Development Bank of Namibia

INTEGRATED ANNUAL REPORT 2023/24

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Development Bank of Namibia Integrated Annual Report 2023/24

ABOUT THE INTEGRATED REPORT

The Development Bank of Namibia (DBN) Integrated Report offers a holistic and comprehensive evaluation of the Bank's capacity to generate and maintain value for stakeholders, while mitigating value loss. It examines the management of strategy, risks encountered, and DBN's financial, operational, and sustainability performance, alongside the key priorities that could impact value creation in the short, medium, and long term. Our goal is to deliver balanced, transparent, and thorough reporting to support stakeholders in their decision-making processes.

REPORTING BOUNDARY

This Integrated Report details DBN's performance from 1 April 2023 to 31 March 2024. It also addresses risks, opportunities, stakeholder concerns, and outcomes beyond financial reporting boundaries that essentially impact DBN's capacity and ability to create value in the short, medium, and long term. The primary audience for this report is the Government of the Republic of Namibia and its citizens, but it will also interest other stakeholders, including funders, investors, employees, customers, and strategic partners.

KEY FRAMEWORKS APPLIED

Our Integrated Report is prepared in accordance with the January 2021 Integrated Reporting Framework. The financial performance information included in this report is derived from DBN's Annual Financial Statements, which are prepared in compliance with the International Financial Reporting Standards (IFRS).

MATERIALITY DETERMINATION

We consider a matter to be material if it substantively affects our ability to create value over the short, medium, and long- term and/or has a significant impact on DBN, the economy, society, or the environment.

We have considered both matters that affect our enterprise value as well as matters that have an impact on the economy, society, and the environment, that in turn affect our reputation, and social and regulatory license of DBN to operate. We will include all matters affecting our business sustainability and significant impacts that we have noted in our material matters.

Once we have determined matters that are material from a stakeholder, operating environment and enterprise risk perspective, we consolidate these matters into the DBN material matters profile. This profile, in turn, informs our strategic response and direction.

REPORTING ASSURANCE

Our 2023/4 Annual Financial Statements were audited by our external auditors. There is no formal assurance over our integrated reporting however, it is the Board's responsibility to ensure the integrity of the 2023/4 Integrated Report. The Board Audit, Risk and Compliance Committee (ARCC), together with executive management, is responsible for the preparation and presentation of the report and is satisfied that the appropriate systems, procedures, and controls are in place and operated effectively to ensure the integrity of the Integrated Report.

BOARD APPROVAL

The ARCC has reviewed the report and recommended it to the Board for approval. It is the Board's opinion, that this report addresses all material priorities and matters that impact DBN's ability to create value over time and provides a balanced and appropriate review of DBN's strategy and performance. The Board is satisfied that the Integrated Report has been prepared substantially in accordance with the guidelines of the Integrated Reporting Framework. The Board is satisfied that DBN has complied with and operates in conformity with the provisions of the Companies Act, DBN's memorandum of incorporation (MOI) and any other applicable laws relating to its incorporation.

On behalf of the Board

Sarel van Zyl
Chairperson of the Board
31 August 2024

CHAIRPERSON'S **REPORT**

INTRODUCTION

This year we celebrated a significant milestone in our journey - the 20th anniversary of the Development Bank of Namibia (DBN). It is a momentous occasion that calls for reflection, celebration, and renewed commitment to our mission of driving sustainable development and economic empowerment in Namibia.

Our 20-year journey has been marked by resilience, determination, and a steadfast commitment to our core values. We have weathered economic challenges, navigated changing landscapes, and embraced opportunities for growth and impact. Through it all, our focus has remained on serving the people of Namibia and contributing to the sustainable development goals of our nation.

The 2023/24 fiscal year has been a transformative period for the DBN. Our focus on sustainable development, economic resilience, and social impact has guided us through numerous challenges and opportunities. This report provides an overview of our key achievements, strategic initiatives, and future outlook.

DBN: REFLECTING AND SHAPING NAMIBIA'S ECONOMY

DBN aligns its efforts with the current Namibian socio-economic challenges, while also reflecting national aspirations, necessitating a forward-looking approach.

2023/24 OVERVIEW

The 2023/24 period saw the deepening of medium-term challenges from drought, recession, and global economic uncertainty. However, it also brought significant medium to long-term opportunities, such as the exploitation of confirmed oil reserves.

Given the dynamic nature of economic activity and development, institutions like DBN must remain adaptable. This period has highlighted DBN's need for strategic transition to maintain relevance.

IMPLEMENTATION OF INTEGRATED REPORTING

The goal of integrated reporting is to provide a holistic view of value creation over the short, medium, and long term. The Board believes DBN should not only be accountable for past value creation but also establish forward-looking strategies and measures. This report aims to lay the groundwork for future accountability and serve as a template for internal strategy and accountability.

CURRENT FINANCIAL STATUS

DBN is currently facing challenges due to lagging revenue collection from COVID-19 relief initiatives and several non-performing loans, resulting in an accounting loss reflected in the previous financial year and current financial year. These losses are within the high-risk mandate of development finance. DBN has implemented measures to mitigate the impact of non-performing loans and normalize collections, including a portfolio management strategy,

recovery lending supported by the Bank of Namibia and KfW Bankengruppe, and a business rescue initiative.

In addition to limited demand for enterprise and infrastructure financing, DBN's balance sheet growth is further challenged by the rapid repayment of a significant loan to the National Energy Fund (NEF) for constructing the strategic fuel storage facility, driven by cash sweeps. This loan represents a substantial exposure on DBN's balance sheet.

SUSTAINABILITY AND FORWARD-LOOKING STRATEGY

DBN remains sustainable due to its strong capital base. However, its medium to long-term sustainability depends on balance sheet growth and the optimal resumption of repayments. The forward-looking strategy involves ongoing rehabilitation of the non-performing loan book and resumption of balance sheet growth. DBN has initiated a business rescue scheme to identify rescuable businesses, overseen by independent business advisors to ensure objective assessments without the expense of permanent capacity.

Resuming balance sheet growth requires a strategic rebalancing, which includes developing additional financing for large enterprises and infrastructure projects, as well as funding new industries. This approach will also involve extending support to Namibian MSMEs by offering apex microfinance products to microlenders that assist developmentally beneficial MSMEs.

DBN continues to play a crucial role in economic recovery, having launched the low-cost, short-term KfW-supported recovery facility in 2021.

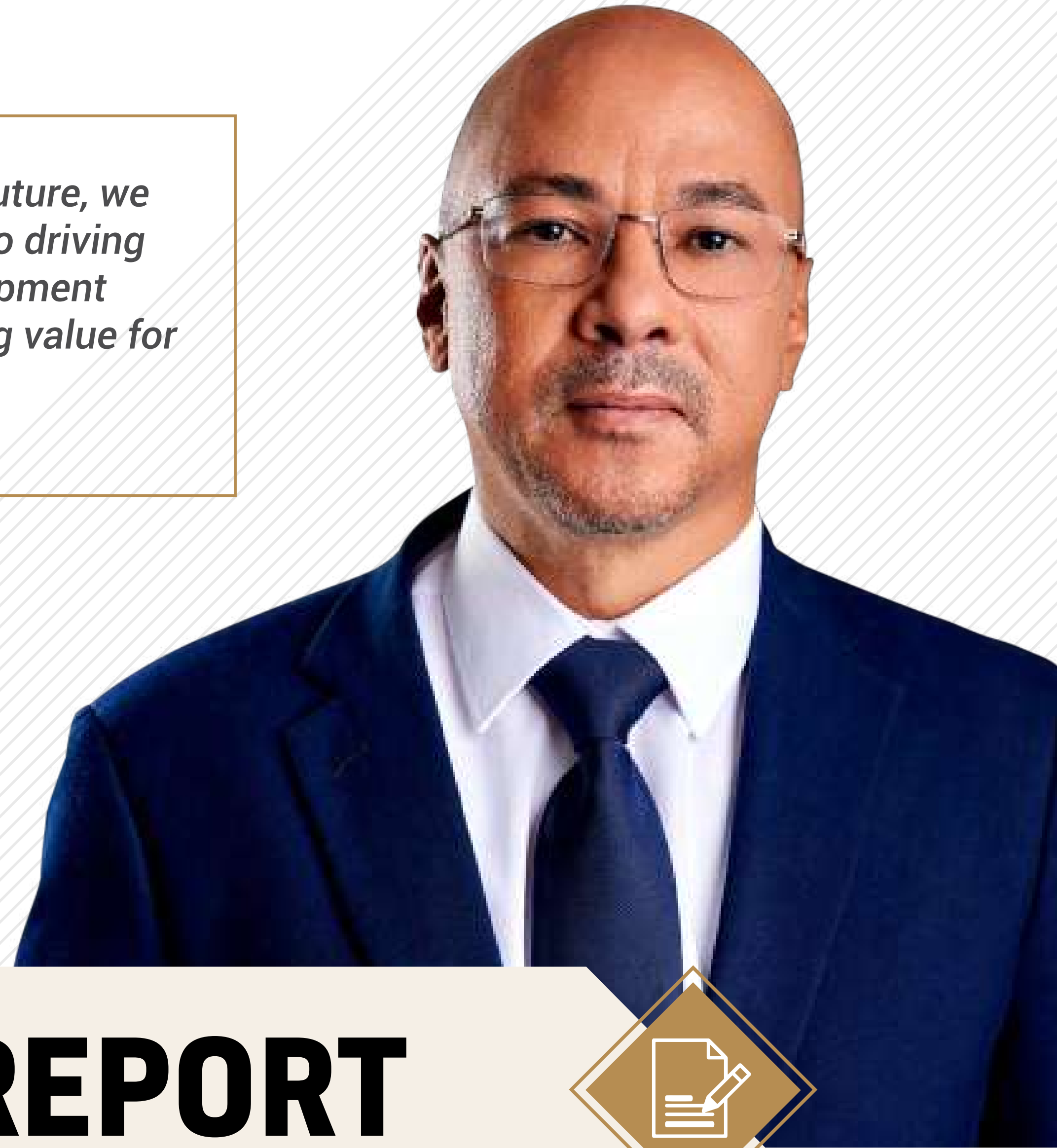
As an implementer of schemes of national importance, DBN supports the National SME Strategy, including the Credit Guarantee Scheme launched in August 2020, the ready-to-roll-out National Mentorship Scheme, and the prototype Venture Capital Fund poised for implementation as a third-party agency.

GRATITUDE

DBN extends immense gratitude to former CEO Martin Inkumbi, who ended his ten-year tenure during the year under review, for his pivotal role in developing one of Namibia's leading institutions.

I would also like to thank the bank's management, under the leadership of our new CEO, Dr. John Steytler, who assumed his role in September 2023. Their continued exemplary stewardship has been instrumental in the development of our new five-year Integrated Strategic Business Plan (ISBP).

Sarel Van Zyl
BOARD CHAIRPERSON



As we look to the future, we remain dedicated to driving sustainable development and creating lasting value for Namibia.

CEO'S **REPORT**

Reflecting on my first nine months as the CEO of the Development Bank of Namibia (DBN), I am honoured to build on the legacy of my predecessor, Martin Inkumbi, who led our institution with distinction as CEO for the past decade. I am pleased to present this report, highlighting our 2023/24 performance, strategic progress, and future outlook.

Assuming leadership of this crucial developmental institution amidst economic challenges is a significant responsibility. My tenure begins at a pivotal moment, as DBN embarks on forward-looking strategies and transformative changes.

STRATEGY REFOCUS

This annual integrated report marks the conclusion of the 2019-2024 Strategic Plan and the launch of DBN's 2024-2029 board-approved Integrated Strategic Business Plan (ISBP), highlighting the Bank's transition from its formative years.

As we embark on the next five years, the 2024-2029 strategic period signifies a new era. Embracing the theme "Let's Develop," the Bank is committed to establishing a clear roadmap to drive Namibia's growth. The strategy also coincides with the Bank's 20th anniversary, celebrated in April 2024, which marks another notable milestone for the Bank, solidifying its footprints on impacting the socio-economic lives of our citizens. Over the past 20 years, the DBN invested over N$21 billion and created over 76,000 jobs for Namibians.

With the development of the new strategic plan, the bank's management and staff have recommitted themselves to positioning DBN as a proactive partner in socio-economic development. Our renewed focus centres on four strategic pillars: Financial Sustainability, People and Culture, Market Positioning, and Development Effectiveness. We have cascaded these pillars throughout the organisation to ensure every employee understands their role in executing our five-year strategy.

To ensure alignment with the bank's mandate, our values were re-evaluated and redefined to drive the change necessary to achieve the bank's vision. The values of Accountability, Integrity, Service Excellence and Transformative, serve as guiding standards to define our culture.

To ensure effective fulfilment of our mandate, clear and strategic interventions focused on embracing new partnerships and developing policy dialogue to focus DBN's activities on solutions for sectors with high productivity gains and job creation potential as well as enhancing customer and overall brand experience were embedded in our strategy.

FINANCIAL SUSTAINABILITY

For the year under review, we committed ourselves to achieving N$ 100 million in profit. While we only attained a net operating profit of N$62 million, 62% of our target, it marks significant progress for the bank. After two consecutive years of net losses, including a loss of N$270 million in 2022/23, our current performance reflects a positive shift.

Similarly, the Net Interest Income, which is a crucial measure of financial sustainability, increased by 29% year-on-year, from N$348 million in 2023 to N$450 million in 2024. Demonstrating the bank's ability to generate income from its core lending activities.

The loan book continues to show poor quality with the Non-Performing Loans (NPL) ratio increasing by 2% year on year. Hence, the bank will continue to roll out its NPL strategy and implement recommendations from the NPL taskforce.

The bank will continue to seek concessional funding from Multilateral and Bilateral Development Finance Institutions (DFIs) and plans to issue bonds to support loan book growth.

Total assets of DBN now stand at N$ 7.3 billion a reduction of 8%, compared to N$7.79b recorded in the previous reporting period.

Furthermore, we maintained a strong capital adequacy ratio of 77%, well above the Association of African Development Finance Institutions (AADFI) minimum of 15%.

PEOPLE AND CULTURE

DBN is committed to developing and retaining a high-performance workforce, focused on employee-centric practices, diversity, professional development, and overall well-being, positioning the bank as an employer of choice and a leader in promoting an inclusive and supportive work environment.

Our employees remain the heart of operations and thus during the 2023/24 FY, DBN invested N$1,656,229.03 in human capital development. With 121 employees participating in various training interventions, including soft skills, technical skills, professional certification programs, and leadership coaching. This investment underscores our commitment to a culture of continuous learning and professional growth. Aligning with its strategic focus on talent retention and recruitment to meet the bank's evolving needs and long-term objectives.

As of the end of March 2024, employees from previously disadvantaged groups constituted 96.7% of the workforce, and women held 55% of executive positions. Further highlighting DBN's commitment to diversity and gender equality in leadership roles.

DEVELOPMENTAL IMPACT

DBN measures its developmental impact through tangible economic and socio-economic benefits, such as sustainable employment opportunities, driving economic growth and sectoral diversity, developing critical large infrastructure, and facilitating socio-economic transformation, among others.

For the period under review, the total employment impact stands at 3,525 jobs, down from 5,305 in the previous fiscal year due to various global economic factors.

In efforts to boost job creation, the bank targets to create at least 25 000 sustainable jobs in the next five years and aims to achieve this by exploring funding solutions focused on new and underrepresented sectors on the DBNs loan book, targeting approvals worth N$ 250 mil, of which a significant portion will be targeted towards renewable energy projects. The bank will prioritize sustainable financing and aligning our projects with Namibia's Vision 2030 and the UN Sustainable Development Goals (SDGs).

Similarly, the Bank approved N$319.1 million in loans for infrastructure projects, a significant increase from the N$54.5 million approved in the previous year. Notably, 78% of these infrastructure projects were for utilities, specifically solar power plants, highlighting DBN's commitment to sustainable energy solutions.

Furthermore, the DBN secured a second green credit line of N$606 million from KfW for climate-related infrastructure projects, demonstrating its commitment to sustainable development. This funding targets renewable energy, energy efficiency, and climate-friendly infrastructure projects, promoting DBN's efforts to support environmental sustainability and economic growth in Namibia.

SMEs undoubtedly play an integral part in Namibia's development, and for the period under review, the Bank approved N$95.9 million in loans for SME projects, maintaining a focus on supporting small and medium businesses. Despite a decline in start-up business loans from N$1,401.4 million in 2022/23 to N$233.1 million in 2023/24, the bank continues to prioritise SMEs as a key driver for economic growth and job creation with N$95.9m (10.6% of total loans) dedicated to the sector.

To further drive developmental impact, in 2023/24, DBN invested N$42.0 million in youth-owned businesses and N$51.4 million in women-owned businesses, a strategic initiative that aligns with broader goals of promoting

economic inclusivity and reducing inequalities. Providing financial support to underrepresented groups to create a more equitable economic environment and ensures diverse participation in economic activities.

THE WAY FORWARD

With great responsibility, come challenges and the DBN is no exception, we have experienced challenges due to the economic downturn and the lasting effects of the COVID-19 pandemic on various sectors, which have impacted our loan book performance.

Looking ahead, DBN is committed to implementing the 2024-2029 Integrated Strategic Business Plan (ISBP) with a focus on innovation and resilience to drive sustainable development. We aim to expand financial solutions to underrepresented communities and sectors, promote green funding to support green industrialization, rebuild our capital position, and strengthen partnerships with local and international stakeholders to leverage resources and expertise.

A key part of our strategy involves enhancing product development to benefit previously disadvantaged groups, especially women and youth. By 2029, we aspire for 30% of our loan book approvals to be dedicated to these groups. Embracing digitalization will streamline our loan application and allocation processes, making them more efficient and objective.

Additionally, DBN will engage in comprehensive stakeholder education initiatives, ensuring all stakeholders are informed about the latest developments in the development finance sector. These efforts are crucial in advancing our mission to drive Namibia's sustainable socio-economic development and contribute to the nation's long-term development goals, creating lasting value for Namibia.

These initiatives will be pivotal in advancing our mission to drive Namibia's sustainable socio-economic development, contribute to the nation's long-term development goals and create lasting value for Namibia.

ACKNOWLEDGEMENTS

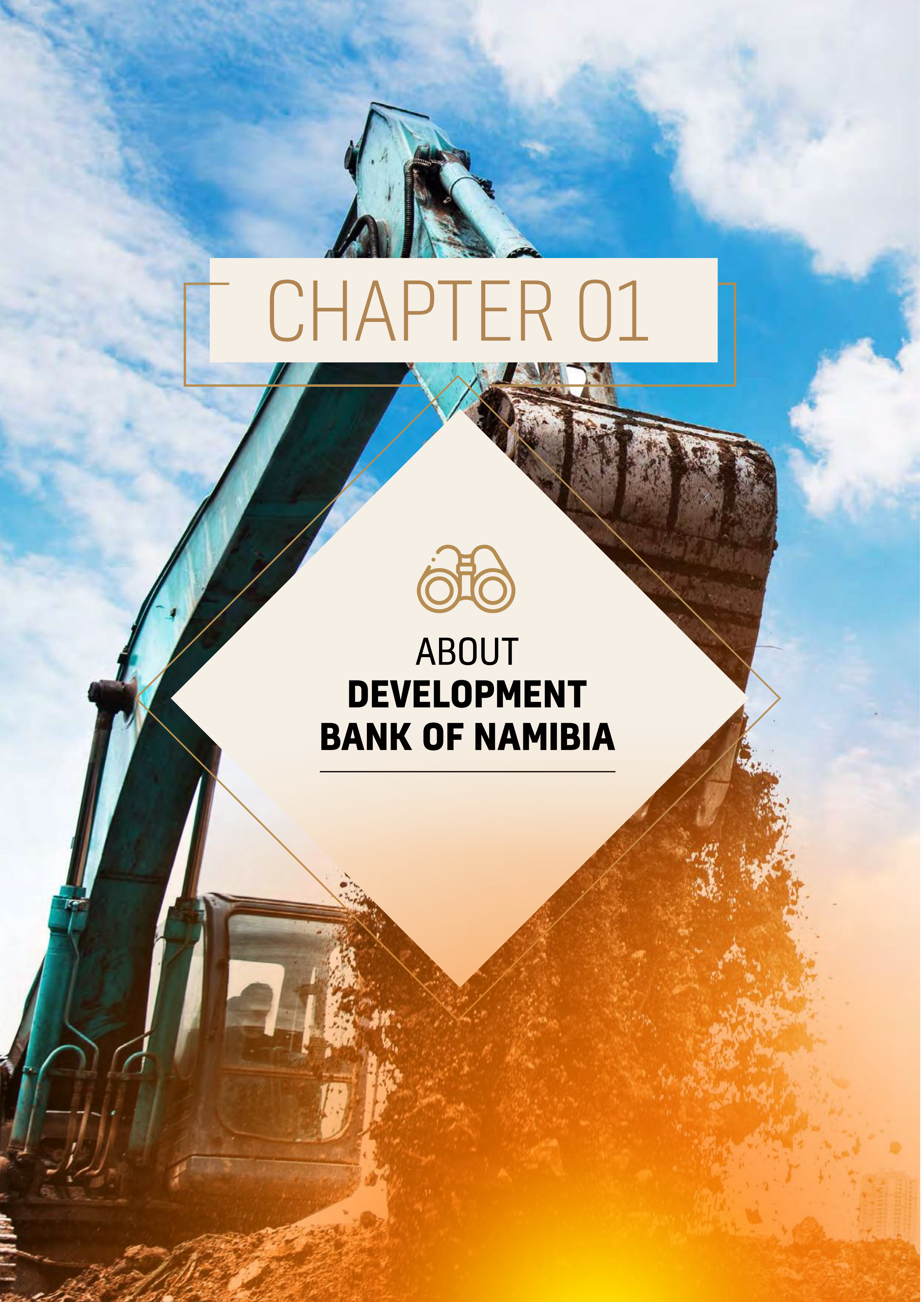
I would like to take this opportunity to thank our stakeholders including national and international partners for your unwavering support and collective efforts. Special thanks to the DBN Board of Directors for their guidance and commitment to good governance, ensuring that we continue serving Namibians' interests effectively.

Our accomplishments would not be possible without the steadfast support of the central government and the Ministry of Public Enterprises. Your strategic oversight and resources have been instrumental in enabling DBN to navigate challenges and seize opportunities.

To the staff members of DBN, your hard work, resilience, and commitment are the foundation of our success. Your efforts in adapting to new strategies and embracing our values have been pivotal in our journey forward.

Lastly, I acknowledge the vital role played by the business communities. Your support is essential in driving Namibia's socio-economic development.

Dr. John Steyler
CHIEF EXECUTIVE OFFICER



CHAPTER 01

ABOUT **DEVELOPMENT BANK OF NAMIBIA**

OUR **PURPOSE**

To drive Namibia's sustainable socio-economic development

OUR **VISION**

Be the partner of choice for Namibia's innovative development solutions

OUR **MISSION**

To play a leading role in the economic development and upliftment of Namibia and its people.

OUR **CORE VALUES**

Accountability
We are pro-active and transparent in our actions and take responsibility and ownership for such actions.

Integrity
We do the right thing, and are honest and ethical in all our actions.

Service Excellence
We commit to a positive experience with care and continual improvement in our service to employees, customers, communities, and the environment.

Transformative
We contribute to an inclusive economy by challenging the status quo.

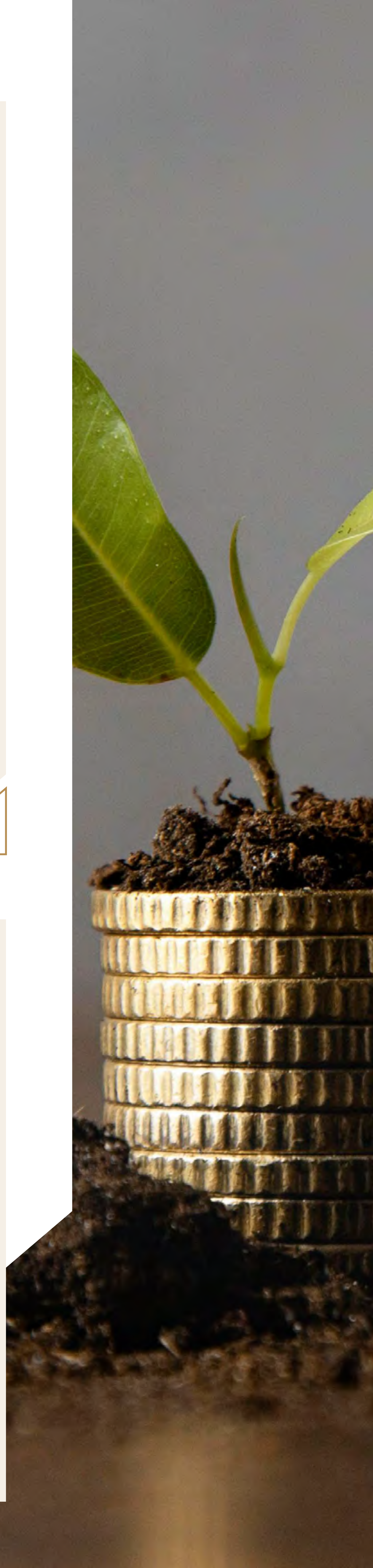
OUR **MANDATE**

The main objectives of DBN are to contribute to the economic growth and social development of Namibia and for the sustainable promotion of the welfare of the Namibian people by:

- Mobilizing financial and other resources from the private and public sectors, both 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;
- Assisting in the development of money and capital markets.

The ancillary objectives of DBN are to:

- Collaborate with and support other development financial institutions to establish an integrated financial system in Namibia;
- Promote economic growth and sustainable development;
- Assist public and private sector institutions in managing specific funds to meet Namibia's development requirements.



OUR SERVICES

DBN delivers on its mandate through the following service offering:

DBN has a range of finance products for larger enterprises, infrastructure development, PPPs, SMEs and others, that can be used alone or in combination with tailored finance. These products are designed with unique features to satisfy a range of client needs.

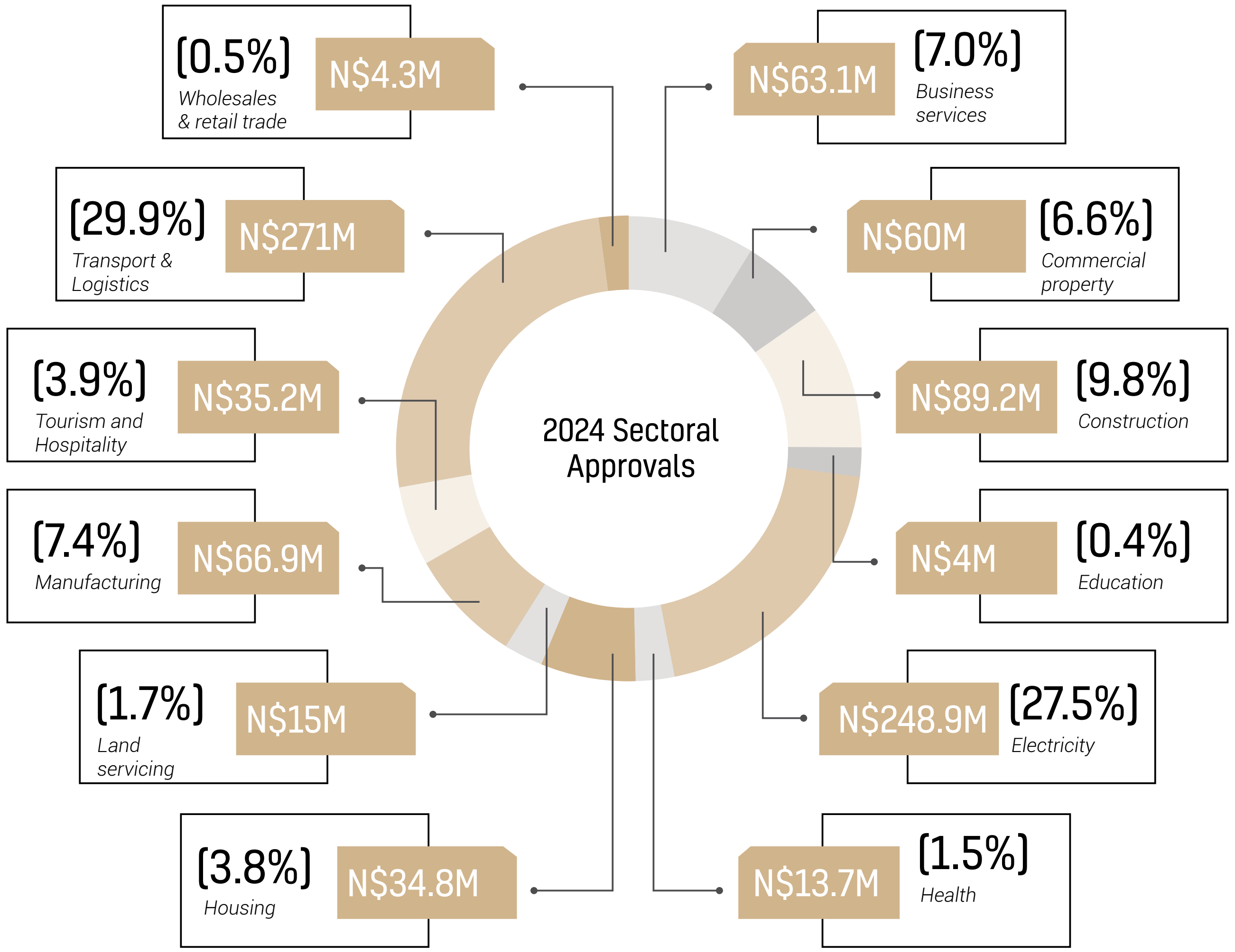
DBN views availability of finance for SMEs as vital to the economy. Finance through the DBN SME Center, or offices in Windhoek, Walvis Bay, Ongwediva or Rundu, is provided for start-up enterprises and enterprises that need finance to grow. DBN defines SMEs as enterprises that have an annual turnover of N$10m or less. The minimum loan amount is N$150,000.

Doing business requires knowledge and practical skills. DBN believes that a successful client contributes to DBN's goal of creating development impact through enterprise activity. We assist our clients to become successful with a mentoring and coaching program that builds client knowledge and practical skills. Our mentoring and coaching services include:

- Business administration
- Soft skills
- Technical support

WHERE WE OPERATE

Our projects are located throughout Namibia, with a physical presence in our Windhoek, Rundu, Ongwediva, and Walvis Bay branches.

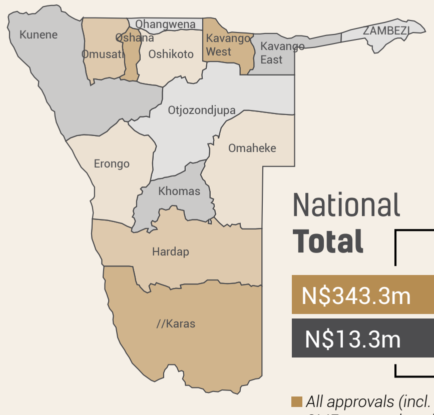


Total

100% 906.1M

2024 Regional Approvals

Region	All approvals (incl. SMEs)	%	SME approvals only	%
Ohangwena	N$ 5.7M	(0.6%)	N$ 5.7M	(6.0%)
//Karas	N$ 5.8M	(0.6%)	N$ 5.8M	(6.0%)
Oshana	N$ 119.2M	(13.2%)	N$ 8.7M	(9.1%)
Oshikoto	N$ 3.9M	(0.4%)	N$ 3.9M	(4.0%)
Omusati	N$ 5.1M	(0.6%)	N$ 5.1M	(5.3%)
Kavango West	N$ 0.7M	(0.1%)	N$ 0.7M	(0.7%)
Kunene	N$ 8.6M	(1.0%)	N$ 0.3M	(0.3%)
Zambezi	N$ 1.5M	(0.2%)	N$ 1.5M	(1.6%)
Erongo	N$ 144.5M	(15.9%)	N$ 8.6M	(8.9%)
Kavango East	N$ 9.1M	(1.0%)	N$ 4.0M	(4.2%)
Khomas	N$ 168.0M	(18.5%)	N$ 25.8M	(26.9%)
Otjozondjupa	N$ 80.1M	(8.8%)	N$ 9.0M	(9.4%)
Hardap	N$ 10.6M	(1.2%)	N$ 3.6M	(3.7%)
Omaheke	N$ 0.0M	(0.0%)	N$ 0.0M	(0.0%)



National Total

All approvals (incl. SMEs)	N$343.3m	(37.9%)
SME approvals only	N$13.3m	(13.9%)

All approvals (incl. SMEs)
SME approvals only

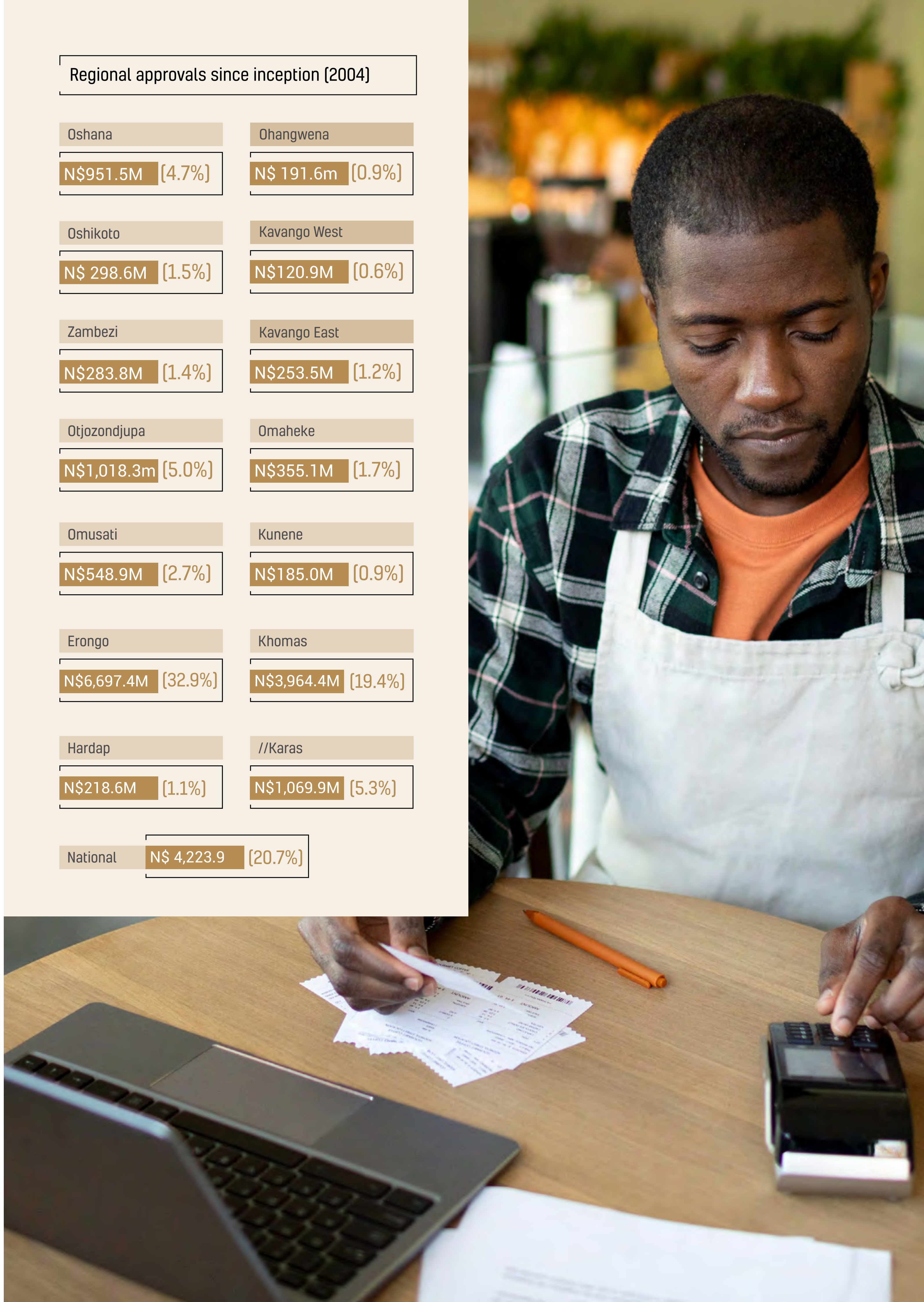
Cumulative approvals since inception (2004)

Wholesale & retail trade	N$680.1M	(3.3%)
Water	N$610.0M	(3.0%)
Tourism & hospitality	N$908.4M	(4.5%)
Telecommunications	N$236.5M	(1.2%)
Mining & quarrying	N$251.3 M	(1.2%)
Business services	N$1,208.4M	(5.9%)
Commercial property	N$350.5M	(1.7%)
Education	N$365.3M	(1.8%)
Financial intermediation	N$522.4M	(2.6%)
Fishing	N$89.6M	(0.4%)
Health	N$238.1M	(1.2%)
Housing	N$1,219.9M	(6.0%)
Land servicing	N$1,304.5M	(6.4%)

Total N$20.4B

Regional approvals since inception (2004)

Oshana	N$951.5M	(4.7%)
Ohangwena	N$ 191.6m	(0.9%)
Oshikoto	N$ 298.6M	(1.5%)
Kavango West	N$120.9M	(0.6%)
Zambezi	N$283.8M	(1.4%)
Kavango East	N$253.5M	(1.2%)
Otjozondjupa	N$1,018.3m	(5.0%)
Omaheke	N$355.1M	(1.7%)
Omusati	N$548.9M	(2.7%)
Kunene	N$185.0M	(0.9%)
Erongo	N$6,697.4M	(32.9%)
Khomas	N$3,964.4M	(19.4%)
Hardap	N$218.6M	(1.1%)
//Karas	N$1,069.9M	(5.3%)
National	N$ 4,223.9	(20.7%)



OUR VALUE-CREATING BUSINESS MODEL

Financial Capital

The source of our financial capital includes equity and debt. While our main source of revenue takes the form of interest income from operations.

- N$996m retained earnings and reserves (2023: N$977m)
- N$436m cash generated from operating activities (2023: N$296m)
- N$4.2b liabilities (2023: N$4.8b)
- N$7.3b total assets (2023: N$7.8b)
- N$62.4m profit for the year (2023: N$269m loss)

Human Capital

Our human capital includes our people, their development and the culture we foster. Our employees drive the overall performance and sustainability of our business.

- A workforce of 123 (2023:123) on permanent basis
- N$1.7m (2023: N$1.5m) spent on training and development of staff to support strategy
- Processes encourage learning and development and employee wellness
- Diverse and inclusive

Intellectual Capital

Our intangible assets, including our reputation, brand, industry-specific expertise and experience in infrastructure help our business to deliver on our mandate.

- Extensive experience in identifying and developing financial products and services to help clients overcome economic, social and environmental challenges
- Recognised as a workplace which offers opportunities for professionalism, commitment, and meaningful impact for Namibia
- Reputation as a trusted financier
- Knowledge derived from due diligence, project conceptualization and development, credit allocation and post-investment processes
- Risk management strategies aligned to our mandate

Manufactured Capital

Our manufactured capital represents our business structure and operational processes, including our physical assets property, equipment and digital infrastructure.

- N$88.6m in Property plant and equipment (2023: N$88.3m)
- N$15.4m invested in software and software development (2023: N$9.2m)

Social relationship capital

Social and relationship capital is our relationships with key stakeholders, including the partnerships between private and public sectors that enable greater infrastructure and economic development and impact.

