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 infrastructure, 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

Finance for Meatco infrastructure is expecteed to contribute to Namibia's beef production.

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On the front cover:
Work proceeds to develop Nkurenkuru township (see page 22).

Chairperson's report

Foreword

I am pleased to present the Development Bank of Namibia's 2020/21 Annual Report on behalf of the Board of Directors.

The year 2020/21 was defined by the impacts of Covid-19, locally, regionally and globally. This was exacerbated by the lingering effects of the economic contraction that Namibia was experiencing as a result of global headwinds combined with the devastating drought cycle. In order to mitigate the health impacts of Covid-19, the Government of the Republic of Namibia took necessary steps of imposing a national lockdown, followed by a further lockdown of the key economic regions of Khomas and Erongo. These lockdowns had a major impact on local economic activity and employment, in addition to broader adverse impacts on Namibia.

In order to address these impacts, the Bank had to act swiftly and decisively to preserve the sustainability of its borrowers, offer business relief to enterprises not on its portfolio, as well as to continue to lend in the interests of economic activity. The Bank took the following specific measures:

Covid-19 repayment holidays

Reacting to the loss of earnings and a general lack of enterprise savings, Development Bank of Namibia rapidly implemented a repayment holiday for its most vulnerable borrower categories, especially SMEs and enterprises in the Tourism and Hospitality sector. SMEs were already challenged by the preceding economic contraction and were further impacted negatively by the lockdowns. The Tourism and Hospitality sector, a large-scale employer, was severely affected by the immediate cessation of inbound travellers.

Although interest is recapitalized during the repayment holiday, the Bank extended the duration of the loans to offset the additional costs and thus support enterprises.

Covid-19 Business Relief Loans

To assist enterprises across Namibia, the Bank devised a Covid-19 Business Relief Loan, consisting of three or six months' working capital, paid in equal monthly installments. Designed to extend the life of businesses severely impacted by Covid-19, the loan facility has been funded with a concessional loan of N$450 million from the German development bank, KfW (Kreditanstalt für Wiederaufbau).

This facility has proven very useful in assisting enterprises to weather the Covid-19 storm and thus ensuring their financial and operational sustainability as well as the protection of jobs.

Ongoing lending

Despite the extraordinary circumstances, the Bank continued to make various loans to large-scale borrowers, SMEs and under its Skills-based Facility for young artisans and professionals.

Total approvals amounted to N$999.3 million, falling from N$1,137.8 million in the preceding period 2019/21. Finance was approved for 31 SME startups and 180 existing SMEs. Jobs created amounted to 858 new permanent jobs and 1,762 temporary jobs.

The path ahead entails preservation of existing economic activity, growth of economic activity and sustainability.

Infrastructure approvals amounted to N$603.6 million indicating the Banks confidence in the future. Of this, finance was approved for 332.9 ha of serviced land and 616 affordable residential units.

The Bank continued its transformative agenda with 37 approvals to the value of N$46.0 million benefiting women entrepreneurs and 76 approvals to the value of N$82.3 million benefiting young entrepreneurs (aged 36 and younger).

The way forward

The path ahead entails a preservation of existing economic activity, growth of economic activity and sustainability.

The Tourism and Hospitality sector is of particular concern as it is both a very significant employer, and a major earner of foreign exchange. The forward-looking strategy must be to enable tourism with accommodating finance. However, the restart of the global tourism sector is erratic and uncertain which affects the ability and willingness of traditional inbound tourists to visit Namibia. The Bank has a significant portfolio of investments in the sector, and will be challenged to maintain tourism capacity while seeking means to enable its borrowers to begin to repay their capital and / or interest amounts.

The SME category of borrowers is also being closely monitored, as these are needed to create employment, incomes for family, and participate in and augment the networked business ecosystem. Without a flourishing SME sector, the enterprise environment is weakened through impacts on the value chain. The Bank has been mandated by its shareholder to exercise greater focus on the sector, and will do so. The Bank is currently maintaining repayment holidays for SMEs, offering Covid-19 Business Relief Loans and pursuing growth of startups.

Growth of economic activity will be capacitated by greater access to finance, particularly in the SME sector. With this in mind, the Bank has activated the Credit Guarantee Scheme which reduces the collateral requirement of participating finance providers and qualifying SMEs by up to 60%. First National Bank of Namibia participates in the Scheme and an additional entity is expected to join the Scheme in early in the second quarter of 2021.

In order to support the sustainability of SMEs, the Bank is currently perfecting a model for its Client Development Function, which will transfer knowledge and practical skills to SMEs as indicated. Once the model is operational, capacity will be extended to SMEs that are not borrowers from the Bank in an effort to deepen the impact of the SME sector and extend its sustainability and growth.

Appreciation

It is said that true friends become apparent in adversity. The truth of this has become apparent in the wide network of concerned entities that is forming in response to conditions imposed by Covid-19.

KfW is an entity particularly worthy of appreciation in this regard. To this must be added the African Development Bank, First National Bank of Namibia, the Ministry of Finance and Bank of Namibia for their respective roles in capacitating the Credit Guarantee Scheme, as well as the Bank's intended Client Development Function.

The Bank's year has been characterized by extreme agility, with decisions taken and policies formed at short notice. This in itself is worth merit. However with rapid change comes the need for adaptation and its companion stresses. With this in mind, I conclude this appreciation by commending the Executive Committee, management and staff who went out of their way to execute the Banks mandate and deliver the results of the Bank in 2020/21 under very challenging conditions.

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Tania Hangula
Chairperson

CEO's report

Challenge rewards those who take it on, with responsibility and they present an opportunity to make a difference. In spite of the massive economic and financial setbacks inflicted by lockdowns and restriction of human activities as a result of the Covid-19 pandemic, starting at the end of March 2020, I am proud to report that the Bank faced the challenges presented to it in 2020, and rounded off the financial year ending March 2021 on sound footing. The lessons learned and experience gained during this period have prepared the team, and the Bank has the capability to shoulder the responsibilities that it will carry in the financial period 2021/22.

Staging of relief measures

The Bank's main preoccupation in 2020/21 was to preserve the economic activity of its borrowers. The sectors observed to have most adversely impacted by the Covid-19 pandemic were tourism and hospitality, as well as SMEs.

To ease the burden of loan repayment in the absence of strong business cash flows, the Bank provided a series of moratoriums on repayment of interest and or loan capital during the period ending March 2021. The first loan repayment moratorium lasted from March to April 2020 during the height of the lockdown. At the advent of the second moratorium, from May to November 2020, the Bank also offered affected borrowers the option to extend the tenure of their loans for up 5 years, to reduce the repayment burden of recapitalized interest. A third moratorium, to 31 March 2021 was also put in place.

The Bank investigated relief lending in the form of medium term loans with repayment periods of up to 5 years, to assist Covid-19 impacted enterprises with working capital requirements and to diversify or refocus business operations. The facility was implemented in December 2020, with concessional finance of N$450 million received from development finance partner, KfW (Kreditanstalt für Wiederaufbau).

The Bank further demonstrated its flexibility as a development finance institution, through the restructuring the repayment terms and conditions of numerous borrowers.

Earnings and growth

The profit of N$116.5 million for 2020/21 was N$112.6m lower compared to N$229.1 million for 2019/20. The impact of the reduction in the interest rates resulted in a reduction of N$80 million in profit. The continued downturn, further depressed by Covid-19, negatively impacted the growth and quality of the loan book, leading to an increase of N$29 million in impairment expenses.

Loans and advances of N$7.92 billion reduced by N$543 million (2020: N$8.47 billion). Excluding the NEF and Neckartal Dam repayments, as well as the increase in impairments of N$190 million, the loan book increased by N$216 million.

The 2020/21 economic environment affected numerous borrowers, leading to significant increases in impairments. The Bank's impairment ratio was 11.8% at 31 March 2021, which rose compared to 9.5% at the end of the previous financial year. The non-performing loan ratio increased from 13.0% in 2019/20 to 17.9% in 2020/21.

The Bank's main preoccupation in 2020/21 was to preserve the economic activity of its borrowers. The sectors identified as being most at risk were tourism and hospitality, as well as SMEs.

Development impact

Loans approved declined in 2020/21, falling to N$999.3 million from N$1,137.8 million in 2019/20. The Bank has observed a significant decline in demand for credit, which is attributable to a cautious approach of entrepreneurs combined with limited opportunities for expansion and growth during period.

The largest approvals by sector were allocated to manufacturing (N$2781.8 million), dominated by an N$250 million approval for Meatco. This approval is seen as vital to preserve cattle farming and broader agricultural productivity. The second largest set of approvals (N$203.6 million) was allocated to construction of 616 affordable housing units. Approvals to the electricity generation sector (N$155.9 million) were the third largest allocation. The Bank was able to approve N$46.9 million for servicing of 332.9 hectares of land.

The largest share of approvals was allocated to projects with national impact, driven by the multi-regional Meatco allocation of N$250 million. Regionally, Khomas received N$308.6 million in approvals followed by Kavango West with N$52. million and //Karas with N$41.7 million.

Approvals for the period are projected to create 1,762 temporary jobs and 858 new permanent jobs.

SME lending

In 2020/21 the Bank was able to approve finance for 31 startup SMEs despite the extraordinarily difficult economic circumstances.

In the period the Bank approved N$155.7 million for SME startups and expansion of existing SMES. Approvals of N$55.7 million went to business services followed by transport and logistics with N$42.4 million and construction with N$37.4 million. Regionally, Khomas received the highest approvals of N$43.4 million, followed by N$41.7 million for //Karas. Erongo received N$17.4 million. SME projects with a national footprint were allocated N$17.2 million in approvals.

SMEs are projected to create 527 new, permanent jobs and 842 temporary jobs. These jobs are included in employment impact noted above.

Covid-19 and related precautionary measures

During the financial period, several DBN staff members were infected with Covid-19 but, fortunately, no deaths occurred. Robust procedures were put in place to foster isolation of those suspecting infection or actually contracting the virus.

In the middle of 2020/21 a further lockdown of the Erongo and Khomas Regions took place. Staff were able to continue working from home using the innovative virtual private network established by the IT Department.

To further reduce the risk of exposure the Bank instituted a system of staff rotation between working in the office and from home. The Bank continued to maintain its productivity.

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Martin Inkumbi
Chief Executive Officer

Governance and leadership

There were no failures of governance observed in the Bank during the 2020/21 financial year.

Financed by DBN

MedRundu Health Centre is a new established medical practice financed under the skills-based facility for young professionals.

Mandate

The main objectives of the Bank
are 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 2019 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 2018 between the Board and the Minister of Finance as per the Public Enterprises Governance Act.

All Directors for the year under review signed performance agreements with the shareholder in terms of section 12 of the Public Enterprises Governance Act.

The Bank must, 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, directors' remuneration 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 (Namcode) 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. DBN voluntarily subscribes to the Namcode.

The DBN 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:

- Service
- Integrity
- Transparency
- Excellence

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 which commenced 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)

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)

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)

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)

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)

Kai Victor Geschke

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

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

Board composition for the year ended 31 March 2021

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 2021, 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 2020 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 2020 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 are recused when matters that may be subject to conflicts of interest are discussed.

Board committees and membership for the year ended 31 March 2021

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

	04.2020 - 03.2021
Chairperson's quarterly fee	N$17,589
Chairperson's sitting fee	N$9,912 per Board meeting
Director's quarterly fee	N$14,368
Director's sitting fee	N$6,252 per Board meeting
Sub-committee chairperson quarterly fee	N$8,431
Sub-committee chairperson sitting fee	N$4,622 per meeting
Sub-committee member quarterly fee	N$6,424
Sub-committee member sitting fee	N$3,093 per meeting

Non-Executive Directors' Emoluments
For the financial year 1 April 2020 to 31 March 2021

T Hangula (Chairperson)	283,111
T Mbome	318,787
J Cumming	306,534
K Geschke	294,268
D Husselmann	211,111

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

Board attendance

General Board Meetings

DD/MM/YY	27.05 2020	03.09 2020	01.12 2020	31.03 2021
T Hangula	√	√	√	√
M Inkumbi (CEO)	√	√	√	√
T Mbome	√	√	√	√
J Cumming	√	√	√	√
D Husselmann	√	√	√	√
K Geschke	√	√	√	√

Board Strategy Meetings

DD/MM/YY	04.11 2020	05.11 2020
T Hangula	√	√
M Inkumbi (CEO)	√	√
T Mbome	√	√
J Cumming	√	√
D Husselmann	x	√
KV Geschke	√	√

Annual General Meeting

DD/MM/YY	04.11 2020
T Hangula	√
M Inkumbi (CEO)	√
T Mbome	√
J Cumming	√
D Husselmann	√
KV Geschke	√

Extraordinary Board Meetings

DD/MM/YY	04.04 2020	08.04 2020	03.07 2020	22.07 2020	03.08 2020	27.08 2020	16.09 2020	22.09 2020	03.11 2020	12.02 2021	26.03 2021
T Hangula	√	√	√	√	√	√	x	√	√	√	√
M Inkumbi (CEO)	√	√	√	√	√	√	√	√	√	√	√
T Mbome	√	√	√	√	√	√	√	√	√	√	√
J Cumming	√	√	√	√	√	√	√	√	√	√	√
D Husselmann	√	√	√	√	√	x	√	x	√	√	√
KV Geschke	√	√	√	√	√	√	√	√	√	√	√

Board attendance (continued)

Credit and Investment Committee

DD/MM/YY	26.04 2020	06.04 2020	24.04 2020	13.05 2020	17.06 2020	15.07 2020	14.08 2020	16.09 2020	21.09 2020	21.10 2020	03.11 2020	10.11 2020	17.02 2021	16.03 2021
J Cumming	√	√	√	√	√	√	√	√	√	√	√	√	√	√
M Inkumbi (CEO)	√	√	√	√	√	√	√	√	√	√	√	√	√	√
T Mbome	√	√	√	√	√	√	√	√	√	√	√	√	x	√
K Geschke	√	√	√	√	√	√	√	√	√	√	√	√	√	√

Audit Risk and Compliance Committee

DD/MM/YY	06.05 2020	20.08 2020	11.11 2020	17.03 2021
K Geschke	√	√	√	√
M Inkumbi (CEO)	√	√	√	√
T Mbome	√	√	√	√
J Cumming	√	√	√	√

Human Capital and Remuneration Committee

DD/MM/YY	29.04 2020	28.07 2020	28.08 2020	06.11 2020	05.03 2021
D Husselmann	√	√	√	√	√
T Hangula	√	√	x	√	√
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 2021 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
30 June 2021
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 2021 and that all such returns are factual and current.

Adda Angula
Company Secretary
30 June 2021
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 2021.

Tania Hangula
Chairperson: Board of Directors
30 June 2021
Windhoek, Namibia

Annual Financial Statements

The Audit, Risk and Compliance Committee has appraised the Annual Report for the year ended 31 March 2021, 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 2021 and therefore recommended the adoption of this Annual Report on 16 June 2021 to the Board of Directors, who approved the Annual Financial Statements on 30 June 2021.

Kai Victor Geschke
Chairperson: Audit, Risk and Compliance Committee
30 June 2021
Windhoek, Namibia

Executive management and committees

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.

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)

Robert Eiman (Head: SME Finance)

Qualifications: MBA (UNAM), Certified Associate (IoB), Advanced Marketing Diploma (IoB), Marketing Diploma (IoB), Certificate in Banking (IoB)

Experience: Acting Head of Investments (DBN), Senior Investment Manager (D)BN, Portfolio Manager (DBN), Head of SMEs (FNB), Commercial Manager (FNB) Commercial and Corporate Banking, Branch Manager North (FNB), Business Manager (FNB)

John Mbango (Head: Portfolio Management)

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

Experience: Head: Portfolio Management (DBN), 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: Certified Ethic Officer (TEI & USB); Master of Business Management & Administration (University of Stellenbosch), Bachelor of Accounting (UNAM), Postgraduate Certificate in Compliance Management (University of Johannesburg), Certificate in Project Management (USB)

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

Heike Scholtz (Head: 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)

Hellen Amupolo (Acting Head: Investments)

Qualifications: M.Dev Fin (USB), B.Econ (UNAM)

Experience: Senior Investment Manager (DBN), Senior Portfolio Manager: Infrastructure & Utilities (DBN), Northern Regional Portfolio Manager (DBN), Senior Business Analyst (DBN), Business Analyst (DBN), Market Analyst (South Africa Breweries), Acting Chief Economist (Ministry of Fisheries and Marine Resources), Economist (Ministry of Fisheries and Marine Resources)

Jerome Mutumba (Head: Marketing and Corporate Communications)

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

Cindy Raw (Acting Head: Credit Risk)

Qualifications: MBA (Regent Business School), B.Com (Banking Management) (Damelin SA, Certified Associate of the Institute of Bankers (CAIB) (Institute of Bankers), Licentiate of the Institute of Bankers (LIB) (Institute of Bankers in South Africa, Banking Certificate (Building Societies Institute of South Africa)

Experience: Acting Head: Credit Risk (DBN), Senior Manager Credit (DBN), Manager Credit (DBN), Area Manager Credit (FNB), Manager Credit – Home Loans (FNB), Manager Credit – Corporate and Retail (FNB)

Elriana Burger (Head: Human Capital and Operations)

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

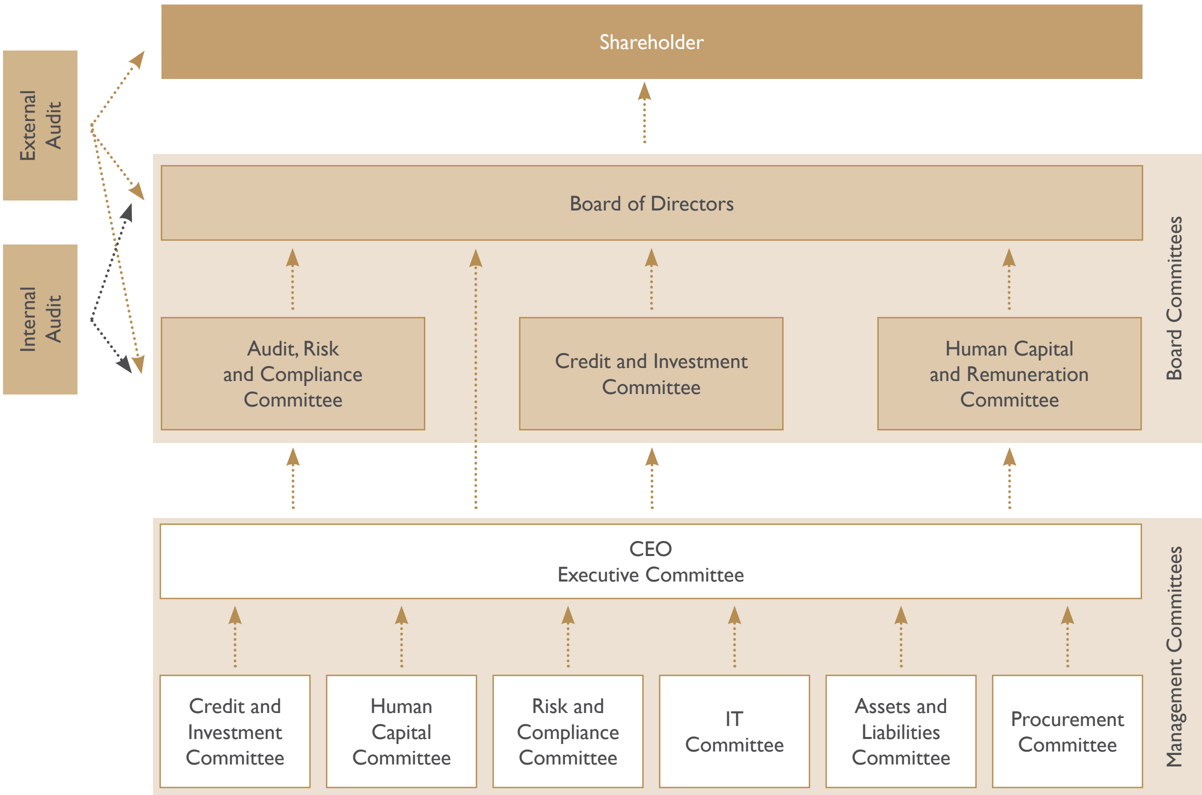
Experience: Head: Human Capital and Operations (DBN), Acting Head of Human Resources (Bank Windhoek), Head: Human Resources Administration (Bank Windhoek), Human Resources Administrator (Bank Windhoek), Personnel Officer (Meatco), Efficiency Analyst (Office of the Prime Minister), Division Human Resources 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 & Reporting (Capricorn Group), Assistant Company Secretary (Capricorn Group), Lecturer (UNAM), Legal Practitioner (Sisa Namandje and Company Inc)

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 2021, 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 the 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.

Approvals and development impact

In 2020/21, applications and subsequent approvals were subdued due to the impact of Covid-19.

Financed by DBN

Elegant Property and Logistics and GDE Management Consulting serviced 40 erven in Keetmanshoop. Construction of 22 of 40 affordaable homes has commenced.

Impact highlights 2020/21

General approvals
Total approvals amounted to N$999.3 million.

Employment
Bank finance is projected to create 858 new permanent jobs lasting more than three years, and 1,762 temporary jobs.

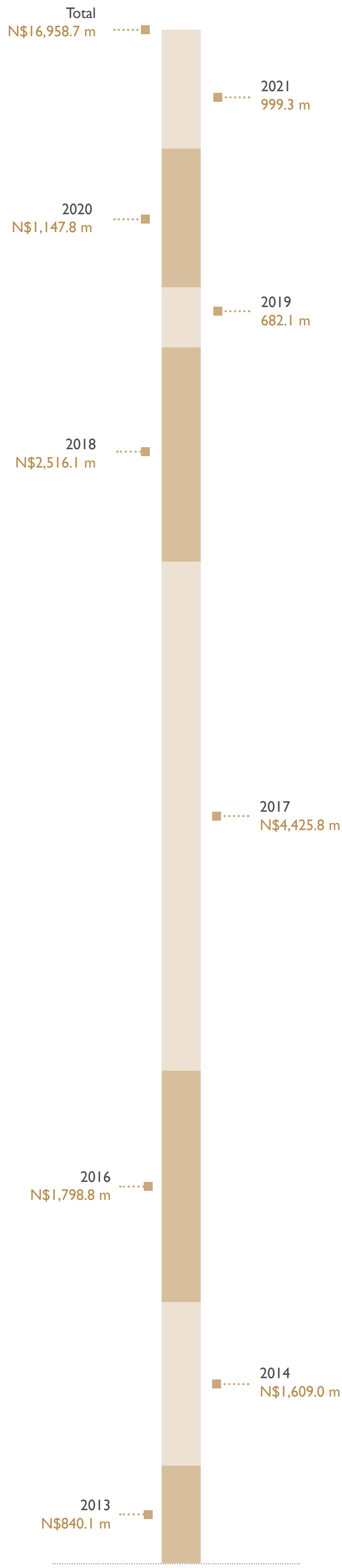
SME finance
N$155.7 million was approved for SME finance in 2020/21, falling from N$279.3 million in 2019/20.

SMEs
The Bank approved finance for 31 start-ups and 180 existing SMEs.

Affordable land and housing
Bank finance was approved for 332.9 ha of serviced land and 616 residential units.

Covid-19 relief
The Bank gave repayment holidays to all SME and tourism and hospitality borrowers, and launched a Covid-19 Business Relief Loan.

Cumulative approvals 2013 - 2021



Approvals: 2013 - 2021 including NEF

Outlook

The Bank's contribution to the country's economic growth and social development is influenced by the prevailing economic conditions, as well as the economic outlook. With this perspective, the following section presents a summary of economic development for 2020/21, as well the outlook for the ensuing year.

After contracting by a marginal 0.6% in 2019, real GDP shrank further and more substantially in 2020, contracting by 8.0%, as Covid-19 slashed hopes of continued recovery. As in the rest of the world, the Namibian economy was impacted substantially by restrictions on economic activity in response to the pandemic. As the number of confirmed Covid-19 infections reported in Namibia rose, Erongo and Khomas regions were placed in lockdown with effect from 27 March 2020. Lockdown for Khomas region lasted for one month, while restrictions in Erongo lasted longer. Subsequently, periodical daily restrictions of movement across the country were imposed through the year under review.

Restrictions caused a sharp drop in spending at shopping malls and retail outlets, particularly in non-essential goods and services. This weakened overall consumer demand and profitability in sectors such as wholesale and retail trade, which accounts for a notable share of total GDP.

Travel bans, both local and globally, resulted in air companies reducing the number of flights globally, Namibia also saw a reduced number of tourist arrivals in 2020. Prior to this, the Ministry of Environment, Forestry and Tourism estimates, that the tourism sector made an indirect contribution to GDP of around 11.4% in 2015 (latest available data), employing 14.5% of the labour force.

