.
- Crime prevention policies, plans and responses
- Forensic investigative capability forming part of the risk management team
- Communication/feedback requirements to all stake-holders involved.

Combined assurance

A combined assurance model enables consolidated reporting of assurance activities to minimize operational disruption, reduce assurance cost and support the Board ARCC to objectively make key decisions. The model aims to optimise assurance obtained from management, risk, compliance, legal, internal and external assurance providers on the Bank's risks. During the financial year 2018/2019, the internal and external assurance provider term-of-service contract came to an end and new service providers were appointed for the next 3-5 years.

Environmental and social risks

The Bank is committed to ensuring that the Environmental Management Act (EMA) No 7 of 2007 and its Regulations as well as the Labour Act No 11 of 2007 (LA) and its Regulations for the health and safety of employees at work are complied with by borrowers. The monitoring and evaluation of borrowing entities is done through conducting site visits inspection and meeting with clients for compliance to the submitted Environmental and Social Management Plan (ESMP).

Compliance to ESMP and Namibian Laws are captured as covenants in the Loan Agreement signed at loan approval and failure to abide by this clause can result in breach of contract with the DBN.

During the financial year 2018/2019, projects valued at N$5.5 billion were inspected and assessed for compliance against their submitted Environmental and Social Management Plans (ESMP) as well as the Environmental Management Act and the Labour Act. Findings of these inspection and assessments are reported back to business owners, Board ARCC and financiers.

Human Capital and Operations Support

Human Capital and Operations Support Department provides a layered, multi-dimensional environment to the Bank, in which human resource development and deployment enable the Bank to fulfill its enterprise and departmental objectives.

During 2019 the Bank had a 0% staff turnover.

In pursuit of the goal of excellence, the Department assisted 23 members of staff to upgrade their academic, qualifications and 29 training and development capacity building interventions took place to improve the competence and performance of 82 members of staff.

Human assets

Pictured above: the Bank's football team, with guest players, at the Top Score Seven-a-Side Tournament.

Approach

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

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

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

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

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

General and gender equity

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

In 2018/19, 14 of the 15 new employees were recruited from previously disadvantaged groups. Representation of previously disadvantaged employees is 93.3%.

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

In 2019, 59% of the workforce was female, of which 55% were previously disadvantaged. Women constitute 43% of the management cadre of the Bank, and 50% of senior management.

Retention, turnover and recruitment

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

Staff turnover decreased from 8.8% in 2017/18 to 0% in 2018/19, with zero resignations. Fifteen new personnel were recruited, who filled vacant positions and created new capacity according to the Bank's needs.

Total DBN Staff	2016/17	2017/18	2018/19
Employees at start of year	79	82	90
Recruitment	6	16	15
Resignations	3	8	0
Total	82	90	105

Promotions

The Bank encourages employees to develop their skills and seek advancement opportunities. It is committed to career mobility of employees with the required qualifications and skills to perform their jobs. During the year, six employees were promoted, of which five are from the previously disadvantaged category and one from the previously advantaged category.

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

Learning organization

The ability of the Bank to achieve its strategic goals depends on knowledgeable and skilled employees, so it has embedded a culture of workplace learning, and it strives to be a world class learning organisation.

The Bank requires employees who are creative and innovative, consider how to be more effective in the workplace, and learn continuously. The Bank develops its employees with considerable and continuous investment in education, training and development. Employees are empowered to achieve personal growth and excellence through self-directed learning.

Employee learning agility and immediate access to knowledge are key underpinnings of the Bank's approach to learning, as the Bank evolves rapidly to match its environment. Development of competencies is accelerated with formal training, on-the-job training, and collaboration.

Equipping employees to be more knowledgeable, tolerant and collaborative is a key priority. The Bank has become multigenerational and diverse. The Bank uses an analytic approach to human capital and carefully considered programmes to preserve the synergistic advantage of employees who work in the spirit of mutual gain.

The programmes improve individual, group, and organisational effectiveness. The core programmes are:

- Education, Training and Development (aimed at individual development)
- Career Development (a series of activities or the ongoing / lifelong process of developing a career)
- Performance Development (an ongoing process involving both the employee and the supervisor, focusing on the development of the employee as a professional over time)
- Organisational Development

During the year, the Bank assisted 23 staff members to upgrade their academic qualifications, and 29 training and development capacity building interventions took place to improve the competence and performance of 82 members of staff.

Training and Development Unit

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

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

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

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

Remuneration and benefits

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

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

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

Currently 61 employees make use of the Bank's housing scheme with an exposure of N$84.89 million.

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

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

Performance management

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

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

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

Employee wellness

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

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

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

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

The Employee Wellness Programme for 2018/2019 included:

- Wellness Days, which included wellness assessments, referrals and information dissemination on various conditions and service offerings of its medical funds.
- Spa Days: massages, refreshments and gifts.
- Motivational Talks: Personal Branding and the Namibian Economy and I.
- The Top Score 7-a-Side Football Tournament
- Information Sessions on
    - Back to Basics about Healthy Lifestyles
    - The Value of Fitness Demonstration
    - Financial Freedom

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

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

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

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

Outreach, communication and corporate social investment

The Bank engaged with stakeholders through visits across multiple regions.

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

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

Support for innovation

Pictured above:VNA Native Foods won the 2019 Innovation Award with a plan to process spinach and package it as instant soup..

Strategic outreach 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. The Marketing and Corporate Communications Department 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.

Stakeholder engagement

One of the key strategic objectives of the Bank is to promote a positive image through ensuring sound stakeholder relations, delivering excellent service to all customers, promoting good corporate citizenship and enhancing corporate image. Collaboration and regular interaction with all stakeholder groups is essential to the Bank's long-term sustainability and to the effectiveness of its mandate.

Stakeholder engagement aims to instill and encourage trust, transparency, responsiveness, collaboration and to manage expectations with the following outcomes:

- To support business objectives and communication strategy
- To provide feedback to various other departments and Management/ Exco/ Board
- To monitor interactions

The Bank's stakeholder groups have been identified based on the influence they have on the Bank's operations, as well as whether the Bank is significantly affected by them. The outcomes of the various stakeholder dialogues inform many aspects of DBN's strategy such as risk management, business opportunities, and strategic objectives. The method(s) used for stakeholder engagement depend on the message and involved parties.

In the year under review, the Bank established the Stakeholder Engagement Mandate, Stakeholder Analysis (mapping), and the formal Stakeholder Engagement Approach.

The main objectives are to identify the opportunities and threats arising from stakeholders' interaction and needs; to assist with strategic decision-making; and to improve effective communication with the Bank's stakeholders.

It is the intention of the Bank to provide more accurate reporting on the number of engagements, highlighting who they met or had interaction with, and what the engagements entail. Over and above this, the reporting will provide insight into departments / personnel engaging with specific stakeholders, which will inform existing relationships, and in turn will eliminate and/or streamline different departments approaching the same stakeholders.

Outreach

The Bank engaged with stakeholders in the course of various visits across multiple regions, as well as during consultations in Windhoek. The primary aim of outreach programmes was to seek ways to increase demand for the Bank's products.

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.

Through its outreach programmes the Bank actively reached out to stakeholders and potential and current borrowers in the following regions: Kavango West, Kavango East, Zambezi, //Karas and Hardap.

Corporate social investment

The Bank uses corporate social investment (CSI) to develop Namibia by supporting initiatives that will not benefit from commercial finance offered by the Bank. It supports programmes that focus on:

- Education and education-related activities
- Poverty alleviation
- Enterprise development
- Skills development and improvement
- Community safety and health management
- Environmental and biodiversity management

In the period ended 31 March 2019 the Bank's corporate social responsibility amounted to N$2,042,201 (including the Good Business Awards and the Innovation Award).

Showcase CSI projects

Education and education-related activities

In the year under review the Bank funded the UNAM MSc in Development Finance. The multidisciplinary program was launched in March 2018 and it is in its second year of intake. The core rationale of the MA Development Studies is to put in place the human resource capacity for the effective creation and implementation of development finance frameworks to contribute to concrete socio-economic improvements for Namibian and SADC communities and citizens. To date 45 students are enrolled in the first and second year respectively. The Bank also supported individual schools with infrastructure development.

Enterprise development

During the year, the Bank sponsored various trade shows, expo and exhibitions countrywide.

Skills development and improvement

As part of its contribution to SME sector growth, the Bank supported the Student Entrepreneurship Programme (SEP) to identify, train and facilitate the establishment of 14 youth owned enterprises. To date, 140 young Namibians have been trained and organized into regional enterprises of 10 per group and equipped with bankable business plans.

Good Business Awards and Innovation Award

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

The first prize in the category of Large Enterprise was awarded to Namibia Plastics, which used Bank finance to establish a packaging factory while leapfrogging existing technology. The SME category was won by Puma Goreangab Waterfront Service Station, which provides more than 50 jobs as well as retail and banking facilities in the underserved Windhoek suburb of Goreangab.

Through the Awards, the Bank seeks to promote the examples set by winners to highlight exemplary practices and the heights of successes that can be attained by other Namibian initiatives.

The winner of the Innovation Award was VNA Native Foods. VNA provided a plan to manufacture powdered soup made from African spinach. The product will provide an additional outlet for local agriculture.

The Innovation Award purse was increased to N$1,000,000 of which a part is apportioned to business development, and the remainder is grant finance.

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.

Development Bank of Namibia

Annual Financial Statements
for the year ended 31 March 2019

Index

Directors' Responsibility Statement
for the year ended 31 March 2019

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 2019, and the Statement of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flow Statement for the period then ended, and the Notes to the Financial Statements which include a summary of significant accounting policies, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia, and the Directors' Report.

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

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

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

Approval of the Annual Financial Statements

The Financial Statements of Development Bank of Namibia Limited, as identified in the first paragraph, were approved by the Board of Directors on 3 July 2019, and are signed on their behalf by:

Tania Hangula
Chairperson
3 July 2019

Martin Inkumbi
Chief Executive Officer
3 July 2019

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

Opinion

We have audited the financial statements of Development Bank of Namibia Limited ("the Bank"), as set out on pages 44 to 92 which comprise the Statement of Financial Position as at 31 March 2019, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement 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 2019, 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 Bank 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.

Key Audit Matters

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">The expected credit loss assessment for loans and advances
Refer to notes 2.4.2.1, 2.4.2.2, 2.5.1 and 3.10.7 of the financial statements for the relevant accounting policy and to notes 14, 28.2 and 31.2 for selected disclosures applicable to this matter.</td></tr>
<tr><td>Loans and advances which represent 87.7% of total assets, and associated impairment provisions are significant in the context of the financial statements.

The Bank has adopted IFRS 9 for the first time for the financial year ended 31 March 2019. IAS 39 – Financial Instruments: Recognition and Measurement is applied for the comparative period.

Under IFRS 9 loss allowances are measured on either of the following bases:
• 12-month ECLs that result from possible default events within the 12 months after the reporting date.
• Lifetime ECLs that result from all possible default events over the expected life of a financial instrument.

The Bank is required to recognise an allowance for either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk (SICR) since initial recognition.

The Bank measures ECL using probability of default (PD), exposure at default (EAD) and loss given default (LGD). These three variables are multiplied together and adjusted for the likelihood of default.

The Bank incorporates forward-looking information into both the assessment of SICR and the ECL impairment calculations.

Significant judgement and estimates are applied in the process of incorporating forward-looking information into the SICR assessment and ECL calculation.

Due to the significant judgement and estimates involved and the significance of loans and advances, the expected credit loss assessment for loans and advances is considered a key audit matter in our audit of the financial statements.</td><td>Our response to the key audit matter included performing the following audit procedures:
• We identified relevant controls that address the impairment risks identified and evaluated the design and implementation, and in some cases the operating effectiveness, of these controls.
• To challenge the accuracy of models we:
  ◦ engaged our internal valuation experts to perform a review of the Bank's ECL impairment methodology against the principals and requirements as defined in IFRS 9.
  ◦ recalculated the ECL as per the IFRS 9 model, using our independent average benchmark ECL components (e.g. probability of default, loss given default and exposure at default) to assess the reasonableness of the Bank's ECL estimate;
  ◦ assessed the ECL components, e.g. probability of default, loss given default, exposure at default, significant increase in credit risk. This also included the recalculation of the opening balance of the provision for transition purposes.
• We performed sensitivity analyses on the ECL calculation and tested how different scenarios compare based on our knowledge of the industry.
• For a sample of loans, we agreed the collateral as per the IFRS 9 model to the collateral held by the Bank, and recalculated the collateral value and assessed the reasonableness of future expected cash flows used in the ECL calculation.
• We considered whether the associated disclosures are compliant with IFRS 9 and IFRS 7.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Valuation of unlisted equity investments *Please refer to notes 2.4.2.4 and 3.10.6 of the financial statements for the relevant accounting policy and to notes 17, 29 and 30 for further information.*	
Unlisted equity investments represents 2.9% of total assets. These investments are carried at fair value through other comprehensive income, and classified as level 2 or 3 in the fair value hierarchy as prescribed by IFRS 13 Fair Value Measurement. These investments in unlisted equity instruments are difficult to value as a result of applying complex valuation models and/or subjective inputs that are not readily observable. As the determination of the fair value these investments is a key source of estimation uncertainty and is subject to significant judgement, the valuation of unlisted equity investments was considered to be a key audit matter in our audit of the financial statements.	Our response to the key audit matter included performing the following audit procedures: • We identified relevant controls over the valuation of unlisted equity investments and evaluated the design and implementation, and in some cases the operating effectiveness, of these controls. • We engaged our internal valuation experts to review the models used by management, compared inputs used to our independent inputs and re-performed the valuations. • Where new valuation methodologies have been applied, we evaluated whether the model valuation methodologies used for material valuation risks are appropriate, utilising our internal valuation experts. • We considered whether the associated disclosures are compliant with IAS 36 and IFRS 13.