- Strategic stakeholder engagement and management
- CSI initiatives

Natural capital

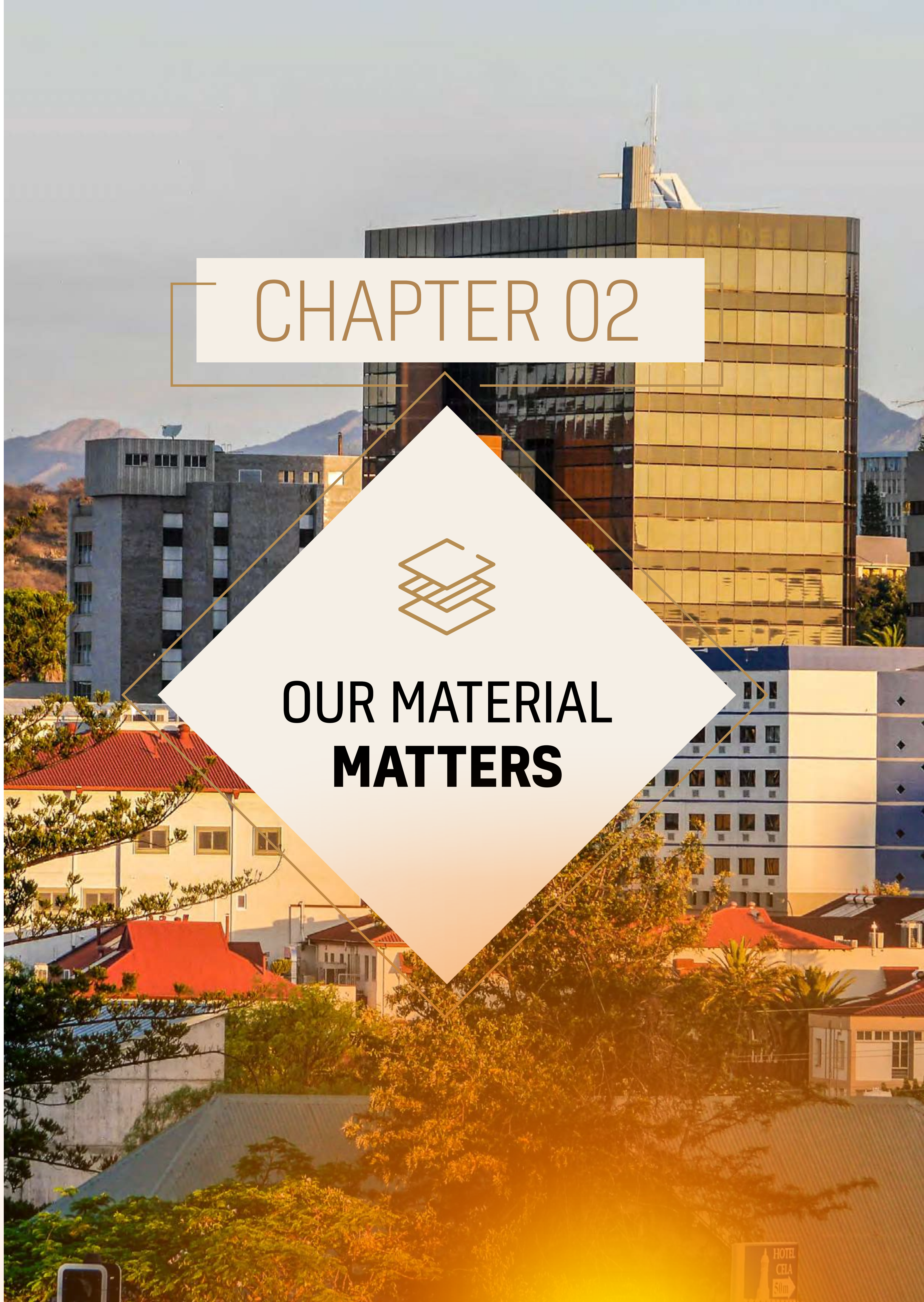
Our natural capital represents the natural resources DBN and our clients use in our operations and business activities.

- Adopted governance process for managing environmental and social risk – Lending due diligence.
- Managing impacts on diverse stakeholders, society and the environment
- Finance for infrastructure and utilities, notably energy, electricity and water

HIGHLIGHTS OF VALUE CREATION: 2023/24

Business activities	Our inputs	Output DBN	Outputs DBN and Namibia	Link to SDG
Lending solutions: We have a range of finance products designed to meet the needs of SMEs, larger enterprises, infrastructure development, PPPs and others. Our finance products range from bridging finance, guarantees, contract & tender based finance, asset-backed finance, business finance, invoice discounting, business acquisition finance, commercial property finance, project finance, franchise finance, local authority finance, private public partnership (PPP) finance, public infrastructure finance. **SME finance solutions:** Finance is provided for start-up enterprises and enterprises that need finance to grow. We provide finance for: manufacturing, tourism, transport and logistics, business services, retail and wholesale outlets, commercial property, construction, franchises, private educational institutions, tenders, contracts and performance guarantees. **Support** (i) Mentoring and coaching We assist our clients to become successful with mentoring and coaching program that builds client knowledge and practical skills. (ii) The Portfolio Management Department (PMD) provides comprehensive assistance and management services in seven key areas	DBN's guiding objects are: **Resource mobilisation:** Mobilise financial and other resources from private and public sectors nationally and internationally to meet the funding needs of Namibian businesses. **Project management:** Appraise, plan and monitor the implementation of development schemes, export projects and other economic programmes of national importance. **Stakeholder involvement:** Facilitate the participation of private sector and community organisations in development schemes, export projects and economic programmes of national importance. **Financial market development:** Contribute towards the development of money and capital markets. **Financial integration:** Cooperate with, and assist, other development financial institutions in order to achieve an integrated finance system in Namibia for economic growth and sustainable development. **Asset management:** Support other institutions in the public and private sectors with the management of specific funds to meet the development requirements of Namibia.	**Finance capital** • N$62.4m profit for the year (2023: N$269.8m loss) • N$6.17b in Loans and advances (2023: N$6.56b) • Net interest income N$450.7m (2023: N$348.1m) • Total assets at N$7.30b (2023: N$7.79b) • 34% & 20% in non-performing loans and impairment ratio (2023: 34% & 20%) • Capital adequacy ratio of 77% (2023:78%) and capital base of N$3.0b (2023: N$3.0b) • Cost to income ratio of 40% (2023 40%)	• 141 finance approvals (2023: 173) • Approved N$906.1m in loans (2023: N$1,484.1m) N$95.9m approved for SME finance (2023: N$103.9m) • Paid salaries and personnel costs of N$118m (2023: N$103m)	• SDG 8 – Decent work and economic growth
		Human Capital • N$1.7m on training and development of our staff (2023: N$1.5m) • Staff turnover of 5% (2023: 5.0% with 10 (2023: 10 new) personnel hired.	• 16 new temporary jobs created at DBN • Representation of previously disadvantaged employees is 95.1% • 61% of the workforce is female. Women constitute 48.6% of management and 50% of senior management.	• SDG 5 – Gender equality • SDG 8 – Decent work and economic growth
		Intellectual capital • Retained high-performance individuals with scarce and/or critical skills.	• 112 DBN employees received training during the year • Staff turnover 5%	• SDG 4 – Ensure quality education

Business activities	Our inputs	Output DBN	Outputs DBN and Namibia	Link to SDG
following loan approval: Managing according to agreements, Arranging and managing documents, Monitoring the financial health of businesses, Management of arrears and bad debts, Client support recommendations.		**Manufactured capital** • N$88.6m (2023: N$87.2m) value of buildings situated at Windhoek, Walvis Bay and Oshakati	DBN approved N$26.4m in 2023/24 to finance 56 residential units. N$31.9m was approved for infrastructure in 2024, (N$54.5m approved for infrastructure in 2022/23.	• SDG 9 – Ensure Industry innovation and infrastructure development • SDG 11-Sustainable Cities and Communities
2024 Key focus areas • Implementing proactive measures to enhance the quality of the loan portfolio, including strengthening the credit risk management team and intensifying the management of the loan book and collections activities. • DBN will continue to assist borrowers in distress through the Business Rescue Programme. • DBN will focus on obtaining Green Climate Fund (GCF) accreditation.		**Social and relationships capital** • 2023/24 communication and marketing spend of N$9.1m (2023: N$8,6m)	• 2024 Impact score of 3.1 (71 SME projects to the value of N$91.4m have a weighted average development impact score of 3.6, Eleven (11) infrastructure projects to the value of N$317m have a weighted average development impact score of 3.7, two (2) manufacturing projects to the value of N$43.0m have a weighted average development impact score of 3.7, 22 services projects to the value of N$450m have a weighted average development impact score of 2.5) • Support for women and youth entrepreneurs spending of N$92.8m (2023: 123.1m) • N$95.9m was approved for SME finance in 2023/24, falling from N$103.9m in 2022/23	• SDG 9 –Ensure Industry, Innovation and infrastructure development • SDG 17 – Strengthen and Implement partnerships • SDG 5 – Gender equality
		Natural capital • 53 MW of renewable energy financed (2023: 53 MW)	• During the 2022/2023, 63 projects valued at • N$3.6b were inspected for compliance • Findings of the inspections and assessments were reported back	• SDG 7 – Ensure and provide affordable and clean energy • SDG 13 – Compact climate change



CHAPTER 02

OUR MATERIAL **MATTERS**

MATERIAL MATTERS DETERMINATION PROCESS

We consider a matter to be material if it substantively affects our ability to create value over the short, medium, and long- term and/or has a significant impact by the development Bank on the economy, society, or the environment.

We have considered both matters that affect our enterprise value as well as matters that have an impact on the economy, society, and the environment, which in turn affect our reputation, and social and regulatory license of DBN to operate. We will include all matters affecting our business sustainability and significant impacts that we have on our material matters.

Materiality is determined through a threefold approach:
- First, by engaging with our stakeholders to understand their priorities;
- Second, by analysing global, regional, and local operating environment trends;
- Third, by conducting comprehensive risk assessment processes, including maintaining an effective enterprise risk management system.

Once material matters are identified from stakeholder perspectives, operating environment insights, and enterprise risk evaluations, we consolidate these into the DBN material matters profile. This profile subsequently guides our strategic response and direction.

STAKEHOLDER PERSPECTIVE

One of the key strategic objectives of DBN is promoting a positive image and impact through ensuring sound stakeholder relations, delivering excellent service to all customers, promoting good corporate citizenship and enhancing corporate image. Ensuring sound stakeholder relations requires proactive stakeholder management.

DBN has a wide range of stakeholders with different interests in DBN. Engaging effectively with stakeholders and involving them will assist DBN in tapping into stakeholders' expertise, experience and knowledge, and will help with identifying new ideas as well as risks.

The stakeholder groups are identified and re-assessed every two years by the Marketing and Corporate Communications Department. The following is a list of identified stakeholder groups with high influence and impact on DBN:

01. **SHAREHOLDERS, INVESTORS & FUNDERS**

Who are they?

- Government of the Republic of Namibia
- Regional, international and Multilateral DFIs
- Bond subscribers

Value for DBN / reason for engagements

- Independence of the mandate
- Concessional finance
- Resource mobilization
- Skills and Knowledge sharing
- Bond support
- Sustainability bond support

Value for stakeholders

- Alignment to local development goals
- Political stability
- Alignment to stakeholder goals
- Alignment to regional and international (e.g. SDG's) development goals
- Return to bonds
- Sustainability bond

Link to material matters

- Credit Risk and profitability, Capital at risk
- Macro-economic changes, conditions, social and developmental impact
- Climate change, just transition and water security

Concerns & risks

- Mandate drift
- External influences on the mandate
- Conflicting stakeholder goals
- Credit downgrades
- Financial sustainability

Opportunities and expectations / strategic response

- Understanding & execution of the mandate
- Shift to larger enterprises
- Return to financial sustainability

Strategic pillar

- Mandate focus
- Development impact
- Funding / partnerships

2023/24 Monitoring: key events & activities

- Sustainability Loan
- GCF accreditation
- Business rescue programme
- VCF development and implementation
- Return to financial sustainability and balance sheet growth
- Refocus on large enterprise finance
- Development impact
- Energy sector (green hydrogen & oil)

02. **CLIENTS**

Who are they?

- Applicants and borrowers
- Large enterprise, infrastructure developers and SMEs
- Enterprises in Key NDP5 Sectors
- Borrowers in sectors, subsectors and demographics of specific interest (youth, women, land and affordable housing developers, food processors, independent power producers)

Value for DBN / reason for engagements

- Applicant understanding of process and appropriate use of Bank (mandate fit)
- Development impact dependent on lending
- Sustainability of Bank dependent on loan book growth & repayment
- Management of NPLs
- Success of recovery and rescue initiatives

Value for stakeholders

- Launch of enterprises
- Growth of enterprises
- Infrastructure development
- Management of loans
- Rescue and recovery initiatives

Link to material matters

- Customer centricity and innovation
- Credit Risk and profitability; Capital at risk
- Digital innovation, disruption and cyber security

Concerns & risks

- Unrealistic applicant expectations
- Slow response on applications
- Limited entrepreneurial culture
- Poor business management
- Limited understanding & acceptance of equity
- Poor borrower management
- Collateral hesitancy
- Late / reluctant repayment
- Poor use of information resources
- Macro-economic and monetary shocks
- Recession & drought

Opportunities and expectations / strategic response

- Client support & capacity building
- Customer-centric service culture
- Streamlining of processes & digitisation
- Greater focus on large enterprises
- Rescue and recovery initiatives
- Venture capital fund (equity)
- Upstream and downstream investments in emerging energy subsectors
- Project preparation

Strategic pillar

- Development impact
- Operational efficiency
- Financial sustainability

2023/24 Monitoring: key events & activities

- Recovery lending
- Rescue programme

03. **SOCIETY / COMMUNITY**

Who are they?

- Local communities & authorities
- Regional authorities
- Media
- Local, regional and international providers of concessional finance & lines of credit
- Bond subscribers
- Government of the Republic of Namibia

Value for DBN / reason for engagements

- Understanding and acceptance of execution of mandate at local and regional levels
- Political Support

Value for stakeholders

- Local, regional and national enterprise formation
- Local, regional and national infrastructure development
- Socio-economic benefits delivery
- Political stability

Link to material matters

- Reputational and brand management

Concerns & risks

- Entitlement
- Unrealistic expectations
- Political groundswell
- Environmental & social risk

Opportunities and expectations / strategic response

- Mandate clarity
- Political engagement
- Regional and local engagement
- Media engagement
- Impact reporting
- Socailly impactful projects

Strategic pillar

- Mandate focus
- Development impact
- Funders & partnerships

2023/24 Monitoring: key events & activities

- Recovery lending (industry peers)
- Rescue programme (industry peers)
- Land & housing delivery
- Food security
- Availability of SME finance

04. **EMPLOYEES**

Who are they?

- Supervised staff (Paterson grades A to D1)
- Management and senior management (Paterson Grade D2-D5)
- Executive committee and C-suite executives (Paterson grades E to F)
- 123 employees,
- Previously disadvantaged: 95.1%
- Women: 61% of staff complement, 48.6 % of management, 50% of senior management
- Staff turnover: 5%

Value for DBN / reason for engagements

- Information sharing: human capital matters
- Information sharing: DBN performance
- Information sharing: organizational and operational evolution
- Cultivating cultural, social and goal-directed organizational cohesiveness
- Cultivating adoption of DBN's values
- Cultivation of employment equity

Value for stakeholders

- Organisational effectiveness
- Employee productivity
- Employee satisfaction

Link to material matters

- People, culture and leadership

Concerns & risks

- Gender equity
- Retention, turnover, and recruitment
- Promotions
- Learning organisation
- Remuneration and benefits
- Performance management

Opportunities and expectations / strategic response

- Recruitment aligned to employment equity
- Retention and recruitment
- Employee development
- Internal recruitment and return on development costs
- Fair and equitable remuneration consistent with performance
- KPAs linked to KPIs
- Employee wellbeing

Strategic pillar

- People and culture

2023/24 Monitoring: key events & activities

- Culture change
- Integrated reporting (operational impact)
- Cost of living & remuneration packages

05. **REGULATORS AND RATING AGENCIES**

Who are they?

- Ministry of Finance and Public Enterprises
- Namibian Stock Exchange - DBN voluntarily subscribes to the NamCode
- Ministry of labour
- Financial Intelligence Centre (FIC)
- Namibia Police
- Anti-Corruption Commission
- Credit Rating Agencies

Value for DBN / reason for engagements

- Approval of strategic requests
- Contribution to regulation/ policy
- Assist with combating money laundering, financing of terrorism and proliferation
- Transparent and effective corporate governance
- Collaboration and sharing of information
- Regular communication and report back
- Alignment with regulatory requirements and remedial action where required
- Adopt and implement the best practice recommendations e.g., NamCode and King IV
- Recognise our accountability to all our stakeholders under the legal and regulatory requirements applicable to our business

Value for stakeholders

- Demonstrate high standards of integrity and fair dealing in business conduct
- Reporting on conduct metrics
- Collaboration with government departments to develop joint solutions to specific issues.
- Input on the policy development
- Understanding our operating context
- Transparency and effective corporate governance

Link to material matters

- Regulatory developments and money laundering risks

Concerns & risks

- Regulatory sanctions
- Financial Loss
- Reputational loss
- Digital automation for compliance monitoring
- Regulatory developments and money laundering risks

Opportunities and expectations / strategic response

- Build compliance culture and awareness (enabler and business partner)
- Meeting regulatory requirements
- Automating compliance monitoring processes and systems

Strategic pillar

- Mandate focus

2023/24 Monitoring: key events & activities

- Strengthening governance and compliance culture - compliance training and monitor compliance environment and reforming compliance awareness
- Automating processes to manage rapidly changing regulatory universe
- Improve Bank's and FIC relationship reporting and quality of data to provide an integrated view and continuous monitoring compliance with policies
- Policies and procedures management through communication and responses

06. **ASSURANCE PROVIDERS**

Who are they?

External auditors: PricewaterhouseCoopers contract ending during 2024. Grand Namibia appointed for the 2025 FY – 2029 FY.

KPMG Namibia - Outsourced internal auditors until 30 April 2023, replaced by Deloitte Namibia – Internal auditors effective 1 May 2023.

Value for DBN / reason for engagements

- Assurance to Board
- Audit engagements (Compliance, Risk Management and Financial Reporting)
- Consultations
- Agreed upon procedures
- Combined assurance

Value for stakeholders

- Independent assurance
- Corroboration
- Governance
- Internal controls
- Technology: Core banking system (ABACUS, FlowCentric)
- Data migration
- Processes / systems
- Ethics risk management
- Compliance management
- Transparency

Link to material matters

- Regulatory developments and money laundering risks

Concerns & risks

- Cyber-security (core banking system)
- Adequacy of data migration controls
- Business Resilience
- Process effectiveness and efficiency
- Process and control effectiveness and efficiency
- Governance
- Risk Management practices and processes

Opportunities and expectations / strategic response

- Automate end-to-end business processes
- Continuous control assurance
- Independent Assurance

Strategic pillar

- Mandate focus

2023/24 Monitoring: key events & activities

- Automate business processes.
- Information Security & Data Classification

BRANDING

DBN's brand is constructed on values conceived and implemented to provide the best possible outcomes for stakeholders, and potential and existing borrowers.

Consequently, through brand management, DBN seeks to narrow any gap between its projected identity and the resulting image in the eyes of borrowers and stakeholders. Through brand management, DBN strives to gain acceptance of its mandate, corporate philosophy, decisions and operations, as well as attract external sources of concessional finance and credit lines.

During 2023/24 DBN held a series of workshops to identify internal attitudes and approaches to its value of 'Service' as a precursor to activities that strengthen and further entrench this core value.

OUTREACH PROGRAMME AND PHYSICAL PRESENCE

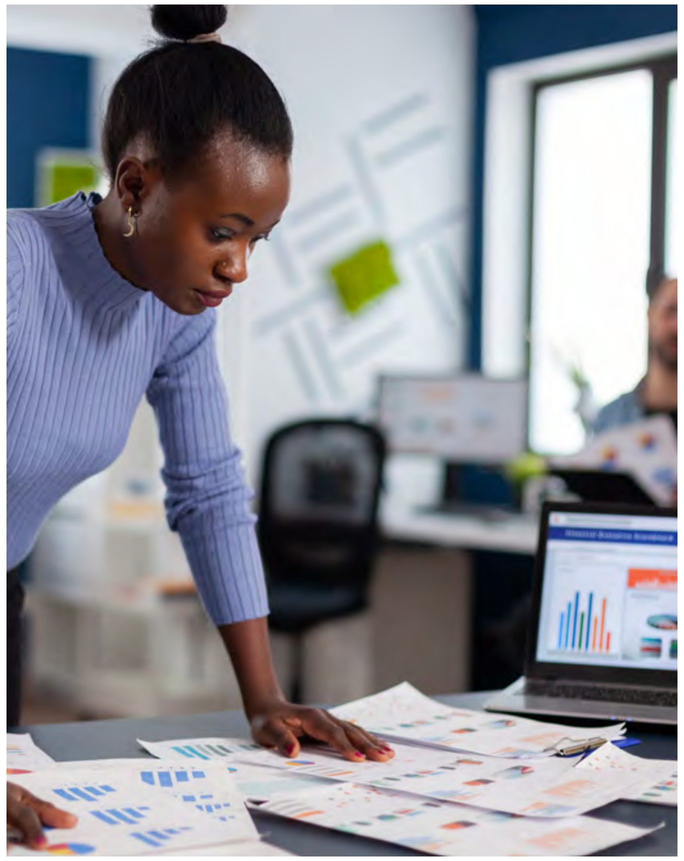
DBN conducts an annual programme of outreach visits to stimulate economic activity across Namibia's regions. These outreach visits include presentations to potential borrowers, senior stakeholders such as regional governors, and visits to projects and enterprises financed by DBN. During these visits, potential Corporate Social Investment (CSI) projects may also be identified and inspected.

During 2023/24, focal areas for outreach visits included:

- Finance for agri-enterprise, and food processing and manufacturing;
- Recovery lending;
- Collateral requirements, and
- Applications.

DBN also attends various trade shows to attract industry-specific and regional contacts. Notable shows in 2023/24 included:

- Annual Namibia Tourism Expo
- Ongwediva Annual Trade Fair
- Windhoek Show, and
- Erongo Expo



GOOD BUSINESS AWARDS

The DBN hosted its prestigious 2023 Good Business Awards in Windhoek on the night of 28 November 2023 and was officiated over by the Minister of Finance and Public Enterprises, Hon Ipumbu Shiimi.

Winner of the SME category, Brandplan Advertising, is a proudly Namibian branding and signage manufacturing company. Since its establishment in 2016, Brandplan has consistently stayed up to date with the latest advancements in branding technology, enabling it to provide clients with a comprehensive range of bespoke solutions. Their extensive product and service offerings include fully fitted joinery, corporate and safety wear, corporate gifts, indoor and outdoor signage, flags, information boards, light boxes, and more.

OTHER FINALISTS IN THE SME CATEGORY WERE:

Kryo Investments Namibia - a Namibian SME specialising in the industrial gas industry, providing products, services and complete logistical solutions in the provision and application of industrial gases.

Uukalinawa Pharmacy - established in Ongwediva, the company has since expanded and opened another branch in Ondangwa. Offering a diverse range of products ranging from controlled licensed pharmaceuticals to generic finished dosage forms, veterinary medication, cosmetics and other healthcare products.

LARGE ENTERPRISE CATEGORY:

Nampath Laboratories - founded in 2012, the company offers medical laboratory diagnostic services to private and state doctors. The company is proudly Namibian, with their main laboratory situated in Katutura. Nampath Laboratories is committed to providing the most convenient pathology testing service to the clinicians of Namibia and beyond.

The Good Business Awards evaluate enterprises based on several criteria: job creation, local sourcing, sustainable and innovative use of resources, sound enterprise administration, and good governance. The finalists and winners exemplify these standards, demonstrating excellence and serving as sources of encouragement. Their achievements underscore their role as key drivers of development and valuable contributors to the enterprise ecosystem.

OUR OPERATING ENVIRONMENT

GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS

According to the IMF's World Economic Outlook (WEO) update for January 2024, global growth is projected at 3.1% in 2024 before rising moderately to 3.2% in 2025. The projected growth rate for 2024 is unchanged from the 3.1% recorded in 2023. This forecast represents an upward revision of 0.2 percentage points for 2024 compared to the October 2023 WEO, mainly on account of high growth for China and the United States.

The projected sluggish global growth in 2024 and 2025 reflects elevated central bank policy rates to fight inflation, limited fiscal space, as well as growing geoeconomic disintegration. Major upward revisions were observed in advanced economies particularly, in the United States, reflecting stronger-than-expected resilience in consumption as well as in Emerging Market and Developing Economies, with increased fiscal support in Russia and China

EXPECTED GLOBAL ECONOMIC GROWTH

3.2%

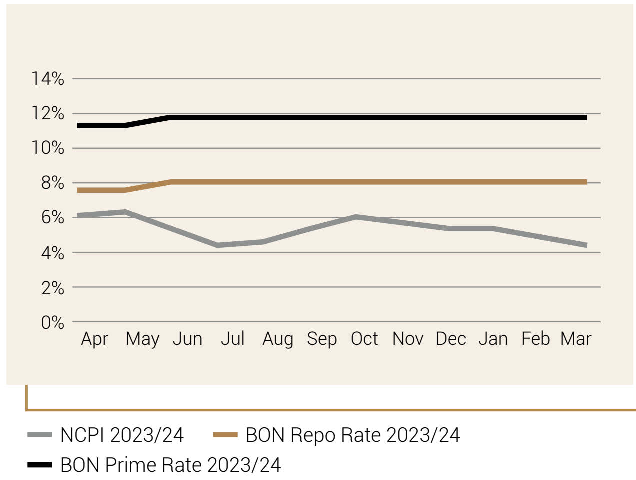
2025

DEVELOPMENTS IN THE NAMIBIAN ECONOMY

ECONOMIC GROWTH

The Namibian economy is projected to slow down in 2024 before improving in 2025. The domestic economy is estimated to decelerate to 3.7% in 2024 before improving to 4.1% in 2025. The projected slowdown is largely on account of weaker global demand and slower growth in the primary industry.

However, GDP growth is expected to improve marginally in 2025, mainly on account of rebounding activities within the agriculture and mining sectors. The latest projections for 2024 and 2025, reflect an upward revision of 0.3% and 1.0% from similar projections published in 2023



INFLATION

Local inflation decelerated in 2023, averaging 5.9% between January and December. This was a decline, albeit small, from an average of 6.1% during the same period in 2022. Persistent inflationary pressures have been driven by high food inflation as well as fuel prices.

Inflation has further decelerated in the first three months of 2024, declining from 5.4% in January to 4.5% in March 2024. Local inflation is expected to further abate due to prevailing higher interest rates and receding commodity prices.

INTEREST RATES

The Bank of Namibia repo rate remained relatively high during 2023. The repo rate increased from 6.75 in January 2023 and remained at 7.75 for most of the 2023/24 financial year.

The slowdown in the local inflation, and falling inflation worldwide, along with expectations of monetary policy easing in advanced economies, will allow monetary authorities, including the Bank of Namibia, to lower interest rates during 2024.

EXPECTED LOCAL ECONOMIC GROWTH

4.1%

2025

RISK TO GROWTH

Risks to domestic growth are predominantly in form water supply constraints, drought condition and high costs of key import items that are likely to persist for a long time. Domestic risks include water supply interruptions that could continue to affect mining production at the coast. Possible adverse weather shock which could cause spikes in food prices coupled with supply chain disruptions from global trade flows. The faltering growth in China could affect demand for Namibian commodities.

RISK MANAGEMENT

RISKS AND OPPORTUNITIES

DBN's Risk Management Framework is supported by an effective risk governance structure made up of various assigned Board and management committees containing appropriate skills and expertise, a robust policy framework and a risk-focused culture. The strong governance structures and policy frameworks foster the embedding of risk considerations in business processes and ensure that global and local risk management are aligned and consistent with the standards existing within the bank.

In line with DBN's corporate governance framework and charters, the Board retains ultimate responsibility for providing strategic direction, approving risk appetite and ensuring that risks are adequately identified, measured, monitored, managed and reported on. This enables DBN to take advantage of risk opportunities.

Macro-economic factors such as the effects of geopolitical tensions in the Middle East and the prolonged effects of the Russian invasion of Ukraine, continue to cause supply chain disruptions. These disruptions, combined with the effects of inflation rates and the Bank of Namibia's interest rate normalisation stance, have a detrimental impact on the ability of clients or sectors to perform. Closer monitoring of credit risk exposures will remain a key focus area for the Board and management.

Opportunities exist for sustainable development goals and transformation to more sustainable and digital operating models to enhance productivity. DBN expects the following risks to materialise and has planned accordingly:

- Heightened credit risks as a result of external factors on client's business operations
- Cybercrime and IT-related disruptions
- Environmental risks such as extreme weather patterns
- Societal risk and political polarization
- Cost of living crises
- AI-generated misinformation and disinformation

These challenges and associated risks are continuously identified, potential impacts determined, reported, and debated by appropriate risk committees and management. Developments in key markets are monitored with appropriate responses, strategic adjustments and proactive financial resource management actions implemented where required.

RISK MANAGEMENT APPROACH

DBN appreciates that the delivery of its mandate and strategic objectives requires diverse levels of risk-taking that must occur through robust enterprise risk management (ERM) frameworks and processes that are embedded in all decision-making throughout DBN.

The Board is accountable for effective risk management, agreeing on the key risks, including emerging risks facing DBN and ensuring that these are successfully managed.

DBN's philosophy of autonomy and freedom empowers leaders to identify, evaluate and manage the risks faced on an ongoing basis. Key risks facing DBN have been identified through a dynamic risk assessment that not only identified risks in terms of impact and likelihood, but further emphasised the connectedness and aggregation impact of each key risk. Movements of each risk are identified using key risk indicators, aggregated impacts and the identification of emerging events reported through a robust ongoing assessment. The Executive management monitors DBN's exposure to risks as part of their performance reviews conducted at each quarterly Board meeting. ERM processes and outcomes are guided, overseen, and reported on by DBN's Risk department.

RISK MANAGEMENT FRAMEWORK

DBN has consistently implemented a set of strategies which are aligned with its mandate and designed to ensure sustainability and development impact.

An appropriate risk profile and an acceptable level of risk appetite under adverse conditions support the execution of the strategies.

Key principles:

- Ensure material risks are identified, measured, monitored, mitigated, and reported;
- Assess the impact on DBN's portfolio;
- Understand and price appropriately for risk; and
- Ensure decisions are made within risk appetite and volatility parameters (to preserve capital)

RISK APPETITE FRAMEWORK

DBN's risk appetite metrics reflect its business model and risk strategies. DBN uses risk appetite limits and early warning thresholds to define its boundaries of risk-taking and manage the risk/return profile.

The Risk appetite thresholds are monitored quarterly by the Board to ensure that DBN can support its risk-taking capacity within its available resources.

The DBN Board-approved risk appetite statements, which contain the risk appetite thresholds to support the strategic objectives of DBN are indicated below.

The Risk Appetite Policy framework governs DBN's approach to risk management. All exceptions and breaches of thresholds are reported per the escalation process, to the risk management committee, EXCO and the ARCC and Board, as appropriate.

During the year under review, credit risk and concentration risks (single obligor limits) including operational risk (process risk) have been exceeded due to the current operating environment.

The single obligor limit exceeded has been based on approvals by the Board. Three transactions that have the largest developmental impact on the country (NEF; ONGOS and Meatco), which resulted in high exposure.

RISK APPETITE STATEMENTS

Credit Default Risk	Taking a prudent approach in financing activities. Risk and returns are balanced through risk-based pricing.
Liquidity & Market Risk	Giving cognizance to ensuring sufficient liquidity to reduce dependence on distressed borrowing and the potential opportunity cost. Protecting DBN's net earnings against adverse market movements
Sustainability Risk	Delivering on the DBN mandate without compromising on environmental and social matters.
Credit Concentration Risk	Managing credit concentration within set limits.
Strategic Risk	Maintain financial sustainability and high development impact.

The risk appetite is presented below, with credit risk having risk indicators that has breached the set risk appetite.

KEY RISK INDICATORS WITHIN TOLERABLE LEVELS

01

Risk Category	Investment Risk
Risk Appetite	Moderate
Actual Aggregate Risk Rating	Within appetite

1.1 Equity Investment

02

Risk Category	Credit Risk
Risk Appetite	High
Actual Aggregate Risk Rating	In breach of appetite

2.1 Credit Risk

2.2 Credit Concentration

03

Risk Category	Market & Liquidity Risk
Risk Appetite	Low
Actual Aggregate Risk Rating	Within appetite

3.1 Interest Rate Risk

3.2 Currency Risk

3.3 Counterparty Exposure Risk

3.4 Funding Risk

3.5 Liquidity Risk

04

Risk Category	Operational Risk
Risk Appetite	Moderate
Actual Aggregate Risk Rating	Within appetite

4.1 Human Capital Risk

4.2 Legal Risk

4.3 Process Risk

4.4 IT System, Data & Security Risk

4.5 Compliance Risk

4.6 Conduct Risk

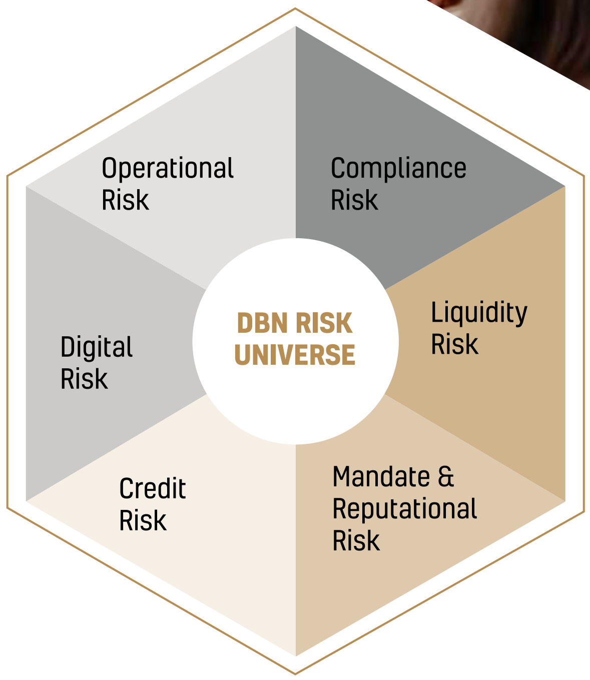
4.7 Business Continuity Risk

RISK UNIVERSE: TOP AND EMERGING RISKS

The 2023/24 risk profile and response plans were impacted by the following factors and scenarios:

- Economic conditions (interest rate; exchange rate; economic growth)
- Size of the economy
- Climate change

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



Under these risk types, certain risks have been identified as those that require additional management focus in the 2023/2024 financial year and beyond, as DBN 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. This oversight is conducted through the Combined Assurance Model, which informs the Committee's assessment of the adequacy of DBN's governance, risk management processes and internal controls.

These risks are continuously monitored and tracked through the Enterprise Risk Management (ERM) process.

CONDUCT

DBN's ability to achieve its objectives is dependent on its reputation as a trusted financier. DBN's reputation is anchored in the ethics and values that shape its culture, commensurate with the conduct of DBN employees.

The DBN Code of Business Conduct and Ethics requires all Bank employees to conduct themselves with integrity and to place the interests of DBN's clientele, including the communities impacted by DBN operations, at the centre of decision-making. It sets out clear principles to guide Bank employees to navigate the correct course of action.

DBN has well-developed processes and controls that embed policies and practices to deal with ethics-related risks.

The Ethics Policy Framework consists of:

- A Code of Business Conduct and Ethics (including a gift policy) , sets standards for ethical behaviour both internally and in dealings with customers. It also regulates the receipt and giving of gifts by employees, clients, suppliers and service providers. A Fraud Risk Management Policy which assures stakeholders that no form of fraud, theft or corruption is tolerated

- A Whistleblower Policy which guides employees in disclosing unlawful or irregular conduct.

Employees, customers, and other stakeholders can access DBN's anonymous tip-off hotline (administered by an independent, external service provider) to report unethical behaviour. Stakeholders are encouraged, through awareness campaigns, to report fraudulent, unethical, or corrupt activities.

During the reporting period, two matters were reported through the hotline, prompting investigations. Upon receiving reports, a preliminary investigation is conducted, and appropriate remedial actions are taken, which may include disciplinary processes; criminal action against perpetrators, reporting to the relevant bodies and blacklisting.

Our approach to ethics is based on three pillars linked to our purpose and values:

Business Conduct	Employees' Conduct	Environmental and Social Conduct
Placing DBN's clients at the centre of our business, treating clients fairly	Treating one another with respect and creating an inclusive and supportive culture, empowering employees and stakeholders to speak up	Managing DBN's impacts on diverse stakeholders, society and the environment

The values underpin corporate culture, practices, processes and frameworks, and are expressed in governing structures and decision-making. The Board has oversight over the efforts of executive management to foster ethics and appropriate conduct within DBN and instil the behaviours aligned to our values.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

DBN recognises the critical role that risk management of environment and social (E&S) factors play in achieving its objectives and maximising long-term value for its stakeholders, from a financial, environmental, and social returns perspective. Environmental and Social Management (ESM) is a crucial aspect of DBN's operations. Rapidly changing environmental challenges facing the financial sector and the world necessitate a proactive approach to risk management. The increasing effects of climate change, population pressure, and environmental degradation emphasize the need for heightened awareness and action.

To ensure that environmental, climate change, health and safety, and social risks and impacts are considered during the transaction lifecycle and decision-making processes, DBN has set up an Environmental and Social Management System (ESMS). The ESMS encompasses a range of measures, including robust risk assessment procedures and compliance requirements. DBN conducts thorough environmental and social appraisals for all programs and projects considered for funding. This ensures that sustainability principles are embedded into every step of our investment value chain.

	PRE-INVESTMENT STAGE				POST INVESTMENT STAGE	
	Screening	Due Diligence	Investment Application & Structuring	Deal Approval & Execution	Monitoring & Management	Exit
Investment Stage	Determine whether to pursue an asset/ opportunity and its exposure size in the portfolio.	Detailed and comprehensive internal rating and development of a detailed investment report.	Review investment proposal. Ensure agreement complies with prescribed regulations and internal requirements.	Approve investment proposal and final terms if considered appropriate.	Monitoring and management of portfolio companies Review, assessment, and allocation of capital.	ESG issues requiring attention prior to disinvestment.
ESG Considerations	ESG Risk Considerations ESG Red Flags Inform Scope of ES Due Diligence	Set out ESG Due Diligence Terms of Reference for high, medium, and low risk investments Conduct ESG DD Due Diligence	Relevant findings from ESG Due Diligence and ESG Action Plan discussed in Investment Committee (IC) meeting	Incorporate and formally agree on ESG terms for legal agreements	Monitor on-going portfolio companies ESG performance Obtain data from portfolio companies to compile fund quarterly and annual reports Implementation of action plans to generate maximum ESG outcome	Report on potential ESG issues affecting disinvestment Determine actions to mitigate ESG risks
ESG Docs, Tools, and Templates	**02.** ESG Screening Procedure **03.** ESG Screening IC Summary	**04.** High Risk ESG Diligence Terms of Reference **05.** Internal ESG Questionnaires	**06.** ESG DD IC Summary	**07.** ESG Clauses for Legal Agreement	**08.** Major Incident Reporting Template **09.** ESG Performance Reporting Template **10.** Grievance Mechanism	**11.** ESG Exit Assessment Terms of Reference (TOR)
	1. ESG POLICY					
	12. ESG REPORTING					

All programmes and projects considered for finance undergo rigorous environmental and social appraisal as part of the broader investment appraisal process. This enables DBN to embed sustainability into every step of the investment value chain. Transactions are categorised based on the type of transaction (i.e., financing to a non-financial institution or project versus financing through a financial institution) and according to the criteria outlined in E&S Risk Categorisation Criteria. The categorization supports DBN to monitor the ongoing E&S performance of its portfolio to remain abreast and be in a position to proactively manage/engage on any existing or new areas of concern, as well as drawing on information to compile internal or external E&S disclosures for its stakeholders.

During the 23/24 financial year, a total of 197 loan applications were assessed against the bank's ESG criteria. Of these 56 were identified as high-risk capital-intensive projects.

Furthermore, an analysis of the loan book for the year-to-date 2023/24 indicates that 64% of the loan book value, representing 83 Business Partners, is categorized as high-risk. These high-risk projects, by their very nature, are expensive, capital-intensive ventures.
They often need substantial financing due to their vast scale. Their magnitude inherently brings along pronounced environmental and social risks. While these projects have the propensity to drive remarkable economic growth and value, their inherent risks demand the utmost diligence and meticulous oversight from the bank. Projects with high environmental and social risks can face disruptions, legal challenges, or opposition from communities and activists. Such disruptions can jeopardize the client's ability to repay loans, leading to potential defaults

Category A - High risk	Category B - medium risk	Category C - low risk
Projects or business activities with potential significant environmental or social risks and/ or impacts that are diverse, irreversible, or unprecedented.	Projects or business activities with potential limited adverse environmental or social risks and/or impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures.	Projects with minimal or no adverse environmental or social risks and/or impacts.