Namibia's small, open economy is highly exposed to global events, and so weakening global demand can weigh more on the country's mineral exports, including diamonds and uranium. The negative economic performance in the Namibian economy impacted other sectors such as retail and manufacturing, dampening consumer demand. This should be expected to further dampen the outlook for the services sector, while subdued prices and demand for commodities will likely prompt production cutbacks in the mining sector. Additionally, the constrained state of public finances will limit the government's ability to implement bold fiscal stimulus measures.

Subdued fiscal revenues constrain public investment in the construction sector, while weakness in most sectors of the economy weigh on revenue from income tax, compounding the effects of muted mineral revenue and Southern African Customs Union (SACU) receipts. This limits room for fiscal stimulus from the government, including investment in infrastructure. The constrained state of public finances will limit the government's ability to implement bold fiscal stimulus measures, and potentially fail to drag the economy out of recession.

Namibia's 2021 growth is projected at 2.7% before economy growth at the rate of 3.3% in 2022. The positive economic performance is expected to emanate from recovery and robust growth rates projected for the primary industries, with better performances expected in livestock farming as well as fishing and fish processing onboard, compared to the 2020 performance. The unprecedented pandemic however remains a risk, not only within the domestic economy, but also to how the world economic performance will affect domestic growth.

Government measures limiting public gatherings and foreign travel will continue dampening consumer demand, and this will continue weighing on sectors such as wholesale and retail trade, and tourism.

A more severe and protracted global spread of Covid-19 poses significant downside risks. Should global growth fail to recover from late 2020, this could continue to depress commodity prices.

Increasing food inflation as well as transport inflation could increase Namibian inflation beyond our current forecast, of 4.0% in 2021, further dampening purchasing power and consumer demand.

Impact-led finance

DBN aims to make positive development impacts, harnessing the power of the public and private sectors to promote growth and employment. This translates into structural economic changes, which are a necessary pre-condition for widespread and sustainable development impacts. Structural changes are aimed at translation into outcomes such as enterprise growth and development, boosting competitiveness, positive employment impacts and economic and socio-economic transformation.

DBN finances private sector operations with the objective of creating positive developmental impacts through its finance. Private sector enterprise growth also results in increased government revenues. The Bank's strategy guides the DBN to achieve prosperous, inclusive, resilient, and sustainable growth. The Bank, operates on the basis of the catalytic effect that it can have on private sector investments, the ability of those businesses to contribute to sustainable economic growth and development impact. DBN's lending products provide a form of mitigation against risks as well as finance for projects that would not otherwise have been implemented

The Bank's strategy ensures access to finance in all regions, particularly those with low economic activities as well as unproclaimed areas. DBN promotes finance for previously disadvantaged Namibians, including businesses owned by women and youth. It also provides finance for activities that would usually be risky for commercial finance. In this regard, DBN acts as first mover and initial risk-taker, essentially piloting and testing new areas of finance, which will then spur, or provide evidence for other commercial finance.

Measurement of impact

DBN aligns its activities to the country's development priorities . The priority focus of the finance is therefore aimed at facilitating, establishing and building industries and infrastructure, as well as employment.

DBN's impact is assessed using the Bank's impact measurement tool, the Development Impact Score Card (DISC). The DISC is structured around the Bank's strategic focus and reflects the Bank's business strategy. The development impact assessment gives an indication of the Bank's potential economic and socio-economic impact.

The DISC enables the Bank to boost its development impact by providing a measurable basis for benchmark scores, structured around combinations of seven key development pillars:

- Creation of sustainable employment opportunities
- Contribution to economic growth and sectoral diversity
- Infrastructure development
- Manufacturing
- Socio-economic transformation
- Import substitutions and export promotion
- Regional equity

Weights are allocated to each pillar, totalling 100 per cent, and loan applications are assessed on this basis.

- The highest average development impact score is 5
- A score of less than 1 is considered to have low development impact, and a motivation must be provided prior to approval for a project in this band.
- A score of more than 1 but less than or equal to 3 is considered to have moderate development impact
- A score of more than 3 but less than or equal to 4 is considered to have a high development impact
- A project with a score of 4 and up to 5 has a very high development impact, and should be prioritised

Cumulative impact score measures

SMEs: 143 SME projects to the value of N$155.3 million have a weighted average development impact score of 3.3.

Infrastructure: seven infrastructure projects to the value of N$490.2 million have a weighted average development impact score of 3.7.

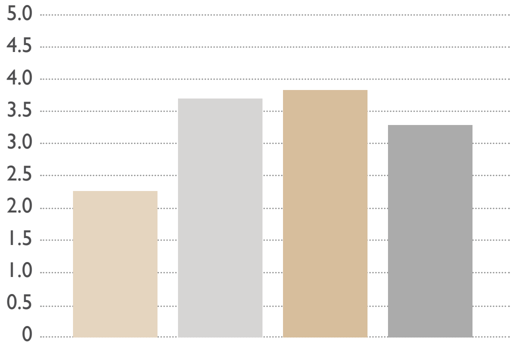
Manufacturing: five manufacturing projects to the value of N$268.8 million have a weighted average development impact score of 3.7.

Services: seventeen services projects to the value of N$84.8 million have a weighted average development impact score of 2.8.

Weighted monthly impact scores by impact sector in 2020/21

Weighted average / month	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Annual weighted average
Services	-	-	2.3	-	2.6	2.8	2.3	2.3	2.0	-	2.1	3.2	2.3
Infrastructure	4.1	-	3.9	-	3.0	3.8	2.5	3.7	-	-	-	3.5	3.7
Manufacturing	3.8	-	-	-	-	-	-	-	-	3.5	4.0	4.9	3.8
SMEs	3.3	3.8	3.3	3.3	3.7	3.4	3.3	3.8	3.0	3.1	3.5	3.3	3.3

Annual average impact scores by impact sector in 2020/21



Approvals	N$ m	Score	Annual weighted average
Services	84.8	2.3	3.6
Infrastructure	490.2	3.7	
Manufacturing	268.8	3.8	
SMEs	155.7	3.3	

Public / private spending in 2020/21

In 2020/21, DBN approved N$999.3 million in loans, guarantees, and co-financing to support economic activity, down from N$1,137,8 million in 2019/20. The downward movement was spurred by the deep impact of Covid-19 with private sector approvals declining to N$542.9 million from N$1,097 million in the previous period. However, public spending resumed with N$202.8 million and PPP arrangements climbed to N$253,6 million, up from N$40.7 million in 2019/20.

	2019/20		2020/21	
Public / Private Split	N$ m	% of total	N$ m	% of total
Private	1,097.1	96.4	542.9	54.3
Public	-	-	202.8	20.3
Public Private Partnership	40.7	3.6	253.6	25.4
Total Approvals: N$ m	1,147.8	100.0	999.3	100.0

In total 221 approvals were made, compared to 271 approvals in 2019/20. Thirty-one of the loans were start-up businesses compared to 36 start-ups in 2019/20. Of the total loan approval amount in 2020/21, N$88.9 million was for start-ups. The total amount approved for start-ups the previous year was N$634.8million. The lower requirement for capital is partially attributable to economising in the face of the risk of Covid-19, as well as the lingering effects of the recession.

	2019/20		2020/21	
Transformation (Private sector approvals)	No.	N$ m	No.	N$ m
Start-up enterprises	36	634.8	31	89.9
Existing enterprises	235	513.0	180	99.4

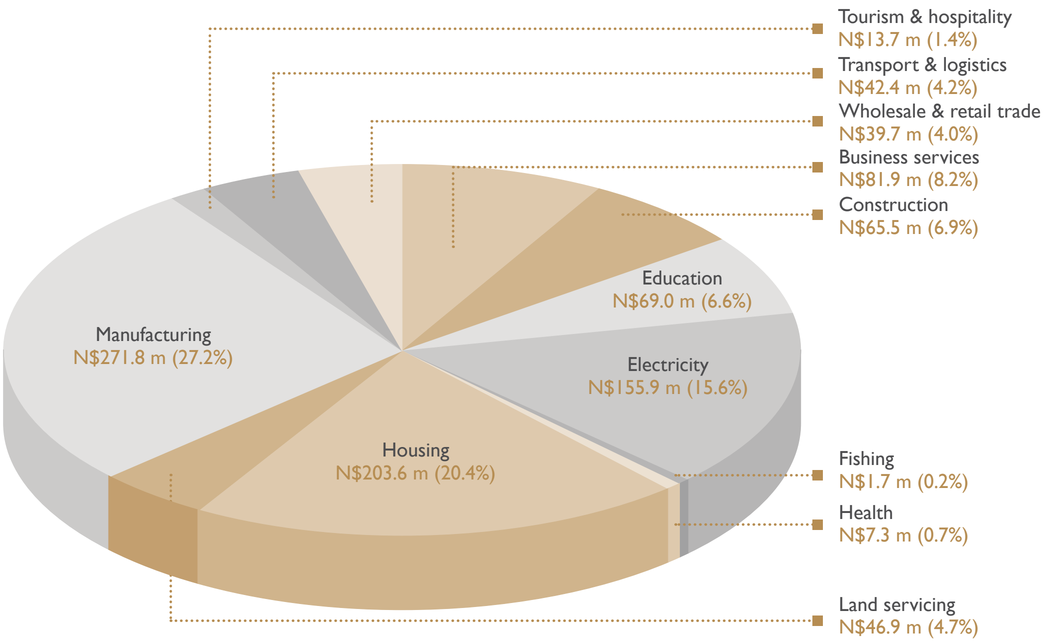
The number of existing enterprises receiving approvals in 2020/21 declined to 180, down from 235 in 2019/20. In 2019/20 the value of approvals amounted to N$513,0 million however in 2020/21 the value of approvals amounted to N$99.4 million. This is indicative of caution in the face of Covid-19.

Financing for sectoral development

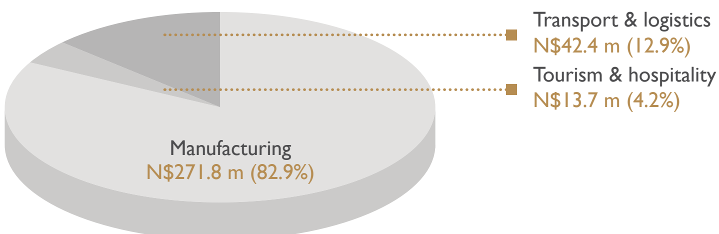
In addition to transformative finance, DBN prioritizes NDP5 sectors that are driving industrial expansion, inclusivity, job creation, delivering essential infrastructure, as well as addressing persistent inequalities, fostering economic transformation, and ultimately economic growth. The sectors targeted by DBN are manufacturing, tourism and transport and logistics. As a result of cessation of inbound tourism, tourism received a minimal N$1.7 million in approvals. Manufacturing received N$271.8 million in approvals and transport and logistics received N$42.4 million. The housing sector received N$203.6 million, reflecting demand for affordable housing.

Sectoral approvals

	2019/20: all		2019/20: SMEs		2020/21: all		2020/21: SMEs		Since inception	
	N$ m	% of total	N$ m	% of total	N$ m	% of total	N$ m	% of total	N$ m	% of total
Business Services	177.1	15.4	150.9	53.9	81.9	8.2	55.7	35.8	953.9	5.6
Commercial property	2.2	0.2	2.2	0.8	-	-	-	-	280.3	1.7
Construction	137.2	12.8	67.4	24.1	65.5	6.6	37.4	24.1	1595.5	9.4
Education	62.9	5.5	1.3	0.5	69.0	6.9	1.0	0.7	281.1	1.7
Electricity	1.3	0.1	-	-	155.9	15.6	-	-	1,582.0	9.3
Financial intermediation	-	-	-	-	-	-	-	-	517.7	3.1
Fishing	-	-	-	-	1.7	0.2	-	-	86.8	0.5
Health	22.3	1.9	8.9	3.2	7.3	0.7	7.3	4.7	207.5	1.2
Housing	74.9	6.5	12.2	4.4	203.6	20.4	3.6	2.3	1,059.2	6.2
Land servicing	442.9	38.6	2.2	0.8	46.9	4.7	-	-	1,146.2	6.8
Manufacturing	57.8	11.4	16.5	5.9	271.8	27.2	3.0	1.9	1,727.2	10.2
Mining & quarrying	-	-	-	-	-	-	-	-	61.3	0.4
Telecommunications	-	-	-	-	-	-	-	-	236.5	1.4
Tourism & hospitality	5.5	0.5	5.5	2.0	13.7	1.4	1.7	1.1	773.8	4.6
Transport & logistics	118.1	5.0	3.8	23.0	42.4	4.2	42.4	27.2	5,234.3	30.9
Water	-	-	-	-	-	-	-	-	605.4	3.6
Wholesale & retail trade	33.1	2.9	8.4	3.0	39.7	4.0	3.6	2.3	610.0	3.6
Grand total	1,147.8	100.0	279.3	100.0	999.3	100.0	155.7	100.0	16,958.7	100.0



NDP5 sector approvals



SME finance

SMEs are projected to be a significant source of employment. In addition, they form a vital part of the enterprise ecosystem, acquiring and supplying the goods and services of larger enterprises in addition to satisfying consumer demand. DBN is mandated to provide finance to SME start-ups, as well as providing finance for growth to existing SMEs. In 2020/21 SMEs were projected to provide the majority of new permanent job. In order to further strengthen SMEs, the Bank provides client development services to transfer knowledge and skills, where indicated.

Land servicing and housing

Development Bank of Namibia places emphasis on the need for serviced land to enable construction of accommodation, as well as accommodation itself. The structural challenge lies in servicing land and developing affordable housing outside of major urban centres. This has the effect of creating an environment in which skilled and semi-skilled employees and their families can enjoy an acceptable standard of living. This in turn creates an environment in which employers can thrive. The further effect of this is that urban migration is slowed as economically marginalised regions become more economically active. In addition to development of housing, DBN also encourages development of enterprise and institutional facilities, as well as shared social facilities that foster communities.

Key land servicing approvals

Description.	Ha.	N$ m
Approached by Nkurenkuru Town Council to enter into a development agreement for the construction of municipal services for a new township in Nkurenkuru	332.9	46.9
Total	332.9	46.9

Erven specification by use

Description	Ha.	No.
Single residential	17.45	242
General residential	0.90	3
Business	29.50	40
Office	9.24	23
Institutional	96.09	7
Government	58.73	8
Local Authority	3.93	3
Undetermined	32.30	2
Public open space	15.01	9
Streets	-	-
Education	-	-
Total	263.15	337

Key housing project approvals

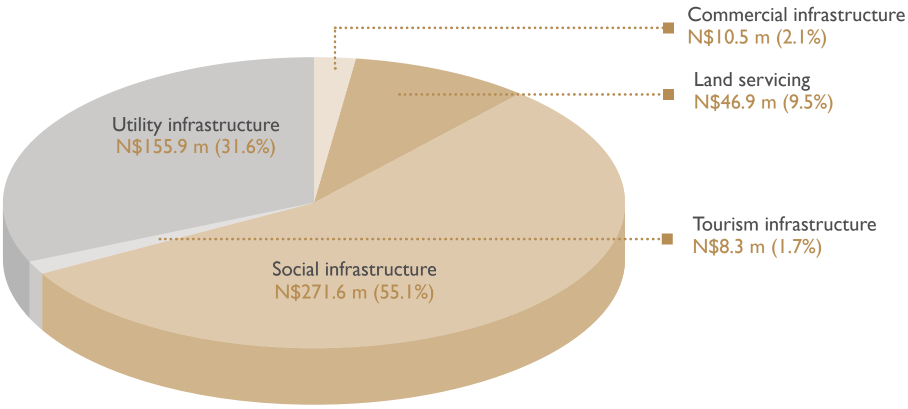
Description.	N$ m	No.
Service land and build houses in several towns in Namibia	200.00	600
PPP with Otjiwarongo Municipality to construct low cost houses, responsible for constructing the top structure	3.58	16
Total	203.58	616

Housing specification

Description.	No.
Single residential	616
General residential	-
Total	616

Infrastructure development

Infrastructure plays multiple roles in fostering Namibia's economic activity. DBN finances infrastructure to create both socio-economic wellbeing (serviced land and affordable housing, etc.) as well as an enterprise environment that fosters economic activity for beneficiaries. DBN is also cognisant of the fact that infrastructure creates revenue for its owners that can be used to construct additional infrastructure as well as maintain existing infrastructure. In some instances, DBN provides finance for infrastructure in PPPs (public private partnerships) or privately owned utilities.



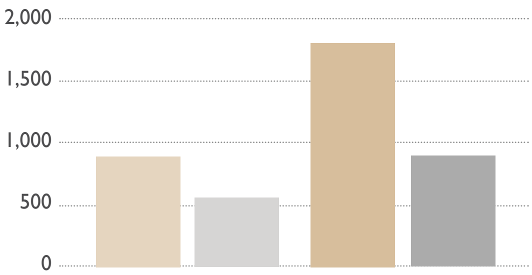
Infrastructure approvals

	2019/20		2020/21	
Infrastructure	N$m	% of total	N$m	% of total
Commercial infrastructure	26.7	4.4	10.5	2.1
Commercial buildings	2.2	0.3	-	-
Industrial buildings	8.2	1.4	5.0	1.0
Service stations	16.3	2.7	5.5	1.1
Land servicing	442.9	73.3	46.9	9.5
Bulk infrastructure	442.9	73.3	46.9	9.5
Social infrastructure	130.4	21.6	271.6	55.1
Education	56.5	9.4	68.0	13.8
Housing	73.9	12.2	203.6	41.3
Tourism infrastructure	29.5	8.0	3.9	0.7
New lodges	-	-	8.3	1.7
New guest houses	3.9	0.7	-	-
Utility infrastructure	-	-	155.9	31.6
Electricity distribution infrastructure	-	-	155.9	31.6
Grand Total	603.9	100.0	493.2	100.0

Employment creation

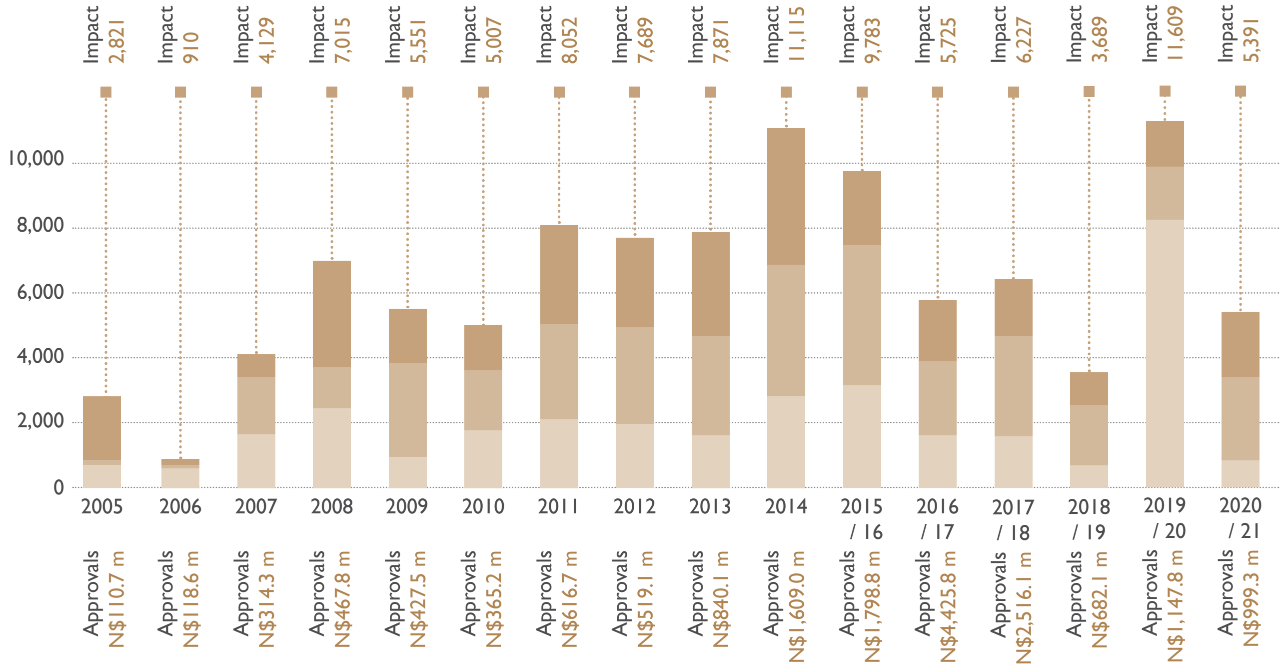
Financing labour intensive projects or projects with a significant labour as a means for DBN to alleviate unemployment and create income through permanent and temporary jobs. The Bank defines permanent jobs as those having a duration of three years or longer. Although some projects may not create many direct, permanent jobs, they may unlock downstream economic activity and increase competitiveness leading to additional investment in more labour-intensive downstream businesses. In 2020/21 approvals the bulk of new jobs and approximately half of temporary jobs were projected to arise from SMEs. DBN finance also preserves and stabilises existing jobs.

Employment 2020/21



2021 total new jobs (incl. SMEs)	858
2021 new jobs: SMEs	527
2021 total temporary jobs (incl. SMEs)	1,762
2021 temporary jobs: SMEs	842
2021 total job impact	2,620
2021 total job impact: SMEs only	1,369

Projected employment impact since inception



Cumulative new jobs	33,024
Cumulative temporary jobs	35,827
Cumulative retained jobs	33,733
Cumulative total job impact	102,584
Cumulative total approvals	N$16,958.7 m

Job creation by sector

	2019/20 SME jobs		2019/20 Total jobs		2020/21 SME jobs		2020/21 Total jobs	
Sector	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary
Business services	221	158	231	168	175	234	200	234
Commercial property	5	45	5	45	-	-	-	-
Construction	188	375	215	623	222	526	264	653
Education	12	0	111	80	20	2	30	52
Electricity	-	-	-	20	-	-	-	80
Financial intermediation	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	5	-
Health	26	24	33	24	46	19	46	19
Housing	40	115	65	315	-	35	10	185
Land servicing	8	68	7,008 *	68	-	-	-	80
Manufacturing	72	55	222	255	16	6	70	361
Mining & quarrying	-	-	-	-	-	-	-	-
Tourism & hospitality	21	39	21	39	-	1	12	33
Transport & logistics	3	1	63	1	35	1	35	1
Water	-	-	-	-	-	-	-	-
Wholesale & retail trade	49	48	156	55	13	18	186	64
Grand total	645	928	8,130	1,693	527	842	858	1,762

** the Bank defines permanent jobs as jobs lasting three or more years.*

Support for women and young entrepreneurs

The Bank strives to promote economic inclusiveness for women entrepreneurs and young entrepreneurs (aged 36 and below). Women entrepreneurs are considered to be a previously excluded group, and may be key to developing inter-generational wealth. Young entrepreneurs are encouraged with a view to establishing future entrepreneurial culture as well as inter-generational and intra-generational wealth.

	2019/20	2020/21
Transformation (private sector)	N$m	N$m
Total effective PDN	**967.4**	**520.2**
Effective F-PDN	121.5	46.0
Effective youth	149.4	82.6

Women entrepreneurs

The Bank directs a portion of finance to women led businesses. This maximises the contribution to socio-economic development, bringing about gender equality, promoting empowerment, reducing poverty, narrowing gender gaps in access to economic assets and resources, and strengthening women's resilience to economic shocks and other setbacks. During 2020/21, applications for finance declined, in keeping with the general trend of declining approvals in the face of uncertainty driven by Covid-19.

Job creation by women entrepreneurs

	No. approvals		Permanent jobs		Retained jobs		Temporary jobs	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
SMEs	45	30	114	94	57	94	135	89
Large enterprises	11	7	177	39	187	296	110	99
Grand total	56	37	291	133	244	390	245	188

Approvals to women by sector

	Number of approvals		Effective women	
	2019/20	2020/21	2019/20 N$ m	2020/21 N$ m
Business pervices	17	13	23.3	9.5
Commercial property	-	-	-	-
Construction	12	8	8.6	5.5
Education	2	3	39.5	23.5
Electricity	1	-	1.3	0.0
Financial intermediation	-	-	-	-
Fishing	-	1	-	1.7
Health	4	4	6.4	3.7
Housing	1	-	3.8	0.0
Land servicing	1	-	20.4	0.0
Manufacturing	6	2	3.0	0.3
Mining & quarrying	-	-	-	-
Tourism & hospitality	1	4	2.0	1.3
Transport & logistics	-	-	-	-
Water	-	-	-	-
Wholesale & retail trade	7	2	5.3	0.7
Water	-	-	-	-
Grand Total	56	37	121.5	46.0

Youth entrepreneurs

Persistently high levels of youth unemployment and undesirable levels of poverty and income inequality have made it imperative for the Bank to consider initiatives to enhance inclusive growth. In addition to finance offered to young entrepreneurs through the SME Finance department and the Investments department, DBN continued to provide skills-based finance to young professionals and young artisans.