Other Information

The Directors are responsible for the other information. The other information comprises:

- Chairperson's report
- CEO's report
- Board of Directors
- Litigation and claims
- Certification and compliance
- Executive management and committees
- Governance
- Loan approvals
- Finance
- Risk and compliance
- Human capital and operations support
- Outreach, communication and corporate social investment
- Directors' responsibility statement

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.

In preparing the financial statements, the Directors are responsible for assessing the Bank'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 Bank 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 Bank'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 Bank'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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

KPMG Namibia
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Windhoek, Namibia

Per: R. Grant
Partner
3 July 2019
Windhoek, Namibia

De Merindol Office Park
30 Schanzen Road
Windhoek, Namibia

Directors' Report
for the year ended 31 March 2019

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 2019.

Nature of business

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

Specifically, the Bank's guiding objectives include:

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

Financial results

The Annual Financial Statements, for the financial year ended 31 March 2019, on pages 45 to 92 set out fully the financial position, results of operations and cash flows of the Bank.

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

Dividend

Dividends of N$8,779,484 have been declared in the current financial year (2018: N$17,202,227). 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. The reserve is further subdivided into the following development programmes:

1. The Client Support & Development Fund
2. The Project Preparation Fund
3. The Innovation Fund

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 (2018: N$165 million) and the share premium at N$1,842.1 million (2018: 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.

Directorate and Secretariat

The members of the Board of the Development Bank of Namibia during the year under review were:

- Tania Hangula (Chairperson)
- Tabitha Mbome
- James Cumming
- Kai Geschke
- Diana Husselmann
- Martin Inkumbi

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

Directors' Emoluments

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

Business and Registered Address

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

Taxation Status

The Bank is exempt from taxation in terms of section 16(1)(e)(i) of the Income Tax Act (Act No. 24 of 1981), as amended, as well as section 4 of the Development Bank of Namibia Act, 2002 (Act No. 8 of 2002). The Bank is subject to and complies with all other Namibian taxes, including value added tax, employees' tax and withholding tax. During the financial year the Bank paid value added tax of N$4,968,674 (2018: N$3,344,085), employees tax of N$19,219,962 (2018: N$16,556,215) and withholding tax of N$334,497 (2018: N$43,341).

Changes in Accounting Policies

In all material respects, the accounting policies applied during the year ended 31 March 2019 are consistent with those applied in the Annual Financial Statements for the year ended 31 March 2018, as no changes in accounting policies were affected in the year under review, with the exception of the changes as a result of the introduction of IFRS 9 and IFRS 15. The changes to the significant accounting policies are disclosed in Note 2.5.

Subsequent Events

The Singapore Exchange (SGX) rejection of International Cement Group's (ICG) US$104.4 million proposed purchase of Schwenk Namibia was reported on 24 June 2019. The SENS announcement was used to determine fair value (see Note 30).

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

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 March 2019

N$	Notes	2019	2018
Interest income	4	848,438,458	788,839,740
Interest expense	5	(460,048,866)	(385,630,174)
Net interest income	5	388,389,592	403,209,566
Fee and commission income	6	28,246,751	23,628,075
Revenue		416,636,343	426,837,641
Other income	7	73,762,001	42,433,155,
Fair value adjustments on loans and receivables	9	(7,430,353)	(3,198,871)
Fair value gain on cross currency swap	19.1	32,920,590	31,646,913
Foreign exchange gain / (loss) on loan		6,169,410	(40,321,924)
Net impairment on loans and advances	14	(173,928,316)	(121,216,035)
Operating expenses	8	(136,446,574)	(116,693,770)
Profit before tax		211,683,101	219,487,109
Tax expense	10	-	-
Profit for the year		211,683,101	219,487,109
Profit for the year		211,683,101	219,487,109
Other comprehensive income, net of income tax		27,168,709	(7,923,439)
Items that may be reclassified subsequently to profit or loss			
Net change in fair value on available-for-sale financial assets – IAS 39	22.2	-	(31,363,512)
Cash flow hedge: effective portion of changes in fair value on interest rate swap – IAS 39	22.3	2,754,870	8,558,465
Items that will not be reclassified subsequently to profit or loss			
Revaluation gain on property	22.1	7,918,078,	14,881,608
Fair value adjustments on FVOCI equity investment financial assets – IFRS 9	22.2	16,495,761	-
Total comprehensive income		238,851,810	211,563,670

Statement of Financial Position
as at 31 March 2019

N$	Note	2019	2018
Assets			
Cash and cash equivalents	11	698,977,010	661,875,563
Trade and other receivables	12	28,173,812	17,185,083
Staff home ownership scheme loans	15	84,889,580	67,580,384
Loans and advances to customers	13	8,486,379,811	7,725,463,634
Equity investments	17	281,702,347	265,206,586
Property and equipment	16	84,946,577	79,865,400
Intangible assets	18	5,600,646	1,480,862
Total assets		9,670,669,783	8,818,657,512
Liabilities			
Trade and other liabilities	19	27,675,865	19,828,608
Debt securities issued	19.2	-	-
Term loan facilities	19.3	233,000,000	910,319,485
Call loan facilities	19.4	-	-
Line of credit facility	19.5	4,050,767,808	4,050,277,328
Bonds	19.6	725,067,502	505,154,571
Fixed term facility	19.7	1,448,574,297	-
Dividends retained for redeployment	20	55,501,769	47,839,986
Derivative held for risk management	19.1	-	35,675,460
Total liabilities		6,540,587,241	5,569,095,438
Equity			
Share capital and share premium	21	2,007,071,178	2,007,071,178
Retained earnings		1,069,036,542	1,215,684,783
Reserves	22	53,974,822	26,806,113
Total equity		3,130,082,542	3,249,562,074
Total liabilities and equity		9,670,669,783	8,818,657,512

Statement of Changes in Equity

for the year ended 31 March 2019

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

N$	Share capital and share premium: Share capital	Share premium	Revaluation reserve on land and buildings	Fair value reserve	Cash flow hedge reserve	Retained earnings	Total
Balance at 1 April 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
Total comprehensive income for the year	-	-	14,881,608	(31,363,512)	8,558,465	219,487,109	211,563,670
Profit for the year	-	-	-	-	-	219,487,109	219,487,109
Other comprehensive income, net of income tax	-	-	14,881,608	(31,363,512)	8,558,465	-	(7,923,439)
	-	-	-	-	-	(17,202,227)	(17,202,227)
Transfer to dividend retained for redeployment	-	-	-	-	-	(17,202,227)	(17,202,227)
Balance at 31 March 2018	165,000,000	1,842,071,178	48,328,888	(18,767,905)	(2,754,870)	1,215,684,783	3,249,562,074
Note	*21*	*21*	*22.1*	*22.2*	*22.3*		

Cash Flow Statement
for the year ended 31 March 2019

N$	Note	2019	2018
Cash flows utilised in operating activities			
Cash receipts from customers	B	882,957,616	824,412,556
Cash paid to suppliers, lenders and employees	C	(565,451,916)	(478,728,505)
Cash flows from operating activities	A	317,505,700	345,684,050
Government grants received		60,000,000	30,000,000
Dividends retained for redeployment payments		(1,603,003)	(71,431)
Increase in income earning assets	D	(1,307,100,041)	(1,181,442,689)
Net cash utilised in operating activities		(931,197,344)	(805,830,069)
Cash flows utilised by investing activities		(7,007,300)	(2,818,656)
Acquisition of property and equipment		(1,734,583)	(2,819,735)
Proceeds from disposal of property and equipment		11,437	44,035
Acquisition of intangible assets		(5,284,155)	(42,957)
Cash flows from financing activities	19.8	975,306,091	808,885,527
Funding liabilities raised - term loan		-	200,000,000
Funding liabilities raised - line of credit facility		-	500,000,000
Funding liabilities raised - bonds		290,000,000	501,000,000
Funding liabilities raised - fixed term facility		1,500,000,000	
Funding liabilities paid - debt securities		-	(189,882,227)
Funding liabilities paid - term loan		(670,000,000)	(202,076,541)
Funding liabilities paid - call loan facility		-	(155,705)
Funding liabilities paid - bonds		(71,000,000)	-
Funding liabilities paid - fixed term facility		(73,693,909)	-
Net increase in cash and cash equivalents		37,101,447	236,802
Cash and cash equivalents at the beginning of the year	11	661,875,563	661,638,761
Cash and cash equivalents at the end of the year	11	698,977,010	661,875,563

Cash Flow Statement (continued)
for the year ended 31 March 2019

N$	Note	2019	2018
A. Cash generated by operations			
Profit for the year		211,683,101	219,487,109
Adjusted for:			
Unwinding of discounted present value on off-market loans		(4,858,427)	(4,579,401)
Fair value adjustments of off-market loans		7,430,353	3,198,871
Depreciation and amortisation		5,727,231	4,544,396
Net impairment on loans and advances		182,007,797	130,445,656
Net loss on cross currency swap		(32,920,590)	(31,646,913)
Fair value gain on cross currency swap		1,396,132	-
Foreign exchange (gain) / loss on loan		(6,169,410)	40,321,924
Gain on disposal of property and equipment		(2,813)	(41,778)
Government grants received		(60,000,000)	(30,000,000)
Accrued interest		16,352,132	17,570,940
		320,645,506	349,300,803
Increase in trade receivables		(10,988,729)	(5,559,287)
Increase in trade payables		7,848,924	1,942,534
		317,505,700	345,684,051
B. Cash receipts from customers			
Interest income		832,869,383	779,121,706
Bad debts recovered		8,079,481	9,229,621
Fee and dividend income		42,008,752	36,061,229
		882,957,616	824,412,556
C. Cash paid to suppliers and employees			
Interest expense		(443,696,734)	(368,059,234)
Operating expenditure		(121,755,181)	(110,669,271)
		(565,451,915)	(478,728,505)
D. Change in income earning assets			
Increase in staff home ownership scheme loans		(21,057,870)	(10,598,348)
Increase in loans and advances		(1,286,042,171)	(1,170,844,341)
		(1,307,100,041)	(1,181,442,689)

1. Reporting entity

Development Bank of Namibia Ltd ('the Bank') is a limited company incorporated in Namibia. The nature of the Bank's operations, its owners and addresses of its registered office and principal place of business are disclosed in the report of the Directors. The Bank mobilises investment capital and facilitates national and international co-operation among public and private entities as well as community organisations in the planning and implementation of larger scale projects capable of delivering sustainable economic growth as well as social development in the form of human capital development and empowerment for Namibia.

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as issued by the International Accounting Standards Board ('IASB') and the requirements of the Companies Act of Namibia.

2.2 Basis of measurement

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

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

The methods used to measure fair values are detailed in Notes 16, 29 and 30.

2.3 Functional and presentation currency

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

2.4 Judgements, estimates and assumptions

In preparing these financial statements, management has made judgements, estimates and assumptions that affect application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

2.4.1 Use of 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

Applicable to 2018 and 2019

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

The Bank controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Bank determined that it has no control over its equity investments, Ohorongo Cement (Pty) Ltd and Norsad Finance Ltd. The Bank has a minority shareholding of 5.58% in Norsad and does not have a controlling vote. The Bank has minority shareholding of 11.73% in Ohorongo Cement (Pty) Ltd and does not have controlling voting rights.

2.4.1.2 Financial assets

Applicable to 2019 only

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

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

2.4.2 Critical assumptions and estimates in applying accounting policies

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

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

Notes 13, 14, 19.1 and 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

Applicable to 2019 only

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

Applicable to 2018 only

The Bank assesses its credit portfolios for impairment at each reporting year. 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 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 the obligations in full. Management's estimates of future cash flows on individually impaired loans are based on internal historical loss experience, supplemented by analysis of comparable external data with similar credit risk characteristics.

Information on non-performing loans is included in Note 28.2.

2.4.2.3 Impairment of equity instruments

Applicable to 2018 only

The Bank determines that equity instruments are impaired and recognised as such in profit or loss and in 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 others the industry conditions of the sector in which the investment is held.

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. If level 1 inputs are not available, the Bank uses internal valuation techniques to perform the valuation.

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

2.5 Changes in accounting policies

The Bank has initially adopted IFRS 9 (see Note 2.5.1) and IFRS 15 (see Note 2.5.2) from 1 April 2018. In addition, the Bank early adopted Prepayment Features with Negative Compensation (Amendments to IFRS 9), issued in October 2018.

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

Due to the transition method chosen by the Bank in applying IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect its requirements.

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Bank. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

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

- an increase in impairment losses recognised on financial assets (see Note 19);
- additional disclosures related to IFRS 9 (see Notes 28.2); and
- additional disclosures related to IFRS 15. (see Note 4).

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

2.5.1 IFRS 9 financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As permitted by IFRS 9, the Bank has elected to continue to apply the hedge accounting requirements of IAS 39. Additionally, the Bank has adopted consequential amendments to IFRS 7 Financial instruments disclosures. Disclosures for the 2019 financial year have not been applied to the comparative information.

The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 31.

2.5.1.1 Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the whole hybrid instrument is assessed for classification. See Note 3.10.2 for an explanation of how the Bank classifies financial assets under IFRS 9.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

See Note 3.10.2 for an explanation of how the Bank classifies financial liabilities under IFRS 9.

2.5.1.2 Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39. See Note 3.10.7 for an explanation of how the Bank applies the Impairment requirements of IFRS 9.

2.5.1.3 Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods generally have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 2018 period does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 period under IFRS 9.

The Bank used the exemption not to restate comparative years but considering that the amendments made by IFRS 9 to IAS 1 introduced the requirement to present interest income calculated using the effective interest rate as a separate line item in the Statement of Profit or Loss and OCI.