ESG/ E&S risk client's categorization Loan application for 197 assessed during 2023/24

RISK ASSESMENT

63%	23%	14%
HIGH	MEDIUM	LOW

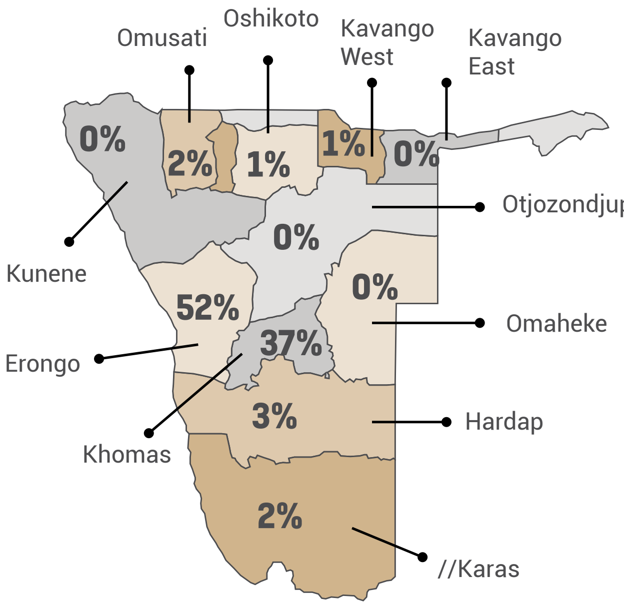
ENVIRONMENTAL AND SOCIAL COMPLIANCE BY BORROWERS

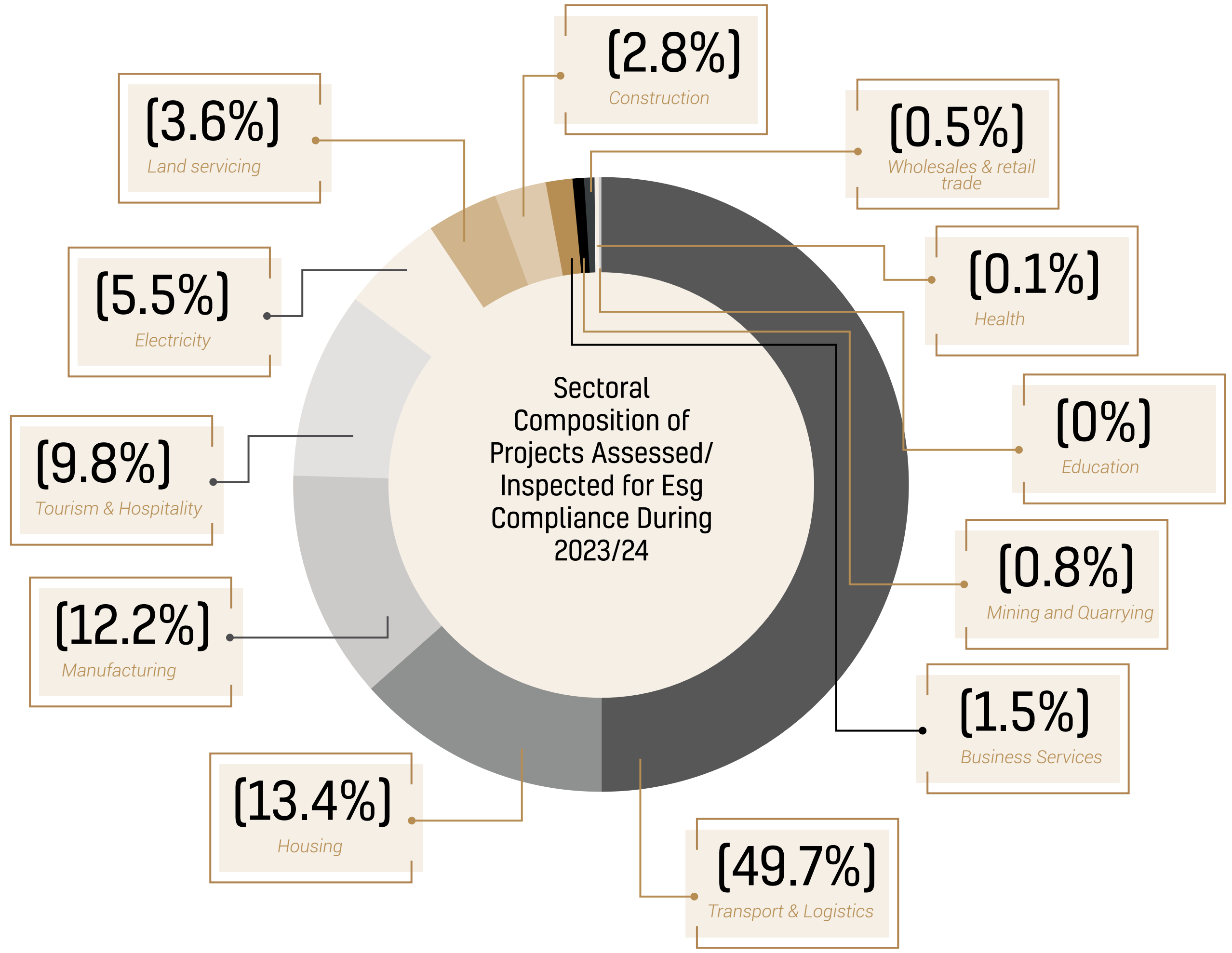
All relevant transactions are monitored to ensure that the E&S commitments are adhered to. The Bank monitors the implementation and progress of remedial actions for the tenure of the loan. The frequency and duration of monitoring depend on the type of transaction financed and the level of risk. Where clients do not comply with environmental and social risk requirements, The Bank works together with clients to achieve the necessary compliance standards.

During the 2023/2024 financial year, 68 projects valued at N$ 4.8 billion were inspected for compliance. Inspection and assessment findings that are significant are reported back to our clients, and all relevant management and board committees including the bank's Financiers. Of the projects assessed 38% were in the Khomas region, 16% in the Erongo region, followed by 10% in the Oshana region. There has been a year-on-year improvement in the due diligence performed on DBN clients. For the year ended 2023/24, 75.7% of the performing loan book (categorized from A - Pass/Acceptance to D - Doubtful) was assessed for ESG compliance, exceeding the target of 70%.

There have been year-on-year improvements regarding the due diligence performed on the DBN clients. For the year ended 23/24, 75.7% of the performing loan book (A - Pass / Acceptance to D - Doubtful) was assessed for ESG compliance against a target of 70% planned.

E&S DD 2023/2024 LOAN BOOK VALUE PER REGION





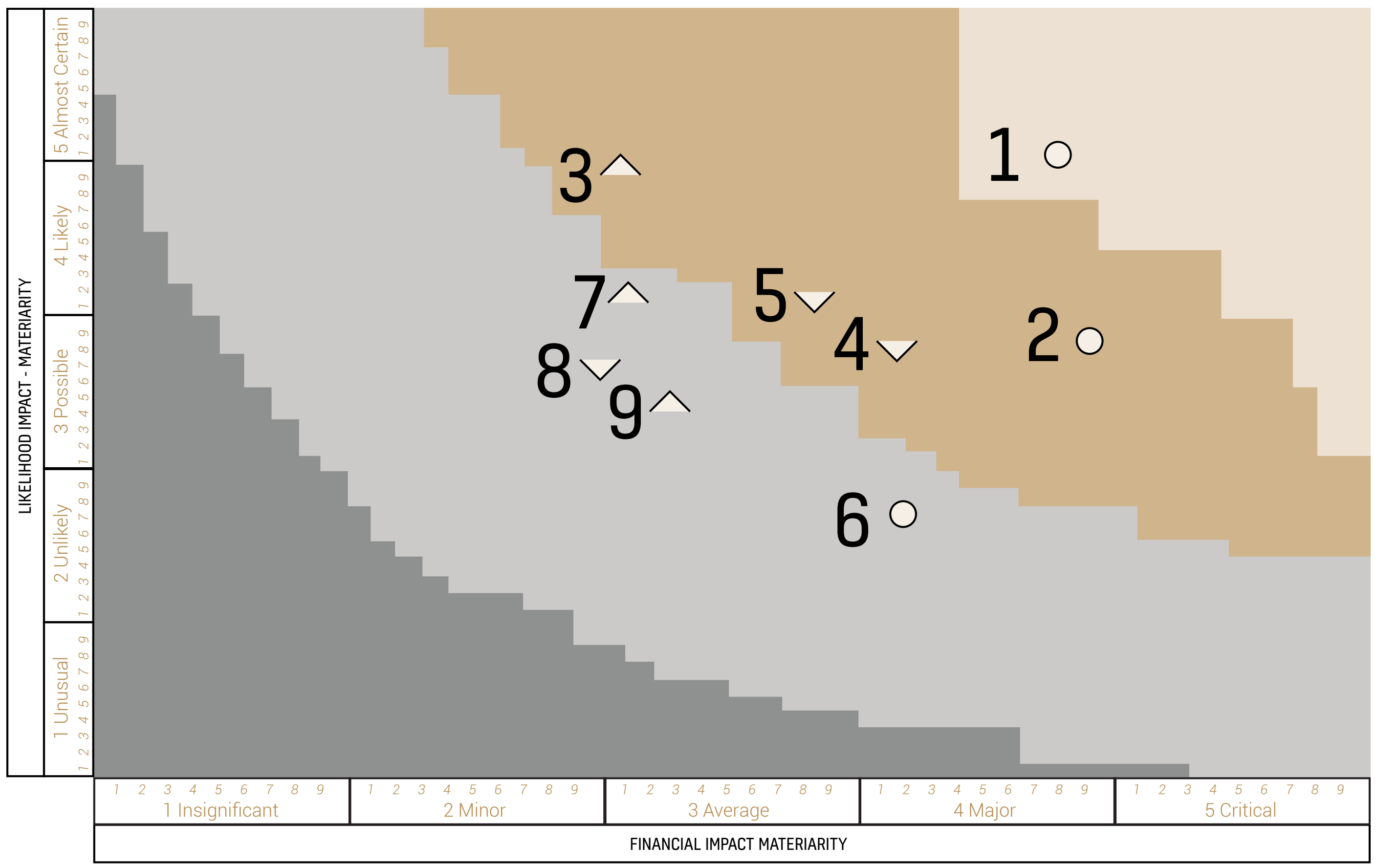
Transport and Logistics	2,402,249,267.38
Housing	645,427,631.21
Manufacturing	589,263,263.75
Tourism and Hospitality	474,471,703.84
Electricity	265,596,152.48
Land Servicing	174,688,197.98
Construction	136,379,055.64
Business Services	70,842,391.91
Mining and Quarrying	39,679,572.48
Wholesale and Retail Trade	23,401,977.98
Health	5,197,498.54
Education	1,636,340.44

Grand Total N$ 4,828,833,053.63 B

OUR MATERIAL MATTERS

Our material matters have been presented according to their impact on the financial sustainability of DBN and impact on the economy, society and the environment. The context of each material matter together with associated risks per the risk management system, relevant stakeholder groups impacted, and strategic responses have been set out in the table below.

MATERIAL ISSUES MATRIX - RESIDUAL VALUE



1. Credit Risk and profitability; Capital at risk
2. Macro economic changes conditions, social and developmental impact priorities
3. People, culture and leadership
4. Energy supply and infrastructure
5. Climate change, just transition and water security
6. Customer centricity and innovation
7. Regulatory developments and money laundering risks
8. Reputational and brand management
9. Digital innovation, disruption and cyber security

Critical Risk, High Risk – Board
Moderate Risk – Board/Management
Low Risk – Management

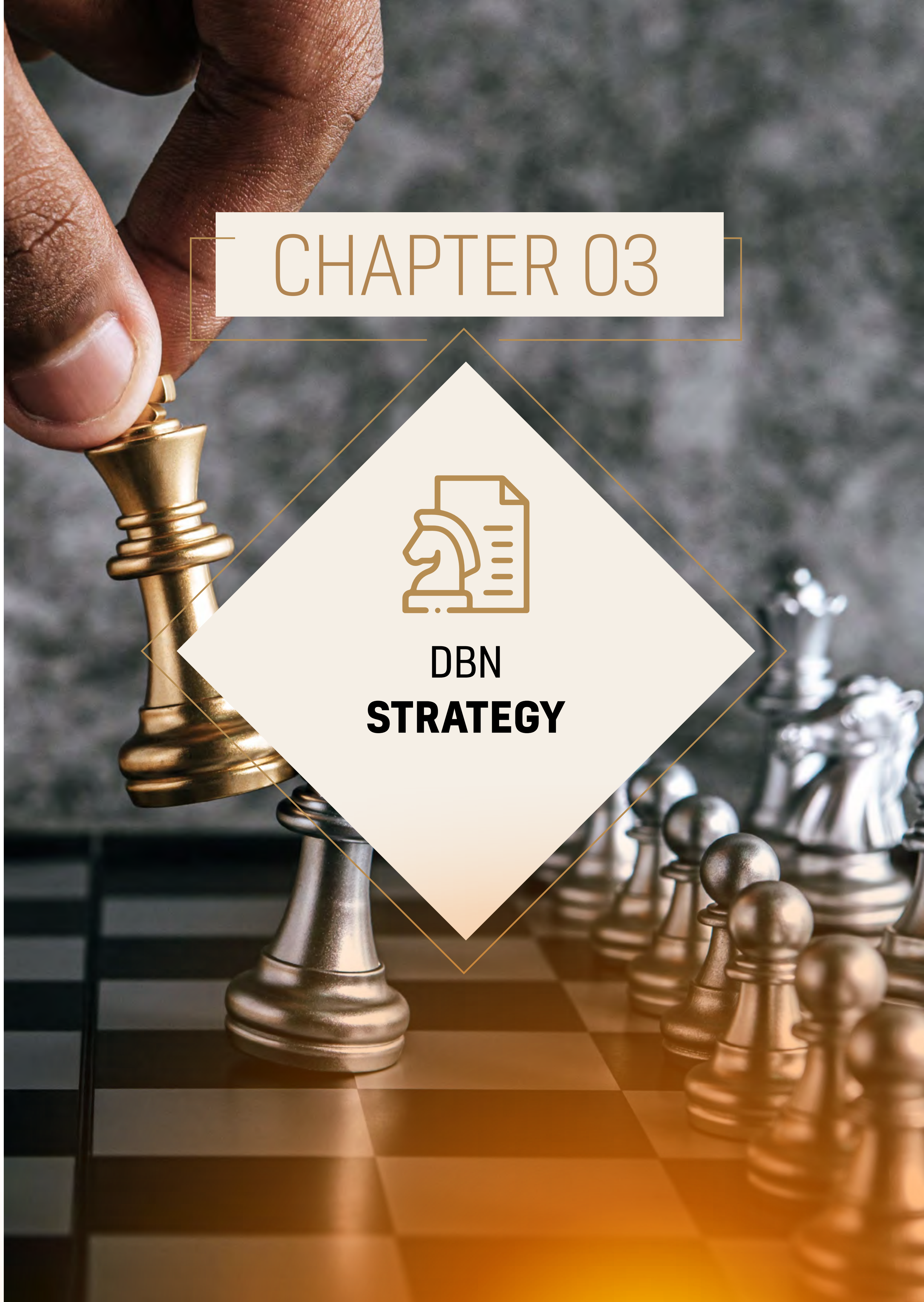
○ Risk trend has remained stable
﹀ Risk trend has improved
︿ Risk trending upwards

Material Matter	Context	Associated Risk	Stakeholder Groups	Strategic Response to Material Matter
01. Credit risk and profitability, capital at risk	Managing and optimising capital, market, credit, liquidity, and interest rate risks in line with financial sustainability mandates balanced against the developmental impact mandate of DBN. Deterioration of quality of the loan book (NPL and Impairment) may result in the business not being financially sustainable.	• Credit risk • Capital level at risk • Adverse economic development affecting sustainability risk	• Shareholders, investors and international funders • Clients	Financial sustainability • Profitability • Asset quality • Capital adequacy • Non-interest income

Material Matter	Context	Associated Risk	Stakeholder Groups	Strategic Response to Material Matter
02. Macro-economic changes, conditions, social and developmental impact	Increased inflation and interest rates coupled with deteriorating currency strength and credit risk affect the viability of developmental businesses and projects balanced against the financial sustainability of DBN.	• Adverse economic development impacting sustainability risk • Developmental impact • Economic and social unrest • Credit risk	• Shareholders, investors and international funders • Clients	Development impact • Quality loan book growth • Develop new sectors • Fundraising/ partnership • Concessional funding
03. People, culture and leadership	Employee empowerment, wellbeing, safety, development, and engagement ensure that we attract and retain the talent we need to drive our long-term strategy.	• Reputational risk	• Employees	People and culture • Employees centricity • Talent and performance management
04. Energy supply and infrastructure	A significant opportunity to provide funding to projects that seek to address challenges and opportunities around energy supply and infrastructure as well as concomitant risks of infrastructure failures threatening economic and social development aspirations.	• Developmental impact • Adverse economic development impacting sustainability	• Shareholders, investors and international funders • Clients	Fundraising/ partnerships • Climate funding • Development impact • Quality loan book growth • Develop new sectors Mandate focus • Engage stakeholders to clarify mandate/ product focus
05. Climate change, just transition and water security	The global transition to net-zero carbon emissions and the physical risks of climate change, including drought and increasing temperatures present significant risks and opportunities for the clients and sectors we support and in turn DBN itself. We have a responsibility to ensure our operations safeguard the interests and rights of the people we serve, the economy and the environment and natural resources we impact, as well as ensure good governance is adhered to. We are focused to drive positive impacts in our economy and society and at the same time actively managing environmental impacts and priorities.	• Environmental sustainability	• Shareholders, investors and international funders • Clients • Regulators	Fundraising/ partnerships • Climate funding Development impact • Quality loan book growth • Develop new sectors

Material Matter	Context	Associated Risk	Stakeholder Groups	Strategic Response to Material Matter
06. Customer centricity and innovation	Focusing on customers and ensuring that we remain competitive by innovation in funding, developing new sectors and digitally transforming service offerings to adapt to changing customer needs.	• Developmental impact	• Shareholders, investors and international funders • Clients	People and Culture • Employee centricity Operational efficiency • Client experience • Efficient and digitised processes • Optimal technology usage Fundraising/ partnerships • Climate funding • Development impact • Develop new sectors Mandate focus • Engage stake-holders to clarify mandate/product focus
07. Regulatory developments and money laundering risks	Our ability to efficiently manage our regulatory compliance whilst managing the real business risks that underpin such regulation is critical to our reputation and place in the market.	• Money laundering risk • Failure to comply with legislation and industry regulatory guidance's. • Environmental sustainability	• Shareholders, investors and international funders • Clients	Financial sustainability • Capital adequacy • Operational efficiency • Efficient and digitized process.
08. Reputational and brand management	Ensuring that our stakeholders trust that we will safeguard their assets, meet, and exceed their needs, partner with them for prosperity.	• Reputational risk • Developmental impact	• Shareholders, investors and in- international funders • Clients	Operational efficiency • Client experience • People and culture • Service culture Development impact • Branding/CSI Mandate focus • Engage stake-holders to clarify mandate / product focus
09. Digital innovation, disruption and cyber security	Digitisation of business processes and inter-phase with clients present significant opportunities for increased efficiency and enhanced information for decision-making. IT disruption and cyber-crime can cause significant business interruption, financial loss as well as reputational damage. Active prevention and response strategies to reduce downtime and prioritising cyber safety is critical to ensure maintained trust in DBN and the services we offer.	• Digital risk – Cyber risk • Reputational risk	• Clients • Auditors	Operational efficiency • Efficient and digitised processes • Optimal technology usage

CHAPTER 03



DBN **STRATEGY**

OUR STRATEGY

DBN's 5-year business strategy (April 2019 - March 2024) was designed to achieve a high development impact and maintain the sustainability of DBN by 2024. DBN regularly reviews its performance against its 5-year business strategy and crafts annual business plans based on this review.

The strategic pillars supporting DBN's vision enabled DBN's focus on attaining the desired outcome of the 5-year strategy by March 2024.

Vision	To contribute to the development of Namibia, and the socio-economic wellbeing of its citizens					
Strategic Intent	Achieve and maintain sustainability of the Bank and achieve high development impact				Achieve High Development impact	
Strategic pillars	Financial sustainability	People and culture	Operational efficiency	Fundraising/ partnerships	Development impact	Mandate focus
Strategic objectives	Profitability	Service culture	Client experience	Concessional funding	Quality loan book growth	Engage stakeholders to clarify mandate/ product focus
	Asset quality	Employee centricity	Efficient and digitized processes	Climate funding	Develop new sectors	
	Capital adequacy	Talent and performance management	Optimal technology usage		Branding/ CSI	
	non-interest income)					

To achieve high development impact in the context of DBN's mandate is defined as a measure of how DBN contributes towards the following:

1. Support large enterprises and infrastructure projects: Support hospitality and tourism, transport and logistic and manufacturing portfolio (e.g., agro processing), support the development and maintenance of infrastructure and support social development (i.e., housing, health and education).
2. Support to SMEs: Support SMEs (e.g., debt financing, implementation of the SME Financing Strategy, skills- based loan facility) and target projects with employment creation potential.
3. Support broad-based economic transformation: financing previous disadvantaged Namibians, women and youth to participate in mainstream economic activities.
4. Promoting capital market development (e.g., through the introduction the Venture Capital Fund under SME Financing Strategy)
5. Promoting decentralization (i.e., financing economic activities in the regions & unproclaimed areas), and support development of enterprises and strategic industries.

To achieve and maintain sustainability of the bank in the DBN context is defined as a business approach that will enhance the ability of DBN, to support and sustain the execution of its mandate without compromising the ability of DBN to, in future, support and sustain the execution of its mandate.

RISK TO GROWTH

Risks to domestic growth are predominantly in form water supply constraints, drought conditions and high costs of key import items that are likely to persist for a long time. Domestic risks include water supply interruptions that could continue to affect mining production at the coast. Possible adverse weather shock which could cause spikes in food prices coupled with supply chain disruptions from global trade flows. The faltering growth in China could affect demand for Namibian commodities.

We have set our aspiration to play a leading role in the economic development and upliftment of Namibia and its people. To achieve this, we identified six strategic pillars together with 24 financial year strategic initiatives

Financial Sustainability

- Review current loan book and implement business rescue programme where required
- Implement organizational redesign to optimize cost model (zero-based budgeting)

People and Culture

- Implement a values campaign
- Review and implement performance management framework / system

Operational Efficiency

- Implement a process redesign (Digitize and auto- mate processes) and turn-around times.

Fundraising and Partnerships

- Implement investor roadshows to attract / raise partnerships/syndications

Development Impact

- Refocus lending priorities to large projects
- Reposition to apex lender for SME / small-scale / policy-based empowerment / venture capital / seed capital

Mandate Focus

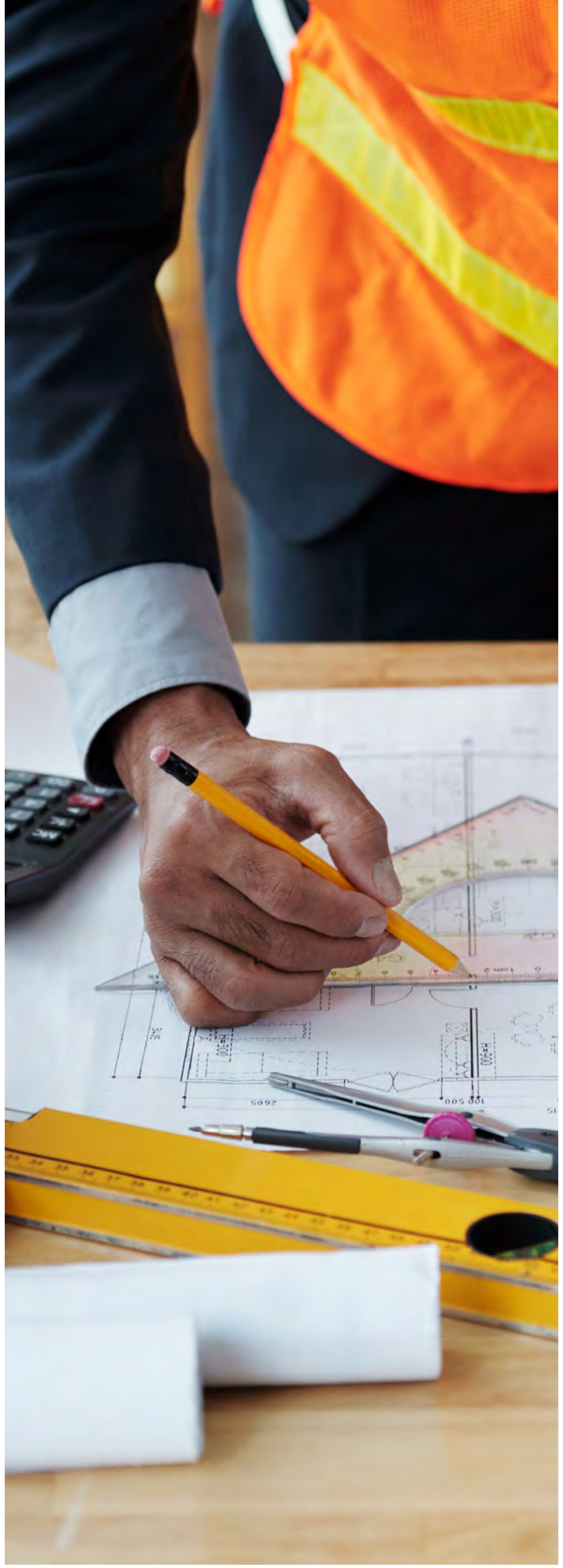
- Engage stakeholders to clarify mandate / product focus
- Propose solutions for gaps (transitional arrangements while refocusing DBN

RESPONSIVE STRATEGY

Our strategy has been developed to proactively address our most material risks and opportunities set out in our material matters analysis. The table below reflects the key strategic pillars that address and in turn, are affected by related material matters

Strategic intent	Strategic pillars	Strategic objectives	Material matters
Sustainability	Financial sustainability	Profitability	Credit risk and profitability, capital at risk
		Asset quality	Credit risk and profitability, capital at risk
		Capital adequacy	Credit risk and profitability, capital at risk
		Non-interest income	Credit risk and profitability, capital at risk
	People and culture	Service culture	People, culture and leadership
		Employee centricity	People, culture and leadership
		Talent and performance management	People, culture and leadership
	Operational efficiency	Client experience	Adverse and volatile economic conditions, social and developmental impact priorities Customer centricity and innovation
		Efficient and digitised processes	Digital innovation, disruption and cyber security Customer centricity & innovation
		Optimal Technology	Digital innovation, disruption and cyber security

Strategic intent	Strategic pillars	Strategic objectives	Material matters
	Fundraising and partnership	Concessional funding	Climate change, just transition and water security Adverse and volatile economic conditions, social and developmental impact priorities
		Climate funding	Climate change, just transition and water security
Development impact	Development impact	Quality loan book growth	Credit risk and profitability, capital at risk – [trade off to developmental impact] Adverse and volatile economic conditions, social and developmental impact priorities
		Develop new sectors	Adverse and volatile economic conditions, social and developmental impact priorities Customer centricity and innovation
		Branding / CSI	Reputational and brand management Customer centricity and innovation Regulatory developments and money laundering risks
	Mandate focus	Engage with stakeholders to clarify mandate/ product focus	Customer centricity and innovation Regulatory developments and money laundering risks



LOOKING FORWARD -2024-2029 INTEGRATED STRATEGIC BUSINESS PLAN

This annual integrated report marks the conclusion of the 2019-2024 Strategic Plan and the launch of the DBN 2024-2029 Integrated Strategic Business Plan (ISBP), highlighting the Bank's transition from its formative years. As we embark on the next five years, the 2024-2029 strategic period signifies a new era. Embracing the theme "Let's Develop," the Bank is committed to establishing a clear roadmap to drive Namibia's growth, positioning itself as a proactive partner in social and economic development. Looking forward, the 2024-2029 ISBP will focus on four core priority themes:

- Financial Sustainability
- People and Culture
- Market Positioning
- Development Effectiveness

STRATEGIC THEMES AND OBJECTIVES

DBN 2029

FINANCIAL STABILITY	PEOPLE & CULTURE	MARKETING POSITIONING	DEVELOPMENT EFFECTIVENESS
Operational Effectiveness	Enhanced Employment Experience	Enhanced Customer & Stakeholder Experience	Large Infrastructure Development
Quality Loan Book Growth	Leadership Effectiveness & Talent Management	Enhanced Branding & Marketing	Catalytic Funding
Funding Strategy	High-Performance Culture	Innovation & Development Thought Leadership	SME Development Initiative
Sustainable Profitability	Learning Organisation	Market Coverage	Socio-Economic Impact: Rural Development & Diversification
		Fit-For-Purpose Pricing Methodology	

STRATEGIC PARTNERSHIPS

DIGITAL TRANSFORMATION

CHANGE MANAGEMENT

ENTERPRISE RISK MANAGEMENT

Moving forward, the Bank acknowledges the importance of paying special attention to sectors with potential for economic growth and the need for a clear strategic position for the SME sector. Embracing new partnerships and engaging in development policy dialogue to focus activities on sectors with high productivity gains and job creation potential. As it progresses on its growth roadmap, the DBN reaffirms its commitment to being a proactive partner for social and economic development in Namibia, aiming to become a trusted partner for growth and impact through its focus on financial sustainability, people and culture, market positioning, and development effectiveness, whilst actively managing environmental impact.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FOCUS AREAS IN STRATEGY

Our key social and environmental focus areas are around our employees, clients as well as impact on the economy and communities as well as our climate change funding strategy together with thorough environmental, social and governance due diligence processes undertaken in our loan advance programme.

ESG at DBN ensures accountability and the implementation of systems and processes to manage DBN's impact, such as its carbon footprint and how it treats employees, suppliers and other stakeholders. Our ESG initiatives also contribute to broader business sustainability efforts that aim to position DBN for long-term success based on responsible corporate management and business strategies.

DBN's ESG Reporting Framework identifies various quantitative 'impact reporting' metrics aligned to the Bank's Sustainable Finance Framework. These include metrics related to renewable energy, energy efficiency, clean transportation, green buildings and sustainable water management, which have direct climate change linkages. In future, such metrics will be tracked for each applicable project.

DBN has not yet set climate-related targets, however, renewable energy targets for the Bank's portfolio are in the process of being established.

DBN'S APPROACH TO CLIMATE CHANGE

Risks emanating from climate change have become an increasing concern globally, because of its potential impact on the financial system. The DBN is exposed to climate change through its lending activities. Climate change, the just transition and water security are recognised as material matters by DBN and these issues are collectively listed as an opportunity within the organisation's risk profile and response plan.

The DBN recognises the need to systematically identify, assess, and manage climate risk in its own operations and portfolio to achieve key objectives. As a result, DBN has embarked on a journey of integrating the recommendations of the Task Force on Climate-related Disclosures (TCFD) into the way in which the Bank operates i.e. the Bank's governance, strategy, risk management and metrics and targets.

CLIMATE RESPONSE

It has become clear that National Development Banks, such as the DBN, need to systematically identify, assess, and manage climate risk in their own operations and portfolios in order to achieve four key objectives:

I. Fulfilling their mandate: DBN's mandate is to contribute to sustainable development in Namibia through the mobilisation of financial and other resources, the participation in and facilitation of economic programmes, and assisting in the development of markets. The Bank's ability to achieve its sustainability objectives is jeopardised by climate change and the associated social, environmental and economic impacts.

Supporting the government in achieving climate goals and commitments: DBN aligns its activities with the country's development priorities, particularly in areas of infrastructure development and maintenance. This includes a focus on the national priority sectors, namely tourism and hospitality, transport and logistics, and manufacturing. These sectors, while critical to Namibia's economic growth, contribute significantly to greenhouse gas (GHG) emissions. They also face substantial risks from climate change, including economic, policy, social, and technological shifts during the transition to a low-carbon economy. As a key role-player in the Namibian economy, it is critical for DBN to actively support the Namibian government in achieving the goals set out in the Nationally Determined Contribution (NDC) to strategically address the climate risks and opportunities of Namibia.

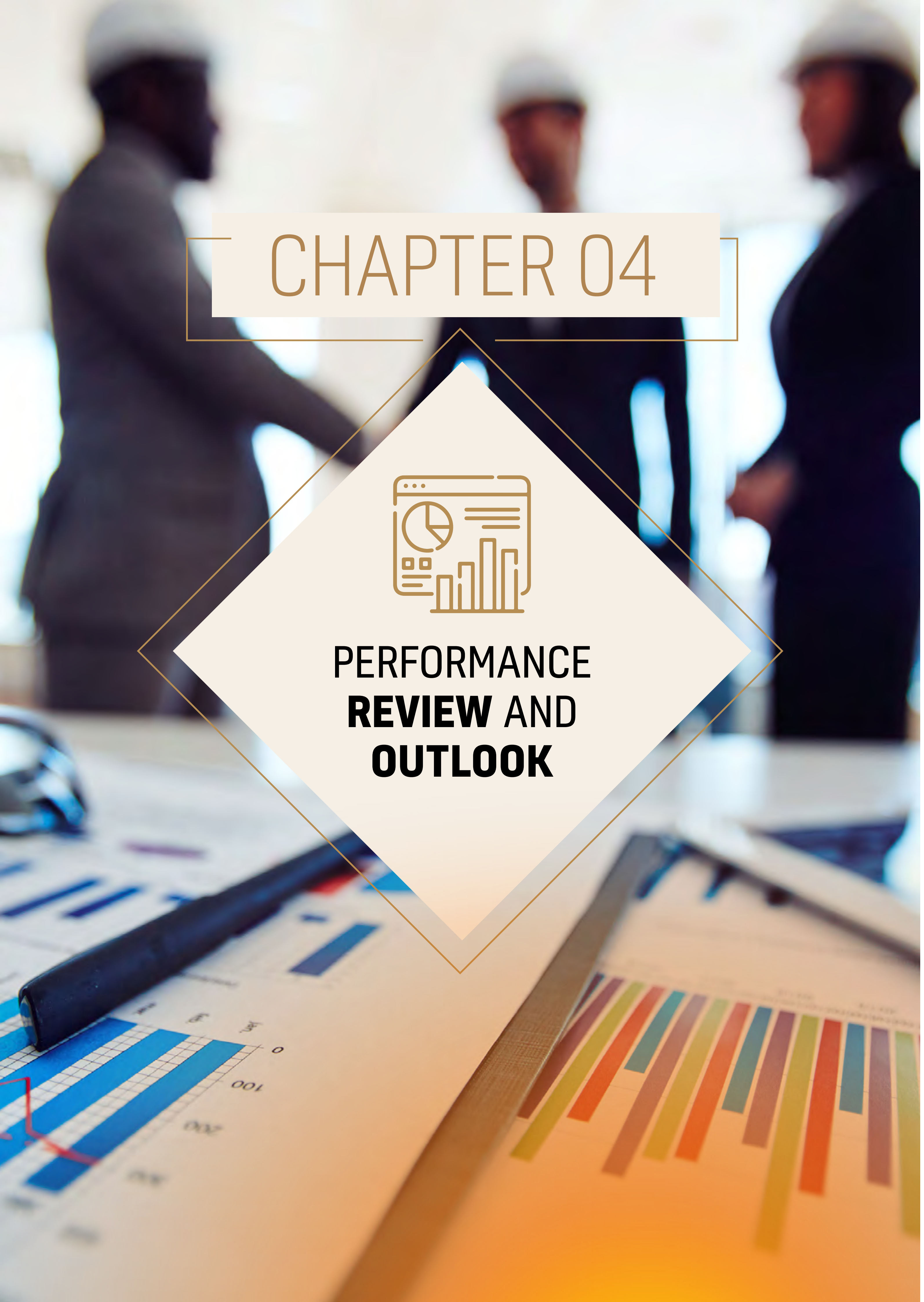
II. Providing a market signal: As a key player in local, regional, and national financial communities, the Development Bank of Namibia (DBN) has the unique opportunity to provide market signals and enhance financial resilience. With growing awareness of climate change, many central banks have issued guiding principles for integrating climate considerations into banking, especially in high-risk sectors. DBN can lead in strategically implementing the recommendations of the TCFD in Africa, setting a precedent for sustainable financial practices.

III. Gaining access to funding: DBN recognises the growing importance of climate risk management among international investors and financiers. To secure funding from diverse sources, DBN must align with evolving investor requirements, particularly those focused on climate change. Some of DBN's most significant investors have rigorously embedded climate change within their institutional strategies and policies, have set climate targets both internally and related to the alignment of their funding with the climate action goals of the Paris Agreement, and have specifically excluded funding with linkages to fossil fuel activity. This investor action poses both risks and opportunities to DBN.

CLIMATE RISK AND OPPORTUNITY INTEGRATION

The diagram below maps out how climate risks and opportunities areto be integrated by DBN along the entire transaction lifecycle

STRATEGY	SCREENING	DUE DILIGENCE	DEAL APPLICATIONS, STRUCTURING, APPROVAL & EXECUTION	MONITORING & MANAGEMENT	EXIT
• Understand the universe of climate risks and impacts, determine risk appetite and embed climate risk into investment strategy • Apply Climate Finance Project selection Criteria • Utilise Climate Finance Pipeline Register • Use Exclusion List	• Embed climate into internal ESG questionnaire • Use Climate Risk Screening Tools • Include outcomes in screening investment committee Summary • Use findings to inform scope of Due Diligence (DD) (embed climate into DD Terms of reference (ToR))	For projects/clients where climate risk is material, refine risks: • Tailor climate change checklist to obtain relevant client-specific data • Undertake desktop review of climate risk using more detailed publicly available tools* • Commission specialist study for high-risk clients/ projects Develop ESAP	• Discussion of climate related outcomes of DO with investment committee • Use ESAP to inform loan agreement /E&S covenants • Set climate-related KPIs (embed in ESG) performance reporting template)** • Specify climate-related monitoring climate-reporting requirements**	• Implementation of climate-related ESAP items • Monitor performance of project/client using climate-related KPIs	• Embed climate risk in ESG Exit Assessment ToR • Assess how management of risk/has contribution and creation over the transaction lifecycle • Assess climate benefits (per Theory of Changes)



CHAPTER 04

PERFORMANCE **REVIEW** AND **OUTLOOK**

2024 HIGHLIGHTS

Approvals 2024: 141 (2023: 171)	**Total Infrastructure Approvals 2024:** N$319.1m (2023: N$131.2m)	**Jobs created by women entrepreneurs 2024:** 412 (2023: 285)	**Jobs created by youth entrepreneurs 2024:** 126 (2023: 168)
Enterprise numbers 2024: DBN approved finance for 16 start-ups and 125 existing enterprises (2023: 19 start-ups & 152 existing enterprises)	**Total employment Impact 2024:** 3,525 (2023: 5 267)	**Total Assets 2024:** N$ 7.3b (2023: N$ 7.9b)	**Profit for the year 2024:** N$62m (2023: Loss- N$ 269.8m)

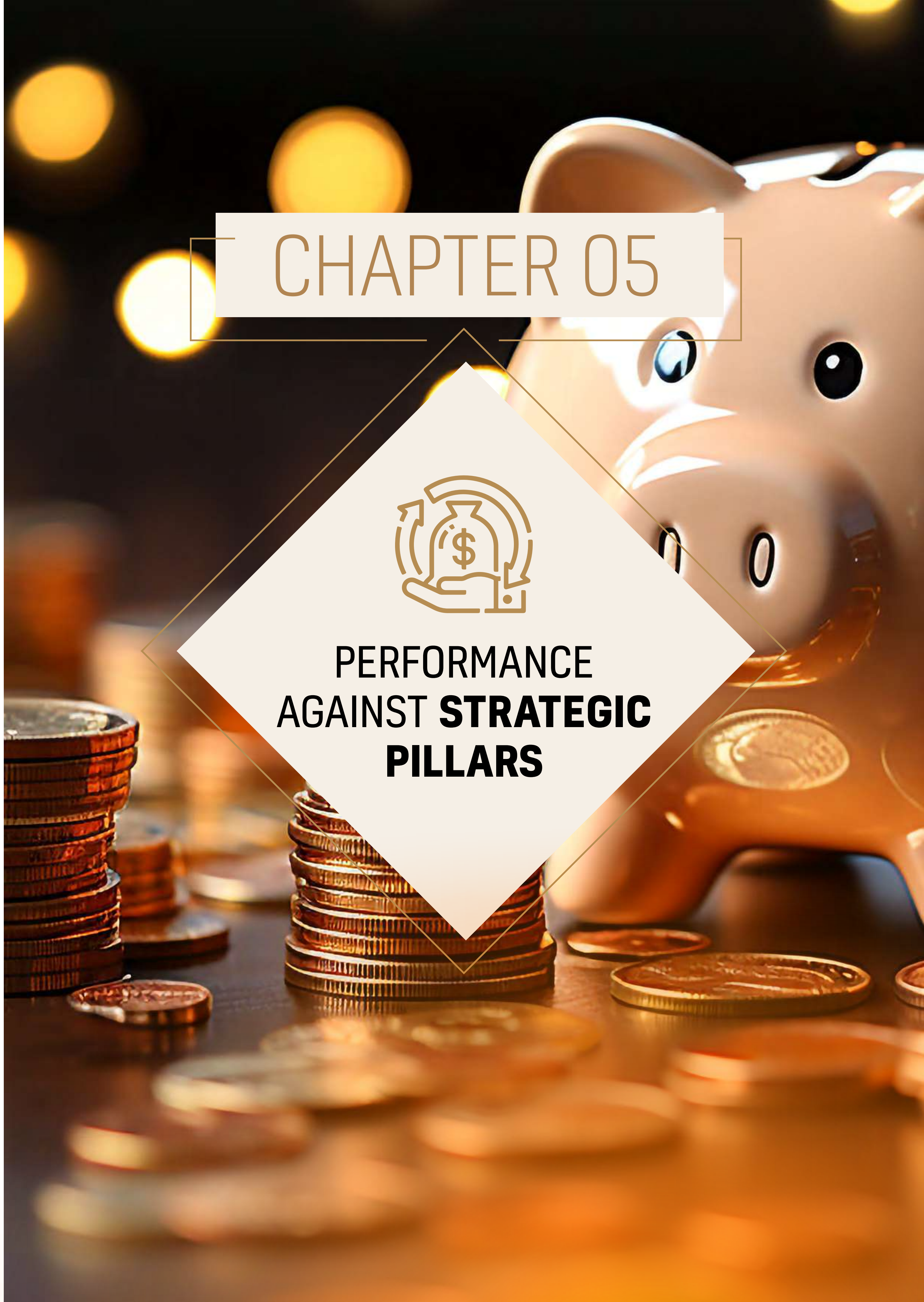
STRATEGIC PERFORMANCE SCORECARD

Strategic Intent	Strategic Pillars	Strategic Objectives	Measures	Outcome at the end of March 2024
Achieve and maintain Sustainability of the Bank	**01. Financial sustainability**	**1.1.** Profitability	Achieve profitability margin (Annual Target: N$ 100 mil)	N$ 62 mil
		1.2. Asset quality	Non-performing ratio of <15%	35.40%
		1.3. Non-interest income	Raise non-interest income (Annual Target: N$ 33 mil)	N$ 29 mil
		1.4. Impairment ratio	Impairment provision of <15.1% in line with the sustainability model	26.26%
		1.5. Capital adequacy	Maintain liquidity coverage ratio (for projected future 6 months) at 100%	67%
	02. People and culture	**2.1.** Service culture	Turnaround times defined for key processes by Q4 FY24	Ongoing
		2.2. Employee centricity	Achieve Employee centricity (Baseline survey to be conducted)	Yes
		2.3. Talent and performance management	Implement performance management and review system (System implemented)	Completed
	3. Operational efficiency	**3.1.** Client experience	Maintain a positive client experience (Baseline survey to be conducted)	Positive client experience maintained
		3.2. Digitized efficient processes	Turnaround times defined for key processes by Q4 FY24	Ongoing

STRATEGIC PERFORMANCE SCORECARD (CONTINUED)

Strategic Intent	Strategic Pillars	Strategic Objectives	Measures	Outcome at the end of March 2024 (Q4)
		3.3. Optimal technology usage	100% core banking system uptake by employees involved in core banking processes	Completed
	04. Fundraising/ Partnerships	**4.1.** Concessional funding	Attain concessional funding (Target:20%)	6.12%
		4.2. Climate funding	Secure climate funding (Target: N$ 500 mil)	N$ 606 mil

Strategic Intent	Strategic Pillars	Strategic Objectives	Measures	Outcome at the end of March 2024 (Q4)
Achieve high development impact	**01. Development impact**	**1.1.** Quality loan book growth	Maintain quality loan book growth (Target: 5% p.a.)	-6.29% including NEF and -4.72% excluding NEF
		1.2. Develop new sectors	Loan approvals for underrepresented sectors on DBNs loan book (Annual Target: N$ 250 mil)	N$ 251.4 million approved for Energy: rooftop installations, land and housing, commercial property and mining
		1.3. Branding/CSI	Maintain a positive trend in terms of the public perception of DBN (Survey)	Positive perception maintained
	2. Mandate focus	**2.1.** Stakeholder engagement	MFPE approved a 5-year ISBP by March 2024	The Board approved 5 Year Integrated Strategic Plan and the 2024/25 FY Business Plan was submitted to the Ministry of Finance & Public Enterprises in January 2024.