Job creation by youth entrepreneurs

	No. approvals		Permanent jobs		Retained jobs		Temporary jobs	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
SMEs	79	63	177	63	1027	110	103	297
Large enterprises	5	13	11	-	20	73	80	65
Grand total	84	76	188	63	1047	183	183	362

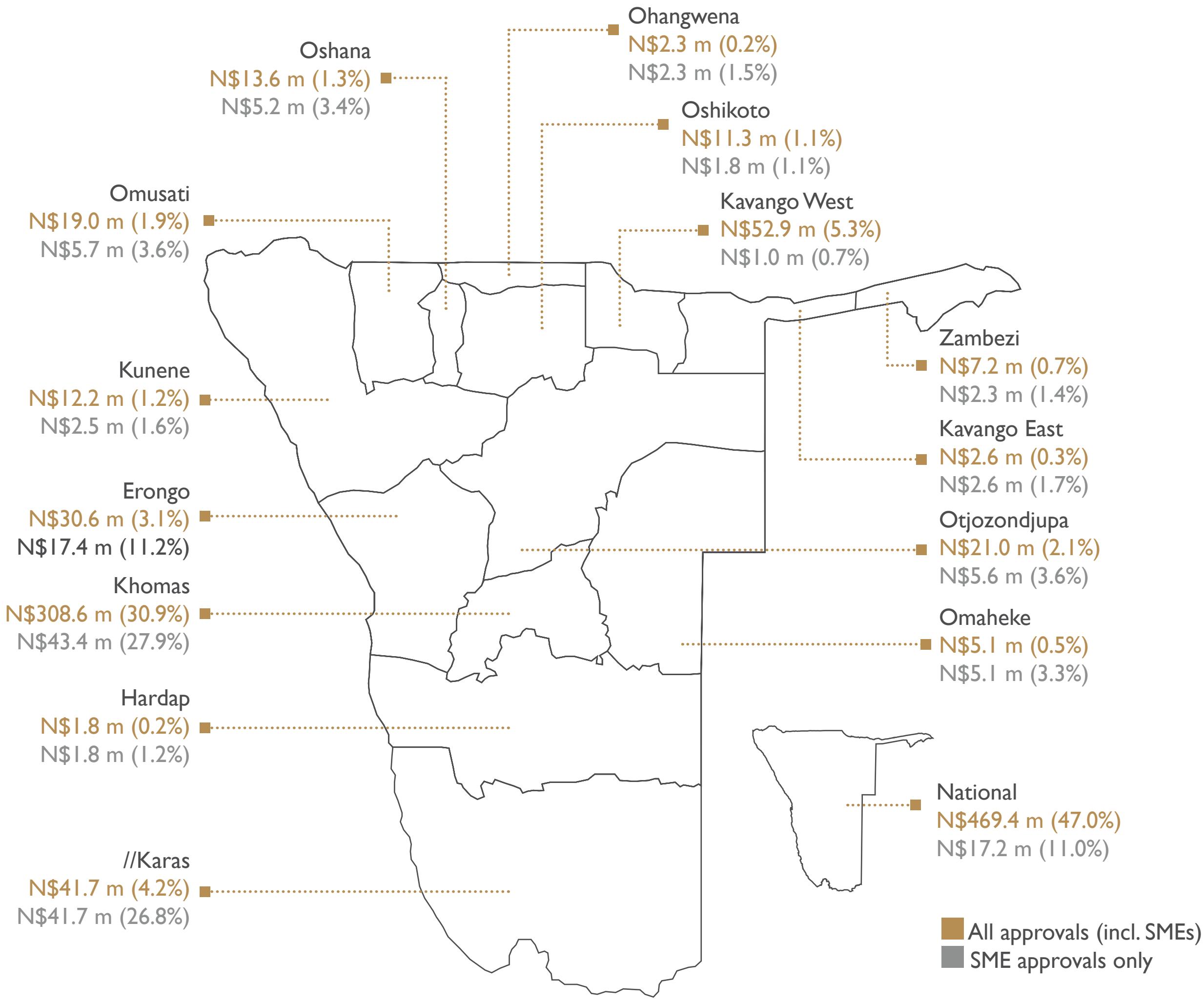
Approvals to youth by sector

	Number of approvals		Effective youth	
	2019/20	2020/21	2019/20 N$ m	2020/21 N$ m
Business pervices	47	33	87.0	35.6
Commercial property	-	-	-	-
Construction	19	23	19.4	20.0
Education	2	1	23.4	0.7
Electricity	-	-	-	-
Financial intermediation	-	-	-	-
Fishing	-	-	-	-
Health	3	5	5.9	2.9
Housing	1	0	1.2	0.0
Land servicing	-	-	-	-
Manufacturing	8	9	3.5	9.3
Mining & quarrying	-	-	-	-
Tourism & hospitality	-	-	0.6	-
Transport & logistics	2	1	49.5	0.6
Water	-	-	-	-
Wholesale & retail trade	4	4	3.1	13.1
Grand Total	86	76	149.5	82.3

Economic decentralization and regional economic development

Prior to Independence, Namibian economic activity was developed on a south-north rail axis, with branches to the coast. This marginalised economic activity in areas not easily accessed from the rail network. As a result the bulk of activity takes place in the Khomas and Erongo regions and there are lingering disparities in many of the regions. This has led to poverty, as well as a high rate of urban migration to larger centres. DBN addresses the issue by making accessible finance to projects and initiatives in regions with lower levels of economic activity. However, finance in the regions is subject to demand. Demand is expected to grow in marginalised regions as economic activity further develops.

	2019/20 (incl. SMEs)		2019/20 SMEs only		2020/21 (incl. SMEs)		2020/21 SMEs only		Since inception	
Region(s)	N$ m	% of total	N$ m	% of total	N$ m	% of total	N$ m	% of total	N$ m	% of total
Erongo	110.8	9.7	33.9	12.2	30.6	3.1	17.4	11.2	6,001.7	35.4
Hardap	11.6	1.0	11.6	4.2	1.8	0.2	1.8	1.2	166.3	1.0
//Karas	80.0	7.0	78.8	28.2	41.7	4.2	41.7	26.8	987.5	5.8
Kavango East	9.7	0.8	5.7	2.0	2.6	0.3	2.6	1.7	239.5	1.4
Kavango West	17.0	1.5	11.0	3.9	52.9	5.3	1.1	0.7	98.5	0.7
Khomas	476.7	41.5	45.4	16.3	308.6	30.9	43.4	27.9	3,239.2	19.1
Kunene	16.9	1.5	6.9	2.5	12.2	1.2	2.5	1.6	156.9	0.9
National	185.4	16.2	30.7	11.0	469.4	47.0	17.2	11.0	2,867.0	16.9
Ohangwena	12.0	1.0	8.2	2.9	2.3	0.2	2.3	1.5	172.7	1.0
Omaheke	3.7	0.3	3.7	1.3	5.1	0.5	5.1	3.3	337.1	2.0
Omusati	7.4	0.6	7.4	2.6	19.0	1.9	5.7	3.6	513.4	3.0
Oshana	138.3	12.1	15.9	5.7	13.6	1.3	5.2	3.4	781.2	4.6
Oshikoto	8.0	0.7	7.9	2.8	11.3	1.1	1.8	1.1	239.0	1.4
Otjozondjupa	19.3	1.7	6.8	2.4	21.0	2.1	5.6	3.6	887.3	5.2
Zambezi	51.0	4.4	5.4	2.0	7.2	0.7	2.3	1.4	271.4	1.6
Grand Total	1,147.8	100.0	279.3	100.0	999.3	100.0	155.7	100.0	16,958.7	100.0

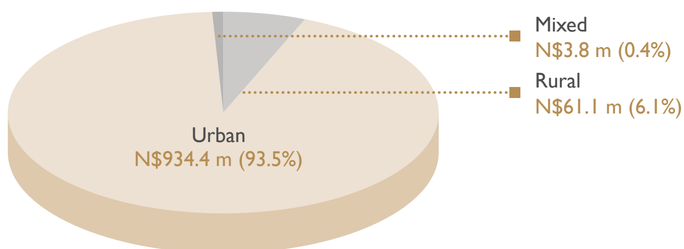


Rural urban split

Parallel to the spread of economic activities across the regions, DBN also provides finance in rural areas. The Bank encourages all forms of viable economic activity, especially those that create jobs, to alleviate rural poverty. The Bank particularly encourages agri-processing and related industry to add value to Namibia's produce support Namibia's drive to grow the economy and create employment through agriculture.

	2019/20 (incl. SMEs)		2019/20 SMEs only		2020/21 (incl. SMEs)		2020/21 SMEs only	
Region(s)	N$ m	% of total	N$ m	% of total	N$ m	% of total	N$ m	% of total
Rural	34.4	3.0	23.6	8.5	61.1	6.1	25.3	16.3
Urban	1,088.7	94.8	246.3	88.1	934.4	93.5	126.5	81.3
Mixed	24.7	2.2	9.4	3.4	3.8	0.4	7.9	2.3
Total	1,147.8	100.0	279.3	100.0	999.3	100.0	155.7	100.0

Rural urban split



Environmental and social management

During the 2020/21 financial year, projects valued at N$4.4 billion were inspected and assessed for compliance with their submitted Environmental and Social Management Plans.

No active loans were terminated due to non-compliance.

Inspected by DBN

Eenhana Service Station was financed by the Bank. It was inspected for ESMP compliance as service stations pose high environmental and occupational risks.

Environmental and social risk management

The environmental and social risk management framework is used to proactively identify, manage and monitor related risks in the lending processes. The aim is to understand the impacts of DBN's business activities (direct and indirect) including impacts on the environment, societal and economic growth; and identify and develop opportunities to provide financial products and services that help the Banks clients overcome economic, social and environmental challenges.

Assessment

All projects are screened for environmental, occupational health & safety and social (E&S) risks. The risks are identified, managed, monitored and controlled to proactively embed E&S risk management into lending processes and minimize the risk of reputational or financial loss.

Monitoring and Evaluation

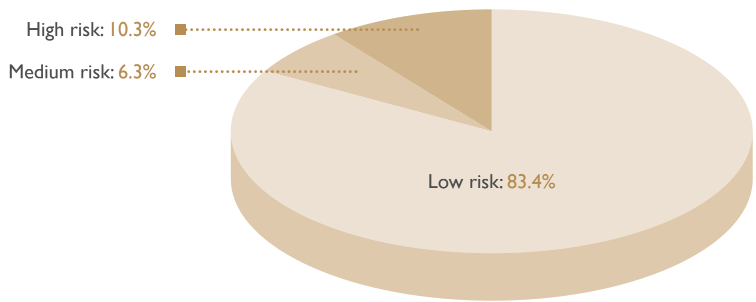
Monitoring and evaluation of the Occupational Health, Safety, Environmental and Social Performance of DBN financed businesses is done through conducted site inspections and meeting with clients to review and observe compliance to the submitted Environmental and Social Management Plan/Environmental Management Plan (ESMP/EMP). All relevant transactions are monitored to ensure that the E&S commitments are adhered to.

The E&S Officers monitor implementation and progress of remedial action for the tenure of the loan. The frequency and duration of monitoring depends on the type of transaction being financed and the level of risk. Where clients do not comply with environmental and social risk requirements, DBN works together with clients to achieve the necessary standards.

In 2020/21, N$4.4 billion projects were inspected for compliance. Findings of these inspection and assessments were reported back to the business owners, Board Audit, Risk & Compliance Committee and Financiers.

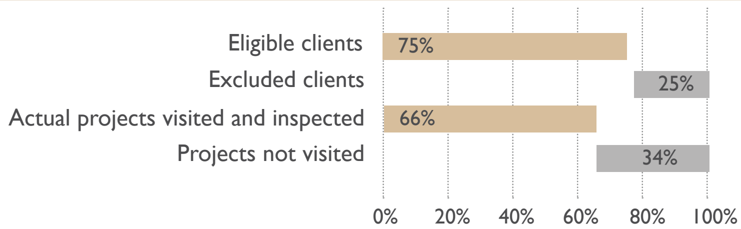
During 2020/21, no active loans were terminated due to non-compliance.

ESM site visits by risk categorisation

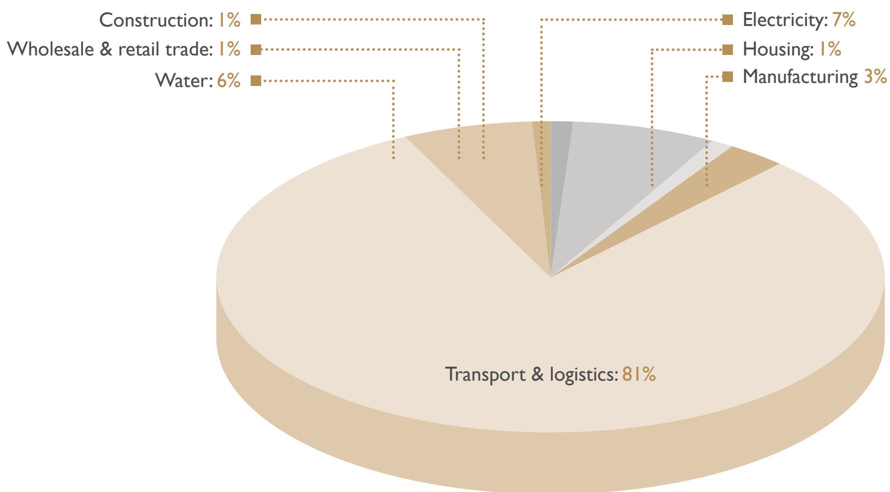


Total value of funded projects vs ESM site visits performed at 31 March 2021

	2019	
	N$	% of total
Total value of loan book	9,107,946,317	100%
Value of excluded clients from total loan book	2,302,862,616	25.28%
Total value of funded projects eligible for ESM site visits & inspections	6,805,083,702	74.72%
Value of actual projects visited & inspected	4,480,183,995	65.84%



ESM site visits by sector



Finance overview

Total assets of N$9.47 billion reduced by less than 1% compared to 2020.

The profit of N$116.5 million for the year ending 31 March 2021 was 49% lower compared N$229.1 million for 2019/20.

The net interest income (margin) for 2020/21 was N$342.7 million, a reduction of 20% from the 2019/20 result of N$428.2 million, mainly as result of the interest rate reduction.

Financed by DBN

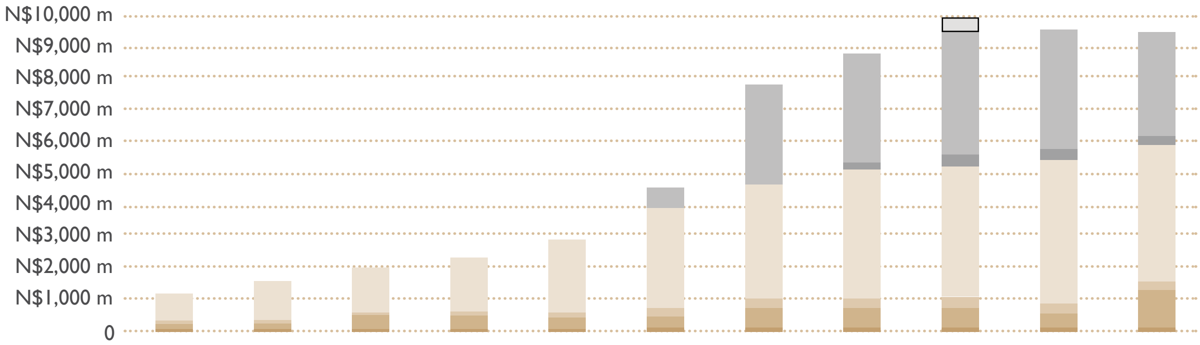
Onduli Ridge in the Doro !Nawas Conservancy in Kunene Region will create jobs and generate income for the surrounding community once tourism recovers.

Overview of financial results

The profit of N$116.5 million for the year ending 31 March 2021 was 49% lower compared N$229.1 million for 2019/20. The impact of the reduction in the interest rates resulted in reduction of N$80 million in profit, while the continued downturn, further depressed by the COVID-19 pandemic, negatively impacted the growth and quality of the loan book, leading to an increase of N$ 29 million in impairment expenses. Loans and advances of N$7.92 billion reduced by N$543 million (2020: N$8.47 billion). Excluding the NEF and Neckartal Dam repayments, as well as the increase in impairments of N$190 million, the loan book increased by N$216 million. The continuous downturn that affected numerous borrowers resulted in significant increases in impairments.

Asset base growth

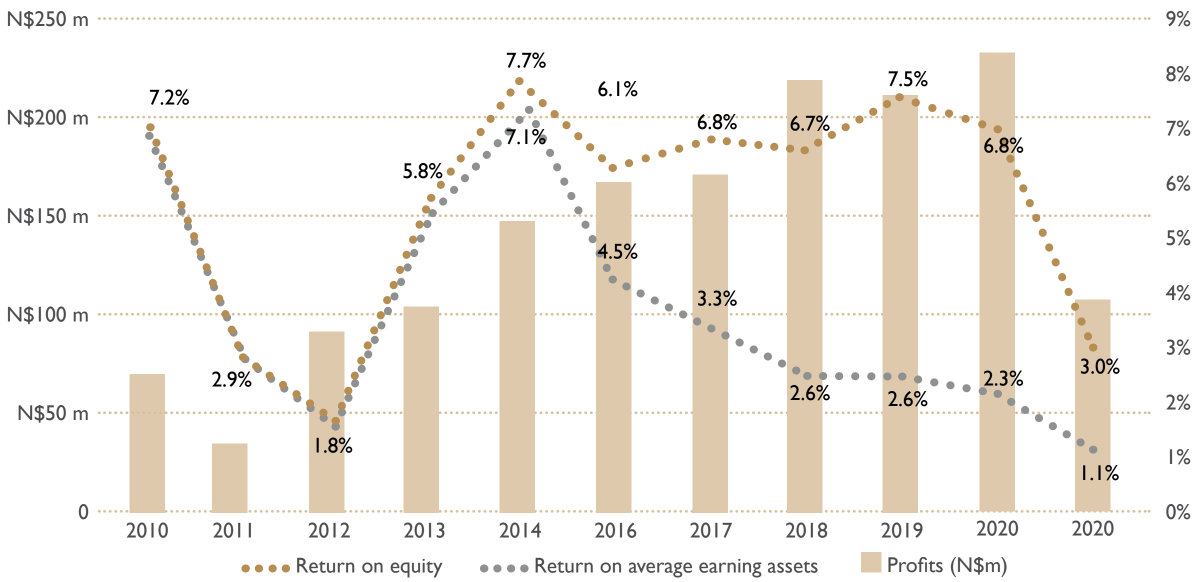
Total assets of N$9.47 billion reduced by less than 1% compared to 2020, and increased nearly eightfold compared to the N$1.2 billion reported in 2010. Repayments reduced the NEF loan by N$474 million, reducing the Bank's investment to N$3.3 billion. The debt obligation is funded with the strategic fuel storage levy. Government guarantees were issued to external financiers for the majority of funding. African Development Bank and Standard Bank provided capacity to on-lend to this project. The Neckartal loan reduced by N$95 million due to repayments resulting in a balance of N$245 million at 31 March 2021.



N$ m	2010	2011	2012	2013	2014	2016	2017	2018	2019	2020	2021
IFRS 9 impairments	-	-	-	-	-	-	-	-	375.5	-	-
NEF Fuel Storage	-	-	-	-	-	670.0	3,168.4	3,465.2	4,152.8	3,816.8	3,342.7
Neckartal	-	-	-	-	-	-	-	274.9	436.8	339.7	245.1
All other loans and advances	884.7	1,242.2	1,424.7	1,741.3	2,331.1	3,175.7	3,612.6	4,052.9	3,981.7	4,408.5	4,453.0
Equity investments	101.8	117.3	70.8	130.4	162.9	287.9	296.6	265.2	281.7	272.8	267.7
Liquid assets	190.4	195.7	489.3	457.6	373.3	397.7	673.3	679.1	727.2	606.8	1,072.1
Fixed assets	41.4	47.4	45.5	47.6	52.7	62.4	68.1	81.3	90.5	90.8	86.0

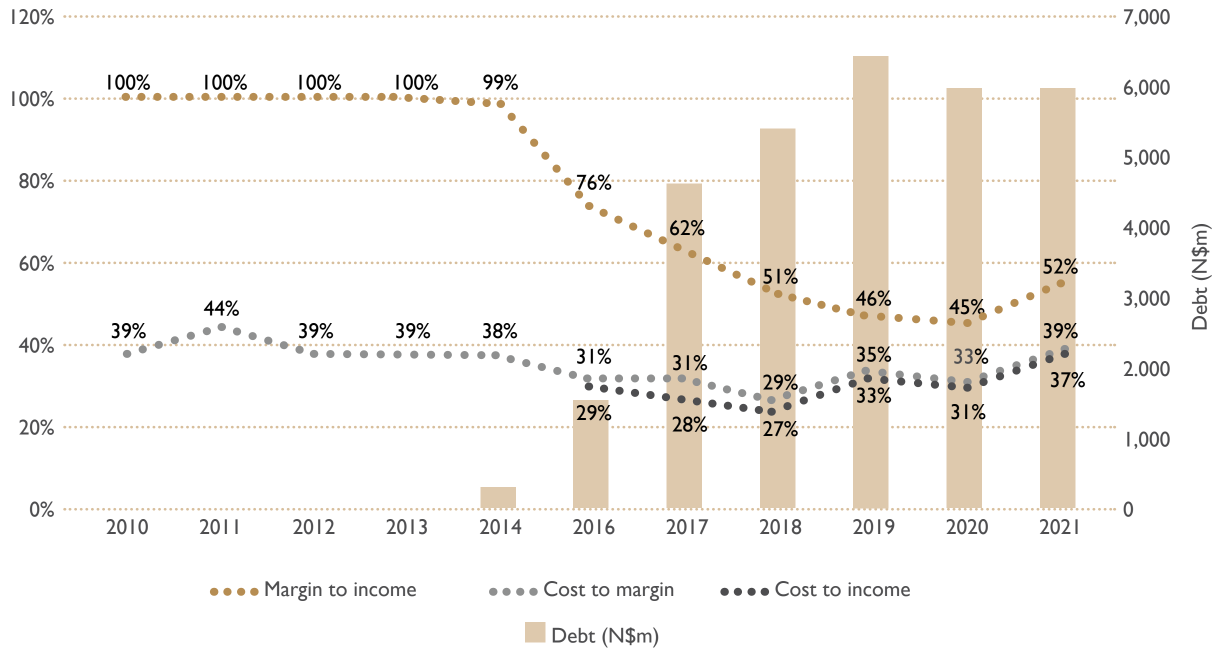
Operating profits and returns

Profit for the year was significantly impacted by the interest rate reduction and increased impairment expense. Prior year-on-year profit increased from 2011 to 2020, except for the 2019 profit that was slightly lower due to the IFRS 9 impact. Returns on equity increased over the last 4 years due to introduction of debt to fund loan book growth. The increase in debt levels from 2015, however, had a negative impact on the return on average assets. The loss of more than N$80 m profit due the interest rate reduction in addition to the higher impairment significantly impacted the profit & return results.