The following assessments have been made based on the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Bank has assumed that credit risk on the asset had not increased significantly since its initial recognition.

See Note 31 for more information and details on the changes and implications resulting from the adoption of IFRS 9.

2.5.2 IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Bank initially applied IFRS 15 on 1 April 2018 retrospectively in accordance with IAS 8 without any practical expedients. The timing or amount of the Bank's fee and commission income from contracts with customers was not impacted by the adoption of IFRS 15. The impact of IFRS 15 was limited to the new disclosure requirements (see Note 4).

3. Significant accounting policies

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

3.1 Interest income and expense

Policy applicable from 1 April 2018

Effective interest rate

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

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

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

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

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

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus principal repayments, plus or minus cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 April 2018).

3 Significant accounting policies (continued)
3.1 Interest income and expense (continued)

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

Calculation of interest income and expense

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

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

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

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

Presentation

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

Policy applicable before 1 April 2018

Interest income and expenses are 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 effective interest rate over the term 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 Profit or Loss and OCI include 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

Policy applicable from 1 April 2018

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

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

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

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

Policy applicable before 1 April 2018

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.

From 1 April 2018, dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

3.5 Employee benefits

3.5.1 Short-term employee benefits

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

3.5.2 Post-retirement employee benefits

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

3.6 Property and equipment

3.6.1 Recognition and measurement

Property and equipment is initially recognised at cost.

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

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

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

3 Significant accounting policies (continued)
3.6 Property and equipment (continued)
3.6.1 Recognition and measurement (continued)

and are recognised within operating expenses in profit or loss.

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

3.6.2 Subsequent costs

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

3.6.3 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property and equipment. Land is not depreciated.

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%)
Vehicles	5 years (20%)

The estimated useful lives, residual values and depreciation method are reviewed at each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis, if appropriate. The estimated useful lives and residual values for assets are reviewed regularly taking cognisance of the forecasted commercial and economic realities, and through benchmarking of accounting treatments and the specific industries where the assets are used.

3.6.4 Revaluation

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

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

3.7 Intangible assets

3.7.1 Software

Intangible assets acquired separately are recognised at cost less accumulated amortisation and accumulated impairment losses. On acquisition software is capitalised at purchase price. The useful life is set at three years for current and comparative periods with a zero-residual value. Gains and losses arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, and are recognised in profit or loss. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is charged on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful life, residual value and amortisation method are reviewed at the end of each annual reporting year, with the effect of any changes in estimate being accounted for on a prospective basis.

3.8 Grants

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

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

3.9 Leases

3.9.1 The Bank as lessee

The Bank classifies all its leases as operating leases where the lessor effectively retains the risk and benefits of ownership or finance leases where the Bank assumes substantially all the benefits and risks of ownership of the leased assets.

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

3.10 Financial instruments

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

3.10.1 Recognition and initial measurement

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

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

Financial instruments issued at lower-than-market rates, commonly known as off-market financial instruments, are recognised at the present value of the contractual future cash flows discounted at a market-related rate at initial recognition and the adjustment directly recognised in profit or loss. With such financial assets the difference between the discounted and transaction price is released to interest income in accordance with IFRS 9.

3.10.2 Classification

Financial assets

Policy applicable from 1 April 2018

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements

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

to be measured at amortised cost or at FVOCI or at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

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

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

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

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

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

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

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

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

Non-recourse loans

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans). The Bank applies judgment in assessing whether the non-recourse loans meet the SPPI criterion.

In such situations, the Bank assesses ('look through to') the particular underlying assets or cash flows to determine whether the contractual cash flows of the financial asset being classified are payments of principal and interest on the principal amount outstanding. If the terms of the financial asset give rise to any other cash flows or limit the cash flows in a manner inconsistent with payments representing principal and interest, the financial asset does not meet the SPPI condition. Whether the underlying assets are financial assets or non-financial assets does not in itself affect this assessment.

Reclassifications

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

Policy applicable before 1 April 2018

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); or
- 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.

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

3.10.3 Derecognition and modifications of financial assets and financial liabilities

3.10.3.1 Derecognition

Financial assets

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

From 1 April 2018 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in Note 3.10.16. Any interest in transferred financial assets that qualify for derecognition that is created or

3. Significant accounting policies (continued)
3.10 Financial instruments (continued)
3.10.3 Derecognition and modifications of financial assets and financial liabilities
3.10.3.1 Derecognition (continued)

retained by the Bank is recognised as a separate asset or liability. The Bank enters into transactions whereby it transfers assets recognised on its Statement of Financial Position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

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

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

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 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. Before 1 April 2018, retained interests were primarily classified as available-for-sale investment securities and measured at fair value.

Financial liabilities

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

3.10.3.2 Modifications of financial assets and financial liabilities

Policy applicable from 1 April 2018

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If cash flows are substantially different, then contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see Note 3.10.3.1) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

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

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

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

3.10.4 Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity (see Note 19.7).

3.10.5 Amortised cost measurement

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

3.10.6 Fair value measurement

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

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

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When the transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

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

Portfolios of financial assets and financial liabilities that are exposed to market and credit risk that are managed by the Bank

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

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

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

3.10.7 Impairment of financial assets

Policy applicable from 1 April 2018

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- guarantees issued.

No impairment loss is recognised on equity investments.

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

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

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

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

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

Measurement of ECL

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

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

Also see Note 28.2.

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

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

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

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 120 days or more is considered credit-impaired even when the regulatory definition of default is different.

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

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

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

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

Non-integral financial guarantee contracts

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

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

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

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

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

Policy applicable before 1 April 2018

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 asset 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 is 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 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

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loans and advances carried at amortised cost, assessed on an individual basis, are classified according to risk categories as defined in Note 28.2 and impaired according to the determined classification.

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

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 is uncertain.

When a loan is determined to be uncollectible, it is written off against the related allowance account.

Conditions precedent for writing off loans include where:

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

(i) Past due advances

Advances are considered past due when:

- loans repayable by regular instalment are treated as overdue when an instalment payment is overdue and remains unpaid as at the reporting date;
- loans and advances with a specific expiry date (i.e. terms loans, etc.) are treated as overdue where the principal or interest is overdue and remains unpaid at reporting date; and
- 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 instalment repayment dates or demand loans that have been demanded.

(ii) Renegotiated financial assets

Financial assets are deemed renegotiated financial assets when the terms of the financial assets that would otherwise be past due or impaired have been renegotiated or restructured in an effort to reduce the risk of the borrower defaulting and the Bank ultimately incurring a loss. Restructuring is done by granting a concession to the borrower, such as restructuring the repayment terms or interest rate to improve the borrower's 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 (see 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 its cost is considered an impairment, if and only if, the cost of the investment is considered unrecoverable.

If the cost of the investment has been determined as unrecoverable, any cumulative loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. The amount of cumulative loss re-

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

classified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that available-for-sale equity instrument previously recognised in profit or loss. Refer to Note 17 for the accounting treatment of the available for sale equity investments in the year 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 three months which are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

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

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

3.10.10 Loans and advances

Policy applicable from 1 April 2018

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

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

Policy applicable before 1 April 2018

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 Debt securities issued

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

3.10.12 Term loan facilities

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

3.10.13 Call loan and fixed term facilities

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

3.10.14 Line of credit facility

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

3.10.15 Bonds

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

3.10.16 Equity instruments

Policy applicable from 1 April 2018

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

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

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

Policy applicable before 1 April 2018

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 of cumulative net change in the 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.

If there is no quoted price in an active market and fair value cannot be reliably measured, equity investments can be carried at cost.

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

The Bank ensures that these valuation techniques:

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

3.11 Impairment of non-financial assets

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

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

The recoverable amount of an asset is the higher of its 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, for which it is probable that an outflow of economic benefits will be required

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

to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

3.13 Financial guarantees

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

Financial guarantee liabilities are recognised initially at fair value. They are subsequently carried at the higher of the amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included in trade and other liabilities. As from 1 April 2018 Financial guarantee liabilities are recognised at the higher of the loss allowance determined in accordance with IFRS 9 (see Note 3.10.7) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Liabilities arising from financial guarantees are included in provisions.

3.14 Contingent liabilities

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

3.15 Commitments

Items are classified as commitments where the Bank has committed itself to future transactions. Commitments are not recognised in the Statement of Financial Position but are disclosed in the Notes to the Financial Statements.

3.16 Derivatives held for risk management purposes and hedge accounting

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

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

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

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

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

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

3.16.1 Cash flow hedges

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

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the Statement of Profit or Loss and Other Comprehensive Income as the recognised hedged item.

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

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

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

3.17 Comparatives

Comparatives have been restated to conform to disclosures in the year. Refer to Notes 13.2 and 27.1.4

Summary of standards and interpretations issued

International Financial Reporting Standards and amendments relevant to the Bank issued but not effective for 31st March 2019 year-end:

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

New or amended standards	Effective date	Summary of requirements
IFRS 16 Leases: Specifies how an IFRS reporter will recognise, measure, present and disclose leases.	1-Apr-19	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 leases or finance leases, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Under IFRS 16 a right of use asset and a corresponding lease liability will be recognised. As at 31 March 2019, the Bank's future minimum lease payments under non-cancellable operating leases amounted to N$7,775,553, on an undiscounted basis, which the Bank estimates will not have a material impact on the financial statements.

N$	2019	2018
4. Interest income		
Received on financial assets measured at amortised cost:		
Cash and cash equivalents	37,210,149	38,983,966
Loans and advances to customers : performing	795,175,014	686,494,004
Loans and advances to customers : non-performing	-	49,666,237
Dividend income on preference shares in loan book	4,770,586	3,585,475
Loans and advances to staff	6,424,282	5,530,657
Unwinding of fair value adjustments to loans and receivables	4,858,427	4,579,401
Total interest income	848,438,458	788,839,740
5. Interest expense		
Incurred on financial liabilities measured at amortised cost:		
Debt securities	2,310,000	6,740,760
Term loan facilities	73,825,475	75,223,442
Line of credit facility	312,334,206	286,854,891
Bonds	51,597,428	16,766,830
Bank overdrafts	23,552	32,418
Fixed term facility	19,958,205	-
Trade payables	-	11,833
	460,048,866	385,630,174
Net interest income	388,389,592	403,209,566

N$	2019	2018
6. Fee and commission income		
Guarantee fees	6,703,083	3,956,035
Front-end fees	21,364,645	18,057,553
Other fees received	179,023	1,614,487
	28,246,751	23,628,075

N$	2019	2018
7. Other income		
Subsidy - Government Grant *	60,000,000	30,000,000
Other income	34,300	-
Dividend income on available-for-sale equity investments - IAS 39	-	12,433,155
Dividend income on equity investments measured at FVOCI - IFRS 9	13,727,701	-
	73,762,001	42,433,155

* 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.

A subsidy of N$60,000,000 was received in the year under review (2018: N$30,000,000). The expenditure associated with the grant conditions amounted to N$103,629,717 (2018: N$40,739,641) for the financial year, and subsequently recognised as income reducing the deferred Government subsidy to Nil (2018: Nil) at the end of the year. Refer to Note 20.

8. Operating expenses

N$	2019	2018
Auditors' remuneration		
- audit fees	1,488,961	1,546,449
- other services	-	120,269,
Directors' fees		
- for services as Directors	1,008,761	1,082,207
- for management services	2,876,291	2,700,397
Depreciation and amortisation	5,727,231	4,544,396
Gain on disposal of property and equipment	(2,813)	(41,778)
Professional services	9,453,999	5,296,063
Salaries and personnel costs	90,531,477	76,749,595
Operating leases:		
- buildings	858,262	431,384
- equipment	648,653	653,428
- motor vehicles	81,313	175,332
Other expenditure:		
- information technology services	3,041,215	2,822,480
- promotions and marketing	2,740,793	3,398,931
- training and development	1,701,214	1,426,062
- other operational expenditure	16,291,218	15,788,555
Total operating expenditure	136,446,574	116,693,770
Number of employees	105	90

8.1 Directors emoluments

8.1.1 Chief Executive Officer

N$	2019	2018
Pensionable salary - M Inkumbi	1,901,406	1,795,900
Bonus	547,240	511,439
Bank contributions to pension and medical aid schemes	427,645	393,058
	2,876,291	2,700,397

8.1.2 Non-executive Directors

N$	2019	2018
T Hangula (Chairperson)	199,457	200,760
T Mbome	224,633	242,841
K Geschke	212,202	-
D Husselman	138,716	-
J Cumming	215,260	-
E Haiyambo (tenure ended 31 March 2018)	9,246	186,538
M Shingenge-Haipinge (tenure ended 31 March 2018)	5,884	224,353
A Basson (tenure ended 31 March 2018)	3,363	227,715
	1,008,761	1,082,207

8.1.3 Schedule of Directors' fees

N$	08.2018 - 03.2019	04.2018 - 07.2018	2018
Chairperson's quarterly fee	17,589	21,531	21,531
Chairperson's sitting fee per Board meeting	9,912	11,215	11,215
Director's quarterly fee	14,368	16,592	16,592
Director's sitting fee per Board meeting	6,252	8,404	8,404
Sub-committee chairperson quarterly fee	8,431	-	-
Sub-committee chairperson sitting fee per hour / * per meeting	* 4,622	1,681	1,681
Sub-committee member quarterly fee	6,424	-	-
Sub-committee member sitting fee per hour / * per meeting	* 3,093	1,681	1,681

9. Fair value adjustment on loans and receivables

N$	2019	2018
Staff home loans	7,430,353	3,198,871
	7,430,353	3,198,871

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

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

	2019	2018
Bank balances and call deposits	258,051,207	119,749,842
Short term fixed deposits with local banks	440,925,803	542,125,721
	698,977,010	661,875,563

The carrying amount approximates the fair value of cash and cash equivalents as the nature is short-term.