CHAPTER 05

PERFORMANCE AGAINST **STRATEGIC PILLARS**

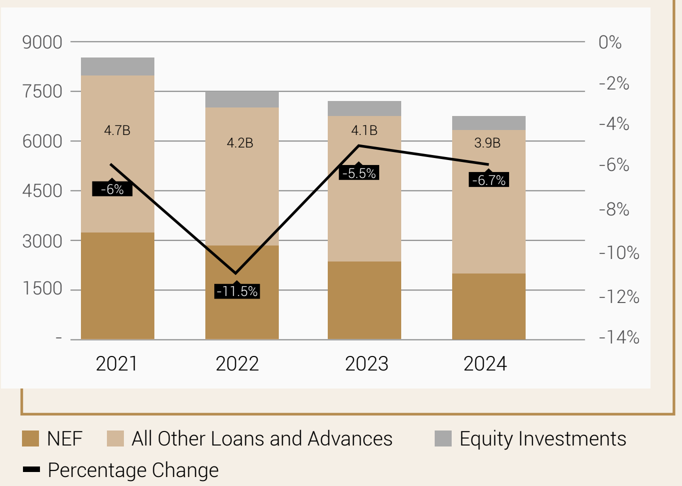
CHIEF FINANCIAL OFFICER'S **REPORT**

Despite operating in a challenging economic environment, DBN has demonstrated strength and resilience, supported by a robust capital base, good governance, and strong shareholder support. The bank is reporting a net operating profit of N$62 million after two consecutive financial years of losses. The prior years' losses were primarily due to high impairments from Non-Performing Loans (NPLs).

The high level of NPLs stemmed from the bank's focus on developmental lending, adverse economic conditions, and the effects of the pandemic. This weak asset quality remains the most significant threat to the bank's long-term sustainability and necessitates a coordinated response in the short to medium term. Despite various initiatives deployed over the past five years to address NPLs, these efforts have not yet yielded the desired results, with NPL ratio rising by 2% and impairment ratio by 6.4% from the previous year.

Balance sheet shrinkage remains another challenge, primarily due to the accelerated runoff from the NEF exposure, which accounts for nearly 40% of the loan book, driven by mandatory cash sweeps. The loan book contracted by 6.7% in 2023/24, compared to a 5.5% decrease in 2022/23.

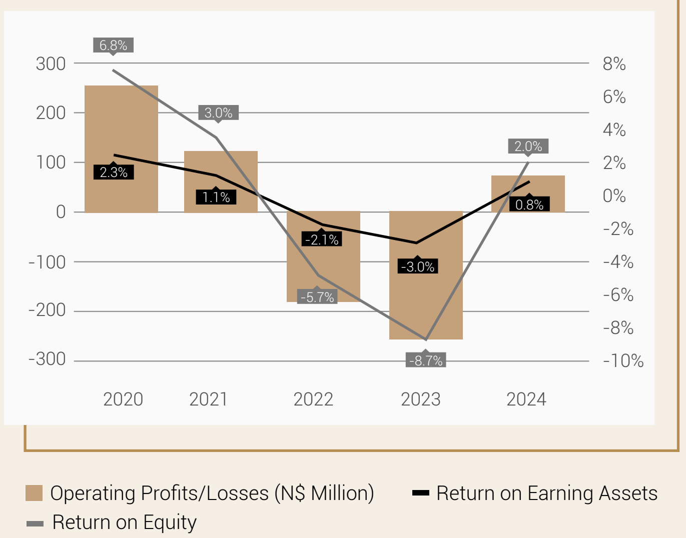
ASSET GROWTH



FINANCIAL PERFORMANCE

DBN recorded a profit of N$62 million compared to a loss of N$270 million in 2022/23. Significant contributors to this performance were the profit from the sale of a portion of the bank's equity investment in Ohorongo Cement, an SDF grant from the government and bad debt recoveries.

PROFITABILITY



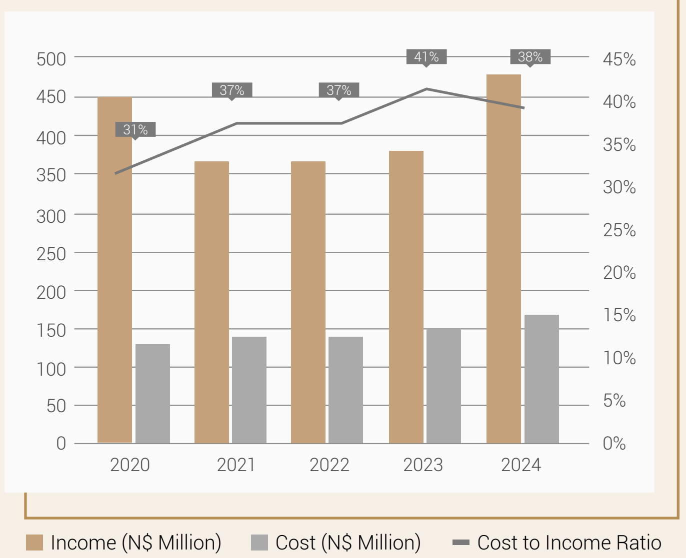
- **Net interest income management**

Net Interest Income (NII), a critical indicator of the bank's financial sustainability, grew by 29% year-on-year, rising from N$348 million in 2022/23 to N$450 million in 2023/24. This increase was primarily driven by the rise in interest rates at the beginning of the financial year, which benefited from the positive impact of the endowment portfolio.

- **Cost optimisation and efficiency**

The cost-to-income ratio remains under pressure at 38%, exceeding the target level of 30%. This high ratio is primarily due to suspended interest income resulting from an increase in stage 3 loans. Management is actively implementing measures to better control and optimize costs.

OPERATIONAL EFFICIENCY



FINANCIAL POSITION

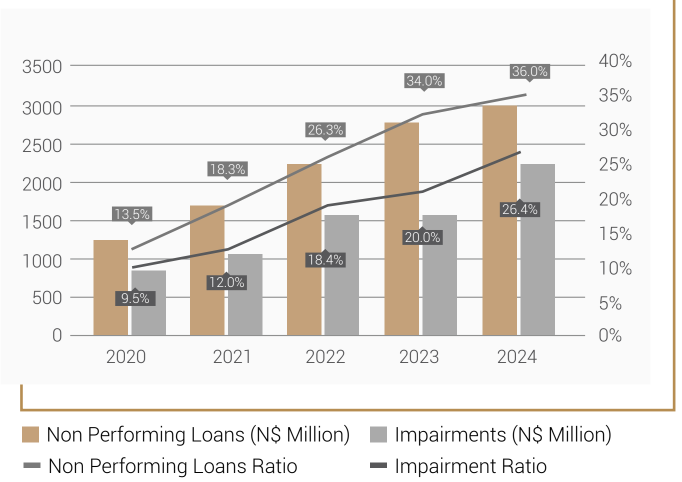
The bank's loan book experienced a contraction from N$6.6 billion in 2022/23 to N$6.2 billion in 2023/24. This reduction is mainly due to cash sweeps linked to NEF exposure and lower-than-expected new disbursements during the year.

As a result, our total balance sheet has also decreased, from N$7.8 billion in 2022/23 to N$7.3 billion in 2023/24, mirroring the shrinkage in the loan book.

- **Non-repayments and quality of the loan book**

Loan repayments by clients are critical to our financial sustainability. The loan book continues to show weak asset quality with the NPL ratio and Impairment ratio increasing by 2% and 6.4% year on year.

ASSET QUALITY



- **Cash generated from operating activities**

Cash remains king in our operations. The bank generated N$436 million from operations (excluding funding activities). Funding activities utilised N$509 million resulting in a net reduction of N$73 million.

TREASURY AND BALANCE SHEET MANAGEMENT

- **Funding**

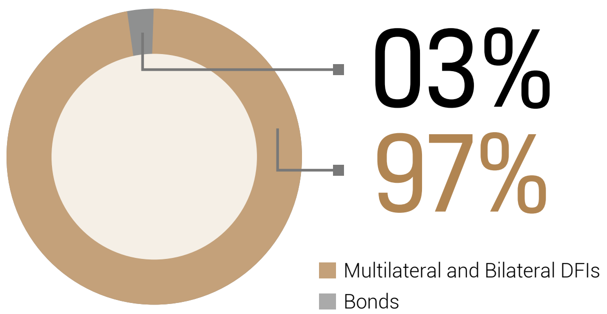
The bank's funding strategy focuses on balancing the need to adequately fund loan book growth while optimizing the cost of funds. The bank will continue to seek concessional funding from Multilateral and Bilateral Development Finance Institutions (DFIs), leveraging existing DFI relationships and establishing new ones.

The bank listed its N$2.5 billion medium-term note programme on the Namibian Stock Exchange (NSX) seven years ago and aims to issue bonds regularly on the short end of the curve to support loan book growth and deepen local capital markets.

No new funding was raised during the period under review, and the total funding repaid amounted to N$509 million.

The pie chart below illustrates the bank's funding sources:

FUNDING SOURCES



- **Liquidity**

Liquidity levels and ratios were maintained within board-approved policy parameters, with liquid assets held primarily in the form of call and term deposits, and to a lesser extent, money market investments in pooled funds. Total liquidity stood at N$712 million (2023: N$734 million).

Liquid asset holdings are complemented by both committed and uncommitted facilities from commercial banks. Contingent liquidity sources, in the form of undrawn credit facilities, amounted to N$130 million.

The table below shows the liquidity ratios as at 31 March 2024.

LIQUIDITY RATIOS		LIMIT
Cash as a % of Capital & Reserves	22%	10%
30-day Liquidity Coverage Ratio (LCR)*	341%	100%
Net Stable Funding Ratio (NSFR)	126%	100%

**DBN calibrated 30-day Liquidity Coverage Ratio (LCR) includes committed facilities as part of high-quality liquid assets.*

- **Gearing**

During the period under review, the bank maintained a moderate leverage profile. The bank's funding liabilities decreased by N$509 million during the year. Consequently, the debt-to-equity ratio improved slightly to 128%, primarily due to the repayment of funding liabilities. The debt-to-equity ratio remains significantly below the shareholder-prescribed limit of 200%.

- **Capital Adequacy**

The bank remained well-capitalised throughout the period under review, with a strong capital adequacy ratio of 77% (2023: 78%). This is well above the Association of African Development Finance Institutions (AADFI) capital adequacy ratio minimum of 15%.

The bank monitors and manages its capital adequacy in line with the capital management guidelines approved by EXCO. DBN has adopted both the Bank of Namibia and AADFI capital adequacy prudential guidelines

- **Credit Ratings**

During the year under review, Fitch Ratings revised the bank's outlook from negative to positive. The Bank's credit ratings remained unchanged during the year, in tandem with those of the sovereign.

The bank's credit ratings as at year-end are summarized below:

RATING AGENCY	ISSUER RATING TYPE	SHORT TERM	LONG TERM	OUTLOOK
Fitch Ratings	Foreign Currency	BB-	B	Stable
	Local Currency	BB-	B	Stable
	National Rating	AA+ (zaf)	F1+ (zaf)	Stable

OUTLOOK

Despite the projected slowdown in the Namibian economy for 2024, with real GDP growth estimated at 3.7% and a slight improvement to 4.1% in 2025, DBN maintains an optimistic outlook for 2024/2025. Acknowledging challenges such as weaker global demand, slower growth in key industries like mining, and domestic risks like water supply constraints and high import costs, DBN identifies positive indicators. The improvements across key sectors bode well for DBN's loan portfolio growth in the coming year.

Nicky Mutenda
CA(SA); CA(NAM); FCCA; ACICMP
CHIEF FINANCIAL OFFICER

PEOPLE AND CULTURE

OVERVIEW

Over the past five years, our strategic emphasis has centred on implementing initiatives geared towards enhancing employee-centric practices and reassessing our performance management policies and approaches. The following are the key highlights:

- Staff turnover (employee retention) for the 2024 financial year was 8.9% (2023: 5%)
- Employees from previously disadvantaged groups made up 96.7% (2023: 95.1%) of our workforce as at 31 March 2024.
- Women in executive positions as at 31 March 2024 were 55 % (6/11) (2023: 50%)

PEOPLE & CULTURE

DBN is an employer of choice, intentionally attracting and retaining high-performing individuals. We take pride in fostering an inclusive, supportive, and positive environment, essential for our success.

Through our strong reputation and communication, DBN is recognised as a workplace that offers opportunities for professionalism, commitment, and developmental impact in Namibia.

In a competitive market with a shortage of skilled and experienced employees, our focus on recruiting and retaining the best talent is vital. Ensuring the right people are in place at the right time enables DBN to effectively fulfil its mandate.

Our Human Capital and Operations Support team is dedicated to enhancing our work culture, employee well-being, productivity, personal development, and workplace environment through thoughtful programmes and ongoing management interventions.

DBN's approach ensures that employees find professional and personal fulfilment in overcoming challenges, both as individuals and as members of supportive teams. This caring and growth-oriented environment allows DBN to consistently perform as a leader in the financial sector, contributing to Namibia's development.

GENERAL AND GENDER REPRESENTATION

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

During the 2023/24 period, 100% of the ten (10) recruited employees came from previously disadvantaged groups. Overall, the representation of previously disadvantaged employees is 96.6%, solidifying the banks' gender-neutral stance towards performance of tasks and contributions. In addition, 61% of the 2023/24 workforce was female, of which 96% were previously disadvantaged.

Women constitute 41% of middle management, and 55% of executive management.

TALENT ACQUISITION & RETENTION

DBN's vision to enhance Namibia's development and socio-economic well-being drives the bank's strategic focus on high-quality talent retention and recruitment. With a staff complement of 121 and a turnover rate of 8.9%, DBN remains committed to employee satisfaction and stability. Despite 10 resignations this year, the bank recruited 10 new employees to expand capacity, aligning with DBN's evolving needs and long-term objectives.

DBN values its employees holistically, recognising their multiple roles and responsibilities beyond work. The Employee Wellness Programme supports overall well-being in health, physical fitness, spirituality, intellect, social life, and career. By enhancing productivity and promoting healthy lifestyles, DBN ensures its employees are well-equipped to maintain a balanced and fulfilling life.

TOTAL DBN STAFF	2019/20	2020/21	2021/22	2022/23	2023/24
Employees at start of year	105	109	112	119	122
Recruitment	4	10	14	10	10
Retirements	-	(2)	(1)	(1)	-
Resignations	-	(5)	(5)	(4)	(10)
Fixed-term contract expiry	-	(-)	(1)	-	-
Dismissal	-	-	-	(1)	(1)
Total	**109**	**112**	**119**	**123**	**121**

The Employee Wellness Programme for 2023/24 included several key initiatives: a mental and emotional wellbeing session for men facilitated by Riaan Siyama on 17 May 2023; the DBN Fun Run/Walk on 13 May 2023; an International Women's Day celebration in March 2024 led by Estelle Tjipkua; and personalised counselling services provided by Dr. Mara Mberirua from February to March 2024. These efforts highlight DBN's commitment to the well-being of its employees.

LEARNING ORGANISATION & TALENT MANAGEMENT

LEARNING ORGANISATION

The concept of a learning organisation is paramount to DBN, recognising its pivotal role in fostering sustainable success. A robust learning culture significantly influences strategy, innovation, employee engagement, and retention.

Aligned with our mission, vision, and values, we prioritise employee professional development through learning initiatives. Our processes and support systems are meticulously designed to facilitate learning and development, ensuring seamless access to capacity-building opportunities for all employees.

As an agile entity, we understand the importance of an adaptable workforce in a constantly evolving landscape. Therefore, fostering a culture of continuous learning and adaptation is integral to our philosophy.

We have reimagined our learning programs, and cultivated an environment where employees are not only empowered to take charge of their growth but also provided with the necessary resources to facilitate it.

Our learning culture promotes continuous improvement and encourages collaborative knowledge-sharing among teams. This ethos shapes our talent acquisition principles. In the fiscal year 2023/24, a total of 121 employees participated in various human capital development interventions aimed at enhancing both organizational and individual competencies. This encapsulates soft/essential skills, technical skills, professional certifying short programs, and leadership coaching, totalling N$ 1,656,229.03. This investment underscores our unwavering commitment to cultivating a workforce equipped to thrive in an ever-changing landscape.

FINANCIAL STUDY ASSISTANCE TO EMPLOYEES

During the period under review, 17 employees benefited from DBN study loans and enrolled for academic programmes. For this period, 5 new loans were approved, 3 loans were paid in full, and 8 employees successfully completed their studies. The financial study assistance loan balance amounted to N$ 282,039.68 as at 31 March 2024.

PROMOTIONS

DBN encourages employees to develop their skills and pursue career growth and professional advancement opportunities. Therefore, during the period under review focused internal recruitment initiatives led to the promotion of eight (8) employees, five (5) females and three (3) males, all of whom are previously disadvantaged.

By prioritising internal promotions, both upward in the hierarchy and horizontally, this approach not only strengthens our organisational capacity but also ensures a sustainable and future-ready talent pipeline.

STUDY ASSISTANCE LOAN

N$ 282K

2024

FUNDRAISING AND PARTNERSHIP

FUNDING

FUNDING LIABILITIES	AMOUNT OUTSTANDING AT 31 MARCH 2024 (N$)	CONCESSIONAL FUNDING (N$)	GENERAL FUNDING (N$)
African Development Bank (AfDB) Line of Credit	3,519,916,185	-	3,519,916,185
KfW Credit Line: Economic Recovery	249,070,629	249,070,629	-
KfW Credit Line: Green	150,342,989	-	150,342,989
Medium term Note Programme (NSX)	131,188,795	-	131,188,795
Total funding	**4,050,518,598**		

CONCESSIONAL FUNDING

In 2021 DBN secured a concessional credit line of N$450m from KfW. The credit line is meant to provide short term investment loans as well as working capital for enterprises. The purpose of the concessional credit line is to preserve jobs and support Namibian SMEs by facilitating access to credit for companies.

This is to contribute to the promotion of a broad-based, private sector sustained economic growth which supports economic recovery in Namibia. With the support of KfW, DBN was able to lend to SMEs at interest rates below the Namibian market rates.

CLIMATE FUNDING

In 2018 DBN secured its first green credit line from KfW for climate-related infrastructure projects. The green credit line firstly targets renewable energy projects, such as power generation from solar, wind and biomass sources as well as energy efficiency investments on the demand side.

The green line also targets climate-friendly infrastructure investments in the sector of water and transport, such as water supply and sewage treatment systems or the purchase of rolling stock for rail based public transport systems.

During the year under review, DBN secured a second green credit line of N$606 million from KfW, with two equal drawdowns expected on 15 May and 15 November 2024. The terms and conditions of the second credit line are similar to the first credit line.

For the 2023/24 FY, the DBN's current exposure in regards to renewable energy is summarized in the table below.

RENEWABLE ENERGY FINANCED		
RENEWABLE ENERGY CAPACITY (MW)	ANNUAL RENEWABLE ENERGY CAPACITY (MWH/YEAR)	GHG(TONCO2EQ) AVOIDED
48.4	84,796.8	21,368.8

SUSTAINABILITY FUNDING

During the year under review, DBN launched its inaugural Sustainable Finance Framework (SFF). The framework received a second-party opinion (SPO) from S&P Global and is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles 2021, Social Bond Principles 2021, Sustainability Bond Guidelines 2021, as well as the Loan Market Association's (LMA) Green Loan Principles 2023 and Social Loan Principles 2023.

Additionally, DBN received initial approval from the French Development Agency (AFD) for a 15-year sustainability loan of 25 million euros. The bank expects to finalize terms and reach financial closure in the next financial year.

PARTNERSHIPS

DBN recognises the importance of partnerships with development partners to successfully deliver on its mandate.

These partnerships unlock opportunities for DBN and its stakeholders by creating opportunities for learning and benchmarking, unlocking business opportunities for specific sectors of the economy and supporting struggling businesses.

NATIONAL BUSINESS RESCUE FUNDS (BRF)

DBN in partnership with the Ministry of Finance and Public Enterprises and Namibia Investment Promotion and Development Board (NIPDB) including German Agency for International Cooperation (GIZ) are working towards the establishment of a National BRF.

The objective of the envisaged fund is to support distressed businesses that have prospects to recover from depressed economic cycles, by possibly replacing debt with equity or quasi equity or by injecting capital and providing hands-on business support.

CREDIT GUARANTEE SCHEME (GCS)

DBN in partnership with Namibia Special Risks Insurance Association (NASRIA) continue to roll-out a Credit Guarantee Scheme (CGS). The objective of the CGS is to ensure that bankable SMEs who are ready to take up loans but lack collateral can get loans from financial institutions (lending institutions) through a 60/40 shared risk arrangement between CGS, lending institutions and the borrowers.

Thus, the CGS will guarantee a maximum of 60% of the principal loan amount. CGS is one of the three SME Financing facilities. The other two are the Mentoring and Coaching Programme (MCP), to address operations and management challenges faced by the SMEs and a Venture Capital Fund (VCF), to provide equity capital to growth-oriented SMEs.

SADC-DFRC

The Southern African Development Community – Development Finance Resource Centre (SADC-DFRC), is a development finance institutions network, of which 40 national DFIs from 16 SADC countries are members, including DBN. Their mandate is to promote the effective mobilization of resources by the financial sector, particularly the DFIs, for investment in key areas with the potential to stimulate growth, promote and enhance networking, information-sharing and capacity building.

DBN benefits from the capacity building and support programs of the SADC-DFRC. In addition, the network has enabled collaboration between regional DFIs, resulting in co-investment, such as the co-funding arrangement between DBN and Development Bank of Southern Africa (DBSA) for TransNamib.

DEVELOPMENTAL IMPACT

DBN aligns its activities to the country's development priorities, focusing its financing on facilitating, establishing and building industries and infrastructure, as well as employment opportunities.

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

The DISC enables DBN 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 a low development impact, and 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 a 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: 74 SME projects with a combined value of N$95.9m, and a weighted average development impact score of 3.6 were approved.

Infrastructure: 11 infrastructure projects with a combined value of N$317.1m, and a weighted average development impact score of 3.7 were approved.

Manufacturing: 2 manufacturing projects, with a combined value of N$43.0m, and a weighted average development impact score of 3.7 were approved.

Services: 22 services projects, with a combined value of N$450.1m and a weighted average development impact score of 2.5 were approved.

WEIGHTED MONTHLY IMPACT SCORES BY SECTOR IN 2023/24

WEIGHTED AVERAGE/ MONTH	APR 2023	MAY 2023	JUN 2023	JUL 2023	AUG 2023	SEP 2023	OCT 2023	NOV 2023	DEC 2023	JAN 2024	FEB 2024	MAR 2024	ANNUAL WEIGHTED AVERAGE
SMEs	3.8	3.3	3.6	3.3	4.0	3.2	3.8	3.7	3.6	3.0	3.2	3.6	3.6
Manufacturing	-	-	-	-	-	-	3.6	-	4.3	-	-	-	3.7
Infrastructure	3.8	3.3	-	0.0	3.5	4.0	4.6	3.6	3.6	-	-	-	3.7
Services	-	-	2.6	2.9	3.0	3.2	2.4	1.9	2.6	3.2	3.2	2.4	2.5

ANNUAL AVERAGE IMPACT SCORE BY SECTOR IN 2023/24

APPROVALS	2023/24 N$M	2023/24 SCORE	2022/23 N$M	2022/23 SCORE	ANNUAL WEIGHTED AVERAGE: 2023/24	ANNUAL WEIGHTED AVERAGE: 2022/23
SMEs	95.6	3.6	102.9	3.4	3.1	2.9
Manufacturing	43.0	3.7	222.4	4.4		
Infrastructure	317.1	3.7	131.2	3.7		
Services	450.1	2.5	1,008.2	2.5		

During the 2023/4 FY, the value approvals amounted to N$906.1m, a decline when compared to the N$1,484.1m approved in 2022/23.

PUBLIC/PRIVATE SECTOR APPROVAL IN 2023/24

During the period under review, DBN approved N$906.1m to support economic activity, down from N$1,484.1m in 2022/23, this represents a decline of 38.9%. The decline was observed in approvals for both the public and private sectors. Public sector approvals stood at N$341.3m in 2023/24, a decline of 52.2% from the previous year, while private sector approvals were N$564.7 m in 2023/24, a decrease of 26.7% from the previous year.

PUBLIC / PRIVATE SPLIT	2022/23 N$M	% OF TOTAL	2023/24 N$M	% OF TOTAL
Private	770.4	51.9	564.7	62.3
Public	713.7	48.1	341.3	37.7
Public Private Partnership	-	-	-	-
Total Approvals	**1,484.1**	**100.0**	**906.1**	**100.0**

A total of 141 loans were approved during the 2023/24 FY, compared to 171 loans approved in 2022/23. Similarly, a total of 16 start-up business loans were approved in 2023/24, totalling N$233.1m, compared to 20 start-up loans, totalling N$69.1m, in 2022/23.

BUSINESS CLASSIFICATION	NUMBER OF APPROVED FACILITIES 2022/23	APPROVED AMOUNT (N$M)	NUMBER OF APPROVED FACILITIES 2023/24	APPROVED AMOUNT (N$M)
Start-Up Businesses	20	69.1	16	233.1
Existing Businesses	154	1,415.0	125	673.0

FINANCE FOR LARGE ENTERPRISES AND INFRASTRUCTURE PROJECTS

In the 2023/24 financial year, 89.4% of the approved N$906.1m was allocated to large enterprises. Thus, 10.6% of the loan approvals were dedicated to SMEs. N$319.1m of the large enterprises' approvals was directed toward infrastructure projects. Investments in both private and public infrastructure play a crucial role in the development and sustainability of the economy. Infrastructure development in various sectors including social, utilities, and commercial infrastructures are key drivers for economic activities, and critical in reducing unemployment and poverty.

INFRASTRUCTURE DEVELOPMENT

At N$319.1m, the total infrastructure loans approved in 2023/24 were significantly higher when compared to the N$54.5m approved in 2022/23. 78.0% of the infrastructure projects were for utilities, specifically the provision of solar power plants.

INFRASTRUCTURE APPROVALS 2023/24 FY

INFRASTRUCTURE	N$M	% OF TOTAL	N$M	% OF TOTAL
Commercial infrastructure	**18.5**	**34.0**	**14.0**	**4.4**
Commercial Buildings	0.0	0.0	0.0	0.0
Industrial Buildings	14.0	25.7	14.0	4.4
Service Stations	4.5	8.3	0.0	0.0
Land Servicing	**28.6**	**52.5**	**15.0**	**4.7**
Bulk infrastructure	28.6	52.5	15.0	4.7
Social Infrastructure	**7.4**	**13.5**	**26.4**	**8.3**
Education	-	0.0	-	0.0
Housing	7.4	13.5	26.4	8.3
Utility infrastructure	**0.0**	**0.0**	**248.9**	**78.0**
Power plants: Solar	-	-	248.9	78.0
Grand Total	**54.5**	**100.0**	**319.1**	**100.0**

KEY HOUSING PROJECT APPROVALS

N$MIL	INDUSTRY	SECTOR	DESCRIPTION
9.41	Secondary	Housing	To build 13 houses, consisting of two-bedroom or 3-bedroom units. The houses were to be sold as follows; • 5x (2 Bedroom + Single Garage (Optional)) = Selling for N$763,000 per unit on average, measuring 90.6 sqm for the erf, main dwelling for 76.1 sqm. The cost price per house on average is N$550 000. • 8x (3 Bedroom + Single Garage (Optional) =N$923,500 per unit, measuring 90.6 SQM for the erf, and dwelling of 87.7 sqm. The cost price per house on average is N$642,400.
6.70	Secondary	Housing	To construct 13 houses in Karibib, targeting the mine workers, Government employees and Town Council employees. These will be 3-bedroom houses. The houses will be sold as follows; • 7x 3 Bedroom - 85 sqm, N$815,000.00 per unit, measuring 550 sqm for the erf and main dwelling. The cost price per house on average is NS652,000.00. • 6x 3 Bedroom house - 95 sqm, N$912,000.00 per unit, measuring 550 sqm for the ERF and main dwelling. The cost price per house on average is NS730,000.00.

N$MIL	INDUSTRY	SECTOR	DESCRIPTION
4.53	Secondary	Housing	Acquired land through the council of Keetmanshoop Municipality/Local Authority an offer to purchase six (6) erven, measuring 1103m² (square meters), at Extension 3, Keetmanshoop, in the //Kharas Region, Namibia.

HOUSING SPECIFICATIONS	
DESCRIPTION	NUMBER
Stand-alone Houses	56
Housing units	0
Total	**56**

FINANCE FOR SECTORAL DEVELOPMENT

In 2023/24, DBN approved N$271.0m, or 30.1%, for the transport and logistics sector. This amount is significantly lower when compared to the N$507.6m approved for the same sector in 2022/23. Loan approvals for the electricity sector, which was mainly toward renewable energy generation infrastructure, totalled N$248.94m in 2022/3, or 27.6% of total approvals. Approvals for the manufacturing sector, one of the key areas for development were relatively lower with only N$66.7m, or 7.4% approved for the year under review. This was lower when compared to the N$244.3m approved for the same sector in 2022/23.

SECTORAL APPROVALS	2022/23: ALL		2022/23: SMES		2023/24: ALL		2023/24: SMES	
	N$M	% OF TOTAL	N$M	% OF TOTAL	N$M	% OF TOTAL	N$M	% OF TOTAL
Business Services	58.4	3.9	27.9	26.7	63.1	7.0	25.1	27.5
Commercial property	-	-	-	-	60.0	6.7	-	-
Construction	438.2	29.5	25.1	24.2	89.2	9.8	31.2	34.2
Education	0.5	0.0	0.5	0.5	4.0	0.4	4.1	4.4
Electricity	19.8	1.3	2.5	2.4	248.9	27.5	-	-
Financial intermediation	4.8	0.3	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Health	13.0	0.9	8.6	8.3	13.7	1.5	1.0	1.1
Housing	7.4	0.6	4.8	4.6	34.8	3.8	8.5	9.2
Land servicing	28.6	1.9	-	-	15.0	1.7	-	-
Manufacturing	244.3	16.5	21.9	21.1	66.9	7.4	9.9	10.6
Mining & quarrying	100.0	6.7	-	-	-	-	-	-
Telecommunications	-	-	-	-	-	-	-	-
Tourism & hospitality	31.2	2.1	6.2	6.0	35.2	3.9	11.7	12.8
Transport & logistics	507.6	34.2	0.6	0.6	271.0	29.9	-	-

SECTORAL APPROVALS	2022/23: ALL		2022/23: SMES		2023/24: ALL		2023/24: SMES	
	N$M	% OF TOTAL	N$M	% OF TOTAL	N$M	% OF TOTAL	N$M	% OF TOTAL
Water	-	-	-	-	-	0.0	-	-
Wholesale & retail trade	30.3	2.0	5.8	5.6	4.3	0.5	4.3	0.2
Total	**1,484.1**	**100.0**	**103.9**	**100.0**	**906.1**	**100.0**	**95.9**	**100.0**

SUPPORT TO SMES

SMEs play a crucial role in economic development by creating jobs, fostering innovation, and contributing to GDP. The DBN offers various financing solutions and strategies to SMEs, aimed at improving access to funding. N$95.9m, or 10.6%, of the loans approved in 2023/2024, were for SMEs.

JOB CREATION PER SECTOR	2022/23: ALL		2022/23: SMES		2023/24: ALL		2023/24: SMES	
	PERMANENT	TEMPO-RARY	PERMANENT	TEMPO-RARY	PERMANENT	TEMPO-RARY	PERMANENT	TEMPO-RARY
Business Services	183	134	126	87	95	182	94	118
Commercial property	-	-	0	0	12	350	0	0
Construction	308	916	48	207	202	431	141	191
Education	16	7	16	7	38	40	38	40
Electricity	2	100	0	12	19	175	0	0
Financial intermediation	20	-	0	0	-	-	0	0
Fishing	-	-	0	0	-	-	0	0
Health	39	2	34	1	26	-	6	0
Housing	4	35	4	35	30	71	30	15
Land servicing	-	-	0	0	-	55	0	0
Manufacturing	193	75	124	60	104	67	14	37
Mining & quarrying	-	-	0	0	-	-	0	0
Telecommunications	-	-	-	-	-	-	0	0
Tourism & hospitality	3	4	3	4	184	208	47	0
Transport & logistics	8	-	4	0	2	3	0	0
Water	-	-	0	0	-	-	0	0
Wholesale & retail trade	21	2	21	2	5	4	5	4
Total	**797**	**1,275**	**380**	**415**	**717**	**1,586**	**375**	**405**

JOB CREATION SINCE INCEPTION (INCLUDING NEF)

PERIOD	LOANS APPROVED (N$M)	PERMANENT JOBS	TEMPORARY JOBS	JOBS RETAINED	TOTAL JOBS
Since inception	**20,395.0**	**36,386**	**43,572**	**38,771**	**118,729**
2023/24	906.1	717	1,222	1,586	3,525
2022/23	1,484.1	797	3,343	1,275	5,415
2021/22	978.0	1,351	1,714	3,219	6,284
2020/21	1,014.5	1,355	3,228	1,729	6,312
2019/20	1,165.1	8,130	1,786	1,693	11,609
2018/19	692.1	828	1,831	1,030	3,689
2017/18	2,516.1	1,546	2,862	1,819	6,227
2016/17	4,444.8	1,607	2,197	1,921	5,725
2015/16	1,805.5	3,204	4,296	2,283	9,783
2014/15	1,609.0	2,874	4,040	4,201	11,115
2013	840.1	1,619	3,084	3,168	7,871
2012	519.0	1,984	2,988	2,717	7,689
2011	616.7	2,119	2,921	3,012	8,052
2010	365.2	1,770	1,852	1,385	5,007
2009	427.5	983	2,894	1,674	5,551
2008	467.8	2,499	1,281	3,235	7,015
2007	314.3	1,661	1,770	698	4,129
2006	118.6	623	113	174	910
2005	110.7	719	150	1,952	2,821

SUPPORT FOR WOMEN AND YOUNG ENTREPRENEURS

Strengthening access to finance for women and young entrepreneurs is a key element to ensure sustainable economic development and an integral part of improving the investment climate and business environment. This also improves youth and women labour market participation, which in turn is important in reducing intergenerational transmission of poverty.

TRANFORMATION

TRANSFORMATION (PRIVATE SECTOR)	2022/23 N$M %		2023/24 N$M %	
Total private sector approvals	770.4		564.7	
Of which: effective PDN	563.5	73.1	365.9	64.8
Effective women	46.9	6.1	51.4	9.1
Of which: effective youth	76.2	9.9	42.0	7.4

WOMEN ENTREPRENEURS

Financing women-owned businesses is important to the DBN's strategy. Empowering women supports and promotes socioeconomic and sustainable development. In 2023/2024, N$51.4m, or 9.1% of loans approved for the private sector out of the total N$651m went towards women-owned businesses. In 2022/23, DBN approved N$46.9m, or 6.1% of loans, for women-owned businesses.

JOB CREATION BY WOMEN ENTREPRENEURS

	NO. OF APPROVALS		PERMANENT JOBS		RETAINED JOBS		TEMPORARY JOBS	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
SMEs	42	19	139	123	138	99	95	250
Large enterprises	8	10	35	7	157	58	16	32
Total	**50**	**29**	**174**	**130**	**295**	**157**	**111**	**282**

APPROVALS TO WOMEN BY SECTOR

SECTORS	NUMBER OF APPROVALS		EFFECTIVE WOMEN	
	2022/23	2023/24	2022/23 N$M	2023/24 N$M
Business Services	19	9	18.8	9.8
Commercial property	-	-	-	-
Construction	1	7	0.1	8.0
Education	2	2	0.4	0.5
Electricity	1	-	2.5	-
Financial intermediation	-	-	-	-
Fishing	-	-	-	-
Health	9	1	7.1	0.3
Housing	2	5	2.4	21.8
Land servicing	-	-	-	-
Manufacturing	9	1	6.6	0.2
Mining & quarrying	-	-	-	0
Tourism & hospitality	4	3	1.0	3.7
Transport & logistics	-	1	-	7.0
Water	-	-	-	-
Wholesale & retail trade	3	-	8.2	-
Total	**50**	**29**	**46.9**	**51.4**

YOUTH ENTREPRENEURS

Supporting youth-led businesses is key to sustainable economic development and is crucial for fostering innovation, economic growth, and job creation. In 2023/24, a total of 26 loans were approved for youth-owned businesses, a decrease from the 67 loans approved in 2022/23. The value of these loans amounted to N$42.0 million, compared to N$76.2 million approved in the previous year.

JOB CREATION BY YOUTH ENTREPRENEURS

	NO. OF APPROVALS		PERMANENT JOBS		RETAINED JOBS		TEMPORARY JOBS	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
SMEs	58	23	201	23	126	93	178	90
Large enterprises	9	3	32	0	128	7	23	13
Total	**67**	**26**	**233**	**23**	**254**	**100**	**201**	**103**

APPROVALS TO YOUTH BY SECTOR

SECTORS	NUMBER OF APPROVALS		EFFECTIVE YOUTH	
	2022/23	2023/24	2022/23 N$ M	2023/24 N$M
Business Services	14	8	19.8	19.8
Commercial property	-	-	-	-
Construction	14	11	16.8	12.0
Education	1	1	0.3	0.4
Electricity	1	-	3.6	-
Financial intermediation	-	-	-	-
Fishing	-	-	-	-
Health	13	2	5.7	1.0
Housing	2	-	5.0	-
Land servicing	-	-	-	-
Manufacturing	18	2	18.7	0.5
Mining & quarrying	-	-	-	-
Tourism & hospitality	-	-	-	1.7
Transport & logistics	-	1	-	6.5
Water	-	-	-	-
Wholesale & retail trade	4	1	6.3	0.2
Total	**67**	**26**	**76.2**	**42.0**

ECONOMIC DECENTRALISATION AND REGIONAL ECONOMIC DEVELOPMENT

To foster local and regional economic equity, DBN aims to promote investments in economically underserved regions, including unproclaimed and rural areas. These efforts aim to stimulate heightened economic activity within these regions.