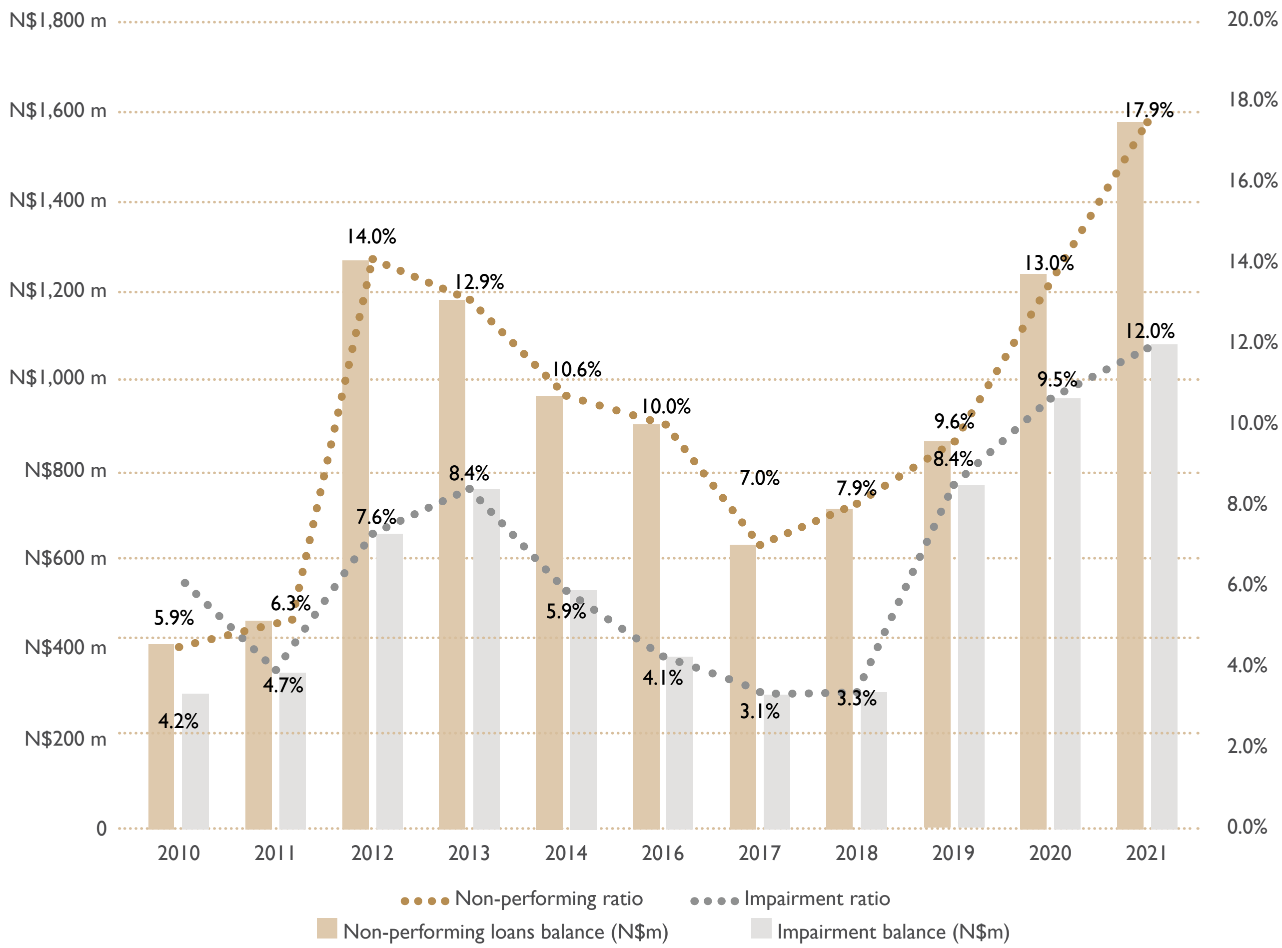
Margin and cost analysis

The net interest income (margin) for 2020/21 was N$342.7 million, a reduction of 20% from the 2019/20 result of N$428.2 million, mainly as result of the interest rate reduction. The cost ratios also increased due to the lower interest rate. The impact of the cost increase on the cost ratios is less than 1%. The reducing NEF balance will also continue to negatively impacting the cost ratios.



Quality of loan book

The COVID-19 pandemic and ongoing challenges in the economic environment continue to have a negative impact on impairment ratios. Since 2012, the Bank improved the quality of its loan book, but the economic downturn over the past four years, affecting a number of industries, resulted in increased non-performing loan ratios, resulting in ratios of 17.9% for 2020/21 and 13.0% for 2019/20. The ratio still compares favourably with other DFIs in the region. The Bank implemented a Portfolio Management Unit to strengthen monitoring of loans and to better monitor and support clients that are experiencing challenges with honoring loan obligations.



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 do this continuously, 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, to support 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 impairment ratio was 11.8% at 31 March 2021, which was higher compared to the ratio of 9.4% at the end of the previous financial year. The non-performing loan ratio increased from 13.2% in 2020 to 18.0% in 2021.

Sustainability Model	31 March 2021 (%)	31 March 2020 (%)	AADFI Benchmark (%)
NPL ratio (% of total loan book) *	18.0	13.2	15
Impairment ratio (specific impairments % of loan book) *	11.8	9.4	** 6
Opex / asset ratio	1.4	1.5	4
Average collateral provision	76	75	110

** Includes off-balance sheet guarantees. ** Pre-IFRS9*

Effect of COVID-19 and after year-end events

The Covid-19 pandemic and the resultant lock down, movement restrictions and limitation on gatherings had an adverse impact on business activities, which has significantly reduced business revenue across all sectors in Namibia. This development has compromised the ability of the Bank's borrowers to repay their loans.

The key drivers of the Bank's financial performance that may be materially impacted as a result of the pandemic include loan repayments, impairment levels, interest rates and foreign currency exchange rates.

The impairment calculation at 31 March 2021 was updated to incorporate the estimated impact of the pandemic by adjusting the probability of default ranges for the loans - this resulted in an additional impairment provision of N$27.8 million.

The Bank implemented relief programmes for clients impacted by the pandemic. Interventions to date include repayment holidays to mitigate the adverse cash flow impact caused by the pandemic and the lowering of interest rates following the repo rate reductions. The Bank is also developing a relief loan scheme to provide additional financing support at affordable rates for those clients impacted by the pandemic.

After 31 March 2020, the Bank of Namibia lowered the repo rate on 16 April 2020 by 100 basis points (to 4.25%), on 17 June 2020 with a further 25 basis points (to 4.00%) and on 19 August 2020 with another 25 basis points (to 3.75%), bringing interest rates to a new historic low. This brings the total reduction in the repo rate for 2020 to an unprecedented 275 basis points.

The Monetary Policy Committee weighed further monetary stimulus against not undermining sound saving and investment decisions in the economy. The falling repo rate negatively impacts the net interest income of the Bank, and will result in an increase in the Bank's cost to income ratio.

The foreign currency movements will have a minimal impact on the Bank's expenditure due to minimal foreign currency expenditure. The Bank's clients that import goods and services may, however, be affected.

The Portfolio Management Department closely monitors accounts in order to protect the quality of the loan book

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Risk and compliance

The consistent and proactive management of the Bank's risk environment proved effective, with no material breaches of the Board-approved risk appetite noted and zero regulatory fines being incurred

Financed by DBN

MedRundu Health Centre, financed under the skills-based facility for young professionals, will contribute to health in Kavango East..

Key overarching objectives of the Development Bank include ensuring sustainability and development impacts. Therefore, effective risk, performance and financial resource management underpin successful delivery on these objectives and ensure sustainable returns to the shareholder. The Bank's reputation is built on the strong foundation of robust risk management processes and unwavering commitment to ethical conduct. This underscores the Bank's conduct and protects value creation for DBN stakeholders. Significant improvements have been made as the Bank seeks to implement the principles and practices as premised by the Corporate Governance Code for Namibia (Namcode) demonstrating the Bank's commitment to complying to good corporate governance.

The Bank's Risk Management Framework is best in class, and is supported by an effective governance structure made up of various assigned Board and Management Committees containing appropriate skills and expertise. The Board has authorised the DBN risk appetite with clearly defined risk limits that are reviewed regularly by the relevant management committees. This enables the Bank to take advantage of risk opportunities while following a measured approach to risk-based decisions. The Bank's philosophy is one of continuous improvement, both in its pursuit of growth opportunities that create value for stakeholders while simultaneously managing complex non-financial risks. Consequently, the consistent and proactive management of the Bank's risk environment proved effective, with no material breaches of the Board-approved risk appetite noted and zero regulatory fines being incurred. The Bank remains well capitalized despite the impact of Covid-19.

The Bank has operated in a highly complex and uncertain external environment since the 2021 financial year. Public health, financial and humanitarian threats associated with the Covid-19 pandemic compounded the already precarious socioeconomic pressures experienced by DBN's clients prior to the onset of the pandemic. More specifically, pandemic-related restrictions on workplaces and the desire for contactless services created the opportunity to fast track and advance the Bank's digitisation strategy. At the same time, this required that heightened attention was given to the associated risks e.g. cybersecurity threats.

Measuring strategic risk successes	**What success looks like**
	We are a responsible corporate citizen that adheres to good corporate governance practices and promotes sustainability, development impact for Namibia
	We do the right business, the right way, rooted in a culture of conscious risk-taking
	We contribute to safe and efficient financial systems
	We comply with all applicable laws and regulations and meet the highest standards of ethical business conduct
	We safeguard our reputation and protect it from harm, in everything we do

Managing the impacts of Covid-19

Risk management is a cornerstone of the Bank's response to the Covid-19 crisis, enabling fast, targeted and responsible support for clients, while preserving the Bank's financial position.

Measures include:

- Balancing extensive client relief programmes with careful monitoring and management of capital, liquidity and credit loss risk measurements.
- Focusing on protecting the health of employees by providing appropriate PPE for essential office workers and leveraging investment in technology and digital innovation to equip over 50% of employees to work from home.
- Collaborating with all internal assurance functions to identify new or heightened risks in the new environment and compliance requirements from new regulations and advising on appropriate controls.
- Engaging with the regulators on financial risks and highlighting systemic risks that may adversely impact the country's banking system.
- Maintaining the Bank's operational resilience through robust business continuity and crisis management response plans that included a change in working locations.
- Channeling learnings from our Covid-19 experience back into governance processes to improve the efficiency of the Bank's governance structures.
- Providing necessary information to employees related to Covid 19 and emotional support and wellbeing services to support Bank employees in dealing with social, financial consequences and cope with work-from-home demands.
- The Bank helped ease the liquidity crisis facing many its clients, while maintaining the effectiveness of debt collection processes. The Bank continues to manage credit portfolio concentrations, including concentrations in specific industrial sectors.

Uncertainty remains a feature of the DBN risk landscape as the Covid-19 pandemic evolves and recovery is set to be uneven across the regions in which it operates. This requires close monitoring of financial risks, which are well understood and well-managed. The impact of Covid-19 on the interrelated non-financial risks continues to unfold and risk management processes are designed to proactively identify and analyse this new information, as well as establish their potential impact on the DBN financial recovery plans.

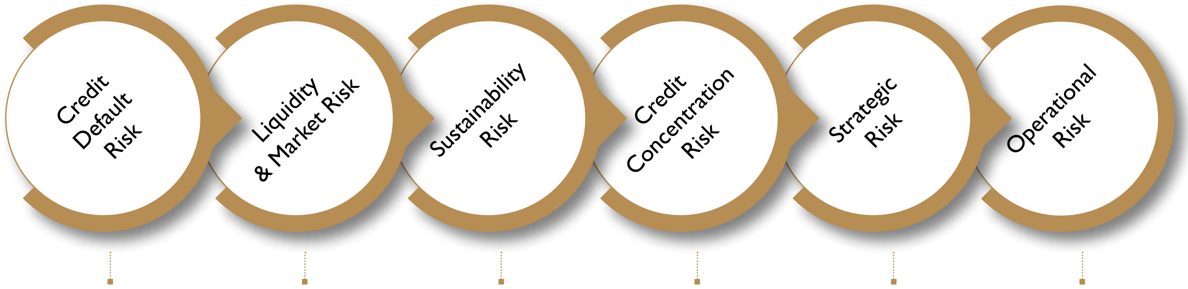
How risk is managed

The Bank takes a holistic, forward-looking view of the risks we face, assessing the threats and opportunities in our operating environment. Our well-developed framework supports a consistent approach to risk and compliance management throughout the Bank.

The Bank's risk management approach ensures consistent and effective management of risk within our board approved risk appetite and provides for appropriate accountability and oversight.

Risk appetite framework

The Bank risk appetite metrics reflect its business model and risk strategies. The Bank uses risk appetite limits and early warning thresholds to define its boundaries of risk taking and manage the risk/return profile. The Risk Appetite ratios are monitored quarterly by the Board to ensure that the Bank is able to support its risk taking capacity within its available resources. The DBN Board approved Risk Appetite Statements, which contain the Risk Appetite Ratios to support the strategic objectives of the Bank are indicated below.



Credit Default Risk	Liquidity & Market Risk	Sustainability Risk	Credit Concentration Risk	Strategic Risk	Operational Risk
Taking a prudent approach in financing activities. Risk and returns are balanced through risk based pricing	Giving cognisance to the ensuring sufficient liquidity to reduce dependence on distress borrowing and the potential opportunity cost. Protecting the Bank's net earnings against adverse market movements	Delivering on the Bank mandate without compromising on environment and social matters	Managing credit concentration within set limits	Maintain financial sustainability and high development impact	Appropriate operational processes that cultivate trust with stakeholders

Risk universe

No	Current Top 10 risk outlook	Risk description and impact	Residual Risk
1	**Credit default risk**	Credit risk, is the risk of loss due to the non-performance of clients in respect of any financial or other obligation. (The risk includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial).	Moderate
2	**Market risk**	This is due to rapid change in operating environment (macroeconomic environment) and failure to respond and innovate to remain sustainable.	Moderate
3	**Economic and social risk**	The risk arises from the possibility that changes in economic concentration, sovereign debt sustainability, currency exchange and convertibility may impact adversely on the quality of the assets, or ability to continue implementing the Bank's mandate.	Moderate
4	**Development impact risk**	The risk arises from lower than planned development impact of the financed projects resulting in the Bank not meeting its strategic mandate.	Low
5	**IT Core Shift implementation risk**	DBN has been in the process of implementing the IT Core-Shift project for the management of the loan process since last year. The risk arising from the project implementation failure and the opportunity benefit will not be realized.	Low
6	**Financial crime risk**	The risk arises from economic loss, reputation damage and regulatory sanction arising from involvement in any type of financial crime. This would include instances where the crime has been perpetrated against the group, and also instances where the group may have facilitated the commission of a crime through misuse of its products and services. Financial crime includes fraud, theft, money laundering, bribery, corruption, tax evasion, terrorist financing and providing funding to sanctioned individuals	Low
7	**IFRS 9 Compliance risk**	The risk arises from inadequate technical capacity to implement IFRS 9 impairment model.	Low
8	**Cyber and technology risk**	The risk arises from accidental or malicious breaches of information security, adversely impacting the DBN and its clients, as well as technology failures leading to service disruptions.	Low
9	**High value transaction risk**	The risk arises from accidental or malicious breaches of information security, adversely impacting the DBN and its clients, as well as technology failures leading to service disruptions	Low
10	**Conduct risk**	The risk arises where detriment is caused to the Bank's clients, markets or itself as a result of inappropriate execution of business activities.	Low

The diagram on the previous page illustrates DBN's risk universe i.e. the risk types that are prevalent given the nature of the Bank's business. These risk types are well understood and organised into strategic, financial and non-financial risks categories. The risk universe represents the risks that are core to the Bank's operating model. Regular scanning of the DBN operating environment ensure that changes that affects the risk universe remain relevant.

Under these risk types, some risks have been identified as those that require additional management focus in 2021/2022 financial year and beyond as Bank accelerates the implementation of its strategic initiatives.

The diagram contains the key residual risks (not listed in order of materiality). All key risks, and their related mitigating actions, are overseen by the Board's Audit, Risk and Compliance Committee, through the Combined Assurance Model, informing the Committee's view of the adequacy of the Bank's governance, risk management processes and internal controls. These risks are continuously monitored and tracked through the Enterprise Risk Management (ERM) process

Accountability and control

The Bank's ability to achieve its objectives is dependent on its reputation as a trusted financier. The Bank's reputation is anchored on the ethics and values that shapes its culture commensurate with the conduct of DBN employees. The DBN Code of Business Conduct and Ethics (Code) requires all Bank employees to conduct themselves with integrity and to place the interests of the Bank's clientele including the communities impacted by the Bank operations, at the centre of decision-making. It sets out clear principles to guide Bank employees to navigate the correct course of action. All employees must undertake a mandatory annual declaration of interest. The DBN Ethic Risk Assessment has commenced and the resultant update of the Code should demonstrate a focused impact is achieved.

Human Capital and Operations Support

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

Staff turnover of 6.63% consisted of five resignations and two retirements in 2020/21 with ten new personnel recruited, who filled vacant positions and created new capacity according to the Bank's needs.

Valued by DBN

The Bank held an event to recognise the heroic efforts of the project team who developed the new core banking system as well as ambassadors for the project.

Approach

The Bank is an employer of choice, which intentionally attracts and retains an excellent pool of high-performance individuals. It 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 on 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 fulfilment in rising to challenges as individuals and as members of supportive teams that 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, while making 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 2020/21, all employees who were recruited came from previously disadvantaged groups. Representation of previously disadvantaged employees is 93.39%.

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

In 2020/21, 57.02% of the workforce was female, of which 93.67% were previously disadvantaged. Women constitute 41.94% of management, and 62.5% of senior management.

Retention, turnover and recruitment

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

Staff turnover of 6.63% consisted of five resignations and two retirements in **2020/21** with ten new personnel recruited, who filled vacant positions and created new capacity according to the Bank's needs.

Total DBN Staff	2018/19	2019/20	2020/21
Employees at start of year	90	105	108
Recruitment	15	4	10
Retirements	-	-	(2)
Resignations	-	-	(5)
Total	105	109	111

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, two male and two female employees were promoted, all of them from the previously disadvantaged 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 Human Resource Development (HRD) function has aligned the HRD agenda with the strategic goals of the DBN. This is driven by our learning philosophy that the DBN is an environment in which employees continually discover how they create their reality and how they can change it. This learning environment and knowledge sharing is core to our working environment that encompasses the culture of the organisation. This culture constantly ensures that learning is open ended, takes place at all levels, and is self-questioning.

We act as a collective in establishing processes to enhance organisational performance by designing and implementing tools, systems and structures to improve the creation, sharing and use of knowledge.

This is strengthened by adopting a partnership approach between HRD and the line managers to achieve successful outcomes for both the employee and the organisation.

DBN regards learning as a key source of competitive advantage and thus continuously builds on the established workplace learning culture. Our learning philosophy further emphasizes the relationship between the quality and skill of the workforce and DBN's performance.

As DBN has become more multigenerational and diverse, our competitive advantage lies in the application of our collective knowledge and expertise as well as establishment of a culture that fosters mutual gain. This culture supports an open mindset, an independent quest for knowledge, and shared learning directed toward the mission and goals of the DBN.

During 2020/21, employees attended various human resource development interventions designed to enhance organisational and individual competencies.

Employees from relevant departments attended Risk Management training. This intervention outlined the concepts, principles and standards of the ISO 31000 risk management framework, and enhanced the capacity of employees in terms of application of risk management best practices.

In preparing employees to use emerging advanced technologies such as Big Data, Artificial Intelligence and Block Chain as well as to avoid key risks related to them, two managerial employees attended an Advanced Technologies in Banking, AI, Block Chain, Cybersecurity and Data course.

Middle Managers and employees in the D-Band attended fundamentals of coaching skills and emotional intelligence training. This was a highly interactive training and eminent in upskilling and equipping Managers and leaders at the Development Bank of Namibia (DBN) with exposure to fundamentals of Coaching and selected elements of Emotional Intelligence.

Five employees attended the Positioning DFIs for the Fifth Industrial Revolution training offered by virtual class. The programme provided an appreciation of the Fifth Industrial Revolution (5IR or 5.0), what it portends for the future of DFIs and how to adequately prepare institutions.

Training to strengthen SME competitiveness during the Covid-19 pandemic was offered to employees. This intervention shared ideas of what opportunities for growth or strengthening could be effected by the SMEs (e.g. buying and selling online) as a way of increasing market share as well as improving on delivery channels.

One employee from the Executive attended Leadership & Coaching during the Covid-19 Pandemic training. The objective of the training was to understand elements of a leadership culture and critical points of reference in aligning and achieving an organizational purpose as well as understanding the importance and good traits of coaching.

In order to help employees to gain broader understanding of government service delivery facilitation, public debt management, promotion of public sector savings, efficiency in public sector delivery and the attraction of public and private partnerships (PPP) as a model for financing projects, Intermediate Public Private Partnership training was offered. This training also shared the knowledge of how to use PPPs to develop and implement projects with the basic skills to understand and prepare a PPP Project.

Employees attended Managing Non-Performing Loans training. The aim of the training was to enhance debt management skills to minimize borrowing costs and maintain risk at acceptable levels, and to deal with loan workouts and debt restructuring

Debt Collection training covered credit assessment and recovery in terms of how to carry out the roles, functions and responsibilities appropriately to cope with the pressures, within or outside the Bank, in handling professionally issues related to debt collection and ensure the Bank stays on course to achieving its goals. It also looked into understanding the meaning and reasons for Credit Management, appreciate the importance of credit policy in defining the objectives, functions and responsibilities of the Credit Department to achieve maximum profitability from trading, and realize the need of credit assessment due to selective risk-taking in the interests of increasing overall profitability.

The Young Professionals Programme (YPP) is a unique opportunity for young graduates who have a passion for development finance to grow in the fascinating environment of DBN. The program is designed for qualified and motivated individuals skilled in areas relevant to DBN operations. DBN recruited one graduate on the programme. He will be exposed to the operations of the Bank through a two-year rotational programme.

A total of twenty-one employees were enrolled towards academic qualifications at institutions of higher education with financial assistance from the Bank. These qualifications are in line with the business strategy of the Bank, and range from undergraduate degrees to Master's degrees.

The DBN offered job placements for six students in its departments/business units through Internships/Work Integrated Learning/Cooperative Education. The internships are part of a structured programme with the objective to provide a student with a meaningful learning experience applicable to his/her field of study. This is achieved through subject/job-specific assignments coupled with appropriate supervision, evaluation, and feedback.

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 68 employees make use of the Bank's housing scheme with an exposure of N$117.9 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 2020/21, was impacted by the COVID-19 regulatory restriction, but included:

- An Information session on Mental Health
- An In-house Booklet on Burnout was distributed
- A special edition of the You magazine supplement on Mental Health was distributed.
- Donations by employees for Maternity Packs

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 and corporate social investment

During the final quarter of the year, the Bank conducted consultative meetings with business communities on the newly launched Covid-19 business relief loans and youth product in all regions of Namibia.

Innovation supported by DBN

Pulsar's GridX system, winner of the DBN Innovation Award, is being developed with the assistance of the Bank's Customer Development Unit.

Outreach programme

Due to Covid-19 pandemic the Bank cancelled its outreach programmes during the third quarter of the year under review, however, during the final quarter of the year, the Bank conducted consultative meetings with business communities on the newly launched Covid-19 business relief loans and youth product in all regions of Namibia. Governors and councillors of regions were also visited to assess and discuss possible projects in their regions.

These consultative meetings and outreach programmes of the Bank were reinforced through joint visits with the Ministry of Trade and industry (MIT) business engagements meetings in the regions to collectively model the recovery path with business stakeholders amidst the Covid-19 pandemic.

Corporate social investment

The DBN Corporate Social Investment programme grew from a fund of N$500,000 over a period of 5 years to an N$2.18 million-dollar fund administered by the Marketing & Communication Department through a Corporate Social Investment Policy reviewed on a triennial basis by the Bank's Board of Directors.

CSI approvals are made in line with the CSI areas of focal scope. The purpose of the CSI Policy is to develop clear directives that will guide the Bank's CSI schemes and activities, and provide guidelines on how to manage them. It covers contributions to community projects and activities, sponsorships and donations, which are aimed at community upliftment and enhancing the corporate relations between the Bank and its stakeholders.

The Policy has contributed to DBN attaining its mandate in enhancing positive impacts and socio-economic benefits, augmenting its socio-economic footprint as one of a good corporate citizen.

Highlight CSI projects

1.1 Skills development and improvement

To promote skills development and transfer of technology the Bank invested in school and community projects by sponsoring and donating equipment, upgrading schools' laboratories and providing media centres to promote research and adaptation of technology.

1.2 Community safety and health management

DBN supports the Government's response measures to mobilise resources to combat the further spread of Covid-19 pandemic to a total amount of N$1,435,000.

In addition to its financing commitment to NDP5, the Bank committed to rolling out basic service delivery to communities that were previously disadvantaged. This improves access to basic services such as sanitation provision. Sanitation is still a challenge, especially in informal settlements. The Bank donated 15 ablution facilities to informal settlements in and around Windhoek as part of its community investment and poverty alleviation drive, impacting health and welfare.

1.3 Education and educational related activities

The Bank invested in education and education-related activities donations and sponsorship of infrastructure and ICT development. During the year under review the Bank renovated schools, assisted with building classroom blocks and providing information and communication technology to enhance e-learning platforms for both learners and teachers.

1.4 Poverty Alleviation:

Agriculture growth plays a pivotal role in all levels of society. Through its focus area of poverty alleviation the Bank sponsored projects with infrastructure equipment in order to improve delivery of these projects and promote food security at regional and household levels in various communities of Namibia.