12. Trade and other receivables

	2019	2018
Prepaid expenses	993,413	897,030
Other receivables	885,435	736,988
Inland Revenue - withholding tax	444,080	444,080
Accrued income on term loans	21,458,874	14,116,730
Deposits	124,366	91,115
Accrued interest on short term fixed deposits with local banks	4,267,644	899,140
	28,173,812	17,185,083

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

13. Loans and advances to customers

13.1 Category analysis

N$		At amortised cost 2019	At amortised cost 2018
Instalment sales		239,115,247	293,986,731
Preference share advances		62,369,714	51,862,290
Guarantees honored by the Bank		7,938,717	7,071,068
Term loans		8,960,817,540	7,639,507,145
Notional value of loans and advances		9,270,241,218	7,992,427,234
Impairment of loans and advances	14	(783,861,407)	(266,963,600)
Net loans and advances		8,486,379,811	7,725,463,634

13. Loans and advances to customers (continued)

13.2 Sectoral analysis

N$	Note	2019	2018
Automotive, machinery & equipment repair services		23,757,941	22,276,266
Business services		136,951,996	131,188,874
Commercial property		295,126,052	258,728,914
Construction		394,151,801	352,504,395
Education		190,802,759	161,467,909
Electricity		491,826,607	463,965,555
Financial intermediation		169,233,468	171,443,151
Fishing		5,214,239	4,702,366
Government & public authorities		5,302,902,651	4,468,267,559
Health		133,292,845	112,969,647
Housing		290,634,607	184,400,776
L& servicing		203,405,042	125,302,675
Manufacturing		510,573,652	465,715,492
Mining & quarrying		5,499,037	3,308,242
Telecommunications		117,192,977	111,223,498
Tourism & hospitality		612,573,082	454,722,592
Transport & logistics		107,610,338	239,361,319
Wholesale & retail trade		279,492,124	260,878,004
Notional value of advances		9,270,241,218	7,992,427,234
Impairment of loans and advances	14	(783,861,407)	(266,963,600)
Net loans and advances		8,486,379,811	7,725,463,634

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

The Government of the Republic of Namibia loan was included in the Government and public authorities sector (see note 27.1.4). The 2018 figures were also adjusted to remove it from the water sector.

13.3 Maturity structure per contractual maturity date

N$	2019	2018
Repayable on demand	160,193,507	176,779,747
One year or less but not repayable on demand	486,234,103	1,023,968,901
Three years or less but over one year	538,709,680	469,039,750
Five years or less but over three years	748,462,536	569,118,570
Over five years	6,552,779,985	5,486,556,666
Net loans and advances	8,486,379,811	7,725,463,634

13.4 Geographical analysis

N$	2019	2018
Namibia – net loans and advances	8,486,379,811	7,725,463,634

14. Impairment of loans and advances

N$ 2019	Total impairment	Stage 1	Stage 2	Stage 3	Profit or Loss
Opening balance	266,963,600	-	11,114,392	255,849,208	-
Adjustment to reflect opening ECL allowance determined under IFRS 9 as at 1 April 2018.	349,551,858	70,891,359	102,334,771	176,325,728	-
General impairment reversed	(11,114,392)	-	(11,114,392)	-	(11,114,392)
Amounts written off against impairment provision	(90,668,340)	(4,427,692)	(3,860)	(86,236,788)	-
Unwinding of fair value adjustments	(1,176,747)	(992,065)	-	(184,683)	(1,176,747)
New impairments created	372,882,833	60,374,715	203,236,752	109,271,365	271,905,007
Non-performing loans: Provisions	250,632,607	46,492,574	189,697,315	14,442,718	251,809,355
Non-performing loans: Interest in suspense	102,154,574	8,838,897	13,539,437	79,776,239	-
On loan written off during the year	20,095,652	5,043,244	-	15,052,408	20,095,652
Recoveries of bad debts previously written off	-	-	-	-	(8,079,481)
Impairments reversed	(102,577,404)	(13,988,918)	(16,781,571)	(71,806,914)	(77,606,070)
Transfers between stages	-	6,874,187	(104,169,776)	97,295,589	-
Closing balance	783,861,407	118,731,586	184,616,316	480,513,505	173,928,316

N$ 2018	Total impairment	Specific impairment	Portfolio impairment	Profit or loss
Opening balance	214,958,616	207,156,658	7,801,958	-
Amounts written off against impairment provision	(74,701,005)	(74,701,005)	-	-
Unwinding of discounted present value loans	(1,337,045)	(1,337,045)	-	(1,337,045)
New impairments created	217,796,109	217,796,109	-	219,133,154
Non-performing loans: Provisions	143,319,419	143,319,419	-	144,656,464
Non-performing loans: Interest in suspense	59,932,787	59,932,787	-	59,932,787
On loans written off during the year	14,543,903	14,543,903	-	14,543,903
Recoveries of bad debts previously written off	-	-	-	(9,229,621)
General impairment raised	3,312,434	-	3,312,434	3,312,434
Impairments reversed	(93,065,509)	(93,065,509)	-	(90,662,887)
Closing balance	266,963,600	255,849,208	11,114,392	121,216,035

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

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

14. Impairment of loans and advances (continued)

Non-performing loans by sector*
N$

2018	Credit risk	Security	Contractual interest suspended	Impairment
Automotive, machinery & equipment repair services	6,318,229	4,175,795	1,662,770	564,022
Business services	34,724,449	16,355,938	3,188,246	3,029,201
Construction	165,514,647	66,705,721	19,433,791	54,671,256
Education	15,683,596	9,580,000	3,591,730	2,718,313
Financial intermediation	10,411,186	5,021,000	481,345,	2,454,421
Fishing	22,198	-	-	-
Health	41,032,620	19,417,491	3,244,124	14,492,910
Housing	37,695,127	28,644,000	1,837,639	3,606,744
Land Servicing	2,578,747	-	1,092,982	1,485,766
Manufacturing	83,790,166	28,640,217	10,154,252	34,320,299
Mining & quarrying	3,308,242	2,710,000	800,237,	89,584
Telecommunications	-	-	-	-
Tourism & hospitality	83,874,848	63,074,568	18,018,499	15,294,508
Transport & logistics	73,242,562	50,198,182	14,955,385	12,299,425
Wholesale & retail trade	76,521,638	46,007,252	9,741,868	22,342,830
Total non-performing loans by sector	634,718,255	340,530,164	88,202,868	167,369,279

Non-performing loans by category*
N$

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

Non-performing loans by category*
N$

2018	Credit risk	Security	Contractual interest suspended	Impairment
Guarantees	56,539,698	14,762,300	432,269	7,028,882
Preference shares	22,198	-	-	-
Installment sales	139,731,095	72,998,680	24,393,272	32,621,853
Term loans	438,425,264	252,769,184	63,377,327	127,718,544
Total non-performing loans	634,718,255	340,530,164	88,202,868	167,369,279

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

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

Loans and advances to customers at amortised cost
N$

2019	Impact: increase/(decrease) Stage 1	Stage 2	Stage 3
New loans added during 2019	12,955,923	9,884,976	1,079,162
Loans settled during 2019	(2,128,468)	(14,488)	(6,442,137)
Loans written of during 2019	(397,282)	(1,859)	(57,757,695)

15. Staff home ownership scheme loans

N$	2019	2018
Staff home ownership scheme loans	84,889,580	67,580,384

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

Staff home loans are deemed as off-market loans as they represent loans granted to staff members at lower than market related rates. The fair value adjustment at initial recognition regarding off-market staff home loans granted for the current financial year amounted to N$ 7,430,353 (2018: N$ 3,198,870).

Loans are secured by fixed property. Refer to Note 28.2 for the impairment.

16. Property and equipment

N$ Cost or revalued amount	Land	Buildings	Vehicles	Furniture & equipment	Total
Balance at 1 April 2017	25,946,000	45,777,264	1,013,485	10,713,342	83,450,091
Additions	-	825,507	251,535	1,742,693	2,819,735
Disposals	-	-	(47,591)	(116,830)	(164,421)
Revaluation gain	3,040,000	11,841,608	-	-	14,881,608
Balance at 31 March 2018	28,986,000	58,444,379	1,217,429	12,339,205	100,987,013
Balance at 1 April 2018	28,986,000	58,444,379	1,217,429	12,339,205	100,987,013
Additions	-	235,655	473,820	1,025,108	1,734,583
Disposals	-	-	-	(144,418)	(144,418)
Revaluation gains	1,838,000	6,080,078	-	-	7,918,078
Balance at 31 March 2019	30,824,000	64,760,112	1,691,249	13,219,895	110,495,256
Accumulated depreciation and impairment					
Balance at 1 April 2017	-	(9,027,264)	(300,339)	(8,379,939)	(17,707,542)
Eliminated on disposals of assets	-	-	47,592	114,572	162,164
Depreciation expense	-	(2,138,115)	(197,372)	(1,240,748)	(3,576,235)
Balance at 31 March 2018	-	(11,165,379)	(450,119)	(9,506,115)	(21,121,613)
Balance at 1 April 2018	-	(11,165,379)	(450,119)	(9,506,115)	(21,121,613)
Eliminated on disposals of assets				135,794	135,794
Depreciation expense		(2,915,683)	(251,385)	(1,395,792)	(4,562,860)
Balance at 31 March 2019	-	(14,081,062)	(701,504)	(10,766,113)	(25,548,679)
Carrying amount					
As at 31 March 2018	28,986,000	47,279,000	767,310	2,833,090	79,865,400
As at 31 March 2019	30,824,000	50,679,050	989,746	2,453,782	84,946,577

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

The carrying amount, if carried under the cost model as at 31 March 2019 is N$ 29,038,973 (2018: N$ 29,666,695).

The property represents land and buildings situated on erf numbers 5444 (portion of) and 7640 (sectional title), Windhoek; erf number 735, Walvis Bay; and erf number 1590, Oshakati. These were valued by independent external, qualified valuators on 31 March 2019. Valuation methods used were the comparative sales method (Level 2), the replacement cost method (Level 3) with the significant unobservable inputs being the associated replacement values of the land and buildings and the depreciation rate. During the year, the Bank carried out a review of the useful lives and residual values of furniture and equipment. The review has not led to any change in estimations of the useful lives of any class of assets. No assets of the Bank are encumbered or carry any restrictions.

Details of the Bank's freehold land and buildings and information about the fair value heirarchy as at 31 March 2019 are as follows:

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

N$ 2018	Level 1	Level 2	Level 3	Total
Land	-	3,065,000	25,921,000	28,986,000
Buildings	-	1,800,000	45,479,000	47,279,000
	-	4,865,000	71,400,000	76,265,000

16. *Property and equipment (continued)*

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

N$	Level 2		Level 3		
2019	Land	Buildings	Land	Buildings	Total
Fair value at 1 April 2018	3,065,000	1,800,000	25,921,000	45,479,000	76,265,000
Additions		23,004		212,651	235,655
Fair value gains or (losses) rcognised in other comprehensive income	235,000	(139,225)	1,603,000	6,219,303	7,918,078
Transfers between level 2 and 3	-	-	-	-	-
Depreciation recognised in profit or loss		(83,779)		(2,831,904)	(2,915,683)
Fair value at 31 March 2019	3,300,000	1,600,000	27,524,000	49,079,050	81,503,050

Changes in the Bank's best estimate of the unobservable inputs could affect reported fair value recognised on the Statement of Financial Position and movements in the fair values recognised in other comprehensive income. Changing these inputs to reasonably possible alternatives would change the fair values using more positive reasonable assumptions to N$85,551,975 (2018: N$80,761,554) and using more negative reasonable assumptions to N$77,404,168 (2018: N$68,224,392).

17. Equity investments

N$ **Equity investments - unlisted**	Norsad Finance Ltd	Ohorongo Cement (Pty) Ltd	Total
Fair valued amount	*5.58% Shareholding*	*11.73% Shareholding*	
Balance at 1 April 2017	52,570,098	244,000,000	296,570,098
Fair value adjustment	(8,363,512)	(23,000,000)	(31,363,512)
Balance at 31 March 2018 at FVTPL (IAS 39)	44,206,586	221,000,000	265,206,586
Fair value adjustment	(1,766,884)	18,262,645	16,495,761
Balance at 31 March 2019 at FVOCI (IFRS 9)	42,439,702	239,262,645	281,702,347
Dividend income recognised in profit or loss	1,892,651	11,835,050	13,727,701
Director's valuation of unlisted equity investments	42,439,702	239,262,645	281,702,347

As of 1 April 2018, the DBN designated the above equity investments as at FVOCI. In 2018, these investments were classified as available-for-sale. The FVOCI designation was made because the investments are expected to be held for the long term for strategic development purposes

Investments are valued based on the dividend discount model and market value approach of the entities. Refer to Note 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 April 2017	11,608,413	88,818	11,697,231
Additions	42,956	-	42,956
Transfers	(40,000)	40,000	-
Balance at 31 March 2018	11,611,369	128,818	11,740,187
Balance at 1 April 2018	11,611,369	128,818	11,740,187
Additions	93,705	5,190,450	5,284,155
Transfers	128,818	(128,818)	-
Balance at 31 March 2019	11,833,892	5,190,450	17,024,342
Accumulated amortisation and impairment			
Balance at 1 April 2017	(9,291,165)	-	(9,291,165)
Amortisation for the year	(968,160)	-	(968,160)
Balance at 31 March 2018	(10,259,325)	-	(10,259,325)
Balance at 1 April 2018	(10,259,325)	-	(10,259,325)
Amortisation for the year	(1,164,371)	-	(1,164,371)
Balance at 31 March 2019	(11,423,696)	-	(11,423,696)
Carrying amount			
As at 31 March 2018	1,352,044	128,818	1,480,862
As at 31 March 2019	410,196	5,190,450	5,600,646

19. Trade and other liabilities

N$	2019	2018
Trade payables	7,963,411	1,474,725
Receiver of Revenue	146,016	(8,474)
Deferred guarantee fee income	33,333	35,000
Salary related payables	19,533,105	18,327,357
	27,675,865	19,828,608

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 due to their short term nature.