REGION (S)	2022/23 (INCL. SMES) N$M	% OF TOTAL	2022/23 SMES ONLY N$M	% OF TOTAL	2023/24 (INC SMES) N$M	% OF TOTAL	2023/24 SMES ONLY N$M	% OF TOTAL	APPROVALS SINCE INCEPTION N$M	% OF TOTAL
Erongo	123.3	8.3	11.7	11.3	144.5	15.9	8.5	8.9	6,697.4	32.9
Hardap	1.9	0.1	1.8	1.7	10.6	1.2	3.6	3.7	218.6	1.1
//Karas	20.6	1.4	1.2	1.2	5.8	0.6	5.8	6.0	1,069.9	5.3
Kavango East	4.7	0.3	4.7	4.5	9.1	1.0	4.0	4.2	253.5	1.2
Kavango West	5.3	0.4	2.7	2.6	0.7	0.1	0.7	0.7	120.9	0.6
Khomas	348.9	23.5	28.5	27.5	168.0	18.5	25.8	26.9	3,964.4	19.4
Kunene	16.8	1.1	1.8	1.7	8.6	1.0	0.3	0.3	185.0	0.9
National	833.6	56.2	2.6	2.5	343.3	37.9	13.3	13.9	4,223.9	20.7
Ohangwena	11.4	0.8	1.4	1.3	5.7	0.6	5.7	6.0	191.6	0.9
Omaheke	10.6	0.7	8.0	7.7	-	-	-	-	355.1	1.7
Omusati	7.8	0.5	5.3	5.1	5.1	0.6	5.1	5.3	548.9	2.7
Oshana	41.1	2.8	30.1	29.0	119.2	13.2	8.7	9.1	951.5	4.7
Oshikoto	52.1	3.5	1.6	1.6	3.9	0.4	3.9	4.0	298.6	1.5
Otjozondjupa	5.9	0.4	2.3	2.2	80.1	8.8	9.0	9.4	1,018.3	5.0
Zambezi	0.2	0.0	0.2	0.1	1.5	0.2	1.5	1.6	283.8	1.4
Grand Total	**1,484.1**	**100.0**	**103.9**	**100.0**	**906.1**	**100.0**	**95.9**	**100.0**	**20,381.4**	**100.0**

CORPORATE SOCIAL INVESTMENT

The primary purpose of DBN's Corporate Social Investment (CSI) policy is to make a meaningful and measurable impact in the lives of economically, physically and socially challenged communities of the country.

Community investments take the form of financial contributions to projects with high socio-economic benefits undertaken by associations, not for gain and entities targeting marginalized communities.

In other cases, DBN supports community projects that yield job opportunities. Community projects whose main goal is employment creation will consequently enjoy high priority.

In 2023/24, DBN spent N$596,839.42 on CSI and an additional N$203,000.00 in donations and sponsorships.
A total of N$ 487,839.42 for CSI spent in 2023/24 went towards the construction of a maternity ward in Rupara, Kavango West, a project that is currently at 70% completion.

An amount of N$20,000.00 was disbursed to Oshikunde Combined School for the top performers in Grade 11 (NSSCO) and Grade 12 (NSSCAS) as well as a N$ 30,000.00 that was disbursed to Oshuungu Combined school for the purchase of tables & chairs.

Going forward, DBN will work towards identifying opportunities for CSI in all the regions, this is in terms of DBN's CSI policy. Projects that benefit from the bank's CSI funding should include income generating activities.

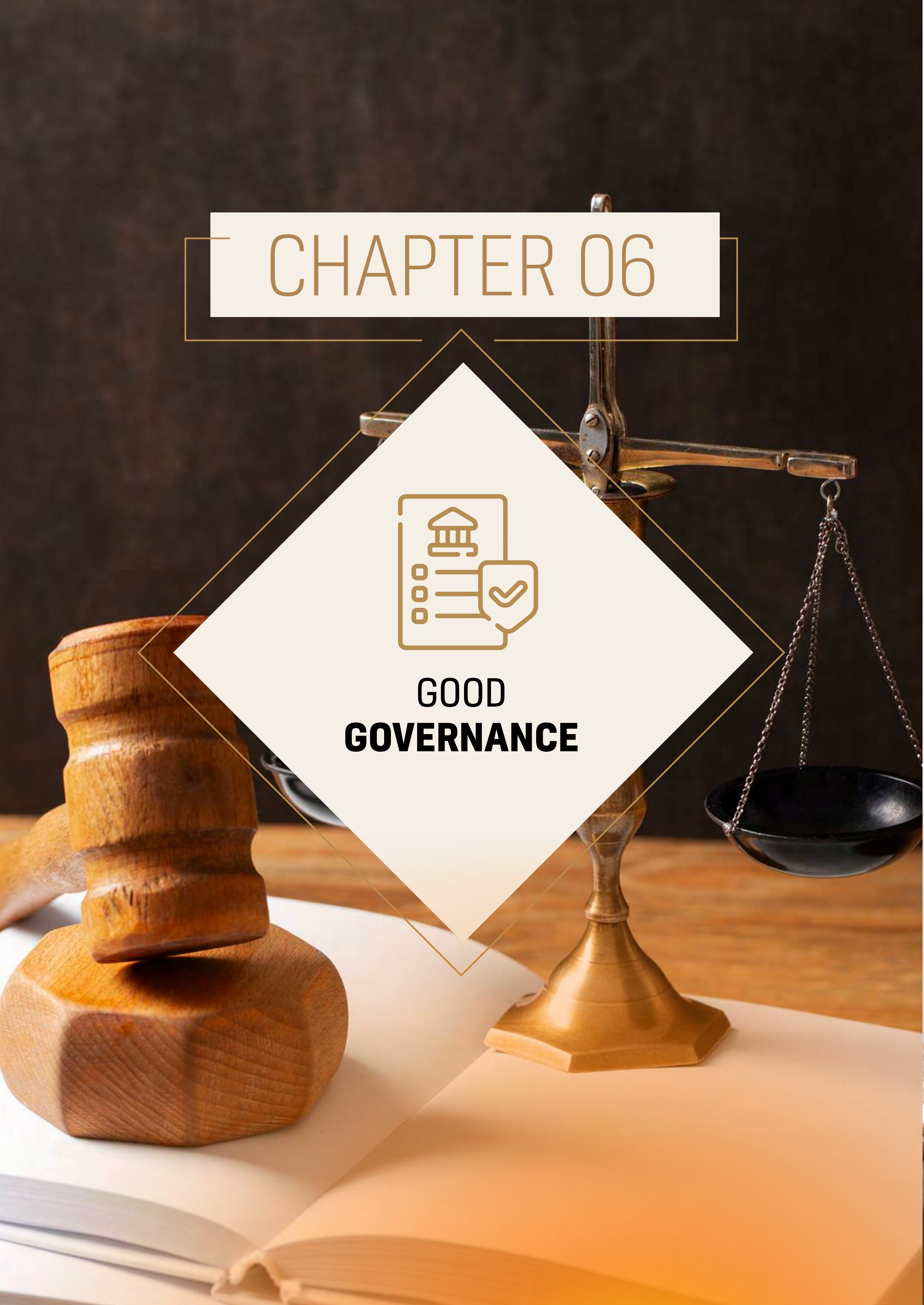
ENVIRONMENTAL AND SOCIAL COMPLIANCE BY BORROWERS

All relevant transactions are monitored to ensure that the E&S commitments are adhered to after DBN has disbursed to borrowers.

DBN monitors the implementation and progress of remedial actions for the loan's tenure. The frequency and duration of monitoring depend on the type of transaction 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 compliance standards.

During the 2023/2024 financial year, 68 projects valued at N$ 4.8 billion were inspected for compliance. Inspection and assessment findings that are significant are reported back to our clients, and all relevant management and board committees including the bank's financiers. The distribution of assessed projects included 38% in the Khomas region, 16% in the Erongo region, and 10% in the Oshana region. Year-on-year enhancements in due diligence for DBN clients were evident in the 2023/24 fiscal year, with 75.7% of the performing loan book (graded from A - Pass / Acceptance to D - Doubtful) assessed for ESG compliance, surpassing the targeted 70% assessment rate.

ESM SITE VISIT PER SECTOR	
Transport and Logistics	49.7%
Housing	13.4%
Manufacturing	12.2%
Tourism and Hospitality	9.8%
Electricity	5.5%
Land Servicing	3.6%
Construction	2.8%
Business Services	1.5%
Mining and Quarrying	0.8%
Wholesale and Retail trade	0.5%
Health	0.1%
Education	0.0%



CHAPTER 06

GOOD GOVERNANCE

GOOD GOVERNANCE PHILOSOPHY AND CODES

Good corporate governance practices are essential to the delivery of long-term, sustainable stakeholder and shareholder value. The ability to generate long-term value is based on good corporate governance which helps to regulate risk. Implementing strong governance structures including a governance code, an ethical culture and a robust risk management framework are foremost in our minds as a responsible corporate citizen.

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.

COMPLIANCE STATUS OF CORPORATE GOVERNANCE RULES

The Board is of the opinion that it is substantially applied in all material respects with the principles of NamCode and the King IV Report, the Namibian Companies Act, 2004 and the Development Bank of Namibia Limited Act, 2002, for the financial year ended 31 March 2024.

SEPARATION OF POWERS AND RESPONSIBILITIES

DBN's Board and Management Charters are reviewed on an annual basis. In the Charters, the limits of authority are stipulated as well as the roles and responsibilities of the various Board Committees, Board members and management.

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

Ethical leadership

Ethical leadership starts with the tone from the top, with the Board providing effective leadership based on an ethical foundation through the policies and procedures it sets for the organisation. The Board assumes ultimate responsibility of DBN's ethical performance and holds management accountable for implementing the DBN Code of Business Conduct and Ethics.

The DBN Code of Business Conduct and Ethics requires all employees and persons acting on behalf of DBN to act ethically and professionally, upholding DBN's core values, standards and principles at all times.

At DBN we are committed to creating and fostering a united DBN by embracing a single set of values to create a common organizational ethical culture. At DBN, we encourage ethical decision-making as ethics is concerned with what is good for the self and for the other i.e., we are fully aware that every relationship that exists between individuals, groups of people and DBN has an ethical dimension and while it becomes very difficult to balance all these relationships on a sustainable basis; hence at DBN we make ethical decisions by always attempting to balance what is good for self and for others.

The Code of Business Conduct and Ethics clarifies what is deemed acceptable business behaviour from an employee to ensure DBN's sustainable business at the core of this Code are DBN values.

DBN guides its employees on best practices and standards that exemplify excellence within the organization. These guidelines are set out in DBN's Code of Conduct and Ethics, Bank Policies, Procedures, and Compliance with laws and Regulations governing DBN's operations. All DBN employees must at a minimum adhere to these standards.

DBN has articulated in the Code of Business Conduct and Ethics, its minimum statements of conduct that are applicable to all employees:

- Conduct ourselves, and treat each other, with dignity;
- Foster total honesty at all levels;
- Listen objectively and sincerely to one another;
- As a learning bank, we will continuously evaluate and improve the way things are done;
- We aspire to uphold utmost professionalism and to cultivate a passion for excellence; and
- We have the highest regard for the principles of confidentiality and reliability.

CORPORATE CITIZENSHIP

The Board acknowledges that it is responsible for good governance, ethical leadership and responsible corporate citizenship. The Board recognises the triple context (economy, social and environment) in which DBN operates and its responsibility to create value sustainably, over the long term. DBN is committed to ensuring that it protects, enhances and invests in the well-being of the economy, society and the natural environment. Through the CSI Policy, DBN attains its mandate of enhancing positive impacts and socio-economic benefits, augmenting its socio-economic footprint as one of a good corporate citizen.

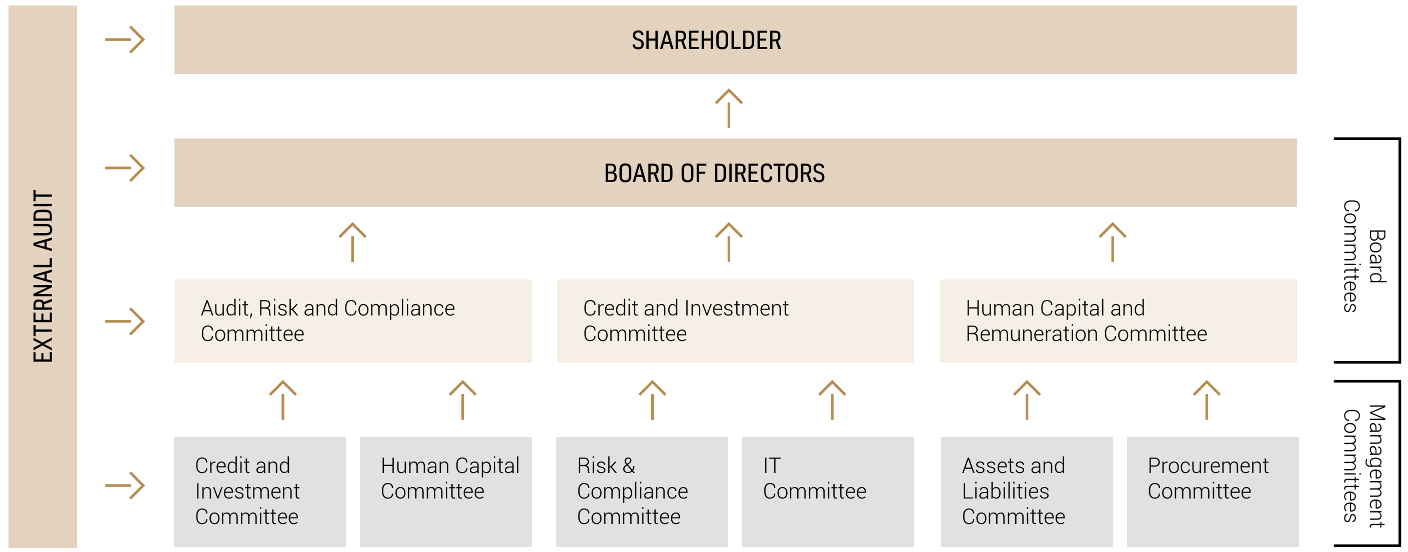
During FY2023/24, DBN rolled out the board-approved ethics strategy that involved activities which promote ethical culture. Amongst others, the Ethics training plan used a combination of face-to-face and virtual training and awareness covering the Head Office and regional offices across the operations. The interventions covered the Board, Executive Management, Middle Management and all other operational employees of DBN.

DBN through an external consultant conducted an Ethics Risk Assessment during 2021.This involved:

- Conducting an Ethics Perception Survey across DBN Review of strategic documents such as relevant policies, procedures, strategies and frameworks
- Conducting ethics risk assessment
- Preparing a bank-wide Ethics Risk Register
- Mapping the ethics profile of each area reviewed and
- Actioning recommendations obtained for areas of improvement and weakness in controls as it relates to ethics risk.

The outcome of the Ethics Risk Assessment is being implemented as per the Board approved DBN Ethics Strategy and Plan over three years i.e., from F2022-F2024. The Board is kept abreast with the progress during its quarterly meetings.

BOARD AND DIRECTORS



ROLES AND FUNCTIONS OF THE BOARD

The Board is responsible for the strategic direction of DBN and setting the tone for ethical and effective leadership. The Board collectively provides effective corporate governance which involves monitoring the relationships between the Board and the management of DBN. The Board provides decisive leadership on key matters of strategic direction to create value by driving outcomes that support our purpose and vision.

The Board holds ultimate responsibility for DBN's business strategy and financial soundness, key personnel decisions, internal organisation and governance structure and practices, risk management and compliance obligations. The Board's responsibilities are outlined in the Board Charter with the Board meeting 4 times during the year.

The shareholder representative (the Minister of Finance and Public Enterprises) is responsible for the appointment of the members and the Chairperson of the Board. DBN's Memorandum of Incorporation provides that there should be a majority of independent non-executive Directors and the Board is confident that this was achieved for the year

BOARD COMPOSITION

As of 31 March 2024, the Board comprised seven 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 DBN. 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, Audit, Risk and Compliance Committee and the Board Human Capital and Remuneration Committee.

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

The Board's primary mandate is to ensure the sustainability and successful continuation of DBN'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.

SAREL VAN ZYL | AGE 62

Board member since September 2021

[CHAIRPERSON] NON-EXECUTIVE AND INDEPENDENT

OCCUPATION:
Businessman

QUALIFICATIONS:

- Master's in Business Administration (MBA)
- Bachelor's in Business Administration (BBA)

WORK EXPERIENCE:

- CEO and Executive Director - FirstRand Namibia Limited
- CEO and Executive Director - First National Bank of Namibia Ltd
- Director of FNB Fiduciary, FNB Insurance FNB Unit Trusts
- Trustee FirstRand Pension Fund FirstRand Foundation
- FirstRand Staff Assistance Trust Chairperson or member of the following Executive Committees, both in Namibia and Zambia:
- Group and Subsidiary Executive Committees (Exco for FNB, RMB, Wesbank, Ashburton), Senior Credit Risk Committee (sub-committee of Board), Alco, Financial Resource Management, Enterprise Risk Management, Money Laundering, POI and Ethics Committee.
- CEO and Executive Director – First National Bank Zambia Ltd

PATIENCE KANALELO | AGE 45

Board member since September 2021

NON-EXECUTIVE AND INDEPENDENT

OCCUPATION:
Chief Legal, Risk and Compliance Officer – Mobile Telecommunications Limited

QUALIFICATIONS:

- Admission as a Legal Practitioner of the High Court of Namibia
- LLB (Hons)

WORK EXPERIENCE:

- Head: Legal and Company Secretary Mobile
- Telecommunications Limited
- Head: Corporate Governance; Legal Services and Regulatory - Telecom Namibia
- Senior Legal Practitioner - Shikongo Law Chamber
- Corporate Legal Advisor/ Company Secretary - Old Mutual Namibia
- Legal Practitioner Hitula & Associates Legal Practitioner Conradie & Damaseb
- Candidate Legal Practitioner Conradie & Damaseb

EVANGELINA NAILENGE | AGE 43

Board member since September 2021

[DEPUTY CHAIRPERSON] NON-EXECUTIVE AND INDEPENDENT

OCCUPATION:
Managing Director Momentum Investments

QUALIFICATIONS:

- Master of Commerce (Money and Banking)
- Bachelor of Commerce Honours (Money and Banking)
- Bachelor of Economics

WORK EXPERIENCE:

- Chief Executive Officer Hangala Prescient Investment Management & Infrastructure Fund
- Board Member Electricity Control Board
- Board Member (Regulator Representative) Namibia Stock Exchange (NSX)
- General Manager: Investment Institutions / Capital Markets – NAMFISA

MARSSORY ICKUA | AGE 46

Board member since September 2021

NON-EXECUTIVE AND INDEPENDENT

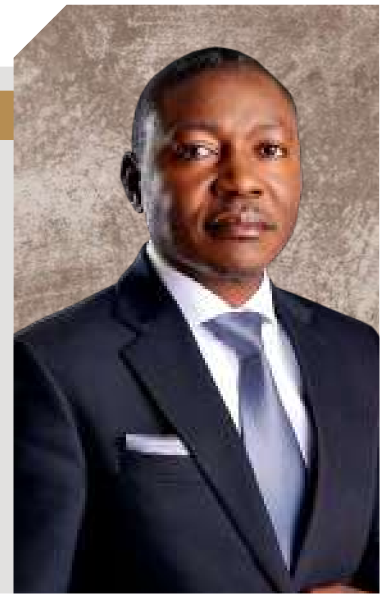
OCCUPATION:
Director: Information Technology Bank of Namibia

QUALIFICATIONS:

- Master of Science: Information Systems Management (MSc: ISM)
- General Management Program (GMP) IEDP (International Executive Development Program)
- Certificate in Management Development
- Program (MDP) Program Project Management

WORK EXPERIENCE:

- Deputy Director: Technical & Network Services Bank of Namibia NAMFISA



WILLY MERTENS | AGE 49

Board member since September 2021

NON-EXECUTIVE AND INDEPENDENT

OCCUPATION:
Chief Executive Officer Debmarine Namibia

QUALIFICATIONS:

- Senior Executive Programme
- Graduate Diploma in Engineering (GDE) (Mining)
- Postgraduate Certificate in Advanced Taxation (Honours level) (HDip Tax)
- Chartered Accountant (CA) (SAICA and ICAN)
- Certified Internal Auditor (CIA)
- Bachelor of Commerce (BCom), majoring in Accounting, Auditing and Economics

WORK EXPERIENCE:

- Chief Financial Officer Debmarine Namibia
- Senior Financial Accountant Debmarine Namibia
- Part-time Lecturer: Auditing UNAM
- Audit Services Manager (NAMDEB)
- Currently serving as a Board member of Ashburton Investment Managers (Pty) Ltd
- Served as Board member NIMT, Air Namibia, EBank Limited and EBank Holdings Limited, Namdeb Medical Aid Scheme (NMS) and Namibian Broadcasting Corporation (NBC)

DIANA HUSSELMAN | AGE 53

Board member since April 2018

NON-EXECUTIVE AND INDEPENDENT

OCCUPATION:
Superintendent: Remuneration Swakop Uranium

QUALIFICATIONS:

- Bachelor of Human Resources Management
- Certificate in Dispute Resolution
- Global Remuneration Professional Certificate in Industrial Psychology and Organizational Behaviour
- National Diploma in Human Resources Management

WORK EXPERIENCE:

- Specialist: Remuneration and Benefits Rio Tinto
- Head: Remuneration and Administration - NAMPOWER
- HR Superintendent: Remuneration and Administration NAMDEB
- HR Manager – Sanlam

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

- Is a significant or ongoing service provider or professional advisor, or was an officer, employee or a representative of such provider of financial capital or funding.
- Has been employed by DBN 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, DBN; and/or is eligible for remuneration dependent on the performance of DBN.

AGE:
60-69: 1
50-59: 2
40-49: 4

GENDER
FEMALE: 3
MALE: 4

BOARD SKILLS

- Accounting and auditing
- Company law
- Human capital
- Innovation, digital operations & IT Governance
- Risk management
- Retail banking
- Large corporates
- Financial markets & investment banking
- Corporate finance

INTERNAL AUDIT

The internal audit function is outsourced and provides independent assurance to the Board. The function also supports the Board in promoting the effectiveness of DBN's internal control, risk management and governance systems and processes. Through established working relationships, internal audit has unrestricted access to the Board through the Board's Audit, Risk and Compliance Committee.

EXTERNAL AUDIT

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

- Through established working relationships, external auditors have unrestricted access to the Board through the Board Audit, Risk and Compliance Committee.

CEO AND EXECUTIVE MANAGEMENT COMMITTEE

Executive managers form part of the Executive Management Committee (EXCO), and participate in the Asset and Liabilities Committee (ALCO), Procurement Committee, Risk and Compliance Committee, Human Capital and Remuneration Committee, Information Technology Committee, and 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.

JOHN STEYTLER | AGE 54

CHIEF EXECUTIVE OFFICER

QUALIFICATIONS:

- International Executive Development Programme
- PhD :Economics
- Master's in Financial Economics
- Master's in Cooperative Economics
- BA (History, Psychology & Sociology)

WORK EXPERIENCE:

- Program Manager SDG Initiative – GIZ Namibia
- Presidential Economic Advisor – Office of the President
- Statistician General – NSA
- Group Economist – Capricorn Investment Holdings/ Bank Windhoek
- Director of Research and Chief Economist – BoN
- Senior Advisor to Executive Director – IMF, Washington, Trade policy analyst – Ministry of Trade and Industry

NICKY KATAPA MUTENDA | AGE 35

CHIEF FINANCIAL OFFICER

QUALIFICATIONS:

- Chartered Accountant (SA, Namibia)
- Chartered Certified Accountant (FCCA)
- Certified Market Professional (CMP)
- ACI Diploma (Merit)
- ACI Dealing Certificate (Distinction)
- Postgraduate Diploma in Accountancy
- B. Com (Business Management & Accounting)

WORK EXPERIENCE:

- Treasurer – DBN
- Manager: Treasury – DBN
- Treasury Finance Manager – FNB Namibia
- Completed Chartered Accountancy Training Outside Public Practice (TOPP) Articles at Absa Bank Limited in Johannesburg

HELLEN AMUPOLO | AGE 41

HEAD: INVESTMENTS

QUALIFICATIONS:

- MBA – Finance
- Master's in Dev Finance
- Bachelor of Economics
- Executive Development Programme

WORK EXPERIENCE:

- Senior Investment Manager – DBN
- Senior Portfolio Manager: Infrastructure and 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

ERASTUS HOVEKA | AGE 55

HEAD: CREDIT RISK

QUALIFICATIONS:

- MBA
- B.Sc Accounting
- Certificate Public Accountant
- Executive programme: Housing Finance Executive programme: Strategic Bank Management

WORK EXPERIENCE:

- Managing Director ETH Capital
- Senior Managing Director – NedNamibia Holdings
- Founding CFO DBN
- GM Finance NHE
- Senior Manager: Corporate Finance Air Namibia
- Manager: Management Accounting Telecom Namibia
- Senior Accountant, Corporate and Security and Exchange - SEC
- Debt Reporting Simon Property Group, USA

JOHN MBANGO | AGE 50

HEAD: PORTFOLIO MANAGEMENT

QUALIFICATIONS:

- MSc (Financial Economics)
- B.Economics

WORK EXPERIENCE:

- Head: Lending DBN
- Portfolio Manager DBN
- Business Analyst DBN
- Team Leader - Namibia Early Warning and Food Information Unit, Ministry of Agriculture, Water & Rural Development

SAIMA ASHIPALA | AGE 43

HEAD: RISK & COMPLIANCE

QUALIFICATIONS:

- Certified ESG Advisor
- Certified Ethics Officer
- MBA (Business Management & Administration)
- Postgraduate Certificate (Compliance Management)
- Certificate (Project Management)
- B. Accounting

WORK EXPERIENCE:

- Group Manager: ERM & Compliance - O&L Group
- Risk Manager Namibia Breweries
- Risk Officer NamPower
- Risk & Compliance Officer Old Mutual
- Trainee Accountant Ernst & Young
- Economics Tutor – UNAM

HEIKE SCHOLTZ | AGE 48

HEAD: BUSINESS STRATEGY

QUALIFICATIONS:

- MPA (Infrastructure Management)
- MBA
- B.Eng (Civil)

WORK EXPERIENCE:

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

JEROME MUTUMBA | AGE 54

HEAD: MARKETING AND CORPORATE COMMUNICATION

QUALIFICATIONS:

- MBA (Strategic Management)
- Certificate (Senior Management Development Program)
- Certificate (Project Management)
- MA (TESOL)
- Dipl. H.Ed

WORK EXPERIENCE:

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

ADDA ANGULA | AGE 41

COMPANY SECRETARY & LEGAL SERVICES

QUALIFICATIONS:

- LLM (Human Rights and Democratization in Africa)
- LLB
- Admitted Legal Practitioner of the High Court of Namibia
- Associate Member of Chartered Secretaries Southern Africa

WORK EXPERIENCE:

- Head: Governance and Reporting - Capricorn Group
- Assistant Company Secretary Capricorn Group
- Lecturer UNAM
- Legal Practitioner Sisa Namandje and Company Inc

SARA KAPIYE | AGE 34

HEAD: HUMAN CAPITAL & OPERATIONS SUPPORT

QUALIFICATIONS:

- New Managers Development Programme (NMDP)
- Honours Degree, Industrial & Organizational Psychology
- Master of Philosophy, leadership and Team Coaching

WORK EXPERIENCE:

- Head of Human Capital O&L Group of Companies
- Manager Human Capital Broll Namibia (O&L Group of Companies)
- Human Capital Generalist Namibia Diaries (O&L Group of Companies)
- Trainee Human Capital – Namibia Diaries (O&L Group of Companies)

TONATA NGHIFITIKEKO | AGE 41

HEAD: IT & DIGITALIZATION

QUALIFICATIONS:

- Postgrad Diploma in Futures Studies
- Master of Science (Engineering)
- Honours (Information Systems)
- B.Sc (Computer Science and Mathematics)

WORK EXPERIENCE:

- Senior Manager: ICT (DBN)
- Manager: ICT (DBN)
- Business Process Analyst (DBN)
- Acting Manager: ERP & Financial Systems (Telecom Namibia)
- Systems Analyst: SAP HCM & Payroll (Telecom Namibia)
- Trainee Project Manager: SAP, AG (Walldorf, Germany)
- Business/Systems Analyst: Customer care & Billing (Telecom Namibia),
- Software Engineer (SILNAM IT Solutions)

HEINRICH TSAUSEB | AGE 40

ACTING HEAD: SME FINANCE

QUALIFICATIONS:

- B-Tech: Accounting and Finance (NUST)

WORK EXPERIENCE:

- Manager SME (DBN)
- Senior Business Analyst: Infrastructure & Utilities (DBN)
- Business Analyst: SME (DBN)
- Business Banker (SBN)

AGE:	GENDER	TENURE IN BANK
40- 49: 7 50- 59: 4	FEMALE:5 MALE: 6	0-10: 7 11-20 : 4

BOARD SUB COMMITTEES

Board sub-committees constitute an important element of the governance process and are established with clearly agreed reporting procedures and written scope of authority. The terms of reference of the committees are reviewed every year with any changes being approved by the Board.

AUDIT, RISK & COMPLIANCE COMMITEE

W MERTENS	CHAIRPERSON, NON-EXECUTIVE INDEPENDENT DIRECTOR
JOHN STEYTLER (CEO)	EXECUTIVE DIRECTOR
M ICKUA	NON-EXECUTIVE INDEPENDENT DIRECTOR
P KANALELO	NON-EXECUTIVE INDEPENDENT DIRECTOR

The function of the ARCC is to serve as an independent and objective body with oversight of:

- DBN's accounting policies, financial reporting and disclosure controls and procedures
- Approval and oversight over the execution of the Information Technology Governance Framework
- The quality, adequacy, and scope of external audit
- DBN's compliance with financial reporting requirements
- Management's approach to internal controls with respect to the production and integrity of the financial statements and disclosure of financial performance
- The performance of the internal audit function in conjunction with the Chairperson and the Risk and Compliance functions
- Being consistently aware of the latest trends and environmental issues which could have an impact on risk management within the DBN
- Ensure that the company's ethics are managed effectively by providing oversight of the policies and procedures adopted by DBN concerning the Ethical Standards and the Code of Business Conduct and Ethics and consider their effectiveness in light of the key performance indicators

CREDIT AND INVESTMENT COMMITTEE (CIC)

E NAILENGE	CHAIRPERSON, NON-EXECUTIVE INDEPENDENT DIRECTOR
JOHN STEYTLER (CEO)	EXECUTIVE DIRECTOR
W MERTENS	NON-EXECUTIVE INDEPENDENT DIRECTOR
S VAN ZYL	NON-EXECUTIVE INDEPENDENT DIRECTOR

The function of the CIC is to support the Board to discharge its responsibility to exercise due care, diligence and still to oversee, direct and review the management of credit and equity investment risk within the loan and equity investment portfolios of DBN. The CIC's responsibilities and authorities include to:

- Oversee management's establishment of policies, to be approved by the Board, articulate DBN's tolerances in terms of the risk appetite concerning credit risk
- Review reports regarding compliance with credit risk and equity investment policies, procedures, and tolerances
- Review and recommend prudential limits for DBN to the Board
- Monitor loan loss reserve adequacy
- Ensure that DBN's pricing and collateral policies are adequate to sufficiently protect shareholders' funds.

HUMAN CAPITAL AND REMUNERATION COMMITTEE (HCRC)

D HUSSELMANN	CHAIRPERSON, NON-EXECUTIVE INDEPENDENT DIRECTOR
JOHN STEYTLER (CEO)	EXECUTIVE DIRECTOR
P KANALELO	NON-EXECUTIVE INDEPENDENT DIRECTOR
S VAN ZYL	NON-EXECUTIVE INDEPENDENT DIRECTOR

The function of HCRC is to support the Board in its duties, to set guidelines on remuneration and benefits, to approve certain remuneration to scrutinise management performance and to supervise succession planning within DBN. The committee's responsibilities and authorities include to:

- Assess the size and composition of the Board from time to time to determine whether it continues to be appropriate

- Identify and nominate new Board members
- Plan and manage a Board membership and a Board committee succession plan
- Set the criteria for and oversee the annual assessment of the performance and effectiveness of the Board chairperson, Board members and committee chairperson as well as committee members.
- Ensure the introduction of a satisfactory induction program for new Board members and a satisfactory ongoing training and education program for existing Board members and committee members.
- Supervise the succession planning for Exco members.
- Monitor major regulatory developments and best practices in executive remuneration.

BOARD MEETINGS ATTENDANCE

	15/05/2023	14/08/2023	13/11/2023
S van Zyl	✓	✓	✓
M. Inkumb (CEO)	✓	✓	Apology
E Nailenge	✓	✓	✓
D Husselmann	✓	✓	✓
M Ickua	✓	✓	✓
P Kanalelo	✓	Apology	✓
W Mertens	✓	✓	Apology
J Steytler (CEO)	x	x	✓

	05/12/2023
S van Zyl	✓
J. Steytler (CEO)	✓
E Nailenge	✓
D Husselmann	✓
M Ickua	✓
P Kanalelo	✓
W Mertens	✓

	15/05/2023
S van Zyl	✓
Martin Inkumbi	✓
E Nailenge	✓
D Husselmann	Apology
M Ickua	✓
P Kanalelo	✓
W Mertens	✓
J Steytler (CEO)	✓

EXTRAORDINARY MEETINGS

	14/07/2023	14/07/2023	08/10/2023
S van Zyl	✓	✓	✓
M Inkumbi (CEO)	✓	Resigned	x
E Nailenge	✓	✓	
D Husselmann	✓	✓	Apology
M Ickua	✓	✓	✓
P Kanalelo	✓	✓	✓
W Mertens	Apology	✓	Apology
J Steytler (CEO)	✓	✓	✓

BOARD SUB-COMMITTEES MEETING ATTENDANCE

AUDIT RISK AND COMPLIANCE COMMITTEE

	11/05/2023	07/07/2023	11/08/2023	10/11/2023
W Mertens	✓	✓	✓	✓
M Inkumbi (CEO)	Apology	✓	✓	Resigned
M Ickua	✓	✓	✓	✓
P Kanalelo	✓	✓	✓	✓
J Steytler (CEO)	x	x	x	✓

CREDIT AND INVESTMENT COMMITTEE

	09/05/ 2023	13/06/ 2023	18/07/ 2023	19/09/ 2023	11/10/ 2023	18/10/ 2023	07/11/ 2023	04/12/ 2023
E Nailenge	✓	✓	✓	✓	✓	✓	✓	✓
M Inkumbi (CEO)	✓	✓	Apology	Resigned	x	x	x	x
W Mertens	✓	Apology	✓	Apology		Apology	✓	✓
S van Zyl	✓	✓	✓	✓	✓	✓	✓	✓
J Steytler	x	x	x	✓	✓	✓	✓	✓

HUMAN CAPITAL AND REMUNERATION COMMITTEE

	28/05/ 2023	07/08/ 2023	14/08/ 2023	
D Husselmann	✓	✓	✓	
M Inkumbi (CEO)	✓	✓	✓	
P Kanalelo	✓	✓	Apology	
S van Zyl	✓	✓	✓	

BOARD AND COMMITTEE EVALUATION

The Board was evaluated in November 2023.

AUDIT RISK AND COMPLIANCE COMMITTEE REPORT

The role of the Audit, Risk and Compliance Committee (ARCC) is to serve the Board of DBN by providing independent and objective oversight on financial statements, external and internal audit, governance of risk, ethics; compliance, and corporate governance.

ARCC's key activities during FY24 include continuous oversight of:

- The appointment and/or termination of the internal and external auditors, including internal and external audit fees, independence and objectivity and determining the nature and extent of any non-audit services;
- Ensuring that DBN's accounting policies, financial reporting and disclosure controls and procedures are reviewed regularly and aligned to current practice and standards including IFRS 9;
- Monitoring the risk management function and processes and assessing DBN's most significant risks;
- Monitoring the internal financial control compliance, combined assurance and enterprise risk management effectiveness;
- Approving the annual internal audit plan and maintaining oversight over the internal audit function (outsourced);
- Monitoring regulatory compliance and corporate responsibility; Corporate governance;
- Monitoring the technology and information governance framework and associated risks;
- Information Security Management System (ISMS);
- Ensuring that DBN's environmental and social sustainability policy is aligned to its mission and mandate;
- Preparing a report, addressing the items as prescribed in the applicable statutory and regulatory provisions; e.g., ethics management and investigations;

Through the Audit and Risk Committee, the board has carried out its responsibilities over the Governance of IT in the period under review, resulting in high levels of operational resilience and minimal to no disruptions to business operations. The board has satisfied itself that the IT function is aligned with the Bank's strategic needs, is on track to achieving its objectives and manages the risks proactively.

During the reporting period, IT undertook several initiatives to enhance our IT governance practices and capabilities, including:

Alignment of IT applications to the Bank's processes: A significant achievement during this period was the transition to a new Core Banking solution. This transition aims to improve operational efficiency, shape our digitalisation path and transform how we serve our clients. This milestone sets the foundation for future digital initiatives.

Enhance IT-risk management: Information technology is a critical component of our Risk Management framework. In response to the evolving threat landscape, we have bolstered our cybersecurity measures through proactive monitoring and comprehensive employee training programs. These efforts ensure that we remain vigilant and protected against potential cyber threats.

Enable data-driven decisions & monitoring: The Bank is committed to leveraging its data to gain insights that enhance the client experience. While initiatives are ongoing, we have implemented Business Intelligence reporting for management committees during this reporting period. This development supports informed decision-making and fosters a data-driven culture.

Continuous improvement of IT governance: Recognizing the increasing importance of IT, we have elevated the IT function by making it report directly to the Chief Executive Officer. This change underscores the maturity of our IT governance and its integral role in our overall operations.

COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

The compliance function is required to be able to function adequately, independently and objectively and is consulted about any proposed business/product development which may have compliance implications with concomitant duty upon management.

The Board has approved the Compliance Risk Management Plan. The risk and Compliance department reports quarterly to provide an update on the progress of the plan and Internal Audit provide independent assurance on the effectiveness of the compliance process.

Below is the list of applicable non-binding rules, codes and standards to which the company adheres voluntarily:

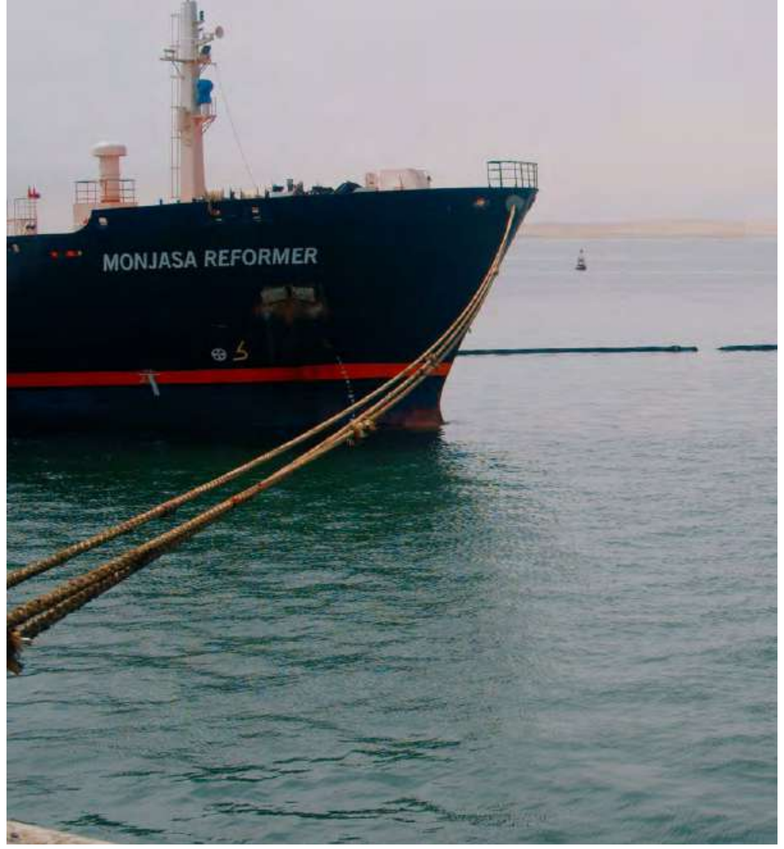
NAMCODE

The NamCode has been drafted on the basis that the practice recommendations are to be applied to achieve the aim of the principle that it relates to. In following the 'apply or explain' approach, DBN's Board of Directors, in its collective decision-making, concluded to follow a practice recommendation as set out in this NamCode in the best interests of DBN. The Board decided to apply the recommendation and apply various practices as recommended practice and to achieve the objective of the principle that it relates to as well as the overarching corporate governance principles of fairness, accountability, responsibility and transparency.

ASSOCIATION OF AFRICAN DEVELOPMENT FINANCE INSTITUTIONS (AADFI) PRUDENTIAL STANDARDS & GUIDELINES (PSG)

The Rating System is designed to assist Development Finance Institutions (DFIs) who are members of AADFI in self-rating themselves in the three areas of governance guidelines, financial prudential standards, and operational guidelines. It is intended to be selective rather than comprehensive, focusing on important areas which have tended to create significant problems for DFIs in Africa.

DBN has not incurred fines and penalties due to non-compliance to a particular statutory obligation.