Illustrative CSI projects

Beneficiary	CSI focus area	Region
National Covid-19 Relief Fund	Community health and safety	National
City of Windhoek	Community health and safety	Khomas
Noordoewer Senior Secondary School	Education	//Kharas
Namibian National Association of the Deaf	Skills development	National
Harambee O-Yetu Green Scheme	Poverty alleviation	Kunene
Moreson School of Disability	Skills development	Khomas
Sakaria H. Nhgikembua Junior School	Education	Ohangwena
Mattheus Janzen Primary School	Education	Hardap region
Duinesig High School	Education related activities	Erongo
Salomon Boois Primary	Education	Khomas
Funky Forest Kindergarten	Education	Khomas
SWAITEX /NCCI	Enterprise development	Erongo
First ever Kavango West Economic Development Investment Conference	Enterprise development	Nkurenkuru
Northern SME Expo	Enterprise development	Ohangwena
Dr May Cancer Centre Central Hospital	Community health and safety	National
Ministry of Agriculture, Water and Land Reform	Poverty alleviation	National
Communal Women Organisation	Poverty alleviation	Omaheke
Youth in Agriculture	Skills development	National

The Bank scaled down on events and outreach for the DBN Innovation and Good Business Awards due to Covid-19 safety concerns. However, the Bank continued with its mentoring programme and support for the DBN 2019 Innovation Award winner. Pulsar Electronic Solutions. Pulsar was awarded N$500,000 to further develop its project.

The Bank, through its mentoring and coaching programme, has embarked on a programme to upgrade the Pulsar concept.

Status update

Pulsar's product, known as GridX, offers the twofold benefits of an electricity management device that enables enterprises and households to manage their electricity usage remotely, as well as being a Wi-Fi router.

Pulsar has obtained a patent for GridX that covers both types of functionality. The device is unique globally.

Of particular importance to the panel of judges on the DBN Innovation Award was the ability to manage electricity consumption. Namibia has an electricity deficit, and by providing a means to assess and manage consumption, electricity savings can be improved.

As a meter, GridX offers power producers, distributors and users the ability to collect information through wireless technologies such as 4G, 3G, and fibre. For home users, the GridX user will be able to remotely transmit their electricity tokens to the meter and remotely turn geysers on and off to make substantial electricity savings.

Homes using GridX will also have internet access, as well as a local area network (LAN) that allows internet access for multiple devices in the home. Power producers and distributors that are exploring internet access as an addition to their business models will be able to benefit from this.

GridX is attracting interest in the region, and Pulsar has signed co-development partnership agreements with local start-ups in Angola, Botswana, and Zimbabwe. The company is leveraging technical expertise in the SADC to collaboratively produce a solution that is customized for regional needs. A pilot programme is expected to prove the benefits of the device.
Although global events caused various delays in the project supply chain, the project is on track to complete the functional prototype and bankable business plan in the second half of 2020. The team has finalised development of the electronics and started regulatory approval procedures with STS in South Africa.

Pulsar is receiving DBN support to finalise product development, optimise the cost of production, develop and execute a product marketing plan, develop a product revenue model, and to assist in the creation and presentation of product packaging.

In August 2020, Pulsar went on to win entry into the Entrepreneurship World Cup, a competition to bring together start-ups from 190 countries to compete on an international stage. Pulsar will represent Namibia in the finals held in Riyadh Saudi Arabia.

Development Bank of Namibia

Annual Financial Statements
for the year ended 31 March 2021

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Directors’ Responsibility Statement
for the year ended 31 March 2021

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 2021, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows 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 of the Company are responsible for the controls over, and the security of the website and, where applicable for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders.

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 30 June 2021, and are signed on their behalf by:

Tania Hangula
Chairperson
30 June 2021

Martin Inkumbi
Chief Executive Officer
30 June 2021

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Development Bank of Namibia Limited (the Company) as at 31 March 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

What we have audited

Development Bank of Namibia Limited's financial statements set out on pages 54 to 103 comprise:

- the directors' report for the year ended 31 March 2021;
- the statement of financial position as at 31 March 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence

We are independent in accordance with the *International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standard)* (Code of Conduct) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the Code of Conduct and in accordance with other ethical requirements applicable to performing audits in Namibia.

Our audit approach

Overview

Overall materiality

- Overall materiality: N$ 94.7 million which represents 1% of total assets.

Key audit matters

- Impairment of loans and advances (ECL); and
- Valuation of unlisted equity investment in Ohorongo Cement (Pty) Ltd (Ohorongo Cement).

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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Country Senior Partner: Chantell N Husselmann

Partners: Louis van der Riet, Anna EJ Rossouw (Partner in charge: Coast), Gerrit Esterhuyse, Samuel N Ndahangwapo, Hans F Hashagen, Johannes P Nel, Hannes van den Berg, Willem A Burger

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality

- N$ 94.7 million

How we determined it

- 1% of total assets

Rationale for the materiality benchmark applied

- We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users. The Development Bank of Namibia Limited is mandated to contribute to the development of Namibia, and the socio-economic wellbeing of its citizens. The Company provides funding and is financed mainly by debt, and consequently, the value of its loan book and accompanying assets is of particular interest to the users of the financial statements.

- We chose 1% based on our professional judgement, after consideration of the range of quantitative materiality thresholds that we would typically apply when using total assets to compute materiality.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances (ECL)	
Refer to note 2.4 (Judgements, estimates and assumptions) for details on key management assumptions, note 3.10.7 (Impairment of financial assets) for related accounting policies, note 13 (Loans and advances to customers), note 14 (Impairment of loans and advances) and note 28.2 (Credit risk), to the financial statements. At 31 March 2021, the Company recognised gross loans and advances of N$ 9 billion, against which an impairment of loans and advances of N$ 1.08 billion was recognised. The ECLs were calculated by applying IFRS 9 – Financial Instruments. The Company recognises lifetime ECLs that result from all possible default events over the expected life of a financial instrument. In calculating the ECLs, the key areas of significant management judgement and estimation included: **Significant increase in credit risk (SICR):** Determining whether there has been a SICR by using the criteria as set out in note 28.2. Depending on the outcome of the assessment above, management assigns a credit risk grade to each exposure. This credit risk rating guides the probability of default (PD) to be applied to the exposure. In light of the COVID 19 pandemic, some customers were granted payment holidays to reduce the financial impact on their businesses. These relief measures were specifically focussed on the tourism and Small and Medium- Sized Enterprise (SME) customers. The Company did not determine this to be an indicator of SICR in itself, but applied the criteria as set out in note 28.2 to determine whether there has been a SICR. **Determination of the probability of default (PD):** Management assigns a credit risk grade to each exposure (including loans to government entities) based on a variety of data that is determined to be predictive of the risk of default and applying assumptions formulated through the application of their credit risk assessment expertise. The exposures are then subject to ongoing monitoring, which can result in an exposure being moved to a different grade, based on various considerations as disclosed in note 28.2 to the financial statements.	**Determining whether there has been a SICR** Utilising our valuations expertise, we assessed the reasonableness of the SICR thresholds, and assumptions and inputs applied in the ECL model by performing the following procedures: • We evaluated whether there are indicators of SICR by comparing the staging of a sample of loans to an independent staging based on the assumptions and data included in management's model, as well as on our own independent assumptions, in particular around the outlook on the economy due to the COVID 19 pandemic. We noted no matters requiring further consideration. • We tested the performance of SICR thresholds applied and the resultant transfer ratio into stage 2 and stage 3 for SICR by comparing the transfer rate of all loans, to historical data. No material exceptions were noted. • We tested management's assessment of whether there has been a SICR as a result of the COVID 19 pandemic, and whether the restructuring of loans and payment holidays granted indicates increased credit risk. For a sample of loans, we evaluated whether the stage they are placed in is in line with management's quantitative and qualitative considerations with reference to the applicable accounting policies. No material differences were noted.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses (ECL) on loans and advances (contd.)	
Determination of the probability of default (PD) (contd.): For loans for which the PD is calculated on a portfolio basis, an analysis is performed on the categorisation of the loan book (performing, under-performing and credit impaired) and arrears report, comparing changes over time. **The incorporation of forward-looking information in the calculation of the ECLs:** Management incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly, as well as in the impairment calculations of the ECLs. The information used includes revised Gross Domestic Product (GDP) forecasts in light of the COVID 19 pandemic and related factors that are expected to impact individual counterparty and/or portfolio exposures. Management identified large exposures in sectors to which it is significantly exposed, i.e. construction, land servicing, tourism and hospitality, financial services and wholesale & retail trade, and assessed the impact of the latest GDP forecasts on their ECLs. **Determination of the loss given default (LGD):** Management 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. **Determination of the exposure at default (EAD):** Management derives the EAD from the current exposure to the counterparty and 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. *We determined the ECLs on loans and advances to be a matter of most significance to our current year audit due to the following:* • the degree of judgement and estimation applied by management in determining the ECLs; and • the significance of the loans and advances balance recognised in the financial statements, as it makes up the majority of the Company's assets and are a significant part of the Company's normal operations.	**Determination of the PD:** • We recalculated the PD using the Company's historical default data to assess the history of default, taking into account Namibia's macroeconomic outlook. No material variances were noted. • For loans to government entities, we considered the latest sovereign credit ratings and the outlook on these credit ratings, to assess the appropriateness of the PD used on these loans. No material differences were noted. **The incorporation of forward-looking information in the calculation of ECLs:** • In performing our own independent calculation of the ECL, we included relevant independently obtained forward-looking information (which included GDP forecasts and other market data) in the calculation on an overall basis. We compared our results to that of management and we did not note a material variance. • We tested the performance and sensitivity of the forward-looking information in the model against historical trends in the company's data in order to evaluate whether the chosen macro-economic factors and model fit provide a reasonable representation of the impact of macro-economic changes on the results of the ECLs. No material variances were noted. **The incorporation of forward-looking information in the calculation of ECLs:** • In performing our own independent calculation of ECLs, we included relevant independently obtained forward-looking information (which included GDP forecasts and other market data) in the calculation on an overall basis. This procedure did not result in a material variance. • We tested the performance and sensitivity of the forward-looking information in the model in order to evaluate whether the chosen macro-economic factors and model fit provide a reasonable representation of the impact of macro-economic changes on the results of the ECLs. No material variances were noted. **Determination of the LGD:** • We recalculated the LGD for unsecured accounts by using the repayment data where the historical payment receipts were tracked from default date, then discounted to the first day of default by using contractual interest rates. No material exceptions were noted. • We recalculated a sample of collateral values to determine the valuations thereof. For secured accounts we compared our independently determined collateral values against the EAD at each month to estimate the proportion of loss amount. No material exceptions were noted. **Determination of the EAD:** • We recalculated the EAD on a sample basis by recalculating the loan amortisation schedule with interest accrued up to the point of default. • Additionally, a conversion factor was applied to the balances of performance guarantees and the EAD was recomputed. The recomputed EAD was used in the independent recalculation of the ECL. No material variances were noted.

Key audit matter	How our audit addressed the key audit matter
Valuation of unlisted equity investment in Ohorongo Cement (Pty) Ltd (Ohorongo Cement)	
Refer to note 3.10.18 (Equity Instrument) for relevant accounting policies, note 17 (Equity investments) and note 29 (Fair value of financial instruments), to the financial statements. The investment in Ohorongo Cement was accounted for at fair value through other comprehensive income (FVOCI), as elected by management in accordance with IFRS 13 - Fair value measurement. Management valued the investment at N$ 210 million on 31 March 2021. The fair value for the Ohorongo Cement investment was determined based on the discounted cash flow model. The valuation involved significant judgements and estimates by management, including: • forecasted production and sales, including expectations of improved export volumes; • the impact of the COVID 19 pandemic on GDP forecasts; • weighted average cost of capital; and • terminal growth rate. *We determined the valuation of unlisted equity investment in Ohorongo Cement to be a matter of most significance to our current year audit because of the degree of judgement and estimation applied by management in determining the fair value.*	We assessed the valuation methodology used by management to estimate the fair value of the investment with reference to the requirements of IFRS 13 and industry practice. We noted no matters requiring further consideration. We assessed the reasonableness of cash flow assumptions such as working capital reserves, and future business growth driven by future expansion plans, by comparing the assumptions to historical results and published market and industry data, and by comparing the current year's results with the prior year forecast and other relevant information. In addition, we obtained a detailed understanding of the business of Ohorongo Cement and assessed if there was any inconsistency in the assumptions used in the cash flows projection. No material inconsistencies and no matters requiring further consideration were noted. We used independent economic data on the impact of COVID-19 on the economy and relevant industry, to determine the reasonability of forecasted cash flows. Based on our work performed, we noted that the forecasted cash flows were slightly more optimistic than what would be expected with the impact of the pandemic on the industry outlook. As a result, we added an additional risk premium to our independent valuation. This procedure did not result in a material difference in the valuation that was independently calculated versus that of management. Utilising our valuation expertise, we recalculated the valuation based on independently formed assumptions as detailed below: • We utilised our valuations expertise to independently source data such as the cost of debt, risk free rates in the applicable market, market risk premiums, debt/equity ratios, sovereign risk premiums, as well as the beta of comparable companies to determine the discount rates. From this procedure we noted that the discount rate used by management fell within the expected range. • We included independently sourced data in the calculation of the terminal growth rate, based on general market practice. • We recalculated a valuation using the independently obtained inputs and the audited assumptions listed above and compared it to management's valuation. No material difference was noted.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Development Bank of Namibia Annual Report 2020/21". 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 identified above 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the 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.

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: Louis van der Riet
Partner
Windhoek
Date: 2 July 2021

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 2021.

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 2021, on pages 56 to 103 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

No dividends were declared in the current financial year (2020: N$21,168,310). Dividends declared in the 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
4. Skills-Based Facility Fund
5. Youth Programme 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 (2020: N$165 million) and the share premium at N$1,842.1 million (2020: N$1,842.1 million).

Directors' interest

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
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$ 2,278,800 (2020: N$2,662,760), employees tax of N$23,307,999 (2020: N$21,137,869) and withholding tax of N$0 (2020: N$22,811).

Changes in accounting policies

In all material respects, the accounting policies applied during the year ended 31 March 2021 are consistent with those applied in the Annual Financial Statements for the year ended 31 March 2020, as no changes in accounting policies were affected in the year under review.

Going concern

The Bank cash flow projections have been updated to include the ongoing developments related to the COVID-19 pandemic. These pandemic scenarios continue to evolve as the effects of the pandemic continue to unfold. The Bank has used available information to assess the possible impact of COVID-19 pandemic on its activities. The key drivers of financial performance that could materially be impacted as result of the pandemic include repayments, impairment levels, interest rates and foreign currency exchange rates. The impairment calculation at 31 March 2021 was updated to incorporate the estimated impact of the pandemic by adjusting the probability of default ranges for the loans and resulted in the processing of an additional impairment provision of N$27.8 million.

Two additional sensitivity scenarios were also performed using better or worse outlooks, the results indicated a potential reversal of N$46.2m million or additional N$29.1m in the impairment provision for those two scenarios. scenarios. Refer to Note 28.2

The Bank implemented relief programmes for clients impacted by the pandemic. The intervention and support scheme takes account of the varying impact the pandemic may have on the various sectors, for example the clients in the tourism and hospitality sector and most SME clients are all directly impacted with the travel and operations restrictions (especially in Stage 1 lockdown period) and therefore more adversely impacted and probably also for longer periods.

Interventions to date include provision for repayment holidays to mitigate the adverse business impact caused by the pandemic and the lowering of interest rates following the repo rate reduction. The repayment holidays were mainly focused on SME and Tourism & Hospitality clients, the initial 3 month repayment holidays were for the months of March 2020 to May 2020 and amounted to N$37.9 million, while for Tourism & Hospitality clients repayments were extended with six months amounting to N$57.0 million until November 2020, then an additional four months amounting to N$38.6 million until March 2021, with an additional extension provided from April 2021 to June 2021 amounting to N$25.8 million.

The Bank also launched a relief loans scheme to provide additional funding support for those clients impacted by the pandemic at affordable rates. At year end no loans have been approved under this scheme.

The Bank recognises the dynamic nature of this situation and will continue to review and refine the intervention if necessary, while safeguarding the Bank's financial sustainability and liquidity. 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.

Subsequent events

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 2021

N$	Notes	2021	2020
Interest income	4	655,513,309	945,254,359
Interest expense	5	(312,799,672)	(517,023,781)
Net interest income	5	342,713,637	428,230,578
Fee and commission income	6	19,256,868	23,353,295
Operating income		361,970,505	451,583,873
Other income	7	43,199,890	41,969,998
Net gains / (losses) on initial recognition of financial assets at amortised cost	9	(7,000,752)	(4,835,839)
Net impairment on loans and advances	14	(148,659,293)	(119,349,053)
Operating expenses	8	(132,987,786)	(140,267,091)
Profit before tax		116,522,564	229,101,888
Tax expense	10	-	-
Profit for the year		116,522,564	229,101,888
Profit for the year		116,522,564	229,101,888
Other comprehensive income, net of income tax		(16,282,286)	(10,924,625)
Items that will not be reclassified subsequently to profit or loss			
Revaluation gain on property	22.1	(1,177,599)	(2,011,627)
Fair value adjustments on FVOCI equity investment financial assets – IFRS 9	22.2	(15,104,687)	(8,912,998)
Total comprehensive income		100,240,278	218,177,263

Statement of Financial Position
as at 31 March 2021

N$	Note	2021	2020
Assets			
Cash and cash equivalents	11	1,066,681,912	601,368,773
Trade and other receivables	12	5,452,103	5,424,474
Staff home loans and benefits	15	117,866,651	99,116,912
Loans and advances to customers	13	7,922,882,110	8,465,903,601
Equity investments	17	267,684,662	272,789,349
Property and equipment and right of use assets	16	78,535,860	85,551,111
Intangible assets	18	7,433,515	5,201,186
Total assets		9,466,536,813	9,535,355,406
Liabilities			
Trade and other liabilities	19	23,599,119	85,586,382
Term loan facilities	19.2	-	233,000,000
Line of credit facility	19.3	4,530,534,603	4,048,129,370
Bonds	19.4	230,581,119	624,284,482
Fixed term facility	19.5	544,492,005	1,054,996,252
Credit line facility	19.6	214,736,079	112,757,242
Relief loans	19.7	450,822,637	-
Dividends retained for redeployment	20	44,439,478	49,510,183
Total liabilities		6,039,205,040	6,208,263,911
Equity			
Share capital and share premium	21	2,007,071,178	2,007,071,178
Retained earnings		1,393,492,684	1,276,970,120
Reserves	22	26,767,911	43,050,197
Total equity		3,427,331,773	3,327,091,495
Total liabilities and equity		9,466,536,813	9,535,355,406

Statement of Changes in Equity
for the year ended 31 March 2021

N$	Share capital and share premium Share capital	 Share premium	Revaluation reserve on land and buildings	Fair value reserve	Retained earnings	Total
Balance at 1 April 2020	165,000,000	1,842,071,178	54,235,339	(11,185,142)	1,276,970,120	3,327,091,495
Total comprehensive income for the year	-	-	(1,177,599)	(15,104,687)	116,522,564	100,240,278
Profit for the year	-	-	-	-	116,522,564	116,522,564
Other comprehensive income, net of income tax	-	-	(1,177,599)	(15,104,687)	-	(16,282,286)
Dividend paid	-	-	-	-	-	-
Balance at 31 March 2021	165,000,000	1,842,071,178	53,057,740	(26,289,829)	1,393,492,684	3,427,331,773
Note	*21*	*21*	*22.1*	*22.2*		

N$	Share capital and share premium Share capital	 Share premium	Revaluation reserve on land and buildings	Fair value reserve	Retained earnings	Total
Balance at 1 April 2019	165,000,000	1,842,071,178	56,246,966	(2,272,144)	1,069,036,542	3,130,082,542
Total comprehensive income for the year	-	-	(2,011,627)	(8,912,998)	229,101,888	218,177,263
Profit for the year	-	-	-	-	229,101,888	229,101,888
Other comprehensive income, net of income tax	-	-	(2,011,627)	(8,912,998)	-	(10,924,625)
Dividend paid	-	-	-	-	(21,168,310)	(21,168,310)
Balance at 31 March 2020	165,000,000	1,842,071,178	54,235,339	(11,185,142)	1,276,970,120	3,327,091,495
Note	*21*	*21*	*22.1*	*22.2*		

Cash Flow Statement
for the year ended 31 March 2021

N$	Note	2021	2020
Cash flows utilised in operating activities			
Cash receipts from customers	30.2	707,750,556	1,046,680,310
Cash paid to suppliers, lenders and employees	30.3	(524,952,130)	(654,347,384)
Cash flows from operating activities	30.1	182,798,426	392,332,926
Government grants received		14,000,000	-
Payments from special funds	20	(5,470,705)	(5,991,586)
Decrease/(increase) in loans and advance	30.4	355,494,613	(130,762,369)
Net cash from operating activities		546,822,334	255,578,971
Cash flows utilised by investing activities		(6,570,656)	(4,082,034)
Acquisition of property and equipment		(4,065,120)	(4,374,570)
Proceeds from disposal of property and equipment		25,429	178,565
Acquisition of intangible assets		(2,530,965)	113,971
Cash flows from financing activities	19.8	(74,938,539)	(349,105,174)
Funding liabilities raised relief loan scheme		450,000,000	-
Funding liabilities raised line of credit facility		500,000,000	-
Funding liabilities raised credit line facility		120,375,000	120,375,000
Funding liabilities paid term loan		(233,000,000)	-
Funding liabilities paid bonds		(391,000,000)	(100,000,000)
Funding liabilities paid fixed term facility		(500,378,756)	(386,822,473)
Funding liabilities paid credit line facility		(20,934,783)	(10,467,391)
Current liabilities credit guarantee scheme funding received		-	48,978,000
Dividends paid		-	(21,168,310)
Net (decrease) / increase in cash and cash equivalents		465,313,139	(97,608,237)
Cash and cash equivalents at the beginning of the year	11	601,368,773	698,977,010
Cash and cash equivalents at the end of the year	11	1,066,681,912	601,368,773

1. Reporting entity

Development Bank of Namibia Ltd ('the Bank') is a limited com- pany incorporated in Namibia. The nature of the Bank's op- erations, 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'), interpretations issued by the IFRS Interpretations Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council 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, 28 and 29.

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 judgements

Information about judgements made in applying the Bank's accounting policies that have the most significant effects on the amounts recognised in the financial statements are as follows:

2.4.1.1 Determination of control over investee

Management applies its judgement 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. The Bank has minority shareholding of 28.57% in Amazing Kids Private School (Pty) Ltd and does not have controlling voting rights. Refer to Note 3.10.18 (Equity Instrument), note 17 (Equity investments) and Note 29 (Fair value of estimate the fair value of the investment against the requirements of financial instruments).

2.4.1.2 Determination of significance over investee

Management applies its judgement to determine whether the Bank has significant influence over its equity investments. Management considers that a reasonable reference for significant influence is the proportion of board seats and its involvement in policy-making processes and decisions. The Bank determined that is has no significance influence is the proportion of board seats and its involvement in policy-making processes and decisions. The Bank determined that is has no significant influence in any of its Equity Investments based on the proportion of board seats and its non-participation in the strategy, operational and policy-making processes. The Bank relies on the majority shareholders, which have the necessary technical expertise, to provide the necessary support and direction to the companies.

2.4.1.3 Financial assets

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 29 contain information about assumptions and estimation of uncertainty that have significant risk of resulting in a material adjustment within the next financial year.

2.4.2.1 Credit impairment losses on loans and advances

The Bank 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.

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

2.4.2.2 Credit impaired 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 credit impaired loans is included in Note 28.2.

2.4.2.3 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 I inputs are not available, the Bank uses internal valuation techniques to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 28 and 29.

3. Significant accounting policies

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

3.1 Interest income and expense

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.

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.

3.2 Fees and commission income

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 at the point in time when 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 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.

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 shown 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.

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.

3.5.3 Employee Housing Benefit

The Bank operates a home ownership scheme, in terms of which, mortgage bonds are provided to the Bank employees at reduced interest rates. 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. The difference between the fair value and the transaction price is accounted for as employee housing benefit. Refer to Note 15.

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 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 Significant accounting policies (continued)

3.6 Property and equipment (continued)

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.

Estimated useful lives for current and comparative periods are:

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.

The right of use leased asset is amortised over the useful life. The estimated useful lives for the right of use assets are between 1 to 3 years

3.6.4 Revaluation

Land and buildings are revalued to market value. Valuations are from market-based appraisals by professional valuators. 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 - Short-term lease

The Bank classifies all its leases as short-term 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 and with terms of less than 12 months.

Lease payments payable under short-term 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 lease commitments in Note 25.

All leases and the associated contractual rights are recognised in the Statement of Financial Position, unless the term is 12 months or less or the lease is for a low-value asset. Low value assets comprise of office equipment with a value belowN$50,000. For each lease, the Bank recognises a liability for lease obligations incurred in the future. The lease liabilities are measured at the present value of the remaining lease payments using the Bank's incremental borrowing rate. The incremental borrowing rate is calculated using the Bank's internal funding rate. Correspondingly, a right of use leased asset is capitalized, which is generally the present value of the future lease payments plus directly attributable costs, which is amortised over the useful life.

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 trade date. 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

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 3.10.18). 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 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.

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.

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.

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 3.10.18. 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. 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.