19.1 Derivative held for risk management

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

N$	2019		2018	
	Asset	**Liability**	**Asset**	**Liability**
Balance at beginning of year	-	35,675,460	-	75,880,838
Foreign exchange	-	(32,920,590)	-	(31,646,913)
Interest rate	-	(2,754,870)	-	(8,558,465)
Balance at end of year	-	-	-	35,675,460,

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 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 2019, net gains of N$ 32,920,590 (2018: N$ 31,646,914) relating to the forex portion of the hedge were recognised in profit or loss for the year, while net gains of N$ 2,754,870 (2018: N$ 8,558,465) relating to the interest rate risk portion of the cash flow hedge were recognised in OCI.

Future cash flows were expected to be received monthly until 29 August 2025 but the derivative and underlying asset has been fully settled in the current financial year.

Changes in Level 3 fair value of financial liabilities	**Instrument type**	
N$	Foreign ex-change	Interest rate
Fair value at 31 March 2018	32,920,590	2,754,870
Total gain recognised in profit or loss	(32,920,590)	-
Total gain recognised in other comprehensive income	-	(2,754,870)
Fair value at 31 March 2019	-	-

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

19. Trade and other liabilities (continued)

19.2 Debt securities issued

N$	2019	2018
Opening balance	-	189,882,227
Interest payable	-	6,520,673
Interest paid	-	(6,520,673)
Promissory notes repaid	-	(189,882,227)
Closing balance	-	-

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

The promissory notes were fully settled in the 2018 financial year.

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 2019 and 31 March 2018.

The fair value of the financial liability approximates its carrying amount as it is carried at amortised cost with a market related interest rate.

N$	2019	2018
19.3 Term loan facilities		
Opening balance	910,319,485	911,966,986
Interest payable	79,576,188	77,568,023
Interest paid	(86,895,673)	(79,215,524)
Repayments	(670,000,000)	(200,000,000)
New loan	-	200,000,000
Closing balance	233,000,000	910,319,485
Comprising of		
Facilities from banks	200,000,000	877,319,485
Medium term loan facility ('MTL')	-	676,890,446
Term loan	200,000,000	200,429,039
Fixed term cash deposits	33,000,000	33,000,000
	233,000,000	910,319,485

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

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

The Bank has not breached any of the loan covenants during the year ended 31 March 2019.

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$	2019	2018
Facilities from banks		
Call loan facility		
Capital repaid	-	(155,706)
	-	-

19.5 Line of credit facility

N$	2019	2018
Opening balance	4,050,277,328	3,537,289,999
Drawn	-	500,000,000
Interest payable	311,843,727	273,867,562
Interest paid	(362,121,055)	(311,157,561)
Accrued interest	50,767,808	50,277,328
	4,050,767,808	4,050,277,328

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.

19.6 Bonds

N$	2019	2018
Opening balance	505,154,571	-
Bonds issued during the year:		
DBN23	290,000,000	-
DBN20	-	291,000,000
DBN20A1	-	140,000,000
DBN20B	-	70,000,000
Interest payable	70,852,840	13,443,916
Interest paid	(71,684,497)	(12,612,259)
Capital repayment	(71,000,000)	-
Accrued interest	1,744,588	3,322,914
	725 067 502	505 154 571

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

19.7 Fixed term facility

N$	2019	2018
New loan: Term loan	1,500,000,000	-
Interest payable	1,139,730	-
Interest paid	(1,139,730)	-
Accrued interest	22,268,206	-
Capital repayment	(73,693,909)	-
	1,448,574,297	-

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

DBN entered into an agreement to obtain financing of N$1,500,000,000 in order to advance a loan of N$1,500,000,000 to the National Energy Fund (NEF). In terms of the agreement, DBN is required to keep a call deposit account based on 6 months' principal and interest obligations.

As the facility was obtained purely for the loan advanced to NEF, DBN entered into an agreement with NEF with the same terms as above. The call deposit account earns interest monthly both at Standard Bank of Namibia and DBN. The two call accounts have been offset as DBN has a legal right to set off the call accounts and intends to realise the asset and settle the liability simultaneously.

NEF reserve facility

N$	2019	2018
Deposit by NEF	168 406 293	-
Interest accrued on deposit	750 075	-
Accrued interest	(750 075)	-
Deposit at Standard Bank of Namibia	(168 406 293)	-
	-	-

19. Trade and other liabilities (continued)

19.8. Reconciliation of movements of liabilities to cash flows arising from financing activites

	Liabilities	
N$	2019	2018
	Other loans and borrowings	**Other loans and borrowings**
Balance at beginning of year	5,465,751,384	4,639,294,917
Changes from financing cash flows:		
Funding liabilities raised - term loan	-	200,000,000
Funding liabilities raised - line of credit facility	-	500,000,000
Funding liabilities raised - bonds	290,000,000	501,000,000
Funding liabilities raised - fixed term facility	1,500,000,000	-
Funding liabilities paid - debt securities	-	(189,882,227)
Funding liabilities paid - term loan	(670,000,000)	(202,076,541)
Funding liabilities paid - call loan facility	-	(155,705)
Funding liabilities paid - bonds	(71,000,000)	-
Funding liabilities paid - fixed term facility	(73,693,909)	-
Total changes from financing activities	975,306,091	808,885,527
Other changes		
Liability-related:		
Interest expense	460,048,866	390,364,455
Interest paid	(443,696,734)	(372,793,516)
Total liability-related other changes	16,352,132	17,570,940
Balance at end of of year	6,457,409,607	5,465,751,384

20. Dividends retained for redeployment

N$	2019	2018
Balance at beginning of year	47,839,986	30,709,190
Dividend declared from retained earnings	8,779,484	17,202,227
Charged against customer accounts	483,635	-
Disbursements	(1,601,336)	(71,431)
Client Support & Development Fund	(1,351,703)	(1,287,828)
Innovation Fund	(201,579)	(899,931)
Project Preparation Fund	(48,054)	2,116,328
Balance at end of year	55,501,769	47,839,986

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

21. Share capital and share premium

N$	2019	2018
Share capital		
Authorised		
2,000 Ordinary shares of N$100,000 each	200,000,000	200,000,000
Issued		
Share capital: 1,650 (2017: 1,650) Ordinary shares of N$100 000 each.	165,000,000	165,000,000
Share premium		
Share premium: 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$	2019	2018
Balance at beginning of year	48,328,888	33,447,280
Gain on revaluation of land and buildings	7,918,078	14,881,608
Balance at end of year	56,246,966	48,328,888

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

22.2 Fair value reserve

N$	2019	2018
Balance at beginning of year	(18,767,905)	12,595,607
FV adjustment on FVOCI equity investment financial asset - IFRS 9	16,495,761	-
Loss on revaluation of available for sale financial assets - IAS 39	-	(31,363,512)
Balance at end of year	(2,272,144)	(18,767,905)

The fair value reserve comprises all fair value adjustments for FVOCI (2018: available for sale) equity investments.

22.3 Cash flow hedging reserve

N$	2019	2018
Balance at beginning of year	(2,754,870)	(11,313,335)
Derecognition of cash flow hedge	2,754,870	-
Unrealised gain on cash flow hedge	-	8,558,465
Balance at end of year	-	(2,754,870)

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.

Net balance of reserves at the end of the year	53,974,822	26,806,113

23. Loan commitments and contingent liabilities

N$	2019	2018
Contingent liabilities		
Commitments in respect of loans approved	579,462,322	671,648,289
Guarantees issued	153,553,721	134,564,197
Letters of credit	4,399,516	4,399,516
Performance and demand guarantees	149,154,205	130,164,681
	733,016,043	806,212,486

N$	Note	2019				2018
		Stage 1	Stage 2	Stage 3	Total	Total
Loan commitments						
Risk category	28.2	508,780,949	70,681,373	-	579,462,322	671,648,289
		508,780,949	70,681,373	-	579,462,322	671,648,289
Impairment provision		-	-	-	-	-
Carrying amount		508,780,949	70,681,373	-	579,462,322	671,648,289
Guarantees issued						
Risk category						
A		42,286,943	-	-	42,286,943	130,164,681
B		-	44,948,286	-	44,948,286	-
C		-	-	6,990,434	6,990,434	-
D		-	-	15,691,751	15,691,751	-
E		-	-	43,636,307	43,636,307	4,399,516
		42,286,943	44,948,286	66,318,492	153,553,721	134,564,197
Impairment provision		(28,503)	(52,368)	(5,611,943)	(5,692,814)	-
Carrying amount		42,258,440	44,895,918	60,706,549	147,860,907	134,564,197

No ECL is provided on the loan commitments as the loan commitments are revocable. The loan commitments amount for 2018 was updated to reflect the commitments on partially disbursed loans.

24. Capital commitments

N$	2019	2018
Capital expenditure authorised:		
Not yet contracted for	2,110,000	561,694

25. Lease commitments

N$	2019	2018
Operating lease commitments:		
Buildings	4,730,909	2,486,680
Vehicles	21,136	70,454
Office equipment and leased lines	3,023,508	5,041,334
	7,775,553	7,598,468
To be incurred as follows:		
Up to 1 year	2,741,091	3,587,235
2 – 5 years	5,034,462	4,011,233
	7,775,553	7,598,468

The Bank leases one motor vehicle (2018: two motor vehicles) under a full maintenance lease agreement covering a six year period. This lease agreement is reviewed annually. Leased lines and office equipment leases typically run for a three year period with the option to renew. Buildings and parking bays leases typically run for a period between 1 and 4 years 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 Development Bank of Namibia is an participating employer under a registered umbrella retirement fund with no actuarial valuations required at the participating employer level. All employees contribute to the Fund. Total Bank contributions for the year amounted to N$9,655,533 (2018: N$8,361,293).

27. Related party information

During the year the Bank, in its ordinary course of business, entered into various transactions with related parties. These transactions were undertaken on commercial terms and conditions.

27.1 Related party balances and transactions

27.1.1 Directors

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

- Refer to note 8.1 for Directors' emoluments. In order to avoid conflicts of interests and with a view to ensuring transparency at all times, a register of Directors' and manager's interests in other business entities containing the nature of such interests, as well as the nature and the extent of the beneficial shares held in the business entity, is submitted and circulated at each meeting of the Board of Directors for reviewing and updating where necessary.
- Where Directors have an interest in any matter before the Board for consideration, Directors concerned recuse themselves from the meeting and thus have no influence on the decision on the particular matter. In addition, all applications for finance in which Directors have an interest, irrespective of the amount involved, are submitted to the Board for consideration after being reviewed by a committee of non-interested Directors.
- All Directors and officers of the Bank have confirmed that they had no interest in any contract of significance with the Bank which could have resulted in a conflict of interest during the year.

27.1.2 Shareholder

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

N$	2019	2018
Dividends declared	8,779,484	17,202,227

27.1.3 Key management personnel

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

N$	2019	2018
Compensation	11,656,204	10,730,229
Pension benefits	1,817,623	1,704,410
Other short-term benefits	544,825	556,837
	14,018,652	12,991,476

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

27. Related party information (continued)

27.1 Related party balances and transactions (continued)

27.1.4 Related entities

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

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

N$	2019		2018		2019		
Related party	Outstanding balance	Interest charged	Outstanding balance	Interest charged	ECL provision	Collateral held	*Principal type of collateral held*
Installment Sales							
Namibian Ports Authority	(2,759)	236,016	6,276,172	925,195	-	10,477,060	*Notarial bond*
Preference shares advance							
Seaflower Whitefish Corporation	45,755,169	2,128,266	37,210,533	1,892,508	(27,445)	25,600,000	*Government guarantee*
Term loans							
Erongo Regional Electricity Distributor Company	272,697,123	26,395,973	206,966,099	25,404,392	(1,876,616)	84,297,818	*Commercial property & cash*
Meat Corporation of Namibia	187,461,182	20,357,159	219,084,460	23,054,096	(179,027)	155,800,000	*Industrial properties & farmland*
Namibia Power Corporation	26,451,367	1,871,221	30,857,336	2,163,663	(145,000)	-	*None*
Namibia Wildlife Resorts	77,360,703	4,147,092	91,265,577	7,836,165	-	91,500,000	*Government guarantee*
Namibian Ports Authority	-	135,901	3,613,886	532,964	-	-	*Commercial property*
Nampost Financial Brokers	30,451,242	2,436,217	30,451,242	2,469,572	-	33,000,000	*Cash*
National Energy Fund	4,152,780,532	329,467,441	3,465,243,325	291,585,125	-	4,152,780,531	*Government guarantee & cash flow*
National Housing Enterprise of Namibia	-	-	-	167,206	-	-	*Government guarantee*
Oshakati Town Council	-	-	-	385,884	-	-	*Marketable securities*
Seaflower Whitefish Corporation	18,541,330	1,223,154	28,009,628	2,347,152	(11,377)	38,500,000	*Government guarantee*
Telecom Namibia	54,607,974	5,396,719	74,433,064	6,629,195	(2,675)	60,000,000	*Letter of comfort*
The Government of the Republic of Namibia	436,798,788	33,247,018	274,856,237	630,096	-	436,798,787	*Cash flow*
	5,302,902,651	427,042,177	4,468,267,559	366,023,213	(2,242,140)	5,088,764,196	

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

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

The 2018 figures were amended to align with 2019 disclosure. Interest charged only includes charges to the customer accounts (excluding accrued interest), and Meat Corporation of Namibia was added.