ASSURANCE

The combined assurance model has been refreshed and it was subsequently accepted and approved by the Board in November 2021 and is being reviewed during the 2024/2025 FY.

EXECUTIVE AND MIDDLE MANAGEMENT

OVERSIGHT GOVERNANCE RISK AND CONTROLS

1ST LINE ROLE	2ND LINE ROLE	3RD LINE ROLE
Operational management • Internal controls / processes • Credit risk • Investment risk • Portfolio management risk • Concentration risk • Market risk • Interest rate risk • Liquidity risk • Funding risk • Foreign exchange risk • Counterparty risk • Operational risk	**Enterprise risk management** • Operational risk model • Fraud risk management • Business continuity management / disaster recovery plans • Ethics management • IT security & systems • Information security management • Policies • Environmental & social management and occupational health **Compliance management** • Legal / regulatory compliance • Compliance to policy / processes	**Internal audit** • Governance • Risk management • Internal controls **External audit** • Annual financial statements and disclosures

GOVERNANCE OF RISK AND COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

The Combined Assurance Plan (CAP) was developed by management, presented to the Audit Committee and approved by the Board of Directors. Monitoring of the assurance plan is performed by the Risk and Compliance Department both in relation to the quality of the assurance and to address possible assurance gaps identified to exist between the various lines of defence.

During the Internal Audit Plan development performed by the outsourced internal audit function, the CAP forms an integral part of the process.

EXTERNAL AUDIT

The external auditors are responsible for reporting on whether the financial statements are fairly presented in accordance with International Financial Reporting Standards (IFRS) and the manner required by the Namibia Companies Act. Consultation occurs between external and internal auditors to avoid duplication and affect an efficient audit process.

The external auditors consider all the reports issued by the Internal Audit Department.

INTERNAL AUDIT

Internal Audit is an independent, objective assurance and consulting activity designed to add value to DBN as well as to improve its operations. It derives its mandate from the Internal Audit Charter as approved by the Board. It helps DBN accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving risk management, control and governance processes. Internal Audit seeks to enhance and protect DBN's value by providing risk-based and objective assurance, advice and insight. The internal audit function derives its authority from the Board of Directors of DBN through the audit committee of the Board. Internal audit has overall responsibility for the internal audit function and reports functionally to the Audit Committee Chairman and administratively, to the Chief Executive Officer.

On an annual basis, and in consultation with management and the audit, risk and compliance committee, the internal audit function establishes a risk-based plan to determine priorities for internal audit activity, consistent with DBN's strategic and operational goals. The internal audit plan is reviewed quarterly to ensure adequate coverage of areas with the greatest exposure to risks.

REMUNERATION REPORT

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

DBN's remuneration philosophy is aimed to recruit, motivate, reward and retain employees who believe in, and live by its culture and values. The philosophy, supported by a robust performance management practice, strives to set its employees' total remuneration package at a competitive level by benchmarking to the market but taking into account any remuneration guidelines for Public Enterprises as set by the Minister of Finance and Public Enterprises from time to time and providing incentives geared to agreed performance outcomes, where appropriate.

The philosophy is underpinned by the following principles:

1. **Support for strategic objectives:**
   - The policy is developed in a manner that is consistent with, supports and reinforces the achievement of DBN's vision and mission.
2. **Transparent communication:**
   - DBN is committed to open communication regarding the philosophy, design and structure of its remuneration scheme.
   - DBN however upholds the principle of confidentiality over employees' personal remuneration.
3. **Non-discrimination:**
   - All remuneration policy directives and practices will be free of unfair distinction.
4. **Performance-driven remuneration:**
   - DBN endeavours to strengthen the link between remuneration and performance by means of the Performance Management System that makes it possible to differentiate between excellent, average and below-average performers.
   - The remuneration system aims to reward overall contribution rather than status or position.
5. **Affordability and sustainability:**
   - Certain limits are set with regard to remuneration and other human resources costs, in accordance with DBN's business plan and strategy and consideration of the annual budgetary scope.
6. **Total cost package approach:**
   - The remuneration of employees is based on the cost of employment.
   - The philosophy will be achieved by:
     - Adopting a competitive market remuneration position and targeting the market median.
     - Creating an effective balance between remuneration and performance-based incentives.
     - Using both cash and non-cash incentive rewards, enhance and sustain individual performance including short-term incentives to achieve short-term outcomes.
     - Practicing pay parity among staff in the same role with the same performance done in a transparent, competitive and fair manner.

REMUNERATION POLICY

The Remuneration, Rewards and Benefits Policy will provide a relevant framework and approach to remuneration decision-making, whilst retaining the flexibility to respond to remuneration challenges. Going forward the success of DBN will be dependent on the ability to attract, retain, motivate and reward highly skilled and productive employees. This will need to be done in a transparent, competitive and fair manner.

DBN follows a Total Guaranteed approach to remuneration. Employees will receive a Total Guaranteed Package at the appropriate levels within the remuneration range for their role as determined by performance.

Total Guaranteed Package encompasses:

1. Managerial packages:
- Cash Package + non-reimbursed allowances + medical aid and pension contributions + Social Security contributions.

2. Non-managerial packages:
- Cash package + 13th Cheque + non-reimbursed allowances + medical aid and pension contribution + Social Security contributions.

3. Incentives encompass:
- • Recognition payment (long service awards) + performance incentive bonus.

Remuneration ranges for job grades shall be guided by the directives set by the Ministry of Finance and Public Enterprises and external salary benchmarking.

ANNUAL SALARY REVIEW

Annual salary reviews are based on the Total Guaranteed Package and will normally take effect from April each year. These reviews/increases will result in proportionate increases to the minimum, midpoints and maximum of each remuneration scale to maintain the scale widths and keep salary structures in line with market rates.

During the annual remuneration review, the remuneration of individual employees will be analysed per job grade. Temporary employees are excluded from annual salary increases and bonuses unless otherwise agreed to in their contracts at the time of signing. The compensation of temporary staff is determined based on the candidate's offering in terms of specific skills required.

NON-EXECUTIVE DIRECTORS

DBN Board of Directors remuneration comprises of:

- A quarterly fee as compensation for preparation for meetings
- A fixed sitting fee
- Reimbursement for expenses (travel, accommodation, meals) when representing DBN as prescribed in the Human Capital Travel and Subsistence Allowance Policy

REMCO will on an annual basis review the remuneration of the Board members and make recommendations for AGM approval.

SCHEDULE OF DIRECTORS' FEES

(N$)	2024	2023
Chairperson's quarterly fee	18,117	18,117
Chairperson's sitting fee per Board meeting	10,209	10,209
Director's quarterly fee	14,799	14,799
Director's sitting fee per Board meeting	6,440	6,440
Sub-committee chairperson's quarterly fee	8,684	8,684
Sub-committee chairperson sitting fee per meeting	4,760	4,760
Sub-committee member quarterly fee	6,616	6,616
Sub-committee member sitting fee per meeting	3,185	3,185

NON-EXECUTIVE DIRECTORS' EMOLUMENTS

(N$)	2024	2023
D Husselman	145,172	161,907
W Mertens	197,051	214,654
NP Kanalelo	171,381	176,653
MS Ickua	146,665	144,389
SJ Van Zyl (Chairperson)	258,037	257,616
EP Nailenge	186,364	166,349
Total	**1,104,669**	**1,121,568**

CHAPTER 07

FINANCIAL STATEMENTS FOR THE YEAR ENDED **31 MARCH 2024**

CONTENTS

DIRECTORS RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and fair presentation of the Annual Financial Statements of the Development Bank of Namibia Limited, comprising the Directors' Report, Statement of Financial Position as at 31 March 2024, 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 material accounting policies, in accordance with IFRS® Accounting Standards and the requirements of the Companies Act of Namibia.

The Directors are also responsible for such internal controls as the Directors determine are 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 integrated annual reports and other financial information to stakeholders.

The Directors have assessed 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 the Development Bank of Namibia Limited, as identified in the first paragraph, were approved by the Board of Directors on 31July 2024, and are signed on their behalf by:

Sarel van Zyl
Chairperson of the Board

John Steytler
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

To the Member of Development Bank of Namibia Limited

OUR 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 2024, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting 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 93 to 180 comprise:

- the directors' report for the year ended 31 March 2024;
- the statement of financial position as at 31 March 2024;
- 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 statement of cash flows for the year then ended; and
- the notes to the financial statements, including material accounting policy information.

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 of the Company 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$ 73 million, which represents 1% of total assets

Key audit matter

- Impairment of loans and advances to customers (Expected Credit Losses)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate 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.

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$ 73 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 users will assess the financial position of the Company. The Company is mandated to contribute to the development of Namibia and the socio-economic wellbeing of its citizens. The Company extends loans 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impairment of loans and advances (Expected Credit Losses) Refer to the following notes to the financial statements for details: • Note 2.4.1: Critical judgements and estimates; • Note 3.10.6: Impairment of financial assets • Note 12: Loans and advances to customers; • Note 13: Impairment of loans and advances; and • Note 27.2: Credit risk As at 31 March 2024, the Company recognised gross loans and advances of N$ 8.4 billion, against which an impairment of loans and advances of N$ 2.2 billion was recognised. The Expected Credit Losses (ECL) were calculated by applying IFRS 9 – Financial Instruments. The key inputs into the measurement of ECL are the probability of default (PD), the loss given default (LGD), and the exposure at default (EAD). In calculating the ECLs, the key areas of significant management judgement and estimation included:	***Our procedures with respect to significant judgements included:*** ***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 determining, for a sample of loans, whether the staging is consistent with the client's credit risk policy. We noted no matters requiring further consideration. • We tested management's assessment of whether there has been a SICR, and whether the restructuring of loans 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 criteria with reference to the applicable accounting policies. No exceptions were noted. ***Determination of the PD:*** • We recalculated the PD using the Company's historical default data to assess the history

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Member of Development Bank of Namibia Limited

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Significant increase in credit risk (SICR): Determining whether there has been a SICR by using the criteria as set out in note 27.2. 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. 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 27.2 to the financial statements. Some customers experiencing financial difficulties have the terms of their loans renegotiated. 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. ***Determination of the probability of default (PD):*** Management segments the loan booking into different categories, including government / state-owned entity loans, renewable energy loans, top accounts, arrear PDs and portfolio PDs, and applies a different PD methodology basis to the loans in each of these categories. The category of the loan, as well as the loan staging, determines the PD to be applied to that loan. In determining the stage of the loan, 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 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 Gross Domestic Product (GDP) and Consumer Price Index (CPI).	of default, taking into account Namibia's macroeconomic outlook. No material variances were noted. • For loans to state-owned 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 relevant 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. ***Determination of the LGD:*** • We utilised our actuarial expertise to recalculate the ECL and noted no material exceptions. • For collateral held, we inspected a sample of legal agreements and other underlying documentation to assess the existence and the Company's legal right to the collateral held. No material exceptions were noted. • We assessed the expertise of management's valuation experts involved in the determination of the LGD by inspecting evidence of their qualifications and experience and noted no aspects requiring further considerations. • We agreed the market values of collateral as considered in management's LGD calculation to the market values as per the reports issued by management's valuation experts on a sample basis. No material exceptions were noted. • We tested the reasonability of the collateral

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
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 write-off point:*** The company writes off loans and advances, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The indicators which assist management in determining whether no reasonable expectation of recovery exists is disclosed in note 3.10.7 to the financial statements. ***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 amortisation. 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 significant judgements applied by management in determining the ECLs; and • the magnitude of the loans and advances balance recognised in the financial statements.	haircuts applied by management in the calculation of LGD, by comparing proceeds from historical security sales against the market values of the relevant collateral on a sample basis. As part of the execution of these audit procedures, we recalculated the impact of time value of money to account for the expected duration until the sale of collateral. No material exceptions were noted. • We recalculated a sample of collateral values to determine the valuations thereof, by applying the collateral haircuts as determined by management to the security values as determined by management's experts. No material exceptions were noted. ***Determination of the write-off point:*** We assessed the reasonableness of the indicators used in determining the write-off point by performing the following procedures: • We considered if loans are included in the correct loan stage by recalculating the days in arrears for a sample of loans. We noted no material exceptions. • On a sample basis, we assessed whether management's rationale for not writing off loans are considered reasonable. No 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, an activation factor was applied to the balances of guarantees and the EAD was recomputed. The recomputed EAD was used in the independent recalculation of the ECL. No material variances were noted.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Member of Development Bank of Namibia Limited

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 (Registration number: 2003/189) Annual Financial Statements for the year ended 31 March 2024" which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Development Bank of Namibia Integrated Annual Report 2023/24", which is expected to be made available to us after that date. 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 and will 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 on the other information that we obtained prior to the date of this auditor's report, 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 IFRS Accounting 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 consolidated and separate 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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Member of Development Bank of Namibia Limited

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

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: Nina A Coetzer
Partner
Windhoek, Namibia
Date: 31 July 2024

DIRECTORS' REPORT

for the year ended 31 March 2024

The Directors have the 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 2024.

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.

COUNTRY OF INCORPORATION

Republic of Namibia

FINANCIAL RESULTS

The Annual Financial Statements, for the financial year ended 31 March 2024, on pages 95 to 180 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 7 of the Annual Report.

DIVIDEND

No dividends have been declared in the current financial year (2023: N$nil). Dividends declared in the prior years were retained for re-deployment towards special enterprise development endeavours as described in note 19 to the financial statements.

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 (2023: N$165 million) and the share premium at N$1,842.1 million (2023: N$1,842.1 million).

DIRECTORS' INTEREST

At no time during the financial year were any significant contracts entered 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:

- Sarel van Zyl: Chairperson (Appointed 1 September 2021)
- Evangelina Nailenge: Deputy Chairperson (Appointed 1 September 2021)
- Diana Husselmann (Appointed 1 April 2018)
- Marsorry Ickua (Appointed 1 September 2021)
- John Steytler: Chief Executive Officer (Appointed 1 September 2023)
- Patience Kanalelo (Appointed 1 September 2021)
- Willy Mertens (Appointed 1 September 2021)

COMPANY SECRETARY

- Adda Angula

DIRECTOR'S EMOLUMENTS

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

BUSINESS AND REGISTERED ADDRESS:

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

DIRECTORS' REPORT (CONTINUED)

for the year ended 31 March 2024

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 under review the Bank paid value-added tax of N$5,236,582 (2023: N$4,543,456.34), employees tax of N$23, 356, 217 (2023: N$21,070,401) and withholding tax of N$Nil (2023: N$Nil).

CHANGES IN ACCOUNTING POLICIES

The accounting policies applied during the year ended 31 March 2024 are consistent in all material respects with those applied in the Annual Financial Statements for the year ended 31 March 2023.

GOING CONCERN

It is the responsibility of the board and management to evaluate whether relevant conditions and events, considered in the aggregate, indicate that it is probable that DBN will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued.

The bank is reporting a profit for the first time in two consecutive financial years. The previous years' losses were primarily due to high impairments from Non-Performing Loans (NPLs). This poor asset quality resulted from the bank's focus on developmental lending, the prevailing economic conditions, and the repercussions of the pandemic.

The bank acknowledges the dynamic nature of the economic landscape and commits to ongoing assessment and refinement of interventions, as needed, to address challenges related to asset quality. These efforts aim to enhance the bank's financial sustainability and maintain long-term liquidity.

The directors have assessed the ability of the bank to continue as a going concern and confirm that they have no reason to believe that the business will not be a going concern for the foreseeable future.

OUTLOOK

Despite the projected slowdown in the Namibian economy for 2024, with real GDP growth estimated at 3.7% and a slight improvement to 4.1% in 2025, DBN maintains an optimistic outlook for 2024/2025. Acknowledging challenges such as weaker global demand, slower growth in key industries like mining, and domestic risks like water supply constraints and high import costs, DBN sees positive signs. The improvements across key sectors bode well for DBN's loan portfolio growth in the coming year.

SUBSEQUENT EVENTS

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

STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

ASSETS (N$)	NOTES	2024	2023 RESTATED	1 APRIL 2022 RESTATED
Cash and cash equivalents	10	711,734,147	734,333,764	1,127,281,493
Trade and other receivables	11	6,939,965	7,570,502	5,692,238
Staff home ownership scheme loans	14	99,552,824	114,458,783	121,266,513
Loans and advances to customers	12	6,167,064,697	6,562,727,347	6,970,635,911
Equity investments	16	213,684,662	271,684,662	257,684,662
Property and equipment and right of use assets	15	88,497,474	88,294,575	84,555,788
Intangible assets	17	15,376,870	9,179,372	7,617,275
Total assets		**7,302,850,639**	**7,788,249,005**	**8,574,733,880**
LIABILITIES (N$)	**NOTES**			
Trade and other liabilities	18	117,618,972	157,539,118	28,329,508
Fixed Term Fascility	18.2	-	-	146,525,153
Customer deposits held as collateral*[1]	18.3	47,886,197	44,645,653	-
Concessional funding*[1]	18.4	249,070,630	332,058,978	415,073,723
Bonds[1]	18.5	131,188,796	160,306,716	260,524,278
Green credit line facility*[1]	18.6	150,342,990	171,788,863	193,262,471
Long term line of credit facility*[1]	18.7	3,519,916,185	3,894,534,313	4,251,391,870
Dividends retained for redeployment	19	40,449,791	43,071,813	43,371,140
Total liabilities		**4,256,473,561**	**4,803,945,455**	**5,338,478,143**
EQUITY (N$)	**NOTES**			
Share capital and share premium	20	2,007,071,178	2,007,071,178	2,007,071,178
Retained earnings		996,523,040	939,171,645	1,208,993,424
Reserves	21	42,782,860	38,060,727	20,191,135
Total equity		**3,046,377,078**	**2,984,303,550**	**3,236,255,737**
Total liabilities and equity		**7,302,850,639**	**7,788,249,005**	**8,574,733,880**

** During the current year, the company revised the naming convention of its funding liabilities on the statement of financial position to provide a clear representation of the types of funding sources. The underlying terms and conditions of these labilities remain unchanged from prior year.*

STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March 2024

[1] During the year under review, it was noted that the liabilties were not presented in the correct order in terms of the liquidity. Correct order is applied in the current year. This does not have any impact on the balances as presented on the statement of finanacial position. Refer to note 33 for details of the error.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

(N$)	NOTES	2024	2023
Interest income	4	818,861,604	654,961,910
Interest expense	5	(368,284,182)	(306,821,931)
Net interest income	5	450,577,422	348,139,979
Fee and commission income	6	29,900,390	20,874,947
Operating income		480,477,812	369,014,926
Other income	7	49,938,883	23,514,173
Net impairment on loans and advances	13	(287,035,104)	(509,429,750)
Operating expenses	8	(181,419,439)	(152,921,127)
Profit / (Loss) before tax		61,962,152	(269,821,779)
Tax expense	9	-	-
Profit / (Loss) for the year		61,962,152	(269,821,779)
Other comprehensive income , net of income tax		111,376	17,869,592
Items that will not be reclassified subsequently to profit or loss		-	-
Revaluation gain on property	21	5,249,842	939,171,645
Fair value adjustments on FVOCI equity investment financial assets	21	(5,138,466)	14,000,000
Total comprehensive income / (loss)		**62,073,528**	**(251,952,187)**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2024

(N$)	SHARE CAPITAL	SHARE PREMIUM	REVALUATION RESERVE ON LAND AND BUILDINGS	FAIR VALUE RESERVE	RETAINED EARNINGS	TOTAL
Balance as at 1 April 2023	165,000,000	1,842,071,178	60,350,556	(22,289,829)	939,171,645	62,073,528
Total comprehensive income for the year	-	-	5,249,842	(5,138,466)	61,962,152	61,962,152
Profit for the year	-	-	-	-	61,962,152	62,109,568
Other comprehensive income/ (loss), net of income tax	-	-	5,249,842	(5,138,466)	-	111,376
Other movements	-	-	-	4,610,757	(4,610,757)	-
Transfer to retained earnings	-	-	-	4,610,757	(4,610,757)	-
Balance as at 31 March 2024	**165,000,000**	**1,842,071,178**	**65,600,398**	**(22,817,538)**	**996,523,040**	**3,046,377,078**
Notes	20	20	21	21		

(N$)	SHARE CAPITAL	SHARE PREMIUM	REVALUATION RESERVE ON LAND AND BUILDINGS	FAIR VALUE RESERVE	RETAINED EARNINGS	TOTAL
Balance as at 1 April 2022	165,000,000	1,842,071,178	56,480,964	(36,289,829)	1,208,993,424	3,236,255,737
Total comprehensive income for the year	**-**	**-**	**3,869,592**	**14,000,000**	**(269,821,779)**	**(251,952,187)**
Loss for the year	-	-	-	-	(269,821,779)	(269,821,779)
Other comprehensive income , net of income tax	-	-	3,869,592	14,000,000	-	17,869,592
Balance as at 31 March 2023	**165,000,000**	**1,842,071,178**	**60,350,556**	**(22,289,829)**	**939,171,645**	**2,984,303,550**
Notes	20	20	21	21		

STATEMENT OF CASH FLOWS

For the year ended 31 March 2024

CASH FLOWS FROM OPERATING ACTIVITIES (N$)	NOTES	2024	2023 RESTATED
Cash receipts from customers		964,984,861	700,880,021
Cash paid to suppliers, lenders and employees		(565,113,710)	(433,145,9965)
Cash flows from operating activities	32.1	399,871,151	267,734,026
Government grants received	7	39,659,000	21,500,000
Payments from special funds	19	(3,099,774)	(1,728,471)
Decrease /in loans and advances		-	8,430,137
Net cash generated from operating activities		**436,430,377**	**295,935,691**
Cash flows from investing activities		**50,198,702**	**(10,816,645)**
Acquisition of property and equipment	15	(2,555,505)	(9,204,940)
Proceeds from disposal of property and equipment	7	2,170	53,114
Dividends received	7	712,588	-
Proceeds from disposal of investment equity		58,671,898	-
Acquisition of intangible assets	17	(6,632,449)	(1,664,819)
Cash flows from financing activities		**(509,228,696)**	**(678,066,775)**
Funding liabilities raised - customer deposits held as collateral *		1,000,000	44,645,653
Funding liabilities repaid - Bonds		(29,000,000)	(100,000,000)
Funding liabilities repaid - Green credit line*		(20,934,782)	(20,934,783)
Funding liabilities repaid - Debit service facility		-	(144,959,463)
Funding liabilities repaid - Concessional funding*		(81,818,181)	(81,818,182)
Lease payments on lease liabilities		(3,475,733)	-
Funding liabilities repaid - Long term line of credit facility		(375,000,000)	(375,000,000)
Net decrease in cash and cash equivalents		(22,599,617)	(392,947,729)
Cash and cash equivalents at the beginning of the year	10	734,333,764	1,127,281,493
Cash and cash equivalents at the end of the year	**10**	**711,734,147**	**734,333,764**

* During the current year, the company revised the naming convention of its funding liabilities on the statement of financial position to provide a clear representation of the types of funding sources. The underlying terms and conditions of these labilities remain unchanged from prior year.

**Interest received of N$822,731,935 (2023: N$654,944,584) is included in cash receipts from customers line item and interest paid of N$369,705,039 (2023: N$291,853,365) is included in cash paid to suppliers, lenders and employees line item. In the prior year, the footnote disclosing the interest received and interest paid amounts were erroneously omitted.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

1. REPORTING ENTITY

Development Bank of Namibia Ltd ('the Bank') is a limited company incorporated in Namibia. The nature of the Bank's operations, its owners and addresses of its registered office and principal place of business are disclosed in the Directors' report. 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 IFRS® Accounting Standards as issued by the International Accounting Standards Board ('IASB'), interpretations issued by the IFRS Interpretations Committee and the requirements of the Companies Act of Namibia. The financial statements have been prepared on a going concern basis.

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 through Other Comprehensive Income. The methods used to measure fair values are detailed in Notes 15, 27 and 28.

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. CRITICAL JUDGEMENTS AND ESTIMATES

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The preparation of the financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of 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 in the period in which the estimate is revised and in any future periods affected.

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

- expected credit losses of loans and advances (see Note 3.10.7);
- equity investments (see Note 3.10.18).

Notes 12, 13 and 28 contain information about assumptions and estimations of uncertainty that have significant risk resulting in a material adjustment within the next financial year.

2.4.1. EXPECTED CREDIT 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 13 and 27.2.

Management establishes the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition and determines methodology for incorporating forward-looking information on measurement of ECL and selection and approval of models used to measure ECL (see Note 27.2).

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

2.2. BASIS OF PREPARATION (CONTINUED)

2.4.1. EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES (CONTINUED)

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 27.2.

The Bank's policy is to write off amounts receivable in terms of loans and advances if there are no reasonable prospects of recovering such amounts. The determination of whether there are reasonable prospects of recovery is a matter of significant judgment, and management considers all available facts and circumstances on the reporting date in determining whether there are such reasonable prospects.

2.4.2 EQUITY INVESTMENTS

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 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 27 and 28.

3. MATERIAL 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 EXPENDITURE

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 or 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 the 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.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

PRESENTATION

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

3.2 FEE INCOME

Fee 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).

Arrangement fees, which include 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.

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.

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 a short-term cash bonus 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, 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 BENEFITS

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 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 other long-term employee benefits, which are recognised as expenses on a systematic basis over the loan term. (Refer to Note 14).

3.6. PROPERTY AND EQUIPMENT

3.6.1. RECOGNITION AND MEASUREMENT

Property and equipment are initially recognised at cost. Cost includes expenditures directly attributable to the acquisition of the asset. Purchased software that is integral to the 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 are recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. MATERIAL ACCOUNTING POLICIES (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.

The useful life of property, plant and equipment commences when the asset is brought into use, rather than when they are acquired.

Estimated useful lives for current and comparative periods are:

Buildings	25 years	(4%)
Furniture & Equipment	3-5 years	(20- 33,3%)
Vehicles	5 years	(20%)

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

3.6.4. REVALUATION

Land and buildings are revalued to market value. Valuations are from market-based appraisals by professional 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 the subsequent sale or retirement of a revalued property, the attributable surplus remaining in the revaluation reserve is transferred directly to retained earnings.

3.7. INTANGIBLE ASSETS

3.7.1. SOFTWARE AND SOFTWARE DEVELOPMENT

Intangible assets acquired separately are recognised at cost less accumulated amortisation and accumulated impairment losses. On acquisition software is capitalised at purchase price. Software development cost that are clearly associated with an identifiable and unique system, which will be controlled by the Bank and have a probable future economic benefit beyond one year, are recognised as intangible assets. 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 will be received or become receivable. Hence, monetary government grants are initially treated as deferred income and recognised in profit and loss on a systematic basis over the periods in which the entity recognises, as expenses, related cost for which the grants are intended to compensate.

3.9. LEASES

3. 9. 1. LEASEE ACCOUNTING POLICIES

The Bank recognises a Right of use Assets (ROUA) and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12

DEVELOPMENT BANK OF NAMIBIA (REGISTRATION NUMBER: 2003/189)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3. 9. 1. LEASEE ACCOUNTING POLICIES (CONTINUED)

months or less) and leases of low-value assets. The lease liability is initially measured at the present value of the lease contractual payments discounted using the rate determined by reference to the rateplicit in the lease contract, unless this rate is not readily determinable, the bank's incremental borrowing rate at the commencement date of the contract is used.

The ROUAs are initially measured at the amount of the lease liability. Where applicable, any lease payments made at or before the commencement date less any lease incentives received is deducted from the cost. Variable payments that do not depend on an index or rate are not included in the measurement of the lease liability and the ROUA.

Subsequent to the initial measurement, each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to the statement of profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROUA is subsequently measured at cost less accumulated depreciation and impairment losses. The asset is depreciated over the lease term on a straight-line basis, where ownership is not transferred at the end of the lease term. If ownership is transferred at the end of the lease term, the asset is depreciated over the shorter of the lease term or useful life.

The group applies IAS 36 to determine whether a ROUA is impaired and accounts for any identified impairment loss. The minimum rentals due after year-end are presented under lease commitments in Note 24.

3.9.2 THE BANK AS LESSEE - THE RIGHT OF USE LEASED ASSETS

For short-term and low-value leases the lease payments are recognised as operating expenses, spread on a straight-line basis over the term of the lease and recognised as part of operating expenses as follows:

For leases that are not classified as short-term and low-value assets and the Right-of Use asset is recognised, the asset is depreciated over the lease term on a straight-line basis as follows:

Offices & Parkings	2 years	(50%)
Office Equipment	3 years	(33,3%)
IT Equipment	5 years	(20%)

TERMINATION OF LEASES:

When the Bank or the lessor terminates or cancels a lease, the Right-of- Use asset and lease liability are recognised. On derecognition of the Right-of-Use asset and lease liability, any difference is recognised as a gain or a loss in profit and loss.

3.10 FINANCIAL INSTRUMENTS

Financial instruments consist of cash and cash equivalents, trade and other receivables, equity investments, loans and advances to customers, staff home ownership scheme loans, trade and other liabilities, long term line of credit facilities, Bonds, Customer Deposits Held as Collateral, green credit line facility, concessional funding and dividends retained for redeployment.

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.

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 the contractual provisions of the instrument.

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

Financial instruments issued at lower-than-market rates, 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. With such financial assets, the difference between the discounted and transaction price is released to interest income in accordance with IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.10.2 CLASSIFICATION

FINANCIAL ASSETS

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (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 (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as 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 other comprehensive income OCI (see Note 3.10.6). 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:

- management's strategy focus 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 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;

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.10.2 CLASSIFICATION (CONTINUED)

- 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 the 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 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.

Line of credit facility, bonds, fixed term facility, debts service facility, credit line facility, relief loans and dividends retained for redeployment 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 re- payments, plus or minus the cumulative amortisation, using the effective interest rate 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 transferred to 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, but transferred to retained earnings, as explained in Note 3.10.6. 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 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. MATERIAL ACCOUNTING POLICIES (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 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 or substantial new items are introduced that substantially affect the risk profile of the loan, significant changes in interest rate, significant extensions when borrower is not in financial difficulty and insertion of security 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 difficulty, 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. 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.

3.10.5. FAIR VALUE MEASUREMENT

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

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

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

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, the Bank uses a valuation technique that maximises use of relevant observable input and minimises the use of unobservable inputs. The chosen valuation technique incorporates all 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

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.10.5. FAIR VALUE MEASUREMENT (CONTINUED)

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.

3.10.6. 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
- financial instruments on which credit risk has not increased significantly since their initial recognition (see Note 27.2).

DBN 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'. DBN does not apply the low credit risk exemption to any 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
- guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

It is DBN's policy to consider credit as non-performing after 120 days, instead of 90 days as stipulated in IFRS9, as DBN's credit appetite is higher due to it being a development bank (see Note 27.2.)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.10.6. IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

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 the 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 the derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow and used 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 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 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 GUARANTEE CONTRACTS

The Bank assesses whether a guarantee contract held is an integral element of a financial asset that is accounted

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

NON-INTEGRAL GUARANTEE CONTRACTS (CONTINUED)

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.
- the guarantee is explicitly referred to in the terms of the loan contract.

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 27). The Bank presents gains or losses on a compensation right in profit or loss in the line item 'net impairment on loans and advances.

3.10.7. DIVIDENDS RETAINED FOR DEPLOYMENT

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.

3.10.8. TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities principally consist of the amount outstanding for trade purchases and ongoing costs and are expected to be settled within 12 months after the reporting date. The directors consider that the carrying amounts of the trade and other liabilities approximate the fair value of the payable due to their short-term nature.

3.10.9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include notes and coins on hand, callable on demand and highly liquid financial assets with original maturities of less than three months which are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments. Overdraft facilities form an integral part of the Bank's cash management (see Note 27.3). Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

3.10.10. LOANS AND ADVANCES TO CUSTOMERS

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.

3.10.11. LONG-TERM LINE OF CREDIT

Long term line of credit facilities are recognised when the bank becomes party to the contractual provision of financing arrangement, creating a present obligation that will result in an outflow of economic resources. Long term line of credit facilities are initially measured at fair value, net of transaction cost incurred. Subsequently, the instruments is measured at amortised cost, using the effective interest method. Interest and finance costs are recognised in the statement of comprehensive income using the effective interest rate over the life of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.10.12. CUSTOMER DEPOSITS HELD AS COLLATERAL

Long term line of credit facilities are recognised when the bank becomes party to the contractual provision of financing arrangement, creating a present obligation that will result in an outflow of economic resources. Long term line of credit facilities are initially measured at fair value, net of transaction cost incurred. Subsequently, the instruments is measured at amortised cost, using the effective interest method. Interest and finance costs are recognised in the statement of comprehensive income using the effective interest rate over the life of the instrument.

3.10.13. CUSTOMER DEPOSITS HELD AS COLLATERAL

Customer deposits held as collateral are recognised when the bank becomes party to the contractual provision of financing arrangement, creating a present obligation that will result in an outflow of economic resources. Customer deposits held as collateral are initially measured at fair value, net of transaction cost incurred. Subsequently, the instruments is measured at amortised cost, using the effective interest method. Interest and finance costs are recognised in the statement of comprehensive income using the effective interest rate over the life of the instrument.

3.10.14. GREEN CREDIT LINE

Green credit line facilities are recognised when the bank becomes party to the contractual provision of financing arrangement, creating a present obligation that will result in an outflow of economic resources. Green credit line of credit facilities are initially measured at fair value, net of transaction cost incurred. Subsequently, the instruments is measured at amortised cost, using the effective interest method. Interest and finance costs are recognised in the statement of comprehensive income using the effective interest rate over the life of the instrument.

3.10.15. BONDS

Bonds issued are recognised when the bank becomes party to the contractual provision of financing arrangement, creating a present obligation that will result in an outflow of economic resources. Bonds are initially measured at fair value, net of transaction cost incurred. Subsequently, the instruments is measured at amortised cost, using the effective interest method. Interest and finance costs are recognised in the statement of comprehensive income using the effective interest rate over the life of the instrument.

3.10.16. GREEN CREDIT LINE FACILITY

Green credit line facilities are recognised when the bank becomes party to the contractual provision of financing arrangement, creating a present obligation that will result in an outflow of economic resources. Green credit line facilities are initially measured at fair value, net of transaction cost incurred. Subsequently, the instruments is measured at amortised cost, using the effective interest method. Interest and finance costs are recognised in the statement of comprehensive income using the effective interst rate over the life of the instrument.

3.10.17. CONCESSIONAL FUNDING

Consessional funding is recognised when the bank becomes party to the contractual provision of financing arrangement, creating a present obligation that will result in an outflow of economic resources. Consessional funding is initially measured at fair value, net of transaction cost incurred. Subsequently, the instruments is measured at amortised cost, using the effective interest method. Interest and finance costs are recognised in the statement of comprehensive income using the effective interst rate over the life of the instrument.

3.10.18. EQUITY INSTRUMENT

The 'Equity investments' 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.

DEVELOPMENT BANK OF NAMIBIA (REGISTRATION NUMBER: 2003/189)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.10.18. EQUITY INSTRUMENT (CONTINUED)

The Bank uses valuation techniques in measuring equity instruments, including the price of recent investments, 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.

The group recognises a ROUA and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date. The ROUAs are measured at cost comprising of the amount of the initial measurement of the lease liability plus any initial direct costs and restoration costs. Where applicable, any lease payments made at or before the commencement date less any lease incentives received is deducted from the cost. Variable payments that do not depend on an index or rate are not included in the measurement the lease liability and the ROUA.

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. 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. 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 trade and other liabilities.

3.13. 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.

3.14. FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost exchange differences are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.15. SUMMARY OF IFRS ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS ISSUED

3.15.1. IFRS ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

IFRS Accounting Standards and amendments relevant to the Bank issued and effective for 31st March 2024 year-end: The bank has adopted all the IFRS Accounting Standards and IFRIC Interpretations which are relevant to its operations. Non of the new or amended IFRS Accounting Standards which became effective for the year ended 31 March 2024 impacted the Banks reported earnings, financial position or reserves, nor the accounting policies.

NUMBER	EFFECTIVE DATE	EXECUTIVE SUMMARY
Amendments to IAS 1- Disclosure of Accounting Policies	Annual periods beginning on or after 1 January 2023 (Published February 2021). Amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements	The amendments to IAS 1 include: • requiring companies to disclose their material accounting policies rather than their significant accounting policies. • Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and • Clarifying that all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.
Amendments to IAS 8 - Definition of Accounting Estimates	Annual periods beginning on or after 1 January 2023 (Published Feb 2021) The objective is to help entities distinguish between accounting policies and accounting estimates.	The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

3.16. IFRS ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS ISSUED BUT NOT EFFECTIVE.

IFRS Accounting Standards and amendments relevant to the Bank issued but not effective for 31st March 2024 year-end: The following IFRS Accounting Standards and IFRIC Interpretations have been published and are not mandatory for 31 March 2024 reporting period and have not been early adopted by the Bank.

These IFRS Accounting Standards will be applied when they become effective but they are not expected to have material impact on the entity in the current and/or future reporting periods.

NUMBER	EFFECTIVE DATE	EXECUTIVE SUMMARY
Amendment to IAS 1 – Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve the information an entity provides related to liabilities subject to these conditions.
Amendment to IFRS 16 – Leases on sale and leaseback	Annual periods beginning on or after 1 January 2024. (Published September 2022)	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
IFRS 18 – Presentation and Disclosure in Financial Statements	Annual reporting period beginning on or after 1 January 2027. (Published April 2024)	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
Amendment to IAS 7 and IFRS 7 – Supplier finance	Annual periods beginning on or after 1 January 2024 (with transitional reliefs in the first year) (Published May 2023)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.
Amendments to IAS 21 – Lack of Exchangeability	Annual periods beginning on or after 1 January 2025 (early adoption is available) (Published August 2022)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

4. INTEREST INCOME

[N$] Received on financial assets measured at amortised cost:	2024	2023
Cash and cash equivalents	46,791,198	44,363,249
Loans and advances to customers: performing (stages 1 and 2)	497,193,258	581,680,602
Loans and advances to customers: credit impaired (stage 3)	265,554,969	18,356,043
Dividend income on preference shares in loan book	-	3,756,555
Loans and advances to staff	9,322,179	6,805,461
Total interest income	**818,861,604**	**654,961,910**

5. INTEREST EXPENSE

[N$] Incurred on financial liabilities measured at amortised cost:	2024	2023
Long term line of credit facility	328,917,635	259,029,958
Bonds	14,948,892	19,210,672
Customer deposits held as collateral	2,240,544	2,063,921
Green credit line facility	10,693,305	12,113,664
Concessional funding	10,865,847	14,055,215
Bank overdrafts	352	1,917
Interest on lease liabilities	470,191	346,586
Total interest expense	**368,136,766**	**306,821,931**
Net interest income	450,724,838	348,139,979

6. FEE AND COMMISSION INCOME

[N$]	2024	2023
Guarantee fees	12,231,323	5,713,245
Front-end fees	17,669,067	15,048,696
Other fees received	-	113,006
Total	**29,900,390**	**20,874,947**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

7. OTHER INCOME

[N$]	2024	2023
Government Grant*	39,659,000	21,500,000
Foreign exchange gain on forward exchange contracts	-	17,821
Profit on disposal of property and equipment	2,170	-
Other income	3,754,761	604,647
Profit and disposal of Equity Investments**	5,810,364	-
Dividends received	712,588	1,391,705
Total	**49,938,883**	**23,514,173**

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

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

A subsidy of N$39,659,000 (2023: N$21,500,000) was received and funded a portion of the total expenditure associated with the Special Development Fund, which amounted to N$68,413,322 (2023: N$123,117,490) for the financial year.

***See note 16 for disposal of equity investments.*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

8. OPERATING EXPENSES

(N$)	2024	2023
Auditor's remuneration:		
audit fees	2,378,193	2,001,751
other services	-	23,936
Directors' fees:		
for services as Directors	1,104,670	1,121,568
for management services	2,919,251	2,671,943
Depreciation and amortisation	12,312,665	9,816,258
Donations and sponsorships	772,839	966,326
Loss on disposal of property and equipment	-	(53,114)
Professional services	19,005,413	12,069,441
Salaries and personnel costs	118,687,866	103,120,548
Short-term leases:		
buildings	83,689	406,872
equipment	249,127	174,156
Other expenditure:		
information technology services	4,111,521	4,900,077
promotions and marketing	3,012,954	2,244,058
building maintenance, cleaning and security services	3,159,686	3,396,017
telephone, stationary, photocopier, courier	2,408,218	2,605,618
training and development	1,704,975	1,494,593
municipal charges	2,018,319	1,831,100
subscriptions and memberships	1,251,781	1,222,679
traveling and accommodation	2,449,479	1,103,741
other operational expenditure	2,598,278	1,803,559
Foreign exchange loss on forward exchange contracts	1,190,515	-
Total operating expenditure	**181,419,439**	**152,921,127**
Number of Permanent employees	**123**	**123**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

8. OPERATING EXPENSES (CONTINUED)

8.1 DIRECTORS' EMOLUMENTS

8.1.1 CHIEF EXECUTIVE OFFICER

(N$)	2024	2023
Pensionable salary	2,616,728	2,166,519
Gratuity / Bonus	-	-
Company contributions to pension and medical aid schemes	302,523	505,424
Total	**2,919,251**	**2,671,943**

8.1.2 NON-EXECUTIVE DIRECTORS'

(N$)	2024	2023
D Husselman	145,172	161,907
W Mertens	197,051	214,654
NP Kanalelo	171,381	176,653
MS Ickua	146,665	144,389
SJ Van Zyl (Chairperson)	258,037	257,616
EP Nailenge	186,364	166,349
Total	**1,104,670**	**1,121,568**

8.1.3 SCHEDULE OF DIRECTORS' FEES

(N$)	2024	2023
Chairperson's quarterly fee	18,117	18,117
Chairperson's sitting fee (per board meeting)	10,209	10,209
Director's quarterly fee	14,799	14,799
Director's sitting fee (per board meeting)	6,440	6,440
Sub-committee chairperson quarterly fee	8,684	8,684
Sub-committee chairperson sitting fee per meeting	4,760	4,760
Sub-committee member quarterly fee	6,616	6,616
Sub-committee member sitting fee per meeting	3,185	3,185

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

9. TAXATION

(N$)	2024	2023
	-	-

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).