3 Significant accounting policies (continued)

3.10 Financial instruments (continued)

3.10.3 Derecognition and modifications of financial assets and financial liabilities (continued)

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

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether or not the new terms of the modified asset are substantially different to the original terms. Factors that are considered include whether modification merely reduces the contractual cash flows to amounts affordable to the borrower, any new substantial new items are introduced that substantially affects the risk profile of the loan, significant in interest rate, significant extension when borrower is not in financial difficulty and insertion of security to that significantly affect the credit risk associated with the loan.

If terms are substantially different 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 incremental and directly attributable 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.

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 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 liabilities at a representative value within the bid price and ask price.

Portfolios of financial assets and financial liabilities that are exposed to market and credit risk that are managed by the Bank on the basis of net exposures to either market risk or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid 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

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 flows and use in calculating the expected cash shortfalls for the new 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.

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'.

3.10.8 Dividends retained for redeployment

Dividends declared in 2008 to 2010 and 2016 to 2019 were retained by the Bank for redeployment to special enterprise development endeavours as resolved by the Shareholder. The special funds' liabilities payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. The fund's liabilities are settled through disbursements to the approved enterprise development projects as agreed with the Shareholder.

3.10.9 Trade payables

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

3 Significant accounting policies (continued)

3.10 Financial instruments (continued)

3.10.10 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 in significant 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.

3.10.11 Loans and advances

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.

3.10.12 Debt securities issued

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

3.10.13 Term loan facilities

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

3.10.14 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.

3.10.15 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.

3.10.16 Bonds

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

3.10.17 Credit line facility

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

3.10.18 Equity instrument

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.

In determining the fair value for unquoted equity instruments, where 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.

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 fair value less cost of disposal 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 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. 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 Summary of standards and interpretations issued

3.17.1 Standards and Interpretations effective and adopted in the current year

International Financial Reporting Standards and amendments relevant to the Bank issued and effective for 31 March 2021 year-end .The Bank has adopted all the standards and interpretations which are relevant to its operations. The following standards did not impact the Bank's financial statements:

New or amended standards	Effective date	Summary of requirements
Amendments to IAS 1 and IAS 8	1 April 2020	Presentation of financial statements and accounting policies, changes in accounting estimates and errors' on the definition of material. • Use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; • Clarify the explanation of the definition of material; ("Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."); and • Incorporate some of the guidance in IAS 1 about immaterial information.
Amendment to IFRS 3	1 April 2020	Business combinations. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.
Amendments to References to the Conceptual Framework in IFRS Standards January 2020	1 April 2020 Annual periods beginning on or after 1	Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

3 Significant accounting policies (continued)

3.17 Summary of standards and interpretations issued (continued)

3.17.2 Standards and Interpretations effective and adopted in the current year

International Financial Reporting Standards and amendments relevant to the Bank issued but not effective for 31st March 2021 year-end:

The following standards are not expected to have a material impact on the Bank's financial statements in the year of initial applications:

New or amended standards	Effective date	Summary of requirements
Covid-19-Related Rent Concessions (Amendment to IFRS 16)	Annual reporting periods beginning on or after 1 June 2020	The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.
Property, Plant and Equipment — Proceeds before Intended	Annual reporting periods beginning on or after 1 January 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
Use (Amendments to IAS 16)	Annual reporting periods beginning on or after 1 January 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
Onerous Contracts — Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2023	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
(Amendments to IAS 37)	Annual reporting periods beginning on or after 1 January 2023	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

4. Interest income

N$	2021	2020
Received on financial assets measured at amortised cost:		
Cash and cash equivalents	28,551,091	46,410,772
Loans and advances to customers : performing	604,358,945	881,852,905
Loans and advances to customers : credit impaired	263,395	387,408
Dividend income on preference shares in loan book	5,174,131	4,266,665
Loans and advances to staff	17,165,747	12,336,609
Total interest income	655,513,309	945,254,359

5. Interest expense

N$	2021	2020
Incurred on financial liabilities measured at amortised cost:		
Term loan facilities	12,057,466	19,314,596
Line of credit facility	197,257,096	312,916,849
Bonds	34,749,493	60,867,540
Fixed term facility	53,780,890	116,488,875
Credit line facility	14,801,389	7,041,377
Bank overdrafts	1,351	52,596
Interest on leased liabilities	151,987	341,948
	312,799,672	517,023,781
Net interest income	342,713,637	428,230,578

6. Fee and commission income

N$	2021	2020
Guarantee fees	6,630,903	7,924,825
Front-end fees	11,246,850	14,932,479
Other fees received	1,379,115	495,991
	19,256,868	23,353,295

7. Other income

N$	2021	2020
Subsidy Government Grant *	14,000,000	-
GiZ Grant Funding #	29,132,290	-
Other income	67,600	2,200
Dividend income on equity investments measured at FVOCI	-	41,967,798
	43,199,890	41,969,998

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

The GIZ grant funding was provided to support the deferment of interest repayments for small and medium enterprises (SMEs) and tourism clients. With the support of the grant funding, the accruing of interest has been stopped to assist the affected businesses to recover and to recover quicker.

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$14,000,000 (2020: N$0) was received in 2021.The expenditure associated with the Special Development Fund amounted to N$120,249,580 (2020: N$76,545,193) for the financial year.

8. Operating expenses

N$	2021	2020
Auditors' remuneration		
audit fees	1,880,566	2,211,962
other services	233,310	205,541
Directors' fees		
for services as Directors	1,413,811	1,169,176
for management services	3,129,938	3,026,795
Depreciation and amortisation	8,571,059	8,071,514
Donations and sponsorships	2,202,584	2,072,525
Gain / (Loss) on disposal of property and equipment	1,604,919	(117,690)
Professional services	8,912,475	6,612,808
Salaries and personnel costs	88,273,685	98,464,052
Short-term leases / Operating leases:		
Buildings	238,566	279,442
equipment	92,449	167,253
motor vehicles	-	59,865
Other expenditure:		
information technology services	4,518,555	3,273,448
promotions and marketing	1,241,741	2,918,217
building maintenance, cleaning and security services	2,720,711	2,695,944
telephone, stationery, photocopier and courier	2,238,641	2,251,264
training and development	1,332,001	1,750,247
municipal charges	1,534,479	1,671,473
subscriptions and memberships	1,404,104	1,199,673
traveling and accommodation	490,438	913,743
other operational expenditure	953,754	1,369,839
Total operating expenditure	132,987,786	140,267,091
Number of employees	111	109

8.1 Directors emoluments

8.1.1 Chief Executive Officer

N$	2021	2020
Pensionable salary - M Inkumbi	2,047,683	1,992,037
Bonus	611,376	582,263
Bank contributions to pension and medical aid schemes	470,879	452,495
	3,129,938	3,026,795

8.1.2 Non-executive Directors

N$	2021	2020
T Hangula (Chairperson)	283,111	246,555
T Mbome	318,787	246,422
J Cumming	306,534	265,996
K Geschke	294,268	260,017
D Husselman	211,111	150,186
	1,413,812	1,169,176

8.1.3 Schedule of Directors' fees

N$	2021	2020
Chairperson's quarterly fee	17,589	17,589
Chairperson's sitting fee per Board meeting	9,912	9,912
Director's quarterly fee	14,368	14,368
Director's sitting fee per Board meeting	6,252	6,252
Sub-committee chairperson quarterly fee	8,431	8,431
Sub-committee chairperson sitting fee per meeting	4,622	4 ,622
Sub-committee member quarterly fee	6,424	6,424
Sub-committee member sitting fee per meeting	3,093	3,093

9. Net gains / (losses) on initial recognition of financial assets at amortised cost

N$	2021	2020
Loans and receivables	7,000,752	-
Staff home loans	-	4,835,839
	7,000,752	4,835,839

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

	2021	2020
Bank balances and call deposits	161,839,125	159,808,804
Short term fixed deposits with local banks	904,842,787	441,559,969
	1,066,681,912	601,368,773

The carrying amount approximates the fair value of cash and cash equivalents as the nature is short-term. The Bank has determined that ECL in respect of cash and cash equivalents is minimal due to their short-term nature, high credit quality (local banks with national investment grade rating) and ability to be readily convertible to known amounts of cash which are subject to an insignificant risk of change in values.

12. Trade and other receivables

	2021	2020
Accrued interest on short term fixed deposits with local banks	2,680,318	3,341,523
Deposits	134,687	134,687
Staff study loans	1,202,311	1,169,310
Prepaid expenses	990,707	334,874
Inland Revenue withholding tax	444,080	444,080
	5,452,103	5,424,474

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

		At amortised cost	At amortised cost
N$		2021	2020
Instalment sales		327,540,875	250,324,816
Preference share advances		90,051,220	66,869,514
Guarantees honoured by the Bank		(2,917,352)	7,641,579
Term loans		8,575,297,605	9,019,321,961
Value of loans and advances		8,989,972,348	9,344,157,870
Accrued interest on loans and advances		13,686,165	12,067,280
Loans and advances		9,003,658,513	9,356,225,150
Impairment of loans and advances	14	(1,080,776,403)	(890,321,549)
Net loans and advances		7,922,882,110	8,465,903,601

13. Loans and advances to customers (continued)

13.2 Sectoral analysis

N$	Note	2021	2020
Automotive, machinery & equipment repair services		30,399,044	25,394,786
Business services		161,875,952	130,435,556
Commercial property		316,065,186	302,566,872
Construction		488,916,970	470,325,618
Education		207,259,060	206,077,132
Electricity		417,170,746	462,188,647
Financial intermediation		96,836,792	174,942,160
Fishing		8,169,256	5,831,194
Government & public authorities		4,442,704,557	4,889,288,890
Health		149,405,732	159,184,788
Housing		522,426,085	387,315,865
Land servicing		207,839,942	293,595,594
Manufacturing		561,308,344	555,001,249
Mining & quarrying		11,087,143	12,385,640
Telecommunications		81,379,965	109,474,743
Tourism & hospitality		744,422,348	701,125,704
Transport & logistics		244,428,876	168,428,524
Wholesale & retail trade		311,962,515	302,662,188
Gross value of loans and advances		9,003,658,513	9,356,225,150
Impairment of loans and advances	14	(1,080,776,403)	(890,321,549)
Net loans and advances		7,922,882,110	8,465,903,601

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).

13.3 Maturity structure per contractual maturity date

N$	2021	2020
Repayable on demand	418,096,066	314,646,216
One year or less but not repayable on demand	251,560,482	606,844,730
Three years or less but over one year	620,607,325	382,646,313
Five years or less but over three years	901,250,932	993,446,974
Over five years	5,731,367,305	6,168,319,368
Net loans and advances	7,922,882,110	8,465,903,601

13.4 Geographical analysis*

N$	2021	2020
Namibia – net loans and advances	7,922,882,110	8,465,903,601

** DBN operates under two segments. See Note 31 for the segmented reporting.*

14.
Impairment of loans and advances

Credit impaired loans by sector*

N$ 2021	Credit risk	Security	Impairment allowances Contractual interest suspended	Impairment allowances Impairment
Automotive, machinery & equipment repair services	27,778,080	9,319,500	5,370,998	14,549,733
Business services	60,114,343	21,318,719	13,405,757	25,876,710
Commercial	219,183,159	95,358,000	14,620,146	110,257,537
Construction	360,574,619	192,095,428	56,603,187	96,225,375
Education	18,760,405	9,870,000	6,625,785	2,269,652
Fishing	6,379,316	2,589,780	1,165,078	2,157,668
Health	73,493,219	24,600,200	17,100,598	31,238,724
Housing	191,486,735	108,326,751	33,873,101	48,306,021
Manufacturing	274,350,981	115,366,541	45,305,803	110,277,568
Mining & quarrying	2,347,893	2,000,000	184,803	334,070
Telecommunications	6,000,023	3,050,000	1,130,909	1,856,211
Tourism & hospitality	147,774,672	84,543,999	43,735,238	26,887,813
Transport & logistics	70,803,969	44,566,207	19,492,914	16,875,926
Wholesale & retail trade	190,597,479	109,691,868	35,413,420	66,795,603
Total credit impaired loans by sector	1,649,644,893	822,696,993	294,027,737	553,908,611

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

Credit impaired loans by sector*

N$ 2020	Credit risk	Security	Impairment allowances Contractual interest suspended	Impairment allowances Impairment
Automotive, machinery & equipment repair services	25,394,786	9,643,815	3,683,316	12,878,723
Business services	48,109,789	20,126,517	8,379,181	19,752,273
Commercial	43,374,882	31,360,000	1,419,378	12,175,511
Construction	193,368,944	67,878,848	31,435,211	70,256,700
Education	13,808,287	6,540,000	5,204,386	1,887,845
Electricity	39,976	-	30,697	6,017
Financial intermediation	12,792,046	6,014,000	3,120,691	3,603,780
Fishing	5,831,194	2,589,780	616,955	1,986,722
Health	75,276,949	22,043,380	13,361,694	37,649,769
Housing	155,459,591	91,182,751	15,020,284	52,172,748
Manufacturing	243,284,761	123,693,385	25,755,186	97,036,171
Telecommunications	5,407,504	3,050,000	538,391	1,919,676
Tourism & hospitality	184,771,147	136,036,267	38,861,999	29,899,044
Transport & logistics	89,548,560	45,271,844	23,799,314	25,916,168
Wholesale & retail trade	162,999,347	88,538,805	24,378,831	56,424,048
Total credit impaired loans by sector	1,259,467,763	653,969,392	195,605,514	423,565,195

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

14. Impairment of loans and advances (continued)

14. Impairment of loans and advances by product

N$ 2021	Opening ECL 1 April 2020	Total transfer between stages	Net impairments raised /(reversed)	Impaired accounts written off	Closing ECL 31 March 2021
Term loans	786,558,933	-	262,791,192	(69,427,102)	979,923,023
Stage 1	33,995,457	17,517,442	(12,395,695)	(44,353)	39,072,851
Stage 2	225,892,423	(87,112,167)	32,763,012	(179,430)	171,363,838
Stage 3	526,671,053	69,594,725	242,423,875	(69,203,319)	769,486,334
Installment sales	94,486,770	-	44,721,038	(47,793,066)	91,414,742
Stage 1	2,718,091	(385,422)	9,420,866	-	11,753,535
Stage 2	2,239,918	(354,825)	4,667,398	-	6,552,491
Stage 3	89,528,761	740,247	30,632,774	(47,793,066)	73,108,716
Preference Shares	5,918,358	-	(2,226,099)	-	3,692,259
Stage 1	-	-	-	-	-
Stage 2	5,918,358	-	(2,226,099)	-	3,692,259
Stage 3	-	-	-	-	-
Guarantees	3,357,488	-	5,007,157	(2,618,266)	5,746,379
Stage 1	56,779	2,835	(21,662)	-	37,952
Stage 2	13,315	(4,771)	75,933	(52,033)	32,444
Stage 3	3,287,394	1,936	4,952,886	(2,566,233)	5,675,983
Total loans and advances	890,321,549	-	310,293,288	(119,838,434)	1,080,776,403

N$ 2020	Opening ECL 1 April 2019	Total transfer between stages	Net impairments raised /(reversed)	Impaired accounts written off	Closing ECL 31 March 2020
Term loans	687,365,990	-	207,098,148	(107,905,205)	786,558,933
Stage 1	116,769,506	(47,353,738)	(35,048,127)	(55,685)	34,311,956
Stage 2	169,873,090	28,694,011	27,393,096	(392,558)	225,567,639
Stage 3	400,723,394	18,659,727	214,753,179	(107,456,962)	526,679,338
Installment sales	80,212,657	-	27,318,694	(13,044,581)	94,486,770
Stage 1	1,906,132	108,876	703,082	-	2,718,090
Stage 2	3,095,126	(188,592)	(451,009)	(215,606)	2,239,919
Stage 3	75,211,399	79,716	27,066,621	(12,828,975)	89,528,761
Preference Shares	10,589,945	-	(4,671,587)	-	5,918,358
Stage 1	27,445	(27,445)	-	-	-
Stage 2	10,562,500	27,445	(4,671,587)	-	5,918,358
Stage 3	-	-	-	-	-
Guarantees	5,692,815	-	2,800,968	(5,136,295)	3,357,488
Stage 1	28,503	25,335	2,940	-	56,778
Stage 2	52,368	(32,842)	(6,211)	-	13,315
Stage 3	5,611,944	7,507	2,804,239	(5,136,295)	3,287,395
Total loans and advances	783,861,407	-	232,546,223	(126,086,081)	890,321,549

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

Credit impaired loans by category*

N$ 2021	Credit risk	Security	Contractual risk suspended	Impairment
Guarantees	52,889,693	12,676,500	1,856,570	3,819,413
Preference shares	-	-	-	-
Instalment sales	125,312,550	47,178,951	38,240,864	34,867,852
Term loans	1,471,442,652	762,841,543	253,930,305	515,221,345
Total credit impaired loans	1,649,644,895	822,696,994	294,027,739	553,908,610

Credit impaired loans by category*

N$ 2020	Credit risk	Security	Contractual risk suspended	Impairment
Guarantees	51,254,724	11,959,000	1,279,276	2,008,118
Preference shares	-	-	-	-
Instalment sales	159,639,536	68,033,224	39,976,233	49,552,528
Term loans	1,048,573,503	573,977,168	154,350,005	372,004,549
Total credit impaired loans	1,259,467,763	653,969,392	195,605,514	423,565,195

* 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

	Impact: increase / (decrease)					
	2021			2020		
N$	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
New loans added	459,964,230	301,715,805	10,427,869	417,883,863	82,655,802	9,682,648
Loans settled	(242,408,721)	(141,584,095)	(85,005,812)	(403,068,509)	(146,168,611)	(39,868,172)
Loans written off	(34,808)	-	(86,477,001)	(70,333)	(1,555,632)	(127,610,282)
Transferred to Stage 1	333,982,923	(326,162,933)	(7,819,991)	330,923,539	(221,098,151)	(109,825,388)
Transferred to Stage 2	(456,311,483)	457,217,014	(905,531)	(614,817,145)	669,790,169	(54,973,024)
Transferred to Stage 3	(76,653,929)	(409,531,268)	486,185,197	(189,733,188)	(315,129,405)	504,862,593

15. Staff home loans and benefits

N$	2021	2020
Staff home loans at book value	117 866 651	117 514 465
Less: Present value adjustment for off-market loans	(26 636 323)	(18 397 553)
Opening balance	(18 397 553)	(17 995 279)
Current year fair value adjustment on new loans	(2 072 030)	(4 835 839)
Amortised to income statement	(6 166 740)	4 433 565
Add: Staff home benefits	26 636 323	-
Opening balance	-	-
Recognition of long-term staff benefit	18 397 553	-
Current year fair value adjustment on new loans	2 072 030	-
Amortised to income statement	6 166 740	-
	117 866 651	99 116 912

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$2,072,030 (2020: N$4,835,839). Loans are secured by fixed property. The difference between the fair value and the transaction price is accounted for as staff home benefits. Refer to Note 28.2 for the impairment.

16. Property and equipment

N$ Cost or revalued amount	Land	Buildings	Vehicles	Furniture & equipment	Right of Use Assets	Assets under construction	Total
Balance at 1 April 2019	30,824,000	64,760,112	1,691,249	13,219,895	6,088,491	-	116,583,747
Additions	-	1,720,895	493,102	2,160,573	-	-	4,374,570
Disposals	-	-	(308,670)	(755,792)	-	-	(1,064,462)
Revaluation gain	(3,412,000)	1,400,373	-	-	-	-	(2,011,627)
Balance at 31 March 2020	27,412,000	67,881,380	1,875,681	14,624,676	6,088,491	-	117,882,228
Balance at 1 April 2020	27,412,000	67,881,380	1,875,681	14,624,676	6,088,491	-	117,882,228
Additions	-	138,657	-	1,421,797	381,332	2,123,334	4,065,120
Disposals	-	(2,038,183)	-	(182,338)	-	-	(2,220,521)
Revaluation gain /(loss)	(2,312,000)	1,072,125	-	-	-	-	(1,239,875)
Balance at 31 March 2021	25,100,000	67,053,979	1,875,681	15,864,135	6,469,823	2,123,334	118,486,952
Accumulated depreciation and impairment							
Balance at 1 April 2019	-	(14,081,062)	(701,504)	(10,766,113)	-	-	(25,548,679)
Eliminated on disposals of assets	-	-	262,371	741,216	-	-	1,003,587
Depreciation expense	-	(3,397,317)	(365,916)	(1,212,126)	(2,810,666)	-	(7,786,025)
Balance at 31 March 2020	-	(17,478,379)	(805,049)	(11,237,023)	(2,810,666)	-	(32,331,117)
Balance at 1 April 2020	-	(17,478,379)	(805,049)	(11,237,023)	(2,810,666)	-	(32,331,117)
Eliminated on disposals of assets	-	472,202	-	180,247	-	-	652,449
Depreciation expense	-	(3,547,801)	(313,404)	(1,453,893)	(2,957,326)	-	(8,272,424)
Balance at 31 March 2021	-	(20,553,978)	(1,118,453)	(12,510,669)	(5,767,992)	-	(39,951,092)
Carrying amount							
As at 31 March 2020	27,412,000	50,403,001	1,070,632	3,387,653	3,277,825	-	85,551,111
As at 31 March 2021	25,100,000	46,500,001	757,228	3,353,466	701,831	2,123,334	78,535,860

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 2021 is N$ 27,420,490 (2020: N$ 29,851,255).

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 2021. 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.

During the current year the valuation method for the DFN building has been changed from from a level two valuation to a level three valuation to ensure the property is compared to available substitutes and/or alternative investment opportunities taking into consideration the

probable building costs for similar properties. During the year, the Bank commenced the construction of the New Erongo Regional Office for the Development Bank of Namibia situated in Walvis Bay. As at the year ended 31 March 2021, the building was still under construction

Details of the Bank's freehold land and buildings and information about the fair value hierarchy as at 31 March 2021 are as follows:

N$ 2021	Level 1	Level 2	Level 3	Total
Land	-	3,800,000	21,300,000	25,100,000
Buildings	-	-	46,500,000	46,500,000
	-	3,800,000	67,800,000	71,600,000

N$ 2020	Level 1	Level 2	Level 3	Total
Land	-	7,412,000	20,000,000	27,412,000
Buildings	-	10,403,000	40,000,000	50,403,000
	-	17,815,000	60,000,000	77,815,000

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

N$	Level 2		Level 3		
2021	Land	Buildings	Land	Buildings	Total
Fair value at 1 April 2020	7,412,000	10,403,000	20,000,000	40,000,000	77,815,000
Additions	-	76,066	-	62,591	138,657
Fair value gains or (losses) recognised in other comprehensive income	1,388,000	1,021,999	(3,700,000)	50,126	(1,239,875)
Transfers between level 2 and 3	(5,000,000)	(9,300,000)	5,000,000	9,300,000	-
Disposals	-	(1,565,981)	-	-	(1,565,981)
Depreciation recognised in profit or loss	-	(635,084)	-	(2,912,717)	(3,547,801)
Fair value at 31 March 2021	3,800,000	-	21,300,000	46,500,000	71,600,000

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$73,521,489 (2020: N$81,690,664) and using more negative reasonable assumptions to N$69,275,699 (2020: N$73,910,600).

17. Equity investments

N$ **Equity investments - unlisted**	Amazing Kids Private School (Pty) Ltd	Norsad Finance Ltd	Ohorongo Cement (Pty) Ltd	Total
Fair valued amount	*28.75% Shareholding*	*5.58% Shareholding*	*11.73% Shareholding*	
Balance at 1 April 2019	-	42,439,702	239,262,645	281,702,347
Fair value adjustment	-	3,349,647	(12,262,645)	(8,912,998)
Balance at 31 March 2020 at FVOCI	-	45,789,349	227,000,000	272,789,349
Loan conversion	10,000,000	-	-	10,000,000
Fair value adjustment	-	1,895,313	(17,000,000)	(15,104,687)
Balance at 31 March 2021 at FVOCI	10,000,000	47,684,662	210,000,000	267,684,662
Dividend income recognised in profit or loss	-	-	-	-

The DBN designated the above equity investments as at FVOCI. 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 discounted cash flow methods. Refer to Note 29 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 2019	11,833,892	5,190,450	17,024,342
Additions	398,136	4,706,084	5,104,220
Monetary grant	-	(5,218,189)	(5,218,189)
Transfers	-	-	-
Balance at 31 March 2020	12,232,028	4,678,343	16,910,371
Balance at 1 April 2020	12,232,028	4,678,343	16,910,371
Additions	275,000	3,015,465	3,290,465
Monetary grant	-	(759,500)	(759,500)
Transfers	-	-	-
Balance at 31 March 2021	12,507,028	6,934,308	19,441,336
Accumulated amortisation and impairment			
Balance at 1 April 2019	(11,423,696)	-	(11,423,696)
Amortisation for the year	(285,489)	-	(285,489)
Balance at 31 March 2020	(11,709,185)	-	(11,709,185)
Balance at 1 April 2020	(11,709,185)	-	(11,709,185)
Amortisation for the year	(298,636)	-	(298,636)
Balance at 31 March 2021	(12,007,821)	-	(12,007,821)
Carrying amount			
As at 31 March 2020	522,843	4,678,343	5,201,186
As at 31 March 2021	499,207	6,934,308	7,433,515

19. Trade and other liabilities

N$	2021	2020
Trade payables	4,618,540	11,000,803
Credit Guarantee Scheme Funding	-	48,978,000
Salary related payables	12,377,016	21,790,003
Receiver of Revenue	427,227	369,393
Lease liabilities (19.1)	743,002	3,448,183
GiZ Funding	5,433,334	-
	23,599,119	85,586,382

Trade payables principally comprise of amounts outstanding for trade purchases and ongoing costs. Credit Guarantee Scheme Funding was payable to NASRIA. The GIZ funding includes unutilized grant funding of N$3,806,703 that will be repaid and grant funding used to support a SME mentoring and coaching pilot program. The Directors consider that the carrying amount of trade payables approximates their fair value due to their short-term nature.