28. Financial risk management

28.1 Introduction and overview

The Bank has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

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

1. Internal audit function;
2. External audit function; and
3. Enterprise-wide risk management through monitoring and managing the financial risks relating to the operations of the Bank through internal risk reports which analyse exposures by degree and magnitude of risks.

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

These risks and their performances are measured against the Risk Appetite of the Bank, via the Sustainability Model, and include market risk (including fair value interest rate risk and price risk), credit risk, investment risk, liquidity risk, operational risk and cash flow interest rate risk. The Management Risk and Compliance Committee ultimately reports to the Board Audit Risk and Compliance Committee but together with the Management Credit and Investment Committees provide input to the Asset and Liability Committee ('ALCO') on a monthly basis.

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

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

28.2 Credit risk

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

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

Management of credit risk

The Credit Risk Management Framework consists of the following: Credit Risk Governance Framework, Board and executive management oversight, systems, and policies and procedures for identification, acceptance, measurement, monitoring and control of risks. The Credit Risk Governance Framework manages credit risk through clearly defined mandates and delegated authorities. The Board of Directors has delegated responsibility for the management of credit risk to the Management Credit and Investment Committee. An authorisation structure has been established for the approval and renewal of credit facilities within the limits of the Head of Credit, Management Credit and Investment Committee ('MCIC'), and the Board Credit Investment Committee (consisting of the CEO and three Board members). Tiered authorisation limits are allocated to the Head of Credit and the various Credit and Investment Committees. Credit authorisations falling outside of the mandates of the Management Credit and Investment Committee require approval by the Board and / or the Board Credit and Investment Committee.

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

- recommending all credit applications, reviews, write-offs, legal proceedings, restructurings, rescheduling and changes in collateral in excess of limits delegated to the department;
- ensuring the effectiveness of the Loan Monitoring Unit;
- determining and recommending portfolio objectives and risk tolerance levels; and
- formulating credit policies in consultation with business units, determining requirements, credit assessment, measurement and quantification of and reporting on collateral.

For risk management reporting purposes, the Bank considers all elements of credit risk exposures, such as economic sector, single obligor default and business concentration risks. These exposure limits are determined on an annual basis.

Concentration risk is monitored by assessing the following exposure limits:

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

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

These exposure limits are determined on an annual basis.

The credit risk on short term fixed term deposits is limited as the Bank deposits its surplus cash with major banks and investment houses of high quality credit standing.

Maximum exposure to credit risk

N$	2019	2018
Cash and short term funds	698,977,010	661,875,563
Loans and advances: at carrying amount	8,486,379,811	7,725,463,634
Installment sales	158,902,591	234,494,819
Term loans	8,273,451,550	7,439,820,730
Preference Share advances	51,779,768	51,862,290
Guarantees honored by Bank	2,245,902	(714,205)
Trade and other receivables	27,180,399	16,288,053
Staff home ownership scheme loans	84,889,580	67,580,384
	9,297,426,800	8,471,207,634
Amounts not recognised on the Statement of Financial Position		
Guarantees	153,553,721	134,564,197
Commitments to borrowers	153,679,139	162,563,058
	9,604,659,660	8,768,334,889

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

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

Categories applicable from 1 April 2018		
A: Pass or Acceptable	Stage 1 Performing	These are loans that are performing in accordance with contractual terms, and are expected to continue doing so. 12-month ECL is recognized based on the portion of the ECL that result from default events on the loans or assets that are possible within the 12 months (or contractual lifetime if shorter) after the reporting date.
B: Watch or Special Mention	Stage 2 Under performing	Loans in this category are currently protected, but exhibit potential weaknesses which if not corrected, may weaken the asset and therefore significant increase in credit risk is prevalent. Life-time ECL is recognized based on the ECL that result from all possible default events over the expected life of the loans or assets.
C: Substandard D: Doubtful E: Loss or All Interest Stopped	Stage 3 Non - performing	Loans, or other assets, in this category are assessed to be credit-impaired. Life-time ECL is recognized based on the ECL that result from all possible default events over the expected life of the loans or assets.

Categories used until 31 March 2018:	
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)

Loans and advances to customers at amortised cost

N$ Risk category	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Total
A	7,226,214,448	-	-	7,226,214,448	6,858,875,026
B	-	1,149,484,066	-	1,149,484,066	546,590,170
C	-	-	194,270,749	194,270,749	78,371,454
D	-	-	131,433,753	131,433,753	117,544,314
E	-	-	568,838,202	568,838,202	391,046,270
Notional value	7,226,214,448	1,149,484,066	894,542,704,	9,270,241,218	7,992,427,234
Impairment allowances	(118,731,586)	(184,616,316)	(480,513,505)	(783,861,407)	(266,963,600)
Carrying amount	7,107,482,862	964,867,750	414,029,199	8,486,379,811	7,725,463,634

Installment sales to customers at amortised cost

N$ Risk category	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2019 *Collateral held*	2018 Total	2018 *Collateral held*
A	31,824,992	-	-	31,824,992	*33,060,068*	73,377,452	*72,836,950*
B	-	45,860,075	-	45,860,075	*44,398,633*	80,878,184	*58,302,678*
C	-	-	23,075,826	23,075,826	*24,127,846*	12,609,994	*11,262,421*
D	-	-	26,850,245	26,850,245	*18,231,184*	26,066,689	*15,172,886*
E	-	-	111,504,110	111,504,110	*50,739,206*	101,054,412	*46,563,374*
Notional value	31,824,992	45,860,075	161,430,180	239,115,247	*170,556,937*	293,986,731	*204,138,309*
Impairment allowances	(1,906,132)	(3,095,126)	(75,211,398)	(80,212,656)		(59,491,912)	
Carrying amount	29,918,860	42,764,949	86,218,782	158,902,591		234,494,819	

Preference shares to customers at amortised cost

N$ Risk category	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2019 *Collateral held*	2018 Total	2018 *Collateral held*
A	45,755,169	-	-	45,755,169	*45,755,169*	50,992,779	*26,596,800*
B	-	16,614,545	-	16,614,545	*16,614,545*	847,313	-
C	-	-	-	-	-	22,198	-
D	-	-	-	-	-	-	-
E	-	-	-	-	-	-	-
Notional value	45,755,169	16,614,545	-	62,369,714	*62,369,714*	51,862,290	*26,596,800*
Impairment allowances	(27,446)	(10,562,500)	-	(10,589,946)		-	
Carrying amount	45,727,723	6,052,045	-	51,779,768		51,862,290	

Term loans to customers at amortised cost

N$ Risk category	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2019 *Collateral held*	2018 Total	2018 *Collateral held*
A	7,149,419,827	-	-	7,149,419,827	*6,323,817,663*	6,736,384,480	*2,535,733,657*
B	-	1,087,336,982	-	1,087,336,982	*757,858,821*	464,697,400	*293,222,640*
C	-	-	171,013,023	171,013,023	*108,763,655*	65,186,034	*39,623,700*
D	-	-	104,153,748	104,153,748	*53,741,314*	91,532,124	*47,739,728*
E	-	-	448,893,959	448,893,959	*215,366,254*	281,707,107	*165,405,756*
Notional value	7,149,419,827	1,087,336,982	724,060,731	8,960,817,540	*7,459,547,707*	7,639,507,145	*3,081,725,481*
Impairment allowances	(116,769,506)	(170,906,323)	(399,690,162)	(687,365,991)		(199,686,415)	
Carrying amount	7,032,650,321	916,430,659	324,370,569	8,273,451,549		7,439,820,730	

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

Guarantees to customers at amortised cost

N$	2019					2018	
Risk category	Stage 1	Stage 2	Stage 3	Total	*Collateral held*	Total	*Collateral held*
A	(785,540)	-	-	(785,540)	*2,946,000*	(1,879,685)	*2,790,000*
B	-	(327,536)	-	(327,536)	*3,109,000*	167,273	*3,386,000*
C	-	-	181,900	181,900	-	553,228	*10,607,300*
D	-	-	429,760	429,760	*2,780,000*	(54,499)	-
E	-	-	8,440,133	8,440,133	*12,112,300*	8,284,751	*4,155,000*
Notional value	(785,540)	(327,536)	9,051,793	7,938,717	*20,947,300*	7,071,068	*20,938,300*
Impairment allowances	(28,503)	(52,368)	(5,611,943)	(5,692,814)		(7,785,273)	
Carrying amount	(814,043)	(379,904)	3,439,850	2,245,903		(714,205)	

N$ 2019 Risk category	Instalment sales	Preference shares	Term loans	Guarantees	Total	*Collateral held*
A	*31,824,992*	45,755,169	7,149,419,827	(785,540)	7,226,214,448	*6,385,423,731*
B	45,860,075	16,614,545	1,087,336,982	(327,536)	1,149,484,066	*810,703,454*
C	23,075,826	-	171,013,023	181,900	194,270,749	*132,891,501*
D	26,850,245	-	104,153,748	429,760	131,433,753	*74,752,498*
E	111,504,110	-	448,893,959	8,440,133	568,838,202	*278,217,761*
Notional value	239,115,247	62,369,714	8,960,817,540	7,938,717	9,270,241,218	*7,681,988,944*
Impairment allowances	(80,212,656)	(10,589,946)	(687,365,991)	(5,692,814)	(783,861,407)	
Carrying amount	158,902,591	51,779,768	8,273,451,549	2,245,903	8,486,379,811	

N$ 2018 Risk category	Instalment sales	Preference shares	Term loans	Guarantees	Total	*Collateral held*
A	*73,377,452*	50,992,779	6,736,384,480	(1,879,685)	6,858,875,026	*2,637,957,40*
B	80,878,184	847,313	464,697,400	167,273	546,590,170	*354,911,318*
C	12,609,994	22,198,	65,186,034	553,228	78,371,454	*61,493,421*
D	26,066,689	-	91,532,124	(54,499)	117,544,314	*62,912,614*
E	101,054,412	-	281,707,107	8,284,751	391,046,270	*216,124,130*
Notional value	293,986,731	51,862,290	7,639,507,145	7,071,068	7,992,427,234	*3,333,398,890*
Impairment allowances	(59,491,912)	-	(199,686,415)	(7,785,273)	(266,963,600)	
Carrying amount	234,494,819	51,862,290	7,439,820,730	(714,205)	7,725,463,634	

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.

Other loans and trade receivables

		2019				2018
N$	Risk category	Stage 1	Stage 2	Stage 3	Total	Total
Staff home loans (100% collateral)	*A*	84,889,580	-	-	84,889,580	67,580,384
Staff study loans	A	885,435	-	-	885,435	736,988
Trade receivables	A	21,457,904	-	-	21,457,904	14,115,760
	C	-	-	500	500	500
	E	-	-	470	470	470
Notional value		107,232,919	-	970	107,233,889	82,434,102
Impairment allowances		-	-	(470)	(470)	(470)
Carrying amount		107,232,919	-	500	107,233,419	82,433,632

28. Financial risk management (continued)

28.2 Credit risk (continued)

		2019			2018		
N$	Risk category	Gross amount	Impairment allowances	Carrying amount	Gross amount	Impairment allowances	Carrying amount
Staff home and study loans	A	85,775,015	-	85,775,015	68,317,372	-	68,317,372
Trade receivables	A	21,457,904	-	21,457,904	14,115,760	-	14,115,760
	C	500	-	500	500	-	500
	E	470	(470)	-	470	(470)	-
Carrying amount		107,233,889	(470)	107,233,419	82,434,102	(470)	82,433,632

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

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

Type of security	2019 Risk Value of Security ('RVS')	2018 Risk Value of Security ('RVS')
Immovable assets	• Residential properties: 70% - 90% of realisable market value • Commercial properties: 60% - 80% of realisable market value • Industrial properties: 50% - 70% of realisable market value	• Residential properties: 80% of realisable market value • Commercial properties: 60% of realisable market value • Industrial properties: 50% of realisable market value
Movable assets	• 60% of net present market value	• 50% of net present market value
Intangible assets	• 0% - 60% of net present market value	• 30% - 60% of net present market value
Ceded investments Shares / stocks / equity Callable cash investments	 • 100% of fair value • 100% of fair value	 • 100% of fair value • 100% of fair value
Third party collateral Ceded investments Bank and Government guarantees	 • As above for ceded investments • 100% of guarantee value	 • As above for ceded investments • 100% of guarantee value
Insurance - e.g. endowment policies	• 100% of surrender value	• 100% of surrender value
Debtors book (30 days)	• 70% of net present value	• 100% of surrender value
GRN and SOE guaranteed cash-flows *(e.g. Grn loan repayments & ceded NEF strategic fuel storage levy)*	• 100% of exposure	-

The Bank determines the fair value only in the following instances:

- on the date that the loan or advance is initiated; and / or
- when the loan or advance is being renegotiated; or
- when a loan or advance has been transferred to the collections department of the Bank.

Collateral for all loans are reviewed annually and immovable property held as collateral are revalued at least every three years.

As at 31 March 2019, the net carrying amount of credit-impaired loans and advances to corporate customers amounted to N$414,029,199 (2018: N$319,998,438) and the value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to N$485,861,759 (2018: N$340,530,165). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

Non-financial assets obtained by the Bank during the year under review by taking possession of collateral held as security against loans and advances and held at year end amounts to N$1,230,000 (2018: N$5,390,000).

Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3.10.7.

Significant increase in credit risk

When determining if the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative Information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with

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

- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative tests, including any asset which is overdue 60 days or more; and
- qualitative indicators, including deteriorating collateral; and
- deteriorating economic conditions or negative trends in the client's financial position.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement.

Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

- Client and DBN correspondence on file, i.e. the purposes for which the various loans were given, the current status of the loans, if they were in arrears or not and whether they had been restructured or not and whether the cash flows were sufficient to repay capital and interest over the remaining term and the respective collateral values were reviewed; compliance with covenants, quality of management, senior management changes.
- Analysis of the latest audited Annual Financial Statements and / or Management Accounts, i.e. In terms of the Statement of Comprehensive Income the profitability of the business is assessed including Gross Profit margin, Net Profit margin and income before interest & taxation (EBITDA) and after interest & taxation; In terms of the Statement of Financial Position the solvency of the business is assessed as well as the liquidity and the debt to equity ratio; Statement of Cash Flows is assessed to understand where the cash is generated and how the cash is utilized.
- The repayment ability or affordability of the respective loan agreements is determined and the debt service cover ratio is calculated.
- The customer's performance risk is assessed to understand whether contracts are completed in time and within budget or whether contracts have consistent time delays and budget overruns. Where there are delays the nature of the delays are assessed whether caused by external uncontrollable factors like excessive rain, recession etc. or internally generated delays predicting performance risk which increases the probability of default on an account.
- The customer's business is assessed for all the risks that can influence the performance of the business and therefore its account with DBN i.e. forex risk, market risk including competition, supply/demand risk, sourcing of supplies and based on the risk assessment the probability of default is determined.
- On portfolio basis, an analysis is performed of the categorisation of the loan book (performing, under-performing and non-performing) and arrears report, comparing changes over time.
- Existing and forecast changes in business, financial and economic conditions.

The table below provides an indicative mapping of how the Bank's internal credit risk grades relate to PD and, for the Development Portfolio ('DP') and Enterprise Portfolio ('EP'), with further segmentation for exposures above and below N$15 million.

Staging table			Portfolios PD ranges			
Internal classification		IFRS 9 stages	DP < N$ 15m	DP > N$ 15m	EP < N$ 15m	EP >N$ 15m
A	Pass / Acceptable	Stage 1: Performing	10% - 20%	1% - 4%	3% - 5%	1% - 2%
B	Watch / Special Mention	Stage 2: Under-performing	20% - 100%	5% - 100%	5% - 100%	2% - 100%
C D E	Sub-standard Doubtful Loss	Stage 3: Non-performing	100%	100%	100%	100%

Generating the term structure of PD

Contractual run-off, as obtained from the loan book system, is utilized to generate the term structure of PD exposures, with stage 1 loans being the shorter of remaining contractual term or 12 months.

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

What is considered significant differs for different types of lending, in particular between Development Portfolio and Enterprise Portfolio.

The credit risk is deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list.

Such qualitative factors are based on its expert judgment and relevant historical experiences including deteriorating collateral, deteriorating economic conditions or negative trends in the client's financial position.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period, generally of six (6) months, during which the financial asset is required to demonstrate good behaviour to

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

provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:
- the criteria are capable of identifying significant increases in credit risk before an exposure is in default:
- the criteria do not align with the point in time when an asset becomes 60 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default

The Bank considers a financial asset to be in default when:
- the borrower has not repaid part or all of previously agreed upon interest and principle repayments for an extended period of time. The non-performing asset is therefore not yielding any income to the lender in the form of principal and interest payments. Chances of recovery are still possible; or
- the borrower is more than 120 days past due on any material credit obligation to the Bank.

In assessing whether a borrower is in default, the Bank considers indicators that are:
- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Bank of Namibia for regulatory purposes.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the ECL impairment calculations. The Bank includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact individual counterparty and / or portfolio exposures. For example, for large individual counterparty exposures, information considered in the analysis includes the purposes for which the various loans were given, the current status of the loans, whether the loans are in arrears or have been restructured, whether the cash flows are expected to be sufficient to repay capital and interest over the remaining term and the respective collateral values. When necessary and possible, additional information is obtained from customers, including latest annual financial statements, management accounts, cash flow forecasts and recent collateral valuations. The impact of forward looking economic conditions is embedded in the total IFRS 9 impairment assessments.

Measurement of ECL

The key Inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for Stage I is calculated by multiplying the 12-month PD by the LGD and EAD

Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value (LTV) ratios are a key parameter in determining LGD. The LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty end potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques at the time of default.

As described above, and subject to a maximum of a 12-month PD for Stage I financial assets, DBN measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, DBN considers a longer period. The maximum contractual period extends to the date at which DBN has the right to require repayment of an advance or terminate a loan commitment or guarantee. Where modeling of a parameter is carried out on a collective basis, financial instruments are grouped on the basis of shared risk characteristics that include:
- instrument type;
- credit risk gradings;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

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

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

Past due but not impaired loans

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

N$ 2018	Total unimpaired loans	Past due but not impaired 31 - 60 days	61 - 119 days	120 -179 days	More than 180 days	Total
Installment sales	156,727,921	5,041,337	1,647,541	1,137,288	2,824,173	10,650,339
Preference shares	51,840,092	2,331,167	-	-	14	2,331,181
Term loans	7,205,740,825	70,723,661	6,470,158	12,773,388	16,087,128	106,054,335
Guarantees	99,841,221	256,420	(21,607)	88,925	(1,820,663)	(1,496,925)
	7,514,150,059	78,352,585	8,096,092	13,999,601	17,090,651	117,538,930

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$ 2018 Risk category	Installment sales	Preference shares	Term loans	Guarantees	Total
A	1,075,420	2,331,181	52,220,053	(1,879,686)	53,746,968
B	7,179,616	-	52,595,870	167,273	59,942,759
C	2,344,681	-	985,998	208,353	3,539,032
D	2,518	-	-	-	2,518
	10,650,339	2,331,181	106,054,335	(1,496,925)	117,538,930

Credit quality of neither past due nor impaired loans and advances

N$ 2018 Risk category	Installment sales	Preference shares	Term loans	Guarantees	Total
A	46,054,352	36,363,220	6,132,062,412	19,927,581	6,234,407,565
B	24,753,662	847,313	47,798,107	9,945,088	83,344,170
	70,808,014	37,210,533	6,179,860,519	29,872,669	6,317,751,735

Credit quality of total unimpaired loans and advances

N$ 2018 Risk category	Installment sales	Preference shares	Term loans	Guarantees	Total
A	71,760,991	50,992,779	6,729,770,725	66,710,534	6,919,235,029
B	80,878,184	847,313	456,364,722	18,385,034	556,475,253
C	4,038,124	-	18,599,635	11,680,809	34,318,568
D	2,518	-	-	-	2,518
E	48,104	-	1,005,743	3,064,844	4,118,691
	156,727,921	51,840,092	7,205,740,825	99,841,221	7,514,150,059

28. Financial risk management (continued)

28.2 Credit risk (continued)

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it is reclassified to the performing loans category after being kept in the original category for at least 3 months. Extensions of credit are monitored and reviewed periodically to make sure that the creditworthiness of the borrower has not deteriorated.

The total outstanding balance of loans restructured during the period under review amounts to N$530,865,502 as at 31 March 2019 (2018: N$580,158,180).

Write-off policy

As at year-end, DBN has a total balance of N$411,233,545 loans that has been written off but are still subject to the enforcement activities in order to comply with the bank's procedures for recovery of amounts due.

28.3 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 2019 the cash level reserve stood at 22.3% (2018: 20.4%).

Liquidity reserves

	2019		2018	
N$	Carrying amount	Fair value	Carrying amount	Fair value
Cash and balances with banks	258,051,207	258,051,207	119,749,842	119,749,842
Call deposits	440,925,803	440,925,803	542,125,721	542,125,721
Short term fixed deposits	-	-	-	-
Undrawn facilities *	470,000,000	-	470,000,000	-
Total liquidity reserves	1,133,788,649	698,977,010	1,131,875,563	661,875,563

** This is the actual unused amount on the approved borrowings.*

	Contractual cash flows					
N$ 2019	Carrying amount	Demand	1-12 months	1-3 years	3-5 years	Over 5 years
Assets						
Cash and cash equivalents	698,977,010	438,049,510	260,927,500	-	-	-
Loans and advances to customers	8,486,379,811	-	1,953,713,552	2,998,182,355	1,984,635,508	5,307,245,454
Total financial assets	9,185,356,821	438,049,510	2,214,641,052	2,998,182,355	1,984,635,508	5,307,245,454
Liabilities						
Trade and other payables	(27,675,865)	-	(27,675,865)	-	-	-
Bonds	(725,067,502)	-	(162,222,091)	(549,508,328)	(139,510,890)	-
Term loan facilities	(233,000,000)	-	(19,764,000)	(251,820,767)	-	-
Fixed term facility	(1,448,574,297)	-	(299,844,454)	(470,092,500)	(270,456,570)	(1,207,019,418)
Line of credit facility	(4,050,767,808)	-	(318,800,000)	(928,391,661)	(1,172,502,369)	(4,249,955,731)
Total liabilities and shareholders' equity	(6,485,085,472)	-	(828,306,410)	(2,199,813,256)	(1,582,469,829)	(5,456,975,149)
Net liquidity excess	2,700,271,349	438,049,510	1,386,334,642	798,369,099	402,165,679	(149,729,695)
Cumulative liquidity excess		438,049,510	1,824,384,152	2,622,753,251	3,024,918,930	2,875,189,235

28 Financial risk management (continued)

28.3 Liquidity risk (continued)

Contractual undiscounted cash flows of financial assets and liabilities

N$ 2018	Carrying amount	Contractual cash flows Demand	1-12 months	1-3 years	3-5 years	Over 5 years
Assets						
Cash and cash equivalents	661,875,563	356,135,464	305,740,099	-	-	-
Loans and advances to customers	7,725,463,634	-	2,099,274,717	2,515,255,967	2,003,347,818	4,759,206,073
Total financial assets	8,387,339,197	356,135,464	2,405,014,816	2,515,255,967	2,003,347,818	4,759,206,073
Liabilities						
Trade and other liabilities	(19,828,608)	-	(19,828,608)	-	-	-
Debt securities issued	(505,154,571)	-	(99,170,177)	(438,637,055)	(93,300,986)	-
Term loan facilities	(910,319,485)	-	(705,952,705)	(71,717,466)	-	-
Call loan facilities	-	-	-	-	-	-
Line of credit facility	(4,050,277,328)	-	(315,600,000)	(632,064,658)	(1,251,152,643)	(4,682,680,954)
Bank overdraft	-	-	-	-	-	-
Total non-derivative liabilities	(5,485,579,992)	-	(1,140,551,490)	(1,342,419,179)	(1,344,453,629)	(4,682,680,954)
Derivative held for risk management	(35,675,460)	-	-	-	-	(35,675,460)
Total financial liabilities	(35,675,460)	-	-	-	-	(35,675,460)
Net liquidity excess	2,866,083,745	356,135,464	1,264,463,326	1,172,836,788	658,894,189	40,849,659
Cumulative liquidity excess	-	356,135,464	1,620,598,790	2,793,435,578	3,452,329,767	3,493,179,426

28.4 Market risk

ALCO reports quarterly to the Board Audit, Risk and Compliance Committee, which monitors risks and policies implemented to mitigate risk exposures.

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

Interest rate risk

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

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

Sensitivity analysis for interest rates

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Bank's profit and equity for the year ended 31 March 2019 would increase/decrease by N$12,725,533 (2018: increase/decrease by N$13,416,445). This is mainly attributable to the Bank's exposure to interest rates on its variable rate investment portfolio and floating price structure of loans advanced, and funding liabilities.

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

28. Financial risk management (continued)
28.4 Market risk (continued)
Sensitivity analysis for interest rates (continued)

Interest rate exposure

		Term to repricing					
N$ 2019 **Assets**	Effective interest rate	Carrying amount	Demand	1-12 months	2 - 5 years	Over 5 years	Non-interest earning / bearing
Cash and cash equivalents	6.39%	698,977,010	438,049,510	260,927,500	-	-	-
Trade and other receivables	-	28,173,812	-	-	-		28,173,812
Staff home ownership scheme loans	7.08%	84,889,580	84,889,580	-	-	-	-
Loans and advances to customers	10.51%	8,486,379,811	3,888,718,010	4,152,780,531	436,798,787	8,082,483	-
Total financial assets		9,298,420,213	4,411,657,100	4,413,708,031	436,798,787	8,082,483	28,173,812
Liabilities							
Term loan facilities	8.46%	(233,000,000)	(33,000,000)	(200,000,000)	-	-	-
Bonds	8.93%	(725,067,502)	-	(291,000,000)	(434,067,502)	-	-
Line of credit facility	8.01%	(4,050,767,808)	-	(4,050,767,808)	-	-	-
Fixed term facility	9.65%	(1,448,574,297)		(1,448,574,297)			
Trade and other liabilities	-	(27,675,865)	-	-	-	-	(27,675,865)
Dividends retained for redeployment	-	(55,501,769)	-	-	-	-	(55,501,769)
Total financial liabilities		(6,540,587,241)	(33,000,000)	(5,990,342,105)	(434,067,502)	-	(83,177,634)
Net interest sensitivity excess / (gap)		2,757,832,972	4,378,657,100	(1,576,634,073)	2,731,285	8,082,483	(55,003,822)

		Term to repricing					
N$ 2018 **Assets**	Effective interest rate	Carrying amount	Demand	1-12 months	2 - 5 years	Over 5 years	Non-interest earning / bearing
Cash and cash equivalents	7,13%	661,875,563	356,135,464	305,740,099	-	-	-
Trade and other receivables	-	17,185,083	-	-	-		17,185,083
Staff home ownership scheme loans	7,18%	67,580,384	67,580,384	-	-	-	-
Loans and advances to customers	10,11%	7,725,463,634	3,836,273,903	3,465,243,325	274,856,237	149,090,169	-
Total financial assets		8,472,104,664	4,259,989,751	3,770,983,424	274,856,237	149,090,169	17,185,083
Liabilities							
Debt securities issued	8,80%	-	-	-	-	-	-
Term loan facilities	7,43%	(910,319,485)	(33,000,000)	(877,319,485)	-	-	-
Call loan facilities	10,75%	-	-	-	-	-	-
Bonds	8,80%	(505,154,571)	-	(293,230,535)	-	(211,924,036)	-
Line of credit facility	7,89%	(4,050,277,328)	-	(4,050,277,328)	-	-	-
Trade and other liabilities	-	(19,828,608)	-	-	-	-	(19,828,608)
Derivative held for risk management	-	(35,675,460)	-	-	-	-	(35,675,460)
Dividends retained for redeployment	-	(47,839,986)	-	-	-	-	(47,839,986)
Total financial liabilities		(5,569,095,438)	(33,000,000)	(5,220,827,348)	-	(211,924,036)	(103,344,054)
Net interest sensitivity excess / (gap)		2,903,009,226	4,226,989,751	(1,449,843,924)	274,856,237	(62,833,867)	(86,158,971)

28. Financial risk management (continued)

28.5 Foreign currency risk

During the year under review, the Bank undertook transactions denominated in foreign currency (US Dollar), consequently exposures to exchange rate fluctuations arose. The exchange rate exposure was managed by utilising a cross currency swap agreement.