10. CASH AND CASH EQUIVALENTS

(N$)	2024	2023
Bank balances and call deposits	276,643,768	296,168,867
Short term fixed deposits with local banks	435,090,379	438,164,897
Total	**711,734,147**	**734,333,764**

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 readily convertible to known amounts of cash which are subject to an insignificant risk of change in values.

11. TRADE AND OTHER RECEIVABLES

(N$)	2024	2023
Accrued interest on short term fixed deposits with local banks	-	4,263,308
Deposits	383,287	376,287
Staff study loans	686,769	829,333
Prepaid expenses	4,189,005	1,657,494
Namibia Revenue agency - withholding tax	444,080	444,080
Other receivables	1,183,403	-
GiZ Funding	53,421	-
Total	**6,939,965**	**7,570,502**

The carrying amount approximates the fair value of trade and other receivables as the nature is short-term.
The Bank has determined that the ECL in respect of trade and other receivables is minimal due to their short-term nature.

DEVELOPMENT BANK OF NAMIBIA (REGISTRATION NUMBER: 2003/189)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

12. LOANS AND ADVANCES TO CUSTOMERS

12.1. CATEGORY ANALYSIS

(N$)	NOTES	AT AMORTISED COST 2024	AT AMORTISED COST 2023
Instalment sales		319,893,592	250,042,298
Preference share advances		51,394,647	79,819,051
Guarantees honoured by the Bank		4,818,731	195,768
Term loans		8,006,745,354	7,867,353,313
Total loans and advances		8,382,852,324	8,197,410,431
Accrued interest on loans and advances		-	3,507,008
Loans and advances		8,382,852,324	8,200,917,439
Impairment of loans and advances	13	(2,215,787,627)	(1,638,190,092)
Net loans and advances		**6,167,064,697**	**6,562,727,347**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

12. LOANS AND ADVANCES TO CUSTOMERS

12.2. SECTORAL ANALYSIS

(N$)	AT AMORTISED COST 2024	AT AMORTISED COST 2023
Automotive, machinery & equipment repair services	5,257,239	4,451,578
Business services	218,010,618	246,079,583
Commercial property	395,923,025	300,367,969
Construction	595,496,942	469,557,127
Education	191,471,316	186,458,610
Electricity	613,429,067	307,152,026
Financial intermediation	115,764,621	107,134,625
Fishing	19,064,964	10,925,878
Government & public authorities	2,958,253,517	3,484,556,558
Health	145,723,423	131,082,994
Housing	293,407,361	840,150,252
Land servicing	836,074,881	172,984,695
Manufacturing	540,504,141	749,494,143
Mining & quarrying	123,247,825	18,685,229
Telecommunications	13,464,675	12,951,899
Tourism & hospitality	868,081,237	784,175,090
Transport & logistics	199,220,088	163,999,824
Wholesale & retail trade	250,457,385	210,709,359
Gross value of advances	8,382,852,325	8,200,917,439
Impairment of loans and advances	(2,215,787,627)	(1,638,190,092)
Net loans and advances	**6,167,064,697**	**6,562,727,347**

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.

DEVELOPMENT BANK OF NAMIBIA (REGISTRATION NUMBER: 2003/189)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The movement in gross loans and advances as observed in table 12.2 can be attributed to the timing of drawdowns and redemptions of loans and advances across the various sectors. There has been no significant change in the Bank's risk appetite or credit management practices that contributed to these movements.

The Government of the Republic of Namibia loan was included in the Government and public authorities sector (see note 26.1.4).

12.3. MATURITY STRUCTURE PER CONTRACTUAL MATURITY DATE

(N$)	2024	2023
Receivable on demand	372,055,450	328,084,411
One year or less but not receivable on demand	336,314,602	258,461,080
Three years or less but over one year	1,018,485,743	646,796,421
Five years or less but over three years	424,340,620	753,955,469
Over five years	4,015,868,282	4,575,429,966
Net loans and advances	**6,167,064,697**	**6,562,727,347**

12.4. GEOGRAPHICAL ANALYSIS

Namibia – net loans and advances	6,167,064,697	6,562,727,347

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

13. IMPAIRMENT OF LOANS AND ADVANCES

13.1. CREDIT IMPAIRED LOANS BY SECTOR 2024

(N$)	OUTSTANDING BALANCE	SECURITY	CONTRACTUAL INTEREST SUSPENDED	IMPAIRMENT PROVISION
Automotive, machinery &equipment repair services	5,257,239	2,002,500	943,452	2,548,934
Business services	99,590,308	36,582,945	16,598,332	52,576,149
Commercial Property	323,198,883	131,932,000	128,086,215	97,177,553
Construction	412,405,650	205,745,402	104,386,721	107,175,180
Education	99,148,776	52,615,000	23,293,915	26,517,473
Electricity	471,327	-	1,101	4,556
Financial intermediation	104,423,612	35,559,000	24,760,188	47,238,110
Fishing	-	-	-	-
Health	113,816,179	49,852,960	26,106,131	41,593,064
Housing	198,426,147	95,737,087	60,769,436	55,777,576
Land Servicing	8,450,201		1,087,784	7,504,214
Manufacturing	490,658,302	192,080,434	108,259,997	207,881,525
Mining & quarrying	17,123,576	2,082,900	1,587,527	13,444,863
Telecommunications	13,042,482	3,050,000	3,496,036	7,093,804
Tourism & Hospitality	749,156,798	361,736,983	75,939,992	326,889,791
Transport & Logistics	189,095,848	110,633,793	44,106,749	48,841,071
Wholesale & retail trade	184,734,803	77,147,780	60,140,304	78,572,287
Water	1,635,822	1,450,000	1,311	-
Total credit impaired loans by sector	**3,010,635,953**	**1,358,208,784**	**679,565,188**	**1,120,836,150**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

13. IMPAIRMENT OF LOANS AND ADVANCES (CONTINUED)

13.1. CREDIT IMPAIRED LOANS BY SECTOR 2023 (CONTINUED)

(N$)	OUTSTANDING BALANCE	SECURITY	CONTRACTUAL INTEREST SUSPENDED	IMPAIRMENT PROVISION
Automotive, machinery &equipment repair services	4,451,578	385,000	607,131	3,460,123
Business services	96,481,712	40,344,584	11,185,201	45,812,828
Commercial Property	295,952,364	132,953,000	74,557,300	101,325,425
Construction	351,922,766	210,136,323	65,674,868	83,131,483
Education	89,756,215	52,321,298	7,467,632	30,953,550
Electricity	618,734	864,000	629	
Financial intermediation	84,206,187	35,559,000	8,802,195	39,844,349
Fishing	10,836,484	3,359,780	2,819,591	4,079,150
Health	105,858,641	52,268,726	16,856,376	37,286,297
Housing	169,963,239	87,368,005	50,371,049	35,315,328
Manufacturing	545,036,230	283,663,967	59,245,316	207,381,304
Mining & quarrying	9,009,346	2,525,240	1,080,519	7,804,325
Telecommunications	7,583,733	3,050,000	2,712,837	1,840,839
Tourism & Hospitality	672,802,184	364,477,275	48,034,682	250,533,548
Transport & Logistics	155,129,734	99,412,362	21,334,254	44,071,255
Wholesale & retail trade	189,777,359	101,409,291	43,095,469	57,186,836
Total credit impaired loans by sector	**2,789,386,509**	**1,470,097,850**	**413,845,048**	**950,026,639**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

13.2 IMPAIRMENT OF LOANS AND ADVANCES BY PRODUCT

2024 (N$)	OPENING ECL 1 APRIL 2023	TOTAL TRANSFER BETWEEN STAGES	NET IMPAIRMENTS RAISED/REVERSED	IMPAIRED ACCOUNTS WRITTEN OFF	CLOSING ECL 31 MARCH 2024
Term loans	**1,552,030,120**	-	**553,424,219**	**(12,373,434)**	**2,093,080,904**
Stage 1	26,887,906	2,617,739	49,510,063	-	79,015,708
Stage 2	252,470,460	(7,862,345)	84,193,900	-	328,802,015
Stage 3	1,272,671,754	5,244,605	419,720,256	(12,373,434)	1,685,263,181
Installment sales	**74,671,366**	-	**29,271,673**	**(4,990,832)**	**98,952,206**
Stage 1	1,954,388	751,556	733,298	-	3,439,241
Stage 2	2,042,441	(1,473,227)	8,080,212	-	8,649,426
Stage 3	70,674,537	721,671	20,458,163	(4,990,832)	86,863,539
Preference Shares	**11,488,604**	-	**12,265,911**	-	**23,754,515**
Stage 1	-	-	-	-	-
Stage 2	-	-	1,397,313	-	1,397,313
Stage 3	11,488,604	-	10,868,598	-	22,357,202
Total impairment on loans and advances	**1,638,190,090**	-	**594,961,803**	**(17,364,266)**	**2,215,787,627**

Amounts disclosed for net impairement raised and reversed are based on the stage of loans at year end.

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For the year ended 31 March 2024

13.2 IMPAIRMENT OF LOANS AND ADVANCES BY PRODUCT (CONTINUED)

2023 (N$)	OPENING ECL 1 APRIL 2022	TOTAL TRANSFER BETWEEN STAGES	NET IMPAIRMENTS RAISED (REVERSED)	IMPAIRED ACCOUNTS WRITTEN OFF	RECLASSIFIED	CLOSING ECL 31 MARCH 2023
Term loans	**1,405,498,017**	-	**707,502,825**	**(560,970,722)**		**1,552,030,120**
Stage 1	50,467,335	41,936,440	(65,515,869)	-	-	26,887,906
Stage 2	277,236,784	(65,162,887)	40,396,563	-	-	252,470,460
Stage 3	1,077,793,898	23,226,447	732,622,130	(560,970,722)	-	1,272,671,754
Installment sales	**138,926,658**	-	**68,639,913**	**(132,895,205)**	-	**74,671,366**
Stage 1	8,156,937	178,025	(6,380,574)	-	-	1,954,388
Stage 2	4,611,023	212,581	(2,781,163)	-	-	2,042,441
Stage 3	126,158,698	(390,606)	77,801,650	(132,895,205)	-	70,674,537
Preference Shares	**13,562,074**	-	**(2,073,470)**	-	-	**11,488,604**
Stage 1	-	-	-	-	-	-
Stage 2	3,967,189	(7,521,415)	3,554,226	-	-	-
Stage 3	9,594,885	7,521,415	(5,627,696)	-	-	11,488,604
Guarantees	**18,554,863**	-	-	**1(0,641,331)**	**(7,913,532)**	-
Stage 1	290,036	-	-	-	(290,036)	-
Stage 2	3,378,043	-	-	-	(3,378,043)	-
Stage 3	14,886,784	-	-	(10,641,331)	(4,245,453)	-
Total impairment on loans and advances	**1,576,541,612**	**-**	**774,069,268**	**(704,507,258)**	**(7,913,532)**	**1,638,190,091**

In the prior year, provision on guarantees were transferred from loans and advances to customers to trade and other liabilities, refer to note 18.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

13.3. CREDIT IMPAIRED LOANS BY CATEGORY

2024 (N$)	OUTSTANDING BALANCE	SECURITY	CONTRACTUAL INTEREST SUSPENDED	IMPAIRMENT PROVISION
Guarantees	40,335,470	4,565,339	183,160	5,786,095
Preference Shares	47,394,647	-	7,901,188	15,417,615
Instalment sales	192,630,522	110,175,183	38,446,559	54,422,879
Term loans	2,730,275,315	1,243,468,263	633,034,280	1,045,209,561
Total credit impaired loans by category	**3,010,635,954**	**1,358,208,785**	**679,565,188**	**1,120,836,150**

2023 (N$)	OUTSTANDING BALANCE	SECURITY	CONTRACTUAL INTEREST SUSPENDED	IMPAIRMENT PROVISION
Guarantees	62,475,276	18,669,332	196,987	8,839,805
Preference Shares	79,819,051	25,600,000	2,291,197	9,197,407
Instalment sales	161,268,252	91,436,020	20,233,310	50,441,227
Term loans	2,485,823,931	1,334,392,498	391,123,554	81,548,200
Total credit impaired loans by category	**2,789,386,509**	**1,470,097,850**	**413,845,048**	**950,026,639**

MOVEMENTS IN ECL OF LOANS AND ADVANCES AT AMORTISED COST

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:
Term Loans - Term loans increased by N$139.4 million (1.8%) from the prior period, mainly driven by growth in commercial loans. The expected credit loss allowance increased by N$541.1 million (34.9%) mainly as a result of an increase in the stage 3 net impairments raised of N$407.3 million, which includes an increase in interest in suspense of N$241.9 million. The remainder of the increase in ECL on term loans in stage 3 can mainly be attributed to a reduction in the security values. Movements observed in stage 1 and 2 ECL can mainly be attributed to modeling adjustments to reflect the reduced credit quality, giving rise to higher probability of default rates being applied.

Instalment sales - Gross instalment sales loans grew by N$69.6 million (27.9%) year-on-year. The expected credit loss allowance increased by N$24.3 million (32.5%) mainly as a result of an increase in the stage 3 net impairments raised of N$15.5 million. Suspended interest increased by N$18.2 million during the year. The non-performing instalment sales loans are well secured with a fair value of security of N$110.2 million.

Preference shares - Impairments raised against preference shares increased by N$12.3 million during the year under review. Total impairment raised at year end amounts to N$23.8 million, which includes an increase in interest in suspense of N$5.6 million.

In the prior year, movement in ECL was mainly attributable to a large write off of loans and advances, a degradation of the loan book resulting in a large number of exposures becoming credit impaired and the value of loans issued exceeding the value of loans settled.

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For the year ended 31 March 2024

13.4 RECONCILIATION OF EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES

(N$)	2024	2023
Balance at the beginning of the year	1,638,190,091	1,576,541,611
Amounts written off against the impairment	(17,364,266)	(704,507,258)
Increase in loss allowance	318,964,908	533,098,535
Recoveries of bad debts	(31,929,804)	(23,668,785)
Provision for impairment- Off balance sheet (Guarantees)	(14,067,683)	(10,297,909)
-Interest in Suspense	321,994,381	267,023,897
Balance at the end of the year	**2,215,787,627**	**1,638,190,091**

IMPAIRMENT CHARGE RECOGNISED DURING THE YEAR (N$)	2024	2023
Increase in loss allowance	318,964,908	533,098,535
Recoveries of bad debts	(31,929,804)	(23,668,785)
Net impairment on loans and advances	**287,035,104**	**509,429,750**

14. STAFF HOME OWNERSHIP SCHEME LOANS

(N$)	2024	2023
Opening balance	114,458,783	121,266,513
New loans and interest during the year	13,995,931	20,383,152
Resignations / terminations of employees transferred to term loans	(4,554,075)	(7,096,143)
Loan receipts	(24,347,815)	(20,094,739)
Closing balance	**99,552,824**	**114,458,783**

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. Loans are secured by fixed property. Staff home loans are classified under stage 1. Credit risk is managed through direct payroll deductions and therefore, the ECL for staff home loans are considered insignificant. The total below market value was N$20.866,068 as at 31 March 2024, this is yet to be amortised to profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

15. PROPERTY AND EQUIPMENT AND RIGHT OF USE ASSETS

COST OR REVALUED AMOUNT (N$)	LAND	BUILDINGS	VEHICLES	FURNITURE & EQUIPMENT	RIGHT OF USE ASSETS	TOTAL
Balance at 1 April 2022	25,525,000	76,867,562	2,407,708	16,595,744	10,966,094	132,362,108
Additions	-	250,787	463,996	4,315,142	4,175,016	9,204,941
Disposals	-	-	-	(991,585)	(219,246)	(1,210,831)
Revaluation (losses)/ gains	(5,620,000)	10,094,239	-	-	-	4,474,239
Balance at 31 March 2023	**19,905,000**	**87,212,588**	**2,871,704**	**19,919,301**	**14,921,864**	**144,830,457**
Balance at 1 April 2023	19,905,000	87,212,588	2,871,704	19,919,301	14,921,864	144,830,457
Additions	442,958	-	-	2,112,547	4,422,677	6,978,182
Capitalised	-	-	-	-	-	-
Disposals	-	-	-	(438,411)	-	(438,411)
Revaluation (losses)/ gains	(145,458)	5,395,300	-	-	-	5,249,842
Balance at 31 March 2024	**20,202,500**	**92,607,888**	**2,871,704**	**21,593,437**	**19,344,541**	**156,620,070**

ACCUMULATED DEPRECIATION AND IMPAIRMENT (N$)	LAND	BUILDINGS	VEHICLES	FURNITURE & EQUIPMENT	RIGHT OF USE ASSETS	TOTAL
Balance at 1 April 2022	-	(24,149,463)	(1,452,648)	(13,710,977)	(8,493,232)	(47,806,320)
Eliminated on disposals of assets	-	-	-	983,975	1,616	985,591
Depreciation expense	-	(4,310,372)	(430,972)	(1,913,284)	(3,060,524)	(9,715,152)
Balance at 31 March 2023	-	**(28,459,835)**	**(1,883,620)**	**(14,640,286)**	**(11,552,140)**	**(56,535,881)**
Balance at 1 April 2023	-	(28,459,835)	(1,883,620)	(14,640,286)	(11,552,140)	(56,535,881)
Eliminated on disposals of assets	-	-	-	438,411	-	438,411
Depreciation expense	-	(5,149,943)	(384,689)	(2,407,228)	(4,083,268)	(12,025,128)
Balance at 31 March 2024	-	**(33,609,778)**	**(2,268,309)**	**(16,609,101)**	**(15,635,408)**	**(68,122,596)**

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For the year ended 31 March 2024

15. PROPERTY AND EQUIPMENT AND RIGHT OF USE ASSETS (CONTINUED)

ACCUMULATED DEPRECIATION AND IMPAIRMENT (N$)						
Carrying amount						
As at 31 March 2023	**19,905,000**	**58,752,753**	**988,084**	**5,279,015**	**3,369,724**	**88,294,576**
As at 31 March 2024	**20,202,500**	**58,998,110**	**603,395**	**4,984,336**	**3,856,549**	**88,497,474**

Land and buildings are measured at the revalued amount in accordance with the Bank's policy. The income approach was used to determine the value of the land and buildings. The carrying amount, if carried under the cost model as at 31 March 2024 is N$ 25,427,353 (2023: N$ 25,844,167).

The property represents land and buildings situated on erven numbers 5444 (portion of) and 7640 (sectional title), Windhoek; erf number 735, Walvis Bay; and erf number 1590, Oshakati. These were valued by independent external, qualified valuators on 31 March 2024. Valuation method used was the capitalisation of probable net rentals. There were no change in the valuation methods compared to prior year.

During the year, the Bank carried out a review of the useful lives and residual values of all property and equipment. The review has not led to any change in estimations of the useful lives of any class of assets.

No assets of the Bank are encumbered or carry any restrictions.

Details of the Bank's freehold land and buildings and information about the fair value hierarchy as at 31 March 2024 is as follows:

2024 (N$)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Land	-	-	20,202,500	20,202,500
Buildings	-	-	58,998,110	58,998,110
		-	**79,200,610**	**79,200,610**
2023 (N$)	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**	**TOTAL**
Land	-	-	19,905,000	19,905,000
Buildings	-	-	58,752,752	58,752,752
		-	**78,657,752**	**78,657,752**

Changes in the Bank's best estimate of the unobservable inputs (comparable market rental income, inflation, and GDP growth rate) 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$91,079,190 (2023: N$84,266,362) and using more negative reasonable assumptions to N$80,534,745(2023: N$73,271,487).

NOTES TO THE FINANCIAL STATEMENTS

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16. EQUITY INVESTMENTS

EQUITY INVESTMENTS - UNLISTED (N$)	AMAZING KIDS	NORSAD FINANCE LTD	OHORONGO CEMENT (PTY) LTD	TOTAL
FAIR VALUED AMOUNT	28.75% Shareholding	5.58% Shareholding	11.73% Shareholding	
Balance at 1 April 2022 at FVOCI	-	47,684,662	210,000,000	257,684,662
Fair value adjustment	-	-	14,000,000	14,000,000
Balance at 31 March 2023 at FVOCI	-	47,684,662	224,000,000	271,684,662
Loan conversion	-	-	-	-
Disposals	-	-	(52,861,534)	(52,861,534)
Fair value adjustment	-	-	(5,138,466)	(5,138,466)
Balance at 31 March 2024 at FVOCI	-	47,684,662	166,000,000	213,684,662
Dividend income recognised in profit or loss	-	712,588	-	712,588
Realised gain on partial disposal of investment recognised in prot and Loss	-	-	5,810,366	5,810,366

DBN designated the above equity investments 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 market value approach of the entities. 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 unlisted equity.

During the year under review, total shares of 55,879 with a fair value of N$52,861,534 were sold through a share buy back. Realised loss relating to shares disposed of during the year was transferred from the fair value reserve to retained earnings.

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For the year ended 31 March 2024

17. INTANGIBLE ASSETS

(N$)	SOFTWARE	SOFTWARE DEVELOPMENT	TOTAL
Cost			
Balance at 1 April 2022	12,507,028	7,360,989	19,868,017
Additions	-	1,664,819	1,664,819
Transfers	-	-	-
Balance at 31 March 2023	12,507,028	9,025,808	21,532,836
Balance at 1 April 2023	**12,507,028**	**9,025,808**	**21,532,836**
Additions	3,103,469	3,528,980	6,632,449
Transfers**	12,554,788	(12,554,788)	-
Balance at 31 March 2024	**28,165,285**		**28,165,285**
Accumulated amortisation and impairment			
Balance at 1 April 2022	**(12,250,742)**	-	**(12,250,742)**
Amortisation for the year	(102,722)	-	(102,722)
Balance at 31 March 2023	**(12,353,464)**	**-**	**(12,353,464)**
Balance at 1 April 2023	(12,353,464)	-	(12,353,464)
Amortisation for the year	(434,952)	-	(434,952)
Balance at 31 March 2024	**(12,788,416)**	-	**(12,788,416)**
Carrying amount			
As at 31 March 2023	**153,564**	**9,025,808**	**9,179,372**
As at 31 March 2024	**15,376,870**	**-**	**15,376,870**

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For the year ended 31 March 2024

17. INTANGIBLE ASSETS (CONTINUED)

**During the year under review, the software that was under construction from previous years was brought into use on 1 June 2023. The bank transferred has the accumulated cost capitalised from assets under construction to software classification.

18. TRADE AND OTHER LIABILITIES

(N$)	2024	2023
Trade payables	54,605,366	22,217,898
State owned enterprises liability	-	83,875,000
Business rescue programme	13,807,390	15,000,000
Mentoring and coaching programme	10,078,713	8,500,000
KFW Business recovery interest subsidy grant	999,152	7,755,612
Fair value on guarantees issued	14,067,683	10,297,909
Salary related payables	13,867,041	6,128,523
Receiver of Revenue	847,464	217,541
Deferred guarantee fee income	-	-
Lease liabilities (note 18.1)	4,346,163	3,546,635
Skill-based Fund 2	5,000,000	-
Total	**117,618,972**	**157,539,118**

Trade payables principally comprise of amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates their fair value due to their short-term nature.

Ministry of Finance allocated liquidity support for state-owned entities (SOE) through DBN for the year ended 31 March 2023. This liquidity support was settled during April 2023 and May 2023 by DBN.

The Government provided grant funding for mentoring and coaching programme (N$8,500,000) and for DBN clients' business rescue programme (N$15,000,000) in the financial year ended 31 March 2023. An additional fund of N$5,000,000 for DBN client's business rescue programme was received during the year under the review. The remaining funds that were not utilised by 31 March 2024 was N$ N$ 10.078,713 and N13, 807,390 respectively.

KFW provided support to business recovery grants through a 12-month interest subsidy for all loans approved under the concessional funding.

N$ 999,152 remains unallocated for the grant received from KFW.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

18. TRADE AND OTHER LIABILITIES (CONTINUED)

18.1 RECONCILIATION OF LEASE LIABILITIES

(N$)	TOTAL	OFFICE AND PARKING SPACE	IT EQUIPMENT	OFFICE EQUIPMENT
Balance at 1 April 2022	2,572,625	430,277	1,385,656	756,692
Additions	4,175,016	4,175,016	-	-
Interest expense	360,759	266,588	48,509	45,661
Payments	(3,328,346)	(1,764,653)	(1,200,747)	(362,946)
Terminated	(233,419)	-	(233,419)	-
Balance at 31 March 2023	**3,546,634**	**3,107,227**	**-**	**439,408**
Balance at 1 April 2023	3,546,634	3,107,227	-	439,408
Additions	4,275,261	1,040,772	3,049,751	184,738
Interest expense	617,607	409,737	181,702	26,168
Payments	(4,093,340)	(2,115,883)	(1,645,288)	(332,169)
Balance at 31 March 2024	**4,346,163**	**2,441,853**	**1,586,165**	**318,145**

INCOME STATEMENT RECOGNITION OF LEASE RELATED EXPENDITURES (N$)	2024	2023
Depreciation on right of use assets	(4,083,268)	(3,060,524)
Expenses relating to short-term leases	83,689	(581,028)
Total included in operating expenditure	**(4,166,957)**	**(3,641,552)**
Interest expense	**617,607**	**360,759**

NOTES TO THE FINANCIAL STATEMENTS

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18. TRADE AND OTHER LIABILITIES (CONTINUED)

18.2. FIXED TERM FACILITY

(N$)	2024	2023
Opening balance	-	146,525,153
Interest expense	-	2,063,921
Interest paid	-	(3,629,611)
Capital repayment	-	(144,959,463)
	-	-

Eight year term loan with Standard Bank of Namibia. Repayment of principal and interest is payable quarterly in arrears with final payment 1 November 2026. This liability has been repaid during the prior year.

DBN entered into an agreement to obtain financing of N$1,500,000,000 in order to advance a loan of N$1,500,000,000 to the National Energy Fund (NEF). In terms of the agreement, DBN was 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.

18.3. CUSTOMER DEPOSITS HELD AS COLLATERAL

(N$)	2024	2023
Opening balance	44,645,653	-
Deposit by NEF	-	44,444,927
Deposit by Shev	1,000,000	-
Interest expense - NEF	2,238,087	200,726
Interest expense - Shev	2,457	-
	47,886,197	**44,645,653**

NEF deposit charging a tiered interest rate at 5.25% monthly. An additional deposit of N$1 million was placed by Shev Properties cc during the year under review as a collateral. The deposit pays a call rate of 7.10%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

18. TRADE AND OTHER LIABILITIES (CONTINUED)

18.4. CONCESSIONAL FUNDING

Customer deposits held as collateral balance consists of the following:

(N$)	2024	2023
Deposit by NEF (NEF DSR)	46,883,740	44,645,653
Shev Properties	1,002,457	-
	47,886,197	**44,645,653**

(N$)	2024	2023
Opening balance	332,058,979	415,073,723
Interest expense	10,865,847	14,055,215
Interest paid	(12,036,015)	(15,251,778)
Accrued interest	-	-
Capital repayment	(81,818,181)	(81,818,182)
	249,070,630	**332,058,978**

Six year term loan with KfW received 15 March 2021, maturing 15 November 2026. Principal and interest is payable semi-annually (15 May and 15 November) in arrears at the fixed rate of 3.925 %.

18.5. BONDS

(N$)	2024	2023
Opening balance	160,306,716	260,524,278
Interest charged	14,948,893	19,210,672
Interest paid	(15,066,813)	(19,428,233)
Repayment	(29,000,000)	(100,000,000)
	131,188,796	**160,306,716**

Bonds issued consist of senior, unsecured notes, under the N$2.5 billion medium term note programme listed on the Namibian Stock Exchange (NSX), paying either a fixed or floating rate. The only bond in issue is DBN29, issued 4th March 2022 and is a floating rate note linked to the three month JIBAR paying interest quarterly with maturity date of 5 March 2029.

NOTES TO THE FINANCIAL STATEMENTS

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18. TRADE AND OTHER LIABILITIES (CONTINUED)

18.6. GREEN CREDIT LINE FACILITY

(N$)	2024	2023
Opening balance	171,788,863	193,262,471
Interest expense	10,693,305	12,113,664
Interest paid	(11,204,396)	(12,652,489)
Capital repayment	(20,934,782)	(20,934,783)
	150,342,990	**171,788,863**

Twelve-year climate related (climate change adaptation and mitigation) credit line with KfW ending 15 November 2030. Principal and interest is payable semi-annually (15 May and 15 November) in arrears at the fixed rate of 6.9077 %.

18.7. LONG TERM LINE OF CREDIT FACILITY

(N$)	2024	2023
Opening balance	3,894,534,313	4,251,391,870
Interest expense	328,917,635	259,029,958
Interest paid	(328,535,764)	(240,887,515)
Accrued interest	-	-
Capital repayment	(375,000,000)	(375,000,000)
	3,519,916,185	**3,894,534,313**

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 1 February, 1 May, 1 August and 1 November. The first capital installment was paid on 1 August 2021 and final payment is payable on 1 May 2033.

DEVELOPMENT BANK OF NAMIBIA (REGISTRATION NUMBER: 2003/189)

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For the year ended 31 March 2024

18. TRADE AND OTHER LIABILITIES (CONTINUED)

18.8. RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

(N$)	2024 OTHER LOANS & BORROWINGS	2023 OTHER LOANS & BORROWINGS
Balance at the beginning of year	4,558,686,628	5,266,777,076
Changes from financing cash flows:		
Funding liabilities raised bonds	-	-
Funding liabilities repaid - Long term line of credit facility	(375,000,000)	(375,000,000)
Funding liabilities paid bonds	(29,000,000)	(100,000,000)
Fixed term facility	-	(144,959,463)
Funding liabilities repaid - Green credit line	(20,934,782)	(20,934,783)
Funding liabilities raised - Customer deposits held as collateral	1,000,000	44,645,653
Lease payments on lease liabilities	(3,475,733)	-
Funding liabilities repaid - Concessional funding	(81,818,181)	(81,818,182)
Total changes from financing activities (excluding dividend and credit guarantee funding)	**(509,228,696)**	**(678,066,775)**
Other changes		
Liability-related:		
Interest expense	367,666,575	306,475,345
Interest paid	(369,087,432)	(291,853,365)
Total liability-related other changes	**(1,420,857)**	**14,621,980**
Balance at the end of year	**4,048,037,075**	**4,558,686,628**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

19. DIVIDENDS RETAINED FOR REDEPLOYMENT

[N$]	2024	2023
Balance at Beginning of year	43,071,813	43,371,140
Written off	-	1,429,144
Increase in skill based fund	477,752	-
Utilization of funds	(3,099,774)	(1,728,471)
Project Preparation Fund	(3,096,039)	(1,411,242)
Client Support Fund	(3,735)	-
Balance at end of year	**40,449,791**	**43,071,813**

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 liability recognised is settled through disbursements to approved enterprise development projects.

Balance per special funds at the end of the year	**40,449,791**	**43,071,813**
The Client Support & Development Fund	3,860,974	3,864,709
The Innovation Fund	99,770	99,770
The Project Preparation Fund	10,472,889	13,568,928
The Skill-based Facility Fund	18,016,158	17,538,406
The Youth Programme Fund	8,000,000	8,000,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

20. SHARE CAPITAL AND SHARE PREMIUM

[N$]	2024	2023
Share capital		
Authorised 2 000 Ordinary shares of N$100 000 each	200,000,000	200,000,000
Issued Share capital: 1,650 (2023: 1,650) Ordinary shares of N$100 000 each.	165,000,000	165,000,000
Share premium on issues 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.

21. RESERVES

21.1 REVALUATION RESERVE ON LAND AND BUILDINGS

[N$]	2024	2023
Balance at beginning of period	60,350,556	56,480,964
Revaluation of land and buildings	5,249,842	3,869,592
Balance at end of year	**65,600,398**	**60,350,556**

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

21.2 FAIR VALUE RESERVE

[N$]	2024	2023
Balance at the beginning of year	(22,289,829)	(36,289,829)
Revaluation of available for sale financial assets	(5,138,466)	14,000,000
Transfer to retained earnings	4,610,757	-
Balance at the end of year	**(22,817,538)**	**(22,289,829)**

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

Net balance of reserves at the end of the year ended 31 March 2024	**42,782,860**	**38,060,727**

22. LOAN COMMITMENTS AND CONTINGENT LIABILITIES

(N$)	2024	2023
Contingent liabilities		
Commitments in respect of loans approved	459,678,766	468,273,220
Guarantees issued	141,001,316	142,914,216
Letters of credit	4,169,688	1,260,000
Guarantees	136,831,628	141,654,216
	600,680,082	**611,187,436**

The balance of guarantees at the end of year comprises of 92% in performance guarantees (accounted for as loan commitments), 7% in demand guarantees, and 1% in payment guarantees.

2024 LOAN COMMITMENTS (N$)	NOTES	STAGE 1	STAGE 2	STAGE 3	TOTAL
Committed undrawn					
loans	27.2	324,641,281	16,434,782	118,602,703	459,678,766
		324,641,281	16,434,782	118,602,703	459,678,766
Impairment provision		-	-	-	-
Carrying amount		**324,641,281**	**16,434,782**	**118,602,703**	**459,678,766**

2023 LOAN COMMITMENTS (N$)					
Committed undrawn					
loans	27.2	316,523,029	41,085,505	110,664,686	468,273,220
		316,523,029	41,085,505	110,664,686	468,273,220
Impairment provision		-	-	-	-
Carrying amount		**316,523,029**	**41,085,505**	**110,664,686**	**468,273,220**

22. LOAN COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

2024 GUARANTEES ISSUED (N$)	NOTES	STAGE 1	STAGE 2	STAGE 3	TOTAL
Risk category *					
A		65,464,688	-	-	65,464,688
B		-	35,201,159	-	35,201,159
C		-	-	8,983,893	8,983,893
D		-	-	6,573,972	6,573,972
E		-	-	24,777,605	24,777,605
		65,464,688	35,201,159	40,335,470	141,001,317
Impairment provision		(4,804,772)	(3,293,655)	(5,969,255)	(14,067,682)
Carrying amount		**60,659,916**	**31,907,504**	**34,366,215**	**126,933,635**

2023 GUARANTEES ISSUED (N$)					
Risk category *					
A		62,677,368	-	-	62,677,368
B		-	17,761,571	-	17,761,571
C		-	-	13,677,458	13,677,458
D		-	-	17,743,230	17,743,230
E		-	-	31,054,588	31,054,588
		62,677,368	17,761,571	62,475,276	142,914,216
Impairment provision		(588,689)	(15,814)	(9,890,393)	(10,494,896)
Carrying amount		**62,088,679**	**17,745,757**	**52,584,883**	**132,419,320**

No ECL is raised on loan commitments as these commitments are revocable. -

* *Refer to note 28.2 for risk categories descriptions.*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

22. LOAN COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

LEGAL PROCEEDINGS DISCLOSED AS CONTINGENT LIABILITIES

IN RESPECT OF DBN V ZIVELI PROPERTY DEVELOPMENTS (PTY) LTD

Upon an event of default by the borrower, Ziveli Property Developments (Pty) Ltd, DBN issued summons in the High Court on 23 March 2021 in which the bank claimed judgement in the amount of N$94,606,556 plus interest at 20% from date of judgment plus legal costs; as well as an order declaring the mortgaged properties specially executable. Ziveli on 26 September 2021 filed a counterclaim alleging breach of contract from DBN which resulted in damages in the amount of N$108,300,853 plus interest at 20% and costs.. The matter is on the case management roll.

IN RESPECT OF DBN V LEAP MANUFACTURING NAMIBIA (PTY) LTD

After an event of default DBN issued summons against Leap Manufacturing (Pty) Ltd claiming an amount of N$15,518,106.81 plus interest at 10.25 plus 1% plus default margin interest of 2%; as well as a claim for amounts held in a Metropolitan Policy account by the third defendant which was deposited as security for the loan. Leap Manufacturing filed a counterclaim on 05 June 2020 for damages for breach of contract in the amount of N$24,230,345.70 in respect of the first defendant and N$1,683,500 in respect of the second defendant. The Court on 17 February 2023 granted Judgement in favour of the Bank and declared the bonded property executable. The Defendant has since appealed against the Judgement and Orders of the High Court to the Supreme Court. The Appeal was noted out of time. The Bank's position is that it will oppose the condonation application and apply for the summary dismissal of the appeal.

23. CAPITAL COMMITMENTS

(N$)	2024	2023
Capital expenditure authorised: Not yet contracted for	14,684,333	11,347,177

24. LEASE COMMITMENTS

(N$)	2024	2023
Lease commitments: Buildings	2,714,001	2,460,179
Office equipment and leased lines *	100,988	100,988
Total	**2,814,989**	**2,561,166**
To be incurred as follows:		
Up to 1 year	2,118,381	1,829,010
2 – 5 years	696,607	732,156
Total	**2,814,988**	**2,561,166**

**Office equipment under a full maintenance lease agreement renewable annually.*

DEVELOPMENT BANK OF NAMIBIA (REGISTRATION NUMBER: 2003/189)

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For the year ended 31 March 2024

25. 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$13, 139, 427 (2023: N$12,157,849).

26. 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.

26.1. RELATED PARTY BALANCES AND TRANSACTIONS

26.1.1. DIRECTORS

The remuneration of Directors is determined by the Shareholder;

- Refer to note 8.1 for Directors' emoluments. In order to avoid conflicts of interests and with a view to ensuring transparency at all times, a register of Directors' and managers' 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.

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

26.1.2 SHAREHOLDER

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

(N$)	2024	2023
Dividends declared	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

26. RELATED PARTY INFORMATION (CONTINUED)

26.1.3 KEY MANAGEMENT PERSONNEL

Key management personnel comprise directors and executive management. The remuneration of key executives is determined by the Board of Directors, having regard to the performance of individuals and market trends. The remuneration of the Executive Director (CEO) and other members of key management during the year were as follows:

(N$)	2024	2023
Compensation	18,634,400.02	16,602,092
Pension benefits	1,889,762.92	1,881,789
Other short-term benefits	679,783.00	657,042
	21,203,946	**19,140,923**

The gross amount for staff home loans to key management is N$15,298,058.
No other transactions with key management personnel have been entered into during the current year.

26.1.4 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.

The following transactions and balances were recorded between the bank and Other State-Owned Entities and the Government of the republic of Namibia:

DEVELOPMENT BANK OF NAMIBIA (REGISTRATION NUMBER: 2003/189)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

26. RELATED PARTY INFORMATION (CONTINUED)

26.1.4 RELATED ENTITIES (CONTINUED)

	2024		2023		2024		2023		
RELATED PARTY	OUTSTANDING BALANCE	INTEREST CHARGED	OUTSTANDING BALANCE	INTEREST CHARGED	ECL PROVISION	COLLATERAL HELD	ECL PROVISION	COLLATERAL HELD	PRINCIPAL TYPE OF COLLATERAL HELD
Preference shares advance									
Seaflower Whitefish Corporation	-	290,131	54,614,554	2,544,904	-	-	-	25,600,000	Government guarantee
Term loans									
Erongo Regional Electricity	145,508,176	18,320,489	195,289,675	21,698,683	389,093	107,487,000	1,533,113	108,169,549	Commercial property & Cash
Meat Corporation of Namibia	439,794,029	71,326,039	683,077,867	64,427,185	21,296,367	414,786,506	-	461,205,438	Government guarantee, industrial properties & farmland
Namibia Power Corporation	-	368,217	5,716,377	517,780	-	-	98,845	-	None
Namibia Wildlife Resorts	-	5,051,775	43,341,127	19,315,309	-	-	-	91,500,000	Government guarantee
National Energy Fund	2,372,951,314	259,348,299	2,598,419,265	206,357,067	-	2,372,951,314	-	2,598,419,265	Government guarantee & Cash Flow
Seaflower Whitefish Corporation	-	1,863,146	9,232,233	619,869	-	-	-	38,500,000	Government guarantee & Cash Flow
The Government of the Republic of Namibia	-	1,295,593	48,531,545	12,311,210	-	-	-	145,599,596	Letter of comfort
	2,958,253,519	**357,863,689**	**3,638,222,644**	**327,792,008**	**21,685,460**	**2,895,224,820**	**1,631,958**	**3,468,993,848**	

Impairment losses have been recorded against balances outstanding with related entities. During the year under review, there were no write offs against the expected credit loss for related parties. Further, the bank does not have material commitments with its related parties.