19.1 Reconciliation of lease liabilities

NS	Total	Office & parking space	IT equipment	Office equipment
Balance at 1 April 2019	6,088,490	2,828,456	2,664,228	595,806
Interest expense	341,948	152,675	158,733	30,540
Payments	(2,982,256)	(1,285,631)	(1,437,305)	(259,320)
Balance at 31 March 2020	3,448,182	1,695,500	1,385,656	367,026
Balance at 1 April 2020	3,448,182	1,695,500	1,385,656	367,026
Additions	381,332	322,827	-	58,505
Interest expense	151,987	79,912	51,649	20,426
Payments	(3,238,499)	(1,525,259)	(1,437,305)	(275,935)
Balance at 31 March 2021	743,002	572,980	-	170,022

Income statement recognition of leased related expenditure

N$	2021	2020
Depreciation on right of use assets	2,957,326	2,810,666
Expenses relating to short-term leases	330,894	506,560
Total included in operating expenditure	3,288,220	3,317,226
Interest expense	151,987	341,948

19.2 Term loan facilities

N$	2021	2020
Opening balance	233,000,000	233,000,000
Interest payable	19,314,596	19,314,596
Interest paid	(19,314,596)	(19,314,596)
Repayments	(233,000,000)	-
Closing balance	-	233,000,000
Comprising of		
Term loan from banks	-	200,000,000
Fixed term cash deposits	-	33,000,000
	-	233,000,000

The medium-term loan 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 2021.

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. These liabilities have been fully repaid in the current year.

19.3 Line of credit facility

N$	2021	2020
Opening balance	4,048,129,370	4,050,767,808
Drawn	500,000,000	-
Interest payable	214,851,863	315,555,288
Interest paid	(262,981,233)	(366,323,096)
Accrued interest	30,534,603	48,129,370
	4,530,534,603	4,048,129,370

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 instalment will be payable on 1 August 2021.

19.4 Bonds

N$	2021	2020
Opening balance	624,284,482	725,067,502
Interest payable	37,452,856	61,650,559
Interest paid	(41,737,338)	(66,718,061)
Repayments	(391,000,000)	(100,000,000)
Accrued interest	1,581,119	4,284,482
	230,581,119	624,284,482

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 a fixed rate. DBN20A1, DBN20B and DBN23 are 5-year fixed-rate notes paying interest and principal semi-annually in arrears.

19.5 Fixed term facility

N$	2021	2020
Opening balance	1,054,996,252	1,448,574,297
Interest payable	63,906,380	123,244,447
Interest paid	(79,419,014)	(145,512,653)
Accrued interest	5,387,144	15,512,634
Capital repayment	(500,378,757)	(386,822,473)
	544,492,005	1,054,996,252

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

DBN entered into an agreement to obtain financing of N$1,500,000,000 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$	2021	2020
Deposit by NEF	81,256,112	156,881,163
Interest accrued on deposit	154,981	594,461
Accrued interest	(154,981)	(594,461)
Deposit at Standard Bank of Namibia	(81,256,112)	(156,881,163)
	-	-

NEF Call deposit earning a tiered interest rate at 5.25% monthly.

19 Trade and other liabilities (continued)

19.6 Credit line facility

N$	2021	2020
Opening balance	112,757,242	120,375,000
New loan: credit line	120,375,000	-
Interest payable	11,440,132	4,191,744
Interest paid	(14,289,765)	(4,191,744)
Accrued interest	5,388,253	2,849,633
Capital repayment	(20,934,783)	(10,467,391)
	214,736,079	112,757,242

Twelve-year climate related credit line with KfW. Repayment of principal and interest is payable semi-annual in arrears.

19.7 Relief loan facility

N$	2021	2020
Opening balance	450,000,000	-
Interest payable	-	-
Interest paid	-	-
Accrued interest	822,637	-
	450,822,637	-

19.8 Reconciliation of movements of liabilities to cash flows arising from financing activities

N$	2021 Other loans and borrowings	2020 Other loans and borrowings
Balance at beginning of year	6,073,167,346	6,457,409,607
Changes from financing cash flows:		
Funding liabilities raised relief loan scheme	450,000,000	-
Funding liabilities raised fixed term facility	500,000,000	-
Funding liabilities raised credit line facility	120,375,000	120,375,000
Funding liabilities paid term loan	(233,000,000)	-
Funding liabilities paid bonds	(391,000,000)	(100,000,000)
Funding liabilities paid fixed term facility	(500,378,756)	(386,822,473)
Funding liabilities paid credit line facility	(20,934,783)	(10,467,391)
Total changes from financing activities excluding dividends and credit guarantee scheme funding	(74,938,539)	(376,914,864)
Other changes		
Liability-related:		
Interest expense	312,647,685	516,681,833
Interest paid	(339,710,048)	(524,009,230)
Total liability-related other changes	(27,062,363)	(7,327,397)
Balance at end of year	5,971,166,444	6,073,167,346

Total changes from financing activities (excluding dividends and credit guarantee scheme funding)	(74,938,539)	(376,914,864)
Current liabilities credit guarantee scheme funding received Dividends paid	-	48,978,000
Dividends paid	-	(21,168,310)
Total changes from financing activities	(74,938,539)	(349,105,174)

20. Dividends retained for redeployment

N$	2021	2020
Balance at beginning of year	49,510,183	55,501,769
Dividend declared from retained earnings	-	-
Repayments	400,000	-
Disbursements	(5,470,705)	(5,991,586)
Client Support & Development Fund	(133,057)	(1,576,322)
Innovation Fund	(443,089)	(821,828)
Youth Program Fund	(1,002,197)	-
Skill based Fund	(1,022,188)	-
Project Preparation Fund	(2,870,174)	(3,593,436)
Balance at end of year	44,439,478	49,510,183

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

Balance at end of year	44,439,478	49,510,183
General retained dividend reserve	-	-
Client Support & Development Fund	5,579,006	5,712,063
Innovation Fund	252,110	695,199
Project Preparation Fund	11,583,321	14,053,495
Skill-based Facility Fund	20,027,238	21,049,426
Youth Program Fund	6,997,803	8,000,000

21. Share capital and share premium

N$	2021	2020
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 on issue of shares	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$	2021	2020
Balance at beginning of year	54,235,339	56,246,966
(Loss) / Gain on revaluation of land and buildings	(1,177,599)	(2,011,627)
Balance at end of year	53,057,740	54,235,339

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

22.2 Fair value reserve

N$	2021	2020
Balance at beginning of year	(11,185,142)	(2,272,144)
FV adjustment on FVOCI equity investment financial asset	(15,104,687)	(8,912,998)
Balance at end of year	(26,289,829)	(11,185,142)

The fair value reserve comprises all fair value adjustments for FVOCI equity investments.

22 Reserves (continued)

	2021	2020
Net balance of reserves at the end of the year	26,767,911	43,050,197

23. Loan commitments and contingent liabilities

N$	2021	2020
Contingent liabilities		
Commitments in respect of loans approved	446,806,263	821,775,884
Guarantees issued	166,830,226	159,637,473
Letters of credit	4,387,499	3,213,708
Performance and demand guarantees	162,442,727	156,423,765
	613,636,489	981,413,357

23.1 Contingent liabilities

N$	Note	2021				2020
		Stage 1	Stage 2	Stage 3	Total	Total
Loan commitments						
Risk category	28.2	351,431,387	29,434,711	65,940,165	446,806,263	821,775,884
		351,431,387	29,434,711	65,940,165	446,806,263	821,775,884
Impairment provision		-	-		-	-
Carrying amount		351,431,387	29,434,711	65,940,165	446,806,263	821,775,884
Guarantees issued						
Risk category						
A		87,712,514	1,418,682	-	89,131,196	112,337,826
B		-	38,262,512	-	38,262,512	7,572,867
C		-	-	1,150,000	1,150,000	7,071,235
D		-	-	2,689,111	2,689,111	3,222,827
E		-	-	35,597,407	35,597,407	29,432,718
		87,712,514	39,681,194	39,436,518	166,830,226	159,637,473
Impairment provision		(37,955)	(32,444)	(5,675,983)	(5,746,382)	(3,357,488)
Carrying amount		87,674,559	39,648,750	33,760,535	161,083,844	156,279,985

No ECL is provided on the loan commitments as the loan commitments are revocable. Refer to Note 28.2 for additional information on the risk categories.

24. Capital commitments

N$	2021	2020
Capital expenditure authorised:		
Not yet contracted for	10,000,000	100,000

25. Lease commitments

N$	2021	2020
Short-term lease commitments / Operating lease commitments:		
Buildings	720,000	-
Office equipment and leased lines	100,988	82,209
	820,988	82,209
To be incurred as follows:		
Up to 1 year	633,663	27,403
2 – 5 years	187,325	54,806
	820,988	82,209

Office equipment under a full maintenance lease agreement renewable annually.

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 a 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$11,243,314 (2020: N$10,923,890).

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$	2021	2020
Dividends declared	-	21,168,310

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$	2021	2020
Compensation	12,820,094	11,966,716
Pension benefits	1,392,564	1,882,389
Other short-term benefits	649,459	507,468
	14,862,117	14,356,573

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$	2021		2020		2021		
Related party	Outstanding balance	Interest charged	Outstanding balance	Interest charged	ECL provision	Collateral held	*Principal type of collateral held*
Instalment Sales							
Namibian Ports Authority	-	-	(2,759)	-	-	-	*Notarial bond*
Preference shares advance							
Seaflower Whitefish Corporation	50,696,730	1,894,376	48,802,353	3,047,185	-	25,600,000	*Government guarantee*
Term loans							
Erongo Regional Electricity Distributor Company	297,291,424	25,915,294	326,116,798	32,459,978	-357,526	94,545,133	*Commercial property & cash*
Meat Corporation of Namibia	385,410,385	23,651,492	169,898,133	11,425,203	-126,316	415,919,500	*Government guarantee, industrial properties & farmland*
Namibia Power Corporation	16,602,240	689,910	21,771,491	1,560,232	-90,457	-	*None*
Namibia Wildlife Resorts	92,659,564	6,316,828	86,342,736	8,513,578	-	91,500,000	*Government guarantee*
Namibian Ports Authority	-	-	-	-	-	-	*Commercial property*
Nampost Financial Brokers	-	1,326,089	30,451,223	2,391,942	-	-	*Cash*
National Energy Fund	3,342,727,501	231,596,312	3,817,319,380	376,560,656	-42,974	3,496,800,177	*Government guarantee & cash flow*
Seaflower Whitefish Corporation	12,221,402	694,291	15,361,965	1,289,781	-	38,500,000	*Government guarantee*
Telecom Namibia	-	1,192,552	29,999,660	4,028,921	-	-	*Letter of comfort*
The Government of the Republic of Namibia	245,095,312	31,027,806	343,227,910	40,974,519	-	242,665,993	*Cash flow*
	4,442,704,558	324,304,950	4,889,288,890	482,251,995	(617,273)	4,405,530,803	

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.

Comparatives have been restated to conform to disclosures in the year to include accrued interests on loan and advance under loans and advances.

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 Senior Manager: SME Finance, the Head of Credit, the 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.

28. Financial risk management (continued)

28.2 Credit risk (continued)

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$	2021	2020
Cash and short term funds	1,066,681,912	601,368,773
Loans and advances: at carrying amount	7,922,882,111	8,465,903,601
Instalment sales	236,153,835	155,838,045
Term loans	7,609,033,049	8,244,830,308
Preference Share advances	86,358,961	60,951,157
Guarantees honored by Bank	(8,663,734)	4,284,091
Trade and other receivables	4,461,396	5,089,600
Staff home loans and benefits	117,866,651	99,116,912
	9,111,892,070	9,171,478,886
Amounts not recognised on the Statement of Financial Position		
Guarantees	166,830,226	159,637,474
Commitments to borrowers	446,806,263	821,775,884
	9,725,528,559	10,152,892,244

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

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:

Maximum exposure to credit risk

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. For these credit impaired (or 'stage 3') loans, interest income is calculated by applying the effective interest rate to the net carrying value.

Loans and advances to customers at amortised cost

N$ Risk category	2021 Stage 1	2021 Stage 2	2021 Stage 3	2021 Total	2020 Total
A	5,987,144,225	516,542	-	5,987,660,767	7,306,995,424
B	746,926	1,405,042,447	-	1,405,789,373	829,488,746
C	-	-	24,328,888	24,328,888	202,214,102
D	-	-	248,313,217	248,313,217	145,233,041
E	-	-	1,337,566,268	1,337,566,268	872,293,837
Gross value	5,987,891,151	1,405,558,989	1,610,208,373	9,003,658,513	9,356,225,150
Impairment allowances	(51,356,688)	(181,483,366)	(847,936,349)	(1,080,776,403)	(890,321,549)
Carrying amount	5,936,534,463	1,224,075,623	762,272,024	7,922,882,110	8,465,903,601

Instalment sales to customers at amortised cost

N$ Risk category	2021 Stage 1	2021 Stage 2	2021 Stage 3	2021 Total	2021 *Collateral held*	2020 Total	2020 *Collateral held*
A	135,871,625	516,520		136,388,145	*116,596,634*	69,092,024	*110,740,265*
B	746,926	65,093,254	-	65,840,180	*40,247,196*	21,593,256	*18,027,681*
C	-	-	4,656,205	4,656,205	*5,035,564*	3,209,115	*3,464,409*
D	-	-	11,776,714	11,776,714	*9,047,913*	13,158,496	*10,670,841*
E	-	-	108,879,631	108,879,631	*33,095,475*	143,271,925	*53,897,975*
Gross value	136,618,551	65,609,774	125,312,550	327,540,875	*204,022,782*	250,324,816	*196,801,171*
Impairment allowances	(11,753,535)	(6,552,491)	(73,108,716)	(91,414,742)		(94,486,770)	
Carrying amount	124,865,016	59,057,283	52,203,834	236,126,133		155,838,046	

Preference shares to customers at amortised cost

N$ Risk category	2021 Stage 1	2021 Stage 2	2021 Stage 3	2021 Total	2021 *Collateral held*	2020 Total	2020 *Collateral held*
A	-	-	-	-	-	18,067,162	*25,600,000*
B	-	90,051,220	-	90,051,220	-	48,802,353	*5,337,000*
C	-	-	-	-	*37,404,935*	-	-
D	-	-	-	-	-	-	-
E	-	-	-	-	-	-	-
Gross value	-	90,051,220	-	90,051,220	*37,404,935*	66,869,515	*30,937,000*
Impairment allowances	-	(3,692,259)	-	(3,692,259)		(10,589,945)	
Carrying amount	-	86,358,961	-	86,358,961		56,279,570	

Term loans to customers at amortised cost

N$ Risk category	2021 Stage 1	2021 Stage 2	2021 Stage 3	2021 Total	2021 *Collateral held*	2020 Total	2020 *Collateral held*
A	5,868,861,127	-	-	5,868,861,127	*5,499,675,498*	7,224,031,769	*6,480,847,524*
B	-	1,248,679,992	-	1,248,679,992	*1,046,584,012*	758,783,971	*533,823,440*
C	-	-	19,520,359	19,520,359	*10,744,000*	199,151,629	*107,545,521*
D	-	-	236,385,496	236,385,496	*98,990,738*	131,417,182	*81,245,098*
E	-	-	1,215,536,797	1,215,536,797	*653,106,804*	718,004,690	*385,186,549*
Gross value	5,868,861,127	1,248,679,992	1,471,442,652	8,588,983,771	*7,309,101,052*	9,031,389,241	*7,588,648,132*
Impairment allowances	(39,565,201)	(171,206,172)	(769,151,650)	(979,923,023)		(786,558,933)	
Carrying amount	5,829,295,926	1,077,473,820	702,291,002	7,609,060,748		8,244,830,308	

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

Guarantees to customers at amortised cost

N$ Risk category	2021 Stage 1	Stage 2	Stage 3	Total	*Collateral held*	2020 Total	*Collateral held*
A	(17,588,529)	22	-	(17,588,507)	*19,366,456*	(4,195,529)	*24,841,130*
B	-	1,217,981	-	1,217,981	*16,658,323*	309,165	*3,163,000*
C	-	-	152,326	152,326	-	(146,642)	-
D	-	-	151,007	151,007	*1,380,000*	657,363	*2,200,000*
E	-	-	13,149,841	13,149,841	*10,359,000*	11,017,222	*8,379,000*
Gross value	(17,588,529)	1,218,003	13,453,174	(2,917,352)	*47,763,779*	7,641,579	*38,583,130*
Impairment allowances	(37,952)	(32,444)	(5,675,983)	(5,746,379)		(3,357,488)	
Carrying amount	(17,626,481)	1,185,559	7,777,191	(8,663,731)		4,284,091	

N$ 2021 Risk category	Instalment sales	Preference shares	Term loans	Guarantees	Total	*Collateral held*
A	136,388,145	-	5,868,861,126	(17,588,507)	5,987,660,764	*5,635,638,588*
B	65,840,180	90,051,220	1,248,679,992	1,217,981	1,405,789,373	*1,140,894,466*
C	4,656,205	-	19,520,359	152,326	24,328,890	*15,779,564*
D	11,776,714	-	236,385,496	151,007	248,313,217	*109,418,651*
E	108,879,631	-	1,215,536,797	13,149,841	1,337,566,269	*696,561,279*
Gross value	327,540,875	90,051,220	8,588,983,770	(2,917,352)	9,003,658,513	*7,598,292,548*
Impairment allowances	(91,414,742)	(3,692,259)	(979,923,023)	(5,746,379)	(1,080,776,403)	
Carrying amount	236,126,133	86,358,961	7,609,060,747	(8,663,731)	7,922,882,110	

N$ 2020 Risk category	Stage 1	Stage 2	Stage 3	Total	*Collateral held*
A	6,543,663,075	763,332,349	-	7,306,995,424	*6,628,233,854*
B	73,772,860	755,715,886	-	829,488,746	*580,614,121*
C	-	-	202,214,102	202,214,102	*112,389,929*
D	-	-	145,233,041	145,233,041	*91,915,940*
E	-	-	872,293,837	872,293,837	*449,663,524*
Gross value	6,617,435,935	1,519,048,235	1,219,740,980	9,356,225,150	*7,862,817,368*
Impairment allowances	(37,086,826)	(234,064,014)	(619,170,709)	(890,321,549)	
Carrying amount	6,580,349,109	1,284,984,221	600,570,271	8,465,903,601	

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

	Risk category	2021 Stage 1	Stage 2	Stage 3	Total
Staff home loans and benefits (100% collateral)	*A*	117,866,651	-	-	117,866,651
Staff study loans	A	1,202,311	-	-	1,202,311
Trade receivables	A	4,249,792	-	-	4,249,792
Gross value		123,318,754	-	-	123,318,754
Impairment allowances		-	-	-	-
Carrying amount		123,318,754	-	-	123,318,754

	Risk category	2020 Stage 1	Stage 2	Stage 3	Total
Staff home loans and benefits (100% collateral)	A	99,116,912	-	-	99,116,912
Staff study loans	A	1,169,310	-	-	1,169,310
Trade receivables	A	4,255,164	-	-	4,255,164
Notional value		104,541,386	-	-	104,541,386
Impairment allowances		-	-	-	-
Carrying amount		104,541,386	-	-	104,541,386

		2021			2020		
N$	Risk category	Gross amount	Impairment allowances	Carrying amount	Gross amount	Impairment allowances	Carrying amount
Staff home and study loans and benefits	A	119,068,962	-	119,068,962	100,286,222	-	100,286,222
Trade receivables	A	4,249,792	-	4,249,792	4,255,164	-	4,255,164
Carrying amount		123,318,754	-	123,318,754	104,541,386	-	104,541,386

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. Collateral values do not include collateral not readily convertible to cash or without reasonable determined value, for those collateral the Bank will 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	2021 Risk Value of Security ('RVS')	2020 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: 70% to 90% of realisable market value • Commercial properties: 60% to 80% of realisable market value • Industrial properties: 50% to 70% of realisable market value
Movable assets	• 60% of net present market value	• 60% of net present market value
Intangible assets	• 0% - 60% of net present market value	• 0% - 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	• 70% of surrender value
GRN and SOE guaranteed cash flows *(e.g. GRN loan repayments & ceded NEF strategic fuel storage levy)*	• 100% of exposure	• 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 2021, the net carrying amount of credit-impaired loans and advances to corporate customers amounted to N$762,272,027 (2020: N$ 600,570,272) and the value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to N$822,696,994 (2020: N$653,969,392). 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$1,130,000 (2020: N$3,360,000).

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

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 (SICR)

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
- 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 judgment.

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 credit impaired) 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 IFRS 9 stages and recognition of expected credit losses. For additional information please refer to Measurement of ECL section later.

Staging table

Internal classification		IFRS 9 stages	Credit risk	Recognition of expected credit losses
A	Pass / Acceptable	Stage 1: Performing	Performing; not impaired on initial recognition	12-months
B	Watch / Special Mention	Stage 2: Under-performing	Credit quality significantly deteriorated; not impaired	Lifetime
C D E	Sub-standard Doubtful Loss	Stage 3: Non-performing	Specifically identified as impaired	Lifetime

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. Management determines credit risk at a client level and not on an individual financial instrument level as the Bank believes this provides the most reliable assessment of credit risk. Consequently a client's credit risk assessment is assigned to all of the client's financial instruments.

What is considered significant differs for different types of lending, in particular between the Development Portfolio and Enterprise Portfolio. The DP portfolio includes smaller loans (e.g. SMEs), not limited to activities based exclusively on commercial operating principles, but also activities based on socio economic benefit with an inherent higher risk rating. The Government over the years provided grant funding for the SDF activities which form part of this portfolio. The DP portfolio exposure is limited to 10% of the total loan book based on the approved strategy. The DP portfolio exposure was N$ 302 million or 3.6% of total loan and advances at 31 March 2021 (N$224 million or 2.6% of total loan and advances). Accounts with a turnover of less than N$ 10 million qualify to be in this portfolio with a minimum loan of N$150,000

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 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).

The PDs for some financial assets are determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques at the time of default. Sensitivity analyses were performed by assessing further COVID-19 pandemic and economic change's impact on the PDs. The sensitivity results are disclosed under the forward-looking information.

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 credit impaired 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.

The Bank's approach of using 60 days and 120 days in determining SICR and default is similar to the Bank of Namibia BID2 regulatory classification and industry practice for SICR in Namibia, while the default definition is based on internal risk management practices that adopted 120 days considering that its an unregulated, non-commercial bank with no wide-spread branch representation and without transactional banking facilities. The Bank's quantitative analysis demonstrated only a few clients in number were in these respective aging buckets; 30 to 60 days and 90 to 120 days; and that based on exposure amount, the majority of clients were correctly classified in terms of IFRS 9 stages, the remaining clients were immaterial.

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.

As a consequence of the COVID 19 pandemic certain clients, specifically in the tourism and DP portfolios, were granted payment holidays to reduce the financial impact on the clients. Contractual terms were amended on the system so that clients did not inadvertently trigger migration to IFRS 9 stage 2 due to technical arrears. In addition, the biggest exposures were individually assessed for SICR due to COVID 19 and where required clients were reclassified to Stage 2 at year end.

In addition to the Base case, the Bank has compiled two additional economic scenarios: namely better and worse. In deriving the base case the Bank generates band of probability weighted outcomes that are believed to reflect the underlying credit risk of the PD segment. The Base case will tend to be the mid-point of these ranges, while the better case the lower end and worse case the higher range. This results in the three scenarios summarized as follows according the economic sector exposures.