The carrying amount of the Bank's foreign currency denominated monetary assets at the end of the reporting year are as follows:

N$	2019	2018
Loans and advances	-	140,757,492
Equity investments	42,439,702	44,206,586

Foreign currency sensitivity analysis

The following table details the Bank's sensitivity to a 10% increase and decrease in NAD to the relevant foreign currency exposure for the cross currency exposure. An exchange rate of NAD/USD 13.61 was applied at year end and a movement of 10% was added or deducted to calculate the sensitivity.

N$	2019	2018
Profit or loss	-	2,063,471
Equity	4,243,970	4,420,659

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting year 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 year.

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

- Profit for the year ended 31 March 2019 would have been unaffected as the equity investments are classified as Equity investment FVOCI, and no investments were disposed of or impaired.
- Other comprehensive income for the year ended 31 March 2019 would increase/decrease by N$14,085,117 (2018: N$13,260,329).

28.7 Capital management

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

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

The Bank has adopted a self-imposed capital adequacy framework that differentiates between the risks assumed on different asset classes and provides for market and operational risk, whilst at the same time adhering voluntarily to the overarching regulatory capital requirement applicable to local financial institutions. At reporting date the Bank's capital adequacy ratio stood at 78% (2018: 72%), while the target was 37%.

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$	2019	2018
Share capital	165,000,000	165,000,000
Share premium	1,842,071,178	1,842,071,178
Retained earnings plus reserves	1,123,011,364	1,242,490,896
	3,130,082,542	3,249,562,074

29. Fair value of financial instruments

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Financial instruments valued with reference to quoted market price (unadjusted) in an active market for identical assets and liabilities. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. This category includes capital market assets, listed equity investments and debt securities.
- Level 2: Financial instruments valued using inputs other than quoted prices as in level 1 but that are observable for the asset or liability, either directly or indirectly, such as : quoted prices for similar assets or liabilities in inactive markets; quoted price for identical or similar assets or liabilities in inactive markets; valuation models using observable inputs; and valuation models using inputs derived from or corroborated by observable market data. This category includes deposits, derivatives, unlisted equity investments and debt securities.
- Level 3: Financial instruments valued using net present value or discounted cash flow models. Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique include inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market data exists, pricing models and other valuation models.

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 models to determine the fair value of the interest rate and currency swap, that use only observable market data and require little of management judgment and estimation. Observable prices or model inputs are usually available in the market for simple over-the-counter (OTC) derivatives such as interest rate swaps. Observable market prices and model inputs reduce the need for management judgment and estimation and reduces the uncertainty associated with determining fair values. Observable market prices and model inputs are prone to changes based on specific events and general conditions in the financial markets.

Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of expected volatilities and correlations and selection of appropriate discount rates.

The underlying definition of fair value being that an entity is a going concern without any intention or necessity to liquidate, curtail materially the scale of 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$ 2019	Note	Level 1	Level 2	Level 3	Total
Equity investments at FVOCI					
Equity investments	17	-	239,262,645	42,439,704	281,702,347
Financial assets		-	239,262,645	42,439,704	281,702,347

N$ 2018	Note	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Equity investments		-	-	265,206,586	265,206,586
Financial assets		-	-	265,206,586	265,206,586
Financial liabilities designated as at fair value through profit or loss					
Derivatives held for risk management	19.1				
Foreign exchange		-	32,920,590	-	32,920,590
Interest rate		-	2,754,870	-	2,754,870
Financial liabilities		-	35,675,460	-	35,675,460

In the reporting period ending 31 March 2019, there was a transfer out of Level 3 fair value measurements to Level 2 due to a change in the valuation methods (see Note 30). There was no transfer between levels for the 2018 financial year.

Reconciliation of financial instruments

N$ 2019	Equity investments	Derivative	Total
Balance at 1 April 2018	265,206,586	(35,675,460)	229,531,126
Total gain recognised in profit or loss	-	32,920,590	32,920,590
Total gain recognised in other comprehensive income	16,495,761	2,754,870	19,250,631
Fair value at 31 March 2019	281,702,347	-	281,702,347

N$ 2018	Equity investments	Derivative	Total
Balance at 1 April 2017	296,570,098	(75,880,838)	220,689,260
Total gain recognised in profit or loss	-	31,646,913	31,646,913
Total (loss) / gain recognised in other comprehensive income	(31,363,512)	8,558,465	(22,805,047)
Fair value at 31 March 2018	265,206,586	(35,675,460)	229,531,126

30. Fair value of equity investments and derivative held for risk assessment

Equity investments

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

Ohorongo Cement (Pty) Ltd

Applicable to 2019

The fair value was determined by using the market value approach with a minority discount of 18% being applied to determine the fair value of the Bank's investment in Ohorongo. The key assumptions on which the valuation is based are as follows:

1. The SENS announcement by International Cement Group with regards to the Purchase Sale Agreement in March 2019 for the acquisition of 100% shares in Schwenk Namibia is valid. Schwenk Namibia's main asset is Ohorongo Shares. The SENS announcement indicated that Schwenk's 100% shareholding in Energy For Future (mainly engaged in the business of sourcing for alternative energy sources and businesses related to that) represents less than 5% of the transaction value.
2. The transaction is binding, orderly and there is no indication that the sale is forced.
3. The latest dividends declared by Ohorongo Cement does not form part of the Purchase Sales Agreement.

Applicable to 2018

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. The key assumptions on which the valuation is based are as follows:

1. A forecast period of 5 years was used for discounting the projected free cash flow, the Gordon Growth model was used
2. to estimate terminal value.
3. The mid-point weighted average cost of capital applied is 14.62%.
4. A terminal growth rate percentage of 3% was applied.

Norsad Finance Ltd

The equity investment shareholding was fair valued using the dividend discount model approach. The key assumptions on which the valuation is based are as follows:

1. A dividend of 50% of the annual profit was assumed to determine cash flows;
2. Discount rate at the Namibian Bond GC40 yield rate, with a premium of 300bps for the ordinary shares;
3. 2/3 preference dividends for the preference shares; and
4. A forecast period of five years was used and a multiple of seven times was used to estimate terminal value.

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.

31. Financial assets and financial liabilities

31.1 Classification of financial assets and liabilities

N$ 2019	Note	Mandatorily at FVTPL	FVOCI - equity investments	Amortised cost	Total carrying amount
Cash and cash equivalents	11	-	-	698,977,010	698,977,010
Trade and other receivables	12	-	-	28,173,812	28,173,812
Staff home ownership scheme loans	15	-	-	84,889,580	84,889,580
Loans and advances to customers	13	-	-	8,486,379,811	8,486,379,811
Equity investments	17	-	281,702,347	-	281,702,347
Total financial assets		-	281,702,347	9,298,420,213	9,580,122,560
Trade and other liabilities	19	-	-	27,675,865	27,675,865
Term loan facilities	19.3	-	-	233,000,000	233,000,000
Line of credit facility	19.5	-	-	4,050,767,808	4,050,767,808
Bonds	19.6	-	-	725,067,502	725,067,502
Fixed term facility	19.7	-	-	1,448,574,297	1,448,574,297
Dividends retained for redeployment	20	-	-	55,501,769	55,501,769
Total financial liabilities		-	-	6,540,587,241	6,540,587,241

31. Financial assets and financial liabilities (continued)
31.1 Classification of financial assets and liabilities (continued)

N$ 2018	Note	Designated as at FVTPL	Loans & receivables	Available-for-sale	Amortised cost	Total carrying amount
Cash and cash equivalents	11	-	-	-	661,875,563	661,875,563
Trade and other receivables	12	-	17,185,083	-	-	17,185,083
Staff home ownership scheme loans	15	-	67,580,384	-	-	67,580,384
Loans and advances to customers	13	-	7,725,463,634	-	-	7,725,463,634
Equity investments	17	-	-	265,206,586	-	265,206,586
Total financial assets		-	7,810,229,101	265,206,586	661,875,563	8,737,311,250
Trade and other liabilities	19	-	-	-	19,828,608	19,828,608
Term loan facilities	19.3	-	-	-	910,319,485	910,319,485
Line of credit facility	19.5	-	-	-	4,050,277,328	4,050,277,328
Bonds	19.6	-	-	-	505,154,571	505,154,571
Dividends retained for redeployment	19.1	-	-	-	47,839,986	47,839,986
Derivative held for risk management	19.1	35,675,460	-	-	-	35,675,460
Total financial liabilities		35,675,460	-	-	5,533,419,978	5,569,095,438

31.2 Classification of financial assets and liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 as at 1 April 2018.

N$	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	661,875,563	661,875,563
Trade and other receivables	Loans and receivables	Amortised cost	17,185,083	17,185,083
Staff home ownership scheme loans	Loans and receivables	Amortised cost	67,580,384	67,580,384
Loans and advances to customers at amortised cost	Loans and receivables	Amortised cost	7,725,463,634	7,375,911,776
Equity investments	Available-for-sale financial assets	FVOCI	265,206,586	265,206,586
Total financial assets			8,737,311,250	8,387,759,392
Financial liabilities				
Trade and other liabilities	Amortised cost	Amortised cost	19,828,608	19,828,608
Term loan facilities	Amortised cost	Amortised cost	910,319,485	910,319,485
Line of credit facility	Amortised cost	Amortised cost	4,050,277,328	4,050,277,328
Bonds	Amortised cost	Amortised cost	505,154,571	505,154,571
Dividends retained for redeployment	Amortised cost	Amortised cost	47,839,986	47,839,986
Derivative held for risk management	FVTPL	FVTPL	35,675,460	35,675,460
Total financial liabilities			5,569,095,438	5,569,095,438

31. Financial assets and financial liabilities (continued)

31.2 Classification of financial assets and liabilities on the date of initial application of IFRS 9 (continued)

N$	IAS 39 carrying amount 31 March 2018	Reclassification	Remeasurement	IFRS 9 carrying amount 1 April 2018
Financial assets				
Amortised cost				
Cash and cash equivalents	661,875,563			661,875,563
Trade and other receivables	17,185,083			17,185,083
Loans and advances to customers	7,725,463,634		(349,551,858)	7,375,911,776
Staff home ownership scheme loans	67,580,384	-	-	67,580,384
Closing balance	8,472,104,664	-	(349,551,858)	8,122,552,806
FVOCI				
Available-for-sale - Equity investments IAS 39	265,206,586	(265,206,586)	-	-
FVOCI - Equity - Equity investments IFRS 9	-	265,206,586	-	265,206,586
Total FVOCI	265,206,586	-	-	265,206,586
Total financial assets	8,737,311,250	-	(349,551,858)	8,387,759,392
Financial liabilities				
Amortised cost				
Trade and other liabilities	19,828,608	-	-	19,828,608
Term loan facilities	910,319,485	-	-	910,319,485
Line of credit facility	4,050,277,328	-	-	4,050,277,328
Bonds	505,154,571	-	-	505,154,571
Dividends retained for redeployment	47,839,986	-	-	47,839,986
Total amortised cost closing balance	5,533,419,978	-	-	5,533,419,978
FVTPL				
Derivative held for risk management	35,675,460	-	-	35,675,460
Total FVTPL closing balance	35,675,460	-	-	35,675,460
Total financial liabilities	5,569,095,438	-	-	5,569,095,438

31. Financial assets and financial liabilities (continued)

31.2 Classification of financial assets and liabilities (continued)

The following table summarises the impact of transition to IFRS 9 on the opening balance of the retained earnings. There is no impact on other components of equity.

N$	IFRS 9 carrying amount 1 April 2018
Retained earnings	
Closing balance under IAS 39 (31 March 2018)	1,215,684,783
Recognition of expected credit losses under IFRS 9	(349,551,858)
Opening balance under IFRS 9 (1 April 2018)	866,132,925

The following table reconciles:

- the closing impairment allowance for financial assets under IAS 39 and provision for loan commitments and financial guarantee contracts under IAS 37; and
- the opening ECL allowance determined under IFRS 9 as at 1 April 2018.

N$	IAS 39 carrying amount 31 March 2018	Reclassification	Remeasure-ment	IFRS 9 carrying amount 1 April 2018
Loan and receivables under IAS 39 / financial assets at amortised cost under IFRS 9	266,963,600	-	347,317,963	614,281,563
Loan commitments and financial guarantee contracts	-	-	2,233,895	2,233,895
Total	266,963,600	-	349,551,858	616,515,458

Development Bank of Namibia

Expect more.

12 Daniel Munamava Street
PO Box 235
Windhoek
Namibia

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