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

N$

Scenario	Better	Base	Worse
Expected ECL provisioning	1,019,910,773	1,066,151,005	1,095,248,794
Reduction / (Increase) compared to Base case	46,240,232		(29,097,790)
Tourism & hospitality	10,542,856	0	(5,924,638)
Land servicing & housing	11,985,269	0	(4,175,982)
Wholesale & retail trade	7,139,563	0	(3,935,837)
Manufacturing	3,558,435	0	(3,204,599)
Construction	3,521,245	0	(3,142,272)
Education	3,020,642	0	(1,414,838)
Business services	1,204,504	0	(3,203,898)
Health	2,138,071	0	(1,501,660)
Other sectors	3,129,647	0	(2,594,066)

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).

PD is an estimate of the likelihood of default. The Bank segments the loan book into the following classifications:

PD Segmentation table		Ranges per IFRS 9 stage		
PD Segment Description	**PD methodology basis**	**Stage 1**	**Stage 2**	**Stage 3**
GRN / SOE Direct exposures to Government and State-owned enterprises. In most cases GRN is the majority or 100% shareholder. Facilities are supported in some cases by GRN through guarantees, letter of support, budget allocations and cession of income.	Sovereign risk	0.30% – 1.00%	1.00% - 2.00%	100%
Renewable energy Solar and wind power generating plants that have been commissioned with power purchase agreements in place.	Low credit risk, just above sovereign risk	0.70% - 1.50%	10% - 100%	100%
Top accounts Individual client exposures that have individually potentially biggest impairment impact. Selected based various factors, including biggest exposures and biggest arrears.	Clients' individual credit risk assessed and classified into IFRS 9 stages and credit risk profile.	1% - 10%	10% - 100%	100%
Arrear PDs In the case where an account is in arrears, the number of days in arrears will determine the probability of default (PD) as the longer an account is in arrears the higher the probability that this account will default.	In the case where an account is in arrears, the number of days in arrears will determine the PD classification as the longer an account is in arrears the higher the probability that this account will default.	10% - 45%	45% - 100%	100%
Portfolio PDs Enterprise Portfolio (EP) Development Portfolio (DP)	All accounts that were neither individually assessed nor in arrears were assigned a portfolio PD according to the DBN classification of Development Portfolio (DP) or Enterprise Portfolio (EP), IFRS 9 stage and the original loan size whether it was smaller or larger than N$15 million. PD methodology basis	1% - 5% 12% - 22%	10% - 25% 25% - 45%	100% 100%

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.

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.

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.

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$ 407,238,467 as at 31 March 2021 (2020: N$542,744,140).

Write-off policy

As at year-end, DBN has a total balance of N$522,151,799 (2020: N$342,129,952) 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% based on the financial model used for budgeting. As at 31 March 2021 the cash level reserve stood at 31.1% (2020: 18.1%).

N$	2021		2020	
	Fair value	Carrying amount	Fair value	Carrying amount
Cash and balances with banks	161,839,125	161,839,125	159,808,804	159,808,804
Call deposits	904,842,787	904,842,787	441,559,969	441,559,969
Undrawn facilities *	-	470,000,000	-	470,000,000
Total liquidity reserves	1,066,681,912	1,536,681,912	601,368,773	1,071,368,773

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

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

Liquidity reserves

		Contractual cash flows				
N$: 2021	Carrying amount	Demand	1-12 months	1-3 years	3-5 years	Over 5 years
Cash and cash equivalents	1,066,681,912	649,658,186	417,023,726	-	-	-
Trade and other receivables	5,452,103	5,452,103	-	-	-	-
Staff home loans and benefits*	117,866,651	-	9,850,181	29,354,406	9,620,452	119,129,587
Loans and advances to customers	7,922,882,110	-	1,359,151,563	2,628,884,717	2,107,505,751	4,087,633,747
Total financial assets	9,112,882,776	655,110,289	1,786,025,470	2,658,239,123	2,117,126,203	4,206,763,334
Liabilities						
Trade and other payables	(23,599,119)	-	(23,291,317)	(307,802)	-	-
Bonds issued	(230,581,119)	-	(118,140,803)	(139,510,890)	-	-
Credit line facility	(214,736,079)	-	(35,031,403)	(65,724,470)	(63,553,321)	(120,967,436)
Relief Loans	(450,822,637)	-	(52,813,132)	(190,919,757)	(178,100,697)	(84,215,707)
Fixed term facility	(544,492,005)	-	(102,826,397)	(160,453,298)	(294,128,055)	(191,634,055)
Line of credit facility	(4,530,534,603)	-	(480,327,064)	(1,114,251,524)	(1,052,060,934)	(3,075,358,831)
Total liabilities	(5,994,765,562)	-	(812,430,116)	(1,671,167,741)	(1,587,843,007)	(3,472,176,029)
Net liquidity excess/ (gap)	3,118,117,214	655,110,289	973,595,354	987,071,382	529,283,196	734,587,305
Cumulative liquidity excess		655,110,289	1,628,705,643	2,615,777,025	3,145,060,221	3,879,647,526

Liquidity reserves

		Contractual cash flows				
N$: 2020	Carrying amount	Demand	1-12 months	1-3 years	3-5 years	Over 5 years
Cash and cash equivalents	601,368,773	244,923,445	356,445,328	-	-	-
Trade and other receivables	5,424,474	5,424,474	-	-	-	-
Staff home ownership scheme loans*	99,116,912	-	9,796,736	27,192,959	18,141,185	114,944,537
Loans and advances to customers	8,465,903,601	-	1,980,672,069	2,575,572,792	2,064,255,692	4,826,996,132
Total financial assets	9,171,813,760	250,347,919	2,346,914,133	2,602,765,751	2,082,396,877	4,941,940,669
Liabilities						
Trade and other liabilities	(85,586,382)	-	(88,430,622)	(3,466,847)	(151,241)	-
Term loan facilities	(233,000,000)	-	(249,374,589)	-	-	-
Line of credit facility	(4,048,129,370)	-	(186,208,767)	(674,528,505)	(714,772,403)	(4,991,718,622)
Bonds	(624,284,482)	-	(431,367,525)	(227,357,896)	(30,293,797)	-
Fixed term facility	(1,054,996,252)	-	(286,818,688)	(226,363,158)	(284,256,385)	(715,787,246)
Credit line facility	(112,757,242)	-	(20,763,510)	(50,552,180)	(44,772,684)	(5,233,696)
Total financial liabilities	(6,158,753,728)	-	(1,262,963,701)	(1,182,268,586)	(1,074,246,510)	(5,712,739,564)
Net liquidity excess/ (gap)	3,013,060,032	250,347,919	1,083,950,432	1,420,497,165	1,008,150,367	(770,798,895)
Cumulative liquidity excess		250,347,919	1,334,298,351	2,754,795,516	3,762,945,883	2,992,146,988

** Comparative for the fixed term facility revised to correctly reflect the contractual cash flow per period.*

28.4 Market risk

The Asset and Liability Committee (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.

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 2020 would increase/decrease by N$16,154,524 (2019: increase/decrease by N$15,326,666). 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 repricing of the majority of interest earning assets are therefore either immediate on demand or on a short-term base.

Interest rate exposure

		Term to repricing					
N$ 2021 **Assets**	Effective interest rate	Carrying amount	Demand	1-12 months	2 - 5 years	Over 5 years	Non-interest earning / bearing
Cash and cash equivalents	4.05%	1,066,681,912	649,658,186	417,023,726	-	-	-
Trade and other receivables	-	5,452,103	-	-	-	-	5,452,103
Staff home loans and benefits	4.03%	117,866,651	117,866,651	-	-	-	-
Loans and advances to customers	7.79%	7,922,882,110	4,088,864,461	3,582,101,415	242,665,993	9,250,241	-
Total financial assets		9,112,882,776	4,856,389,298	3,999,125,141	242,665,993	9,250,241	5,452,103
Liabilities							
Bonds	8.85%	(230,581,119)	-	-	(230,581,119)	-	-
Line of credit facility	4.71%	(4,530,534,603))	-	(4,530,534,603)	-	-	-
Fixed term facility	6.14%	(544,492,005)	-	(544,492,005)	-	-	-
Relief loans	0.00%	(450 000 000)	-	-	-	(450,000,000)	-
Trade and other liabilities	-	(34,599,119)	-	-	-	-	(34,599,119)
Dividends retained for redeployment	-	(44,439,478)	-	-	-	-	(44,439,478)
Total financial liabilities		(5,834,646,326)	-	(5 075,026,608)	(230,581,119)	(450,000,000)	(79,038,597)
Net interest sensitivity excess / (gap)		3,278,236,450	4,856,389,298	(1,075,901,467)	12,084,874	(440 749 759)	(73,586,494)

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

Interest rate exposure

N$ 2020 **Assets**	Effective interest rate	Carrying amount	Term to repricing Demand	1-12 months	2 - 5 years	Over 5 years	Non-interest earning / bearing
Cash and cash equivalents	6.34%	601,368,773	244,923,445	356,445,328	-	-	-
Trade and other receivables	-	5,424,474	-	-	-	-	5,424,474
Staff home loans and benefits	6.60%	99,116,912	99,116,912	-	-	-	-
Loans and advances to customers	10.21%	8,465,903,601	4,225,444,439	3,892,219,718	348,239,444	-	-
Total financial assets		9,171,813,760	4,569,484,796	4,248,665,046	348,239,444	-	5,424,474
Liabilities							
Term loan facilities	6.96%	(233,000,000)	(33,000,000)	(200,000,000)	-	-	-
Bonds	8.64%	(624,284,482)	-	(291,000,000)	(333,284,482)	-	-
Line of credit facility	7.43%	(4,048,129,370)	-	(4,048,129,370)	-	-	-
Fixed term facility	9.06%	(1,054,996,252)	-	(1,054,996,252)	-	-	-
Credit line facility	6.91%	(112,757,242)	-	(112,757,242)	-	-	-
Trade and other liabilities	-	(85,586,382)	-	-	-	-	(85,586,382)
Dividends retained for redeployment	-	(49,510,183)	-	-	-	-	(49,510,183)
Total financial liabilities		(6,208,263,911)	(33,000,000)	(5,706,882,864)	333,284,482)	-	(135,096,565)
Net interest sensitivity excess / (gap)		2,963,549,849	4,536,484,796	(1,458,217,818)	14,954,962	-	(129,672,091)

The interest repricing gap between the 1-12 month category results from the mismatch between prime-linked assets (included under Demand category) and JIBAR-linked liabilities (repriced quarterly).The potential shift in the spread between SA Prime rate and JIBAR over any period of time poses a risk to the bank. Although hedging strategies can be put in place to manage this risk, management is of view that this risk is minimal as historically, there has been a perfect correlation between SA Prime rate and JIBAR and equally between SA Prime rate and Nam Prime rate.

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

N$	2021	2020
Loans and advances	-	-
Equity investments	47,684,662	45,789,349

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 16.41 (2020: 17.86) was applied at year end and a movement of 10% was added or deducted to calculate the sensitivity.

N$	2021	2020
Profit or loss	4,768,466	4,578,935

The sensitivity analysis represent the change in the foreign currency rate used at yearend to convert the equity investment amount. In management's opinion, the Bank's foreign currency exposure is therefore very limited and does not pose a risk to the Bank's operation.

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 2021 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 2021 would increase/decrease by N$13,934,233 (2020: N$13,639,467).

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 83% (2020: 73%), while the target per the financial model was 61%.

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 balance sheet assets (as shown on the Statement of Financial position) after applying the relevant risk weights for each asset category.

N$	2021	2020
Share capital	165,000,000	165,000,000
Share premium	1,842,071,178	1,842,071,178
Retained earnings plus reserves	1,320,020,317	1,320,020,317
	3,327,091,495	3,327,091,495

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.

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 its 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 thefair value measurement is categorized. The amounts are based on the values recognised in the Statement of Financial Position.

N$ 2021	Note	Level 1	Level 2	Level 3	Total
Equity investments at FVOCI					
Equity investments	17	-		267,684,662	267,684,662
Financial assets		-	-	267,684,662	267,684,662

N$ 2020	Note	Level 1	Level 2	Level 3	Total
Equity investments at FVOCI					
Equity investments	17	-	-	272,789,349	272,789,349
Financial assets		-	-	272,789,349	272,789,349

29 Fair value of financial instruments (continued)

The Ohorongo valuation model is sensitive to changes in forecasted sales volume. Forecasted sales is assumed to be based on 2020 actual escalated with a Namibian GDP forecast view plus a 2%-point growth adjustment for local sales and a more aggressive expansionary growth rate for export sales. If the forecast view is reduced by 2% annually (the additional growth adjustment factor) and the export growth removed, the valuation drops to N$193 million. This represents the worst-case result of the model. The best-case result produces a valuation of N$239 million, with the view that export sales remain the same as the base case, but the local sales growth factor increases to 5%-points from 2% in the base-case. Base-case overall plant utilisation growth is assumed, but is limited to less than 60% utilisation within the five-year view. The selling price view is assumed to be CPI linked, with the base-case assuming a two-year 1%-point reducing adjustment to CPI growth. The key assumption used in the valuation model is disclosed in note 28.5,

The Norsad valuation key sensitivity is to foreign currency fluctuation with the sensitivity disclosed in note 28.5.

The Amazing Kids key assumption use for the valuation model is disclosed in note 28.5.

Reconciliation of financial instruments

N$ 2021	Equity investments	Total
Balance at 1 April 2020	272,789,349	272,789,349
Loan conversion	10,000,000	10,000,000
Total (loss) / gain recognised in other comprehensive income	(15,104,687)	(15,104,687)
Fair value at 31 March 2021	267,684,662	267,684,662

N$ 2020	Equity investments	Total
Balance at 1 April 2019	281,702,347	281,702,347
Total (loss) / gain recognised in other comprehensive income	(8,912,998)	(8,912,998)
Fair value at 31 March 2020	272,789,349	272,789,349

Equity investments

The fair value of equity investments is determined by using dividend discount methodologies and discounted cash flow (DCF). 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 2021

The fair value was determined by using the discounted cash flow methodology. A minority discount of 18% being applied to determine the fair value of the Bank's investment in Ohorongo, but no marketability discount has been applied as the bank is of the view that significant market interest is available should we consider an exit. The key assumptions on which the valuation is based on are as follows:

1. Production and sales are based on Namibia GDP forecast, and an expected improvement in export volumes.
2. COVID-19 considerations are reflected in the use of the GDP forecast data. An additional N$11 million reduction was made to due to COVID-19.
3. A forecast period of 5 years was used for discounting the projected free cash flow, the Gordon Growth model was used to estimate terminal value.
4. The mid-point weighted average fair rate of return applied is 11.94%.
5. A terminal growth rate of 3.20% is applied.

Applicable to 2020

The fair value was determined by using the discounted cash flow method, and using the market value to calibrate the model. 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:

6. Production and sales are based on Namibia GDP forecast, and an expected improvement in export volumes.
7. COVID-19 considerations are reflected in the use of the GDP forecast data that lowered the Namibian outlook.
8. A forecast period of 5 years was used for discounting the projected free cash flow, the Gordon Growth model was used to estimate terminal value.
9. The mid-point weighted average cost of capital applied is 15.14%.
10. A terminal growth rate percentage of 3.29% was applied.
11. The SENS announcement by West China Cement Limited with regards to the Purchase Sale Agreement in March 2020 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.

Norsad Finance Ltd

The equity investment shareholding was fair valued using the dividend discount model approach. The 2020 dividend was declared, but paid out in a shares issue. The valuation methodology is still deemed appropriate. 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 (2020: GC37) yield rate, with a premium of 300bps for the ordinary shares and no premium applied to the preference shares;
3. A forecast period of six years was used and a multiple of 13.0 (2020: 9.1) times was used to estimate terminal value; and
4. COVID-19 considerations are assumed to be reflected by the use of the weighted SADC forecast data.

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.

Amazing Kids

The fair value was determined by using the discounted cash flow method, The key assumptions on which the valuation is based are as follows:

1. Fair rate of return was assumed to be 11.77%;
2. A minority discount of 18% as well as a marketability discount of 25% is applied to get to the fair value; and
3. Management forecast was used as the bases of the forecast model.

30 Cash flow statement notes

N$	Note	2021	2020
30.1 Cash generated by operations			
Profit for the year		116,522,564	229,101,888
Adjusted for:			
Unwinding of discounted present value on off-market loans		(12,817,660)	(5,247,123)
Net gains / (losses) on initial recognition of financial assets at amortised cost		7,000,752	4,835,839
Depreciation and amortization		8,571,059	8,071,514
Net impairment on loans and advances		155,901,014	132,019,076
Loss/(Gain) on disposal of property and equipment		1,604,919	(117,690)
Government grants received		(14,000,000)	-
Interest on right of use assets		151,987	341,948
Lease payments on right of use assets		(3,191,957)	(2,982,256)
Accrued interest		(27,062,363)	(7,327,397)
Other income reversal		-	2,116,328
IIS reversal and Interest on net non-performing loans per IFRS9		9,356,428	25,637,309
		242,036,743	386,449,436
Increase in trade receivables		(27,629)	1,290,464
Increase in trade payables		(59,210,688)	4,593,026
		182,798,426	392,332,926
30.2 Cash receipts from customers			
Interest received		652,052,077	966,570,666
Bad debts recovered		7,241,721	12,670,023
Fee and dividend income		48,456,758	67,439,621
		707,750,556	1,046,680,310
30.3 Cash paid to suppliers and employees			
Interest paid		(339,710,048)	(524,009,230)
Operating expenditure		(185,242,082)	(130,338,154)
		(524,952,130)	(654,347,384)
30.4 Increase in loans and advances			
Increase in staff home ownership scheme loans		(25,750,491)	(14,629,606)
Increase in loans and advances		381,245,104	(116,132,763)
		355,494,613	(130,762,369)

31 Segment information

A. Basis for segmentation

Operating segments: The Bank considers its banking operations as one operating segment; however, it is including segment reporting to split operations between SME and LE customers. The Bank's lending activities are split between the SME Finance unit and Investment unit which are based on the split of the lending activities.

These two divisions service different segments of the market.

Reportable segments:

- SME Finance (SME) - Loans to SME entities including youth programs (turnover below N$ 10 million)
- Investments (LE) - Loans & equity investments offered to large enterprises (turnover N$ 10 million and higher)

Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Bank's other components, whose operating results are reviewed to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Corporate comprises mainly of revenues, expenses, assets & liabilities that are shared and cannot be reasonable allocated.

B. Income Statement Segmentation

N$:	Note	2021	SME	LE	Corporate
Interest income	4	655,513,309	33,248,456	576,548,002	45,716,851
Interest expense	5	(312,799,672)	(7,519 553)	(305,126 780)	(153,339)
Net interest income	5	342,713,637	25,728,903	271,421,222	45,563,512
Fee and commission income	6	19,256 868	7,699,410	11,557,458	-
Operating income		361,970,505	33,428,313	282,978,680	45,563,512
Other income	7	43,199,890	22,334,952	20,797,338	67,600
Net gains / (losses) on initial recognition of financial assets at amortised cost	9	(7,000,752)	(2,023,079)	(4,977,673)	-
Net impairment on loans and advances	14	(148,659,293)	(69,673,439)	(78,985,854)	-
Operating expenses	8	(132,987,786)	(42,125,298)	(90,862,488)	-
Direct		(40,276,154)	(18,662,013)	(21,614,141)	-
Shared cost allocated		(92,711,632)	(23,463,285)	(69,248,347)	-
Profit before tax		116,522,564	(58,058,551)	128,950,003	45 631 112
Tax expense	10	-	-	-	-
Profit for the year		116,522,564	(58,058,551)	128,950,003	45 631 112
Other comprehensive income, net of income tax		(16,282,266)	-	(15,104,687)	(1,177,599)
Revaluation gain on property	22.1	(1,177 599)	-	-	(1,177,599)
Fair value adjustments on FVOCI equity investment financial assets – IFRS 9	22.2	(15,104 687)	-	(15,104 687)	-
Total comprehensive income		100,240,278	(58,058,551)	113,845,316	44,453,513

N$:	Note	2020	SME	LE	Corporate
Interest income	4	945,254,359	38,342,169	848,164,809	58,747,381
Interest expense	5	(517,023,781)	(17,665,370)	(498,963,867)	(394,544)
Net interest income	5	428,230,578	20,676,799	349,200,942	58,352,837
Fee and commission income	6	23,353,295	8,718,641	14,634,654	-
Operating income		451,583,873	29,395,440	363,835,596	58,352,837
Other income	7	41,969,998	-	41,967,798,	2,200
Fair value adjustments on loans and receivables	9	(4,835,839)	-	-	(4,835,839)
Net impairment on loans and advances	14	(119,349,053)	(43,614,308)	(75,734,745)	-
Operating expenses	8	(140,267,091)	(41,387,776)	(98,879,315)	-
Direct		(38,907,630)	(17,368,417)	(21,539,213)	-
Shared cost allocated		(101,359,461)	(24,019,359)	(77,340,102)	-
Profit before tax		229,101,888	(55,606,644)	231,189,334	53,519,198
Tax expense		-	-	-	-
Profit for the year		229,101,888	(55,606,644)	231,189,334	53,519,198
Other comprehensive income, net of income tax		(10,924,625)	-	(8,912,998)	(2,011,627)
Revaluation gain on property	22.1	(2,011,627)	-	-	(2,011,627)
Fair value adjustments on FVOCI equity investment financial assets – IFRS 9	22.2	(8,912,998)	-	(8,912,998)	-
Total comprehensive income		218,177,263	(55,606,644)	222,276,336	51,507,571

31 Segment information (continued)

C. Balance Sheet Segmentation

N$:	Note	2021	SME	LE	Corporate
Assets					
Cash and cash equivalents	11	1,066,681,912	-	-	1,066,681,912
Trade and other receivables	12	5,452,103	-	-	5,452,103
Staff home loans and benefits	15	117,866,651	-	-	117,866,651
Loans and advances to customers	13	7,922,882,110	446,605,331	7,476,276,779	-
Equity investments	17	267,684,662		267,684,662	-
Property and equipment and right of use assets	16	**78,535,860**	-	-	**78,535,860**
Intangible assets	18	**7,433,515**	-	-	**7,433,515**
Total assets		9,466 536 813	446,605,331	7,743,961,441	1,275,970,041
Liabilities					
Trade and other liabilities	19	23,599,119	-	-	23 599 119
Term loan facilities	19.2	-	-	-	-
Line of credit facility	19.3	4,530,534 603	177,451,462	4,286,889,051	66,194,090
Bonds	19.4	230,581,119	-	230,581,119	-
Fixed term facility	19.5	544,492,005	-	544,492,005	-
Credit line facility	19.6	214,736,079	-	214,736,079	-
Relief loans	19.7	450,822,637	-	-	450,822,637
Dividends retained for redeployment	20	44,439,478	-	-	44,439,478
Total liabilities		6,039,205,040	177,451,462	5,276,698,254	585,055,324
Equity					
Share capital and share premium	21	2,007,071,178	-	-	-
Retained earnings		1,393,492,684	-	-	-
Reserves	22	26,767,911	-	-	-
Total equity		3,427,331,773	269,153,869	2,467,263,187	690,914,717
Total liabilities and equity		9,466 536 813	446,605,331	7,743,961,441	1,275,970,041

31 Segment information (continued)

C. Balance Sheet Segmentation

N$:	Note	2020	SME	LE	Corporate
Assets					
Cash and cash equivalents	11	601,368,773	-	-	601,368,773
Trade and other receivables	12	5,424,474	-	-	5,424,474
Staff home loans and benefits	15	99,116,912	-	-	99,116,912
Loans and advances to customers	13	8,465, 903,601	431,140,083	8,034,763,518	-
Equity investments	17	272,789,349		272,789,349	-
Property and equipment and right of use assets	16	85,551,111	-	-	85,551,111
Intangible assets	18	5,201,186	-	-	5,201,186
Total assets		9,535,355,406	431,140,083	8,307,552,867	796,662,456
Liabilities					
Trade and other liabilities	19	85,586,382	-	-	85,586,382
Term loan facilities	19.2	233,000,000	2,773,763	230,226,237	-
Line of credit facility	19.3	4,048,129,370	48,191,211	3,999,938,159	-
Bonds	19.4	624,284,482	52,962,689	571,321,793	-
Fixed term facility	19.5	1,054,996,252	-	1,054,996,252	-
Credit line facility	19.6	112,757,242	-	112,757,242	-
Relief loans	19.7	-	-	-	-
Dividends retained for redeployment	20	49,510,183	-	-	49,510,183
Total liabilities		6,208,263,911	103,927,663	5,969,239,683	135,096,565
Equity					
Share capital and share premium	21	2,007,071,178	-	-	-
Retained earnings		1,276,970,120	-	-	-
Reserves	22	43,050,197	-	-	-
Total equity		3,327,091,495	327,212,420	2 338,313,184	661,565,891
Total liabilities and equity		9,535,355,406	431,140,083	8,307,552,867	796,662,456