26. RELATED PARTY INFORMATION (CONTINUED)

26.1.4 .2 OTHER RELATED PARTIES TRANSACTIONS

Refer to note 7 for grants received from the Government of the republic of Namibia.

27. FINANCIAL RISK MANAGEMENT

27.1. 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
3. Enterprise-wide risk management
4. Compliance risk management

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.

through a combined assurance model. 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.

27.2. 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.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2. CREDIT RISK (CONTINUED)

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 expected losses are contained within acceptable limits. At year-end the Bank did not consider there to be any significant credit risk which has not been adequately provided for.

The Bank's concerted efforts to address asset quality through various initiatives, included implementing a business rescue programme and enhancing the origination and credit risk functions with experts seconded from the Development Bank of Southern Africa (DBSA). Additionally, efforts have been made to strengthen the Collections and Workout function.

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 (MCIC). An authorisation structure has been established for the approval and renewal of credit facilities within the limits of the Head of Credit 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 MCIC 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.
- Determining and recommending portfolio objectives and risk tolerance levels.
- Formulating credit policies in consultation with business units, determining requirements, credit assessment, measurement and quantification of and reporting on collateral.

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

Concentration risk is monitored by assessing the following exposure limits:

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

None of these exposure limits have been exceeded, except for the National Energy Fund (NEF) loan which was approved by the Board of Direct 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.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2. CREDIT RISK (CONTINUED)

MAXIMUM EXPOSURE TO CREDIT RISK (N$)	2024	2023
Cash and short term funds	711,734,147	734,333,764
Loans and advances: at carrying amount	6,167,064,697	6,562,727,347
Instalment sales	214,935,487	175,370,932
Term loans	5,925,450,681	6,319,025,969
Preference Share advances	26,678,529	68,330,446
Guarantees honoured by Bank	-	-
Trade and other receivables	2,750,960	5,913,008
Staff home ownership scheme loans	99,552,824	114,458,783
Amounts not recognised on the statement of financial position	6,981,102,628	7,417,432,902
Guarantees	141,001,316	142,914,216
Commitments to borrowers	459,678,766	468,273,220
	7,581,782,711	**8,028,620,338**

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

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

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.

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27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2. CREDIT RISK (CONTINUED)

2024 LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST RISK CATEGORY (N$)	STAGE 1	STAGE 2	STAGE 3	TOTAL
A	3,844,683,348	-	-	3,844,683,348
B	-	1,577,381,692	-	1,577,381,692
C	-	-	791,760,696	791,760,696
D	-	-	53,099,718	53,099,718
E	-	-	2,115,926,870	2,115,926,870
Gross value	**3,844,683,348**	**1,577,381,692**	**2,960,787,284**	**8,382,852,324**
Impairment allowances	(82,454,949)	(338,848,755)	(1,794,483,923)	(2,215,787,627)
Carrying amount	**3,762,228,399**	**1,238,532,937**	**1,166,303,361**	**6,167,064,697**

2023 LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST RISK CATEGORY (N$)	STAGE 1	STAGE 2	STAGE 3	TOTAL
A	3,921,107,865	-	-	3,921,107,865
B	-	1,551,506,775	-	1,551,506,775
C	-	-	393,631,170	393,631,170
D	-	-	722,575,261	722,575,261
E	-	-	1,612,096,368	1,612,096,368
Gross value	**3,921,107,865**	**1,551,506,775**	**2,728,302,799**	**8,200,917,438**
Impairment allowances	(30,534,976)	(254,512,902)	(1,353,142,213)	(1,638,190,091)
Carrying amount	**3,890,572,889**	**1,296,993,873**	**1,375,160,586**	**6,562,727,347**

NOTES TO THE FINANCIAL STATEMENTS

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27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2. CREDIT RISK (CONTINUED)

2024 INSTALLMENT SALES TO CUSTOMERS AT AMORTISED COST RISK CATEGORY (N$)	STAGE 1	STAGE 2	STAGE 3	TOTAL	COLLATERAL HELD	RESIDUAL CREDIT EXPOSURE
A	56,412,333	-	-	56,412,333	47,484,700	8,927,632
B	-	70,850,737	-	70,850,737	48,165,132	22,685,605
C	-	-	6,115,575	6,115,575	9,319,800	(3,204,225)
D	-	-	15,565,961	15,565,961	12,721,623	2,844,337
E	-	-	170,948,986	170,948,986	88,133,759	82,815,227
Gross value	**56,412,333**	**70,850,737**	**192,630,522**	**319,893,592**	**205,825,015**	**114,068,577**
Impairment allowances	(3,439,241)	(8,649,426)	(92,869,438)	(104,958,105)		
Carrying amount	**52,973,092**	**62,201,311**	**105,766,983**	**214,935,487**		

2023 INSTALLMENT SALES TO CUSTOMERS AT AMORTISED COST RISK CATEGORY (N$)	STAGE 1	STAGE 2	STAGE 3	TOTAL	COLLATERAL HELD	RESIDUAL CREDIT EXPOSURE
A	64,382,426	-	-	64,382,426	50,427,213	13,955,213
B	-	24,123,463	-	24,123,463	18,322,264	5,801,199
C	-	-	14,617,425	14,617,425	11,890,831	2,726,594
D	-	-	37,588,781	37,588,781	24,362,670	13,226,111
E	-	-	109,330,204	109,330,204	55,182,519	54,147,685
Gross value	**64,382,426**	**24,123,463**	**161,536,409**	**250,042,298**	**160,185,497**	**89,856,801**
Impairment allowances	(1,954,388)	(2,042,441)	(70,674,537)	(74,671,365)		
Carrying amount	**62,428,037**	**22,081,022**	**90,861,872**	**175,370,932**		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2. CREDIT RISK (CONTINUED)

2024 PREFERENCE SHARES TO CUSTOMERS AT AMORTISED COST RISK CATEGORY (N$)	STAGE 1	STAGE 2	STAGE 3	TOTAL	COLLATERAL HELD	RESIDUAL CREDIT EXPOSURE
A	-	-	-	-	-	-
B	-	4,000,000	-	4,000,000	-	4,000,000
C	-	-	35,394,647	35,394,647	-	35,394,647
D	-	-	12,000,000	12,000,000	-	12,000,000
E	-	-	-	-	-	-
Gross value	**-**	**4,000,000**	**47,394,647**	**51,394,647**	-	**51,394,647**
Impairment allowances	-	(1,397,313)	(23,318,804)	(24,716,118)		
Carrying amount	**-**	**2,602,687**	**24,075,843**	**26,678,530**		

2023 PREFERENCE SHARES TO CUSTOMERS AT AMORTISED COST RISK CATEGORY (N$)	STAGE 1	STAGE 2	STAGE 3	TOTAL	COLLATERAL HELD	RESIDUAL CREDIT EXPOSURE
A	-	-	-	-	-	-
B	-	-	-	-	-	-
C	-	-	-	-	-	-
D	-	-	79,819,051.00	79,819,051	25,600,000	54,219,051
E	-	-	-	-	-	-
Gross value	-	-	79,819,051	79,819,051	25,600,000	54,219,051
Impairment allowances	-	-	(11,488,604)	(11,488,604)		
Carrying amount	**-**	**-**	**68,330,447**	**68,330,446**		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2. CREDIT RISK (CONTINUED)

2024 TERM LOANS TO CUSTOMERS AT AMORTISED COST RISK CATEGORY (N$)	STAGE 1	STAGE 2	STAGE 3	TOTAL	COLLATERAL HELD	RESIDUAL CREDIT EXPOSURE
A	3,788,271,016	-	-	3,788,271,016	3,341,845,165	446,425,851
B	-	1,502,530,955	-	1,502,530,955	1,083,989,770	418,541,185
C	-	-	750,250,473	750,250,473	351,722,006	398,528,467
D	-	-	37,533,758	37,533,758	30,831,963	6,701,794
E	-	-	1,932,977,884	1,932,977,884	860,914,293	1,072,063,591
Gross value	**3,788,271,016**	**1,502,530,955**	**2,720,762,115**	**8,011,564,086**	**5,669,303,198**	**2,342,260,889**
Impairment allowances	(79,015,708)	(328,802,015)	(1,678,295,681)	(2,086,113,404)		
Carrying amount	**3,709,255,307**	**1,173,728,940**	**1,042 466 434**	**5,925,450,681**		

2023 TERM LOANS TO CUSTOMERS AT AMORTISED COST RISK CATEGORY (N$)	STAGE 1	STAGE 2	STAGE 3	TOTAL	COLLATERAL HELD	RESIDUAL CREDIT EXPOSURE
A	3,856,725,440	-	-	3,856,725,440	3,845,279,555	11,445,885
B	-	1,527,383,311	-	1,527,383,311	1,179,996,304	347,387,008
C	-	-	379,013,745	379,013,745	222,356,248	156,657,497
D	-	-	605,167,429	605,167,429	380,120,439	225,046,990
E	-	-	1,502,766,164	1,502,766,164	731,915,811	770,850,353
Gross value	**3,856,725,440**	**1,527,383,311**	**2,486,947,339**	**7,871,056,090**	**6,359,668,357**	**1,511,387,733**
Impairment allowances	(26,887,906)	(252,470,460)	(1,272,671,754)	(1,552,030,120)		
Carrying amount	**3,829,837,534**	**1,274,912,851**	**1,214,275,585**	**6,319,025,970**		

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For the year ended 31 March 2024

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2. CREDIT RISK (CONTINUED)

2024 SUMMARIES LOANS & ADVANCES AT AMORTISED COST RISK CATEGORY (N$)	INSTALMENT SALES	PREFERENCE SHARES	TERM LOANS	TOTAL	COLLATERAL HELD	RESIDUAL CREDIT EXPOSURE
A	56,412,333	-	3,788,271,016	3,844,683,348	3,389,329,865	455,353,483
B	70,850,737	4,000,000	1,502,530,955	1,577,381,692	1,132,154,902	445,226,790
C	6,115,575	35,394,647	750,250,473	791,760,696	361,041,807	430,718,889
D	15,565,961	-	37,533,758	53,099,718	43,553,587	9,546,132
E	170,948,986	12,000,000	1,932,977,884	2,115,926,870	949,048,052	1,166,878,817
Gross value	**319,893,592**	**51,394,647**	**8,011,564,085**	**8,382,852,324**	**5,875,128,212**	**2,507,724,112**
Impairment allowances	(104,958,105)	(24,716,118)	(2,086,113,404)	(2,215,787,627)		
Carrying amount	**214,935,487**	**26,678,529**	**5,925,450,681**	**6,167,064,697**		

2023 SUMMARIES LOANS & ADVANCES AT AMORTISED COST RISK CATEGORY (N$)	INSTALMENT SALES	PREFERENCE SHARES	TERM LOANS	GUAR-ANTEES	TOTAL	COLLATERAL HELD	RESIDUAL CREDIT EXPOSURE
A	64,382,426		3,856,725,440	-	3,921,107,866	3,895,706,767	25,401,099
B	24,123,463		1,527,383,311	-	1,551,506,775	1,198,318,568	353,188,206
C	14,617,425		379,013,745	-	393,631,170	234,247,079	159,384,091
D	37,588,781	79,819,051	605,167,429	-	722,575,261	430,083,109	292,492,152
E	109,330,204		1,502,766,164	-	1,612,096,368	787,098,331	824,998,038
Gross value	**250,042,298**	**79,819,051**	**7,871,056,090**	-	**8,200,917,439**	**6,585,038,619**	**1,615,878,820**
Impairment allowances	(74,671,367)	(11,488,604)	(1,552,030,121)	-	(1,638,190,092)		
Carrying amount	**175,370,931**	**68,330,447**	**6,319,025,969**		**6,562,727,347**		

The increase in ECL coverage ratios is caused by number of factors, including poor loan book quality as a result of business performance issues. This resulted in numerous significant exposures being demoted to underperforming and non-performing loans status. In addition, higher default rates in the past year caused the probability of default rates to increase, resulting in higher ECL especially on new, unsecured exposures.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2. CREDIT RISK (CONTINUED)

2024 OTHER LOANS AND TRADE RECEIVABLES (N$)	RISK CATEGORY	STAGE 1	STAGE 2	STAGE 3	TOTAL
Staff home loans (100% collateral)	A	99,552,824	-	-	99,552,824
Staff study loans	A	686,769	-	-	686,769
Trade receivables	A	5,016,372	-	-	5,016,372
Gross value		**105,255,965**	-	-	**105,255,965**
Impairment allowances		-	-	-	-
Carrying amount		**105,255,965**	-	-	**105,255,965**

The Bank has determined that the ECL in respect of trade and other receivables is minimal due to their short-term nature.

2023 OTHER LOANS AND TRADE RECEIVABLES (N$)	RISK CATEGORY	STAGE 1	STAGE 2	STAGE 3	TOTAL
Staff home loans (100% collateral)	A	114,458,783	-	-	114,458,783
Staff study loans	A	829,333	-	-	829,333
Trade receivables	A	6,741,169	-	-	6,741,169
Gross value		**122,029,285**	-	-	**122,029,285**
Impairment allowances		-	-	-	-
Carrying amount		**122,029,285**	-	-	**122,029,285**

2024 (N$)	RISK CATEGORY	GROSS AMOUNT	IMPAIRMENT ALLOWANCES	CARRYING AMOUNT
Staff home loans	A	99,552,824	-	99,552,824
Staff study loans	A	686,769	-	686,769
Trade receivables	A	5,016,372	-	5,016,372
		105,255,965	-	**105,255,965**

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2. CREDIT RISK (CONTINUED)

2023 (N$)	RISK CATEGORY	GROSS AMOUNT	IMPAIRMENT ALLOWANCES	CARRYING AMOUNT
Staff home loans	A	114,458,783	-	114,458,783
Staff study loans	A	829,333	-	829,333
Trade receivables	A	6,741,169	-	6,741,169
		122,029,285	-	122,029,285

COLLATERAL

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2. CREDIT RISK (CONTINUED)

TYPE OF SECURITY	2024 RISK VALUE OF SECURITY ("RSV")	2023 RISK VALUE OF SECURITY ("RSV")
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% - 90% ofrealisable market value • Commercial properties – 60% - 80% of realisable market value • Industrial properties - 50% - 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
Sinking funds (including zero coupon bonds)		
Third party collateral 'Ceded Investments • Bank and Government guarantees	• As above for ceded investments • 100% of guarantee	• As above for ceded investments • 100% of guarantee
Insurance -e.g. Endowment policies	• 100% of surrender value	• 100% of surrender value
Debtors book (30 days)	• 70% of net present value	• 70% of net present value
GRN and SOE guaranteed cash flows (e.g. GRN loan repayments & ceded NEF strategic fuel storage levy)	• 100% of exposure	• 100% of exposure

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2. CREDIT RISK (CONTINUED)

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 2024, the net carrying amount of credit-impaired loans and advances to customers amounted to N$1,210,182,775 (2023: N$1,368,552,038) and the value of identifiable collateral mainly commercial properties) held against those loans and advances amounted to N$1,358,208,784 (2023: N$11,451,428,518). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it 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$7,929,666 (2023: N$4,203,635).

AMOUNTS ARISING FROM ECL BANK

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3.10.7

Significant increase in credit risk

When determining whether 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 the 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 two 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, deteriorating economic conditions or negative trends in the client's financial position.

CREDIT RISK GRADES

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

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2. CREDIT RISK (CONTINUED)

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 and senior management changes.
- Analyses' 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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2. CREDIT RISK (CONTINUED)

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 Sub-standard D Doubtful E Loss	Stage 3: Credit impaired	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

TThe 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.

The credit risk may also be 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 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.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2. CREDIT RISK (CONTINUED)

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

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

DEFINITION OF DEFAULT

The Bank considers a financial asset to be in default when:

- the borrower has not repaid part or all of previously agreed upon interest and principle repayments for an extended period of time. The credit impaired asset is therefore not yielding any income to the lender in the form of principal and interest payments. Changes 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.

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

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For the year ended 31 March 2024

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2. CREDIT RISK (CONTINUED)

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.

SCENARIO (N$)	BETTER	BASE	WORSE
Expected ECL provisioning	2,143,381,002	2,215,787,627	2,264,058,711
Reduction / (Increase) compared to	(72,406,626)	-	48,271,084
- Tourism & hospitality	(783,605)	-	522,403
- Land servicing & housing	(46,189,340)	-	30,792,893
- Manufacturing	(3,195,153)	-	2,130,102
- Education	(712,761)	-	475,174
- Construction	(3,994,092)	-	2,662,728
- Business services	(6,265,100)	-	4,176,733
- Wholesale & retail trade	(1,848,036)	-	1,232,024
- Health	(734,402)	-	489,601
- Telecommunications	-	-	-
- Other sectors	(8,684,135)	-	5,789,423

The main macroeconomic factors that were applied in developing the base, better and worse case scenarios are gross domestic product (GDP) and consumer price index (CPI). The base case assumes GDP and CPI rates of 4.10% and 4.70%, respectively. The better case assumes GDP and CPI rates of 4.51% and 3.99%, respectively. The worse case assumes GDP and CPI rates of 3.49% and 5.17%, respectively.

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).

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For the year ended 31 March 2024

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2. CREDIT RISK (CONTINUED)

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

PD SEGMENTATION TABLE

PD SEGMENT DESCRIPTION GRN / SOE	PD METHODOLOGY BASIS	STAGE 1	STAGE 2	STAGE 3
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	**PD METHODOLOGY BASIS**	**STAGE 1**	**STAGE 2**	**STAGE 3**
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	**PD METHODOLOGY BASIS**	**STAGE 1**	**STAGE 2**	**STAGE 3**
Individual client exposures that have credit individually potentially significant impairment impact. Selected based on various factors, including significant exposures and significant arrears.	Clients' individual risk assessed and classified into IFRS 9 stages and credit risk profile.	1% - 10%	10% - 100%	100%
ARREAR PD'S	**PD METHODOLOGY BASIS**	**STAGE 1**	**STAGE 2**	**STAGE 3**
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 accoun 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 PD'S	**PD METHODOLOGY BASIS**	**STAGE 1**	**STAGE 2**	**STAGE 3**
Enterprise Portfolio (EP)	All accounts that were neither individually assessed nor in arrears were assigned a portfolio PD according to the DBNclassification of	1% - 5%	10% -25%	100%
Development Portfolio (DP)	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, DP methodology basis.	12% - 22%	25% - 45%	100%

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27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2. CREDIT RISK (CONTINUED)

ECL for in Stage I is calculated by multiplying the 12-month PD by 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 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.

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.

A restructured loan under stage 2 or 3 is put on cooling period, during this period the performance of the restructured loan is monitored before it can be reclassified to a lower stage. Restructured loans are kept in stage 3 for a minimum of 3 months and if repayments are honoured, they are transitioned to stage 2. If repayments are honoured for a further 3 months, then the loans can be transitioned to stage 1.

The total outstanding balance of loans restructured during the period under review amounts to N$ 1,603,134,930 as at 31 March 2024 (2023: N$779,669,769). A total of N$4.6 million of these loans moved from stage 3 to stage 1 and 2, while a total of N$1, 5 billion remained in the same stages after restructuring.

Despite the restructuring, loans to the value of N$75.6 million moved to lower stages.

Expected credit loss increased to N$ 2,22 billion (2023: N$ 1.64 billion). The increase is primarily due to increases in stage 3 assets to N$ 3.0 billion (2023: N$ 2.8 billion) as a result of some clients moving to non-performing loan status and is also attributed to exposures moving from stage 1 to stage 2. The Bank has adjusted the expected credit loss for the COVID-19 impact and reduction in valuations of collateral in the year ended March 2024. These revisions have been

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For the year ended 31 March 2024

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2. CREDIT RISK (CONTINUED)

incorporated into the bank`s credit provision models in line with IFRS 9 requirements, with all segments and portfolios experiencing notable incremental impacts from forward-looking adjustments. All provisions raised reflect the bank's best estimates against available data and scenario analysis and are considered appropriately prudent given the prevailing COVID-19 risk in the economy.

WRITE-OFF POLICY

As at year-end, DBN has a total balance of N$17,364,266 (2023: N$704,507,258) 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.

27.3. LIQUIDITY RISK

Liquidity risk is the risk that the Bank will encounter difficulty in meeting 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 targeted to be at a minimum of 12.5% and a maximum of 22.5% based on the financial model used for budgeting. As at 31 March 2024 the cash level reserve stood at 21.9 % (2023: 23.1%).

	2024		2023	
LIQUIDITY RESERVES (N$)	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and balances with banks	276,643,768	276,643,768	296,168,867	296,168,867
Call deposits	435,090,379	435,090,379	438,164,897	438,164,897
Undrawn facilities *	70,000,000	-	280,000,000	-
Total liquidity reserves	**781,734,147**	**711,734,147**	**1,014,333,764**	**734,333,764**

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

Due to short term nature of these liquidity reserves, the Directors consider the carrying amount to approximate their fair values.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.3. LIQUIDITY RISK (CONTINUED)

2024 CONTRACTUAL CASH FLOWS (N$)	CARRYING AMOUNT	DEMAND	1-12 MONTHS	1-3 YEARS	3-5 YEARS	OVER 5 YEARS
Assets						
Cash and Cash equivalents	711,734,147	430,049,687	281,684,460	-	-	-
Trade and other receivables	6,939,965	-	6,939,965	-	-	-
Saff home ownership scheme loans	99,552,824	-	11,696,762	23,276,767	22,730,819	125,986,005
Loans and advances to customers	6,167,064,697	-	1,829,429,342	3,180,635,550	2,040,992,873	4,076,218,677
Total financial assets	**6,985,291,633**	**430,049,687**	**2,129,750,530**	**3,203,912,317**	**2,063,723,692**	**4,202,204,682**
Liabilities						
Trade and Other payables	(117,618,972)	-	(117,618,972)	-	-	-
Customer deposits held as collateral	(47,886,197)	-	(47,886,197)	-	-	-
Concessional Funding	(249,070,630)	-	(90,669,228)	(171,647,176)	-	-
Bonds	(131,188,796)	-	(8,602,100)	(17,204,200)	(147,227,767)	-
Green credit line facility	(150,342,990)	-	(30,720,801)	(57,047,798)	(51,275,236)	(45,476,922)
Long term line of credit facility	(3,519,916,185)	-	(517,140,862)	(985,556,994)	(921,796,063)	(1,746,171,235)
Guarantees issued	-	(141,001,316)	-			
Total liabilities	**(4,216,023,770)**	**(141,001,316)**	**(812,638,160)**	**(1,231,456,168)**	**(1,120,299,066)**	**(1,791,648,158)**
Net liquidity excess/(gap)	**2,769,267,863**	**289,048,371**	**1,317,112,370**	**1,972,456,149**	**943,424,626**	**2,410,556,525**
Cumulative liquidity excess	-	**1,606,160,741**	**1,606,160,741**	**3,578,616,890**	**4,522,041,516**	**6,932,598,040**

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.3. LIQUIDITY RISK (CONTINUED)

2023 CONTRACTUAL CASH FLOWS (N$)	CARRYING AMOUNT	DEMAND	1-12 MONTHS	1-3 YEARS	3-5 YEARS	OVER 5 YEARS
Assets						
Cash and Cash equivalents	73,433,764	405,072,550	354,814,959	-	-	-
Trade and other receivables	7,570,502	7,570,501	-	-	-	-
Saff home ownership scheme loans	114,458,783	-	13,186,385	26,415,670	25,003,584	153,153,007
Loans and advances to customers	6,562,727,347	-	1,502,215,298	3,157,774,566	2,152,758,070	3,184,438,321
Total financial assets	**6,758,190,396**	**412,643,051**	**1,870,216,642**	**3,184,190,236**	**2,177,761,654**	**3,337,591,328**
Liabilities						
Trade and Other payables	(157,539,118)	-	(157,539,118)	-	-	-
Customer deposits held as collateral	(44,645,653)	-	(44,645,653)	-	-	-
Concessional Funding	(332,058,978)	-	(93,854,197)	(178,100,697)	(84,215,707)	-
Bonds	(160,306,716)	-	(38,919,465)	(17,204,200)	(17,227,767)	(138,602,100)
Green credit line facility	(171,788,863)	-	(120,823,424)	(232,847,584)	(229,044,908)	(122,578,950)
Long term line of credit facility	(3,894,534,313)	-	(532,719,543)	(1,017,965,952)	(953,491,039)	(2,199,208,163)
Guarantees issued	-	(142,914,216)	-	-	-	-
Loan commitments	-	-	(468,273,220)	-	-	-
Total liabilities	**(4,760,873,642)**	**(142,914,216)**	**(1,456,774,621)**	**(1,446,118,433)**	**(1,283,979,421)**	**(2,460,389,213)**
Net liquidity excess/(gap)	**2,658,216,755**	**269,728,835**	**413,442,021**	**1,738,071,803**	**893,782,233**	**877,202,115**
Cumulative liquidity excess	**-**	**269,728,835**	**683,170,857**	**2,421,242,660**	**3,315,024,893**	**4,192,227,008**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.4 MARKET RISK

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

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

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 repricing 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 2024 would increase/decrease by N$ 14,668,879 (2023: increase/decrease by N$8,894,319). 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

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 is therefore either immediate on demand or on a short-

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.4 MARKET RISK (CONTINUED)

SENSITIVITY ANALYSIS FOR INTEREST RATES (CONTINUED)

2024 INTEREST RATE EXPOSURE	AVERAGE EFFECTIVE INTEREST RATE	FIXED / FLOATING RATE	CARRYING AMOUNT	DEMAND	TERM TO REPRICING: WITHIN 12 MONTHS	TERM TO REPRICING: 2-5 YEARS	TERM TO REPRICING: OVER 5 YEARS	NON-INTEREST EARNING/BEARING
Assets								
Cash and cash equivalents	6.44%	Floating	711,734,147	430,049,687	281,683,137	-	-	1,323
Trade and other receivables	-	-	6,939,965	-	-	-	-	6,939,965
Staff home ownership scheme loans	8.48%	Floating	99,552,824	99,552,824	-	-	-	-
Loans and advances to customers	12.76%	Floating	6,167,064,697	3,784,327,755	2,372,951,314	-	9,785,628	-
Total financial assets			**6,985,291,633**	**4,313,930,266**	**2,654,634,451**	-	**9,785,628**	**6,941,288**
Liabilities and shareholders' equity								
Trade and other liabilities		-	(117,618,972)	-	-	-	-	(117,618,972)
Customer deposits held as collateral	6.18%	Floating	(47,886,197)	(1,000,000)	(46,886,197)	-	-	-
Concessional funding	3.93%	Fixed	(249,070,630)	-	(249,070,630)	-	-	-
Bonds	10.76%	Floating	(131,188,796)	-	(29,000,000)	(102,188,796)	-	-
Green Credit line facility	6.91%	Fixed	(150,342,990)	-	(150,342,990)	-	-	-
Long term line of credit facility*[1]	9.30%	Floating	(3,519,916,185)	-	(3,519,916,185)	-	-	-
Dividends retained for redeployment			(40,449,791)					(40,449,791)
Total financial liabilities			**(4,256,473,561)**	**(1,000,000)**	**(3,995,216,002)**	**(102,188,797)**	-	**(158,068,763)**
Net interest sensitivity excess/(gap)			**2,728,818,072**	**4,312,930,266**	**(1,340,581,551)**	**(102,188,797)**	**9,785,628**	**(151,127,475)**

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.4 MARKET RISK (CONTINUED)

SENSITIVITY ANALYSIS FOR INTEREST RATES (CONTINUED)

2023 INTEREST RATE EXPOSURE	AVERAGE EFFECTIVE INTEREST RATE	FIXED / FLOATING RATE	CARRYING AMOUNT	DEMAND	TERM TO REPRICING: WITHIN 12 MONTHS	TERM TO REPRICING: 2-5 YEARS	TERM TO REPRICING: OVER 5 YEARS	NON-INTEREST EARNING/BEARING
Assets								
Cash and cash equivalents	7.27%	Floating	734,333,764	405,072,550	284,615,562	-	-	-
Trade and other receivables	-	-	7,570,502	-	-	-	-	7,570,500
Staff home ownership scheme loans	7.00%	Floating	114,458,783	114,458,783	-	-	-	-
Loans and advances to customers	11.33%	Floating	6,562,727,347	3,889,267,394	2,615,775,860	48,549,354	9,134,739	-
Total financial assets			**7,419,090,396**	**4,408,798,727**	**2,900,391,422**	**48,549,354**	**9,134,739**	**7,570,500**
Liabilities and shareholders' equity								
Trade and other liabilities	-	-	(157,539,118)	-	-	-	-	(157,539,118)
Customer deposits held as collateral	5.25%	Floating	(44,645,653)	-	(44,645,653)	-	-	-
Concessional funding	3.93%	Fixed	(332,058,978)	-	(332,058,978)	-	-	-
Bonds	9.67%	Floating	(160,306,716)	-	(130,000,000)	(30,306,713)	-	-
Green Credit line facility	6.91%	Fixed	(171,788,863)	-	(171,788,863)	-	-	-
Long term line of credit facility*[1]	8.30%	Floating	(3,894,534,313)	-	(3,894,534,314)	-	-	-
Dividends retained for redeployment			(4,760,873,642)	-	(4,573,027,808)	(30,306,713)	-	(157,539,118)
Total financial liabilities			**(5,295,107,003)**	**(608,336,194)**	**(4,528,576,910)**	**(129,864,388)**	**-**	**(28,329,508)**
Net interest sensitivity excess/(gap)			**2,658,216,754**	**4,408,798,727**	**(1,672,636,386)**	**18,242,641**	**9,134,739**	**(149,968,618)**

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.4 MARKET RISK (CONTINUED)

SENSITIVITY ANALYSIS FOR INTEREST RATES (CONTINUED)

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 South African (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 correlation between SA Prime rate and JIBAR, as well as between SA Prime rate and Nam Prime rate.

The JIBAR is expected to be reformed to an alternative reference rate, ZARONIA. Since the Bank has JIBAR linked instruments this is expected to have a financial impact. However, the JIBAR reform is still in progress and ZARONIA has not yet been priced to determine the impact. Management will continue to monitor developments in this regard.

27.5. 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$)	2024	2023
Equity investments	47,684,662	47,684,662
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 18.46 was applied at year end and a movement of 10% was added or deducted to calculate the sensitivity.

(N$)	2024	2023
Profit or loss and equity	4,768,466	4,768,466

The sensitivity analysis represents the change in the foreign currency rate used at year end 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.

27.6. 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.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.6. EQUITY PRICE RISK

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

- Profit for the year ended 31 March 2024 would have been increased by N$ 3,167,289 due to share buy back that was undertaken during the year under review.
- Other comprehensive income for the year ended 31 March 2024 would increase/decrease by N$10,684,233 (2023: N$13,584,233).

27.7. 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. At reporting date, the Bank's capital adequacy ratio stood at 77% (2023: 78%)

Capital comprises of share capital, share premium, retained earnings and reserves. The capital ratio is calculated as Shareholders' capital divided by risk-weighted assets, where risk-weighted assets comprise of total assets (as shown on the Statement of Financial Position) after applying the relevant risk weights for each asset category.

(N$)	2024	2023
Share capital	165,000,000	165,000,000
Share premium	1,842,071,178	1,842,071,178
Retained earnings plus reserves	1,039,453,316	977,232,372
	3,046,524,494	**2,984,303,550**

28. 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 ongoing basis.
- 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. The Bank does not have any level 2 financial instruments.
- 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 includes 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.

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.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position

2024 EQUITY INVESTMENTS AT FVOCI (N$)	NOTES	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Equity investments	16	-	-	213,684,662	213,684,662
- Ohorongo Cement (Pty) Ltd		-	-	166,000,000	166,000,000
- Norsad Finance Ltd		-	-	47,684,662	47,684,662
- Amazing Kids		-	-	-	
Financial assets		-	-	**213,684,662**	**213,684,662**

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For the year ended 31 March 2024

28. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

2023 EQUITY INVESTMENTS AT FVOCI (N$)	NOTES	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Equity investments	16	-	-	271,684,662	271,684,662
- Ohorongo Cement (Pty) Ltd		-	-	224,000,000	224,000,000
- Norsad Finance Ltd		-	-	47,684,662	47,684,662
- Amazing Kids		-	-	-	-
Financial assets		-	-	**271,684,662**	**271,684,662**

The Ohorongo valuation model is sensitive to changes in forecasted sales volume. Forecasted sales is assumed to be based on 2023 actual escalated with a Namibian GDP forecast view plus a growth adjustment for local sales and a more aggressive expansionary growth rate for export sales, based on recent growth. The valuation model is sensitive to revenue fluctuation, of which sales volume and selling price are the key inputs. The base case valuation model produces a valuation spread of N$159 million to N$174 million, with the mid-point of N$166 million taken as the valuation result. Worst case scenario produces a mid-point valuation result of N$121 million and the best-case scenario mid-point produces a N$244 million valuation. 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 29.5. The Amazing Kids key assumption use for the valuation model is disclosed in note 29.5.

2024 RECONCILIATION OF FINANCIAL INSTRUMENTS (N$)	EQUITY INVESTMENTS
Balance at 1 April 2023	271,684,662
Disposal of shares	(52,861,534)
Total loss recognised in other comprehensive income	(5,138,466)
Fair value at 31 March 2024	**213,684,662**

2023 RECONCILIATION OF FINANCIAL INSTRUMENTS (N$)	EQUITY INVESTMENTS
Balance at 1 April 2022	257,684,662
Total loss recognised in other comprehensive income	14,000,000
Fair value at 31 March 2023	**271,684,662**

EQUITY INVESTMENTS

The fair value of non-controlling 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

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28. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

OHORONGO CEMENT (PTY) LTD

Applicable to 2024

The fair value was determined by using the discounted cash flow method. A minority discount of 18% is being applied to determine the fair value of the Bank's investment in Ohorongo. The key assumptions on which the valuation is based are as follows:

1. Production and sales are based on Namibia GDP forecast, and an expected improvement in export volumes;
2. 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;
3. The mid-point weighted average cost of capital applied is 16.61%;
4. A terminal growth rate percentage of 5.16% was applied; and
5. The share buy-back exercised in May 2023 affected the valuation model by reducing the cash balance.

Applicable to 2023

The fair value was determined by using the discounted cash flow method. A minority discount of 18% is being applied to determine the fair value of the Bank's investment in Ohorongo. The key assumptions on which the valuation is based are as follows:

1. Production and sales are based on Namibia GDP forecast, and an expected improvement in export volumes;
2. COVID-19 after effects and other macro economic considerations, such as the Russian Ukraine conflict as well as rising interest rates and inflation, are reflected in the use of the GDP forecast data;
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 cost of capital applied is 15.14%; and
5. A terminal growth rate percentage of 3.93% was applied.

NORSAD FINANCE LTD

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

1. A dividend of 50% of the annual profit was assumed to determine cash flows;
2. Discount rate at the Namibian Bond GC40 (2023: GC40) yield rate, with a premium of 300bps for the ordinary shares;
3. 2/3 preference dividends for the preference shares;
4. A forecast period of five years was used and a multiple of 14.4 (2023: 12.7) times was used to estimate terminal value; and

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. Business performance has not met the expectations set by the turn around strategy;
2. Judgement exercised by management (DBN) with regards to expected value generated from last financial period; and
3. Management forecast was used as the basis of the model

29. ANALYSIS OF ASSETS AND LIABILITIES

The tables that follow set out the company's classification of assets and liabilities:

2024 (N$)	NOTE	TOTAL CARRYING AMOUNT	FVOC	AMORTISED COST	NON-FINANCIAL ASSETS AND	CURRENT	NON-CURRENT AND NON-CONTRACTUAL
Assets							
Cash and cash equivalents	10	711,734,147	-	711,734,147	-	711,734,147	-
Trade and other receivables	11	6,939,965	-	2,750,960	4,189,005	2,750,960	4,189,005
Saff home ownership scheme loans	14	99,552,824	-	99,552,824	-	11,696,762	87,856,062
Loans and advances to customers	12	6,167,064,697	-	6,167,064,697	-	1,829,429,342	4,337,635,355
Equity investments	16	213,684,662	213,684,662	-	-	-	213,684,662
Other non-financial assets		103,874,344	-	-	103,874,344	-	103,874,344
Total assets		**7,302,850,640**	**213,684,662**	**6,981,102,628**	**108,063,349**	**2,555,611,212**	**4,747,239,427**
Liabilities		117,618,972					
Trade and Other payables	18	47,886,197	-	117,618,972	-	117,618,972	-
Customer deposits held as collateral	18.3	249,070,630	-	47,886,197	-	47,886,197	-
Concessional Funding	18.4	131,188,796	-	249,070,630	-	86,604,433	162,466,197
Bonds	18.5	3,519,916,185	-	131,188,796	-	100,000,000	31,188,796
Green credit line facility	18.6	150,342,990	-	3,519,916,185	-	375,000,000	3,144,916,185
Long term line of credit facility	18.7	40,449,791	-	150,342,990	-	25,245,385	125,097,605
Other non-financial liabilities		**4,256,473,562**	-	-	40,449,791 -		40,449,791
Total liabilities		**3,046,377,078**	**-**	**4,216,023,771**	**-**	**752,354,988**	**3,504,118,575**
Total equity		**7,302,850,640**	**-**	**-**	**3,046,377,078**	**-**	**3,046,377,078**
Total liabilities and equity			**-**	**4,217,023,770**	**3,086,826,869**	**752,354,987**	**6,550,495,652**

29. ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

2023	NOTE	TOTAL CARRYING AMOUNT	FVOC	AMORTISED COST	NON-FINANCIAL ASSETS & LIABILITIES	CURRENT	NON-CURRENT AND NON-CONTRACTUAL
Assets							
Cash and cash equivalents	10	734,333,764	-	734,333,764	-	734,333,764	
Trade and other receivables	11	7,570,502	-	5,913,008	1,657,494	5,913,008	1,657,494
Staff home ownership scheme loans	14	114,458,783	-	114,458,783	-	13,145,489	101,313,294
Loans and advances to customers	12	6,562,727,347	-	6,562,727,347	-	1,143,286,438	5,419,440,909
Equity investments	16	271,684,662	271,684,662	-	-	-	271,684,662
Other non-financial assets		97,473,947	-	-	97,473,947	-	97,473,947
Total assets		**7,788,249,005**	**271,684,662**	**7,417,432,902**	**99,131,441**	**1,896,678,699**	**5,891,570,306**
Liabilities							
Trade and Other payables	18	157,539,118	-	157,539,118	-	157,539,118	-
Customer deposits held as collateral	18.3	44,645,653	-	44,645,653	-	44,645,653	-
Concessional Funding	18.4	332,058,978	-	332,058,978	-	86,604,433	245,454,545
Bonds	18.5	160,306,716	-	160,306,716	-	100,000,000	60,306,716
Green credit line facility	18.6	171,788,863	-	171,788,863	-	25,245,385	146,543,478
Long term line of credit facility	18.7	3,894,534,313	-	3,894,534,313	-	375,000,000	3,519,534,313
Other non-financial liabilities		43,071,813	-	-	43,071,813		43,071,813
Total liabilities		**4,803,945,454**	**-**	**4,760,873,641**	**43,071,813**	**789,034,589**	**4,014,910,865**
Total equity		**2,984,303,550**	**-**	**-**	**2,984,303,550**	**-**	**2,984,303,550**
Total liabilities and equity		**7,788,249,004**	**-**	**4,760,873,641**	**3,027,375,363**	**789,034,589**	**6,999,214,415**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

30. GOING CONCERN

The bank's budgets and flow of funds forecasts were considered in the bank's ability to continue as a going concern in light of current and anticipated economic conditions. Based on this review, the bank has adequate resources to continue in business for the foreseeable future and the going concern basis has been adopted in the preparation of the annual financial statements.

31. EVENTS AFTER THE REPORTING PERIOD

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

32. NOTES TO THE CASH FLOW STATEMENT

32.1 CASH GENERATED BY OPERATIONS

(N$)	2024	2023
(Loss) / profit for the year	61,962,152	(269,821,779)
Adjusted for:		
Unwinding of discounted present value on off-market loans	3,125,541	3,434,784
Fair value adjustments of off-market loans	-	(52,555)
Profit on disposal of equity investments	(5,810,364)	-
Depreciation and amortisation	12,460,080	9,817,874
Net impairment on loans and advances	318,964,908	533,098,535
(Gain) / loss on disposal of property and equipment	(2,170)	(53,114)
Government grants received	(39,659,000)	(21,500,000)
Interest on lease liabilities	617,607	360,759
Lease payments on lease liabilities	-	(3,328,346)
Accrued interest expense	1,036,151	14,623,802
Forex Gain/ Loss	1,190,515	-
Leave provision expense	490,889	-
Accrued interest income	(363,195)	-
Dividends received	(712,588)	-
IIS reversal and Interest on net credit impaired loans per IFRS9	-	6,669,581
Cash from operations before working capital changes	**353,300,526**	**273,249,540**
Increase in trade receivables	630,537	(1,878,264)
Increase in trade payables	(35,350,844)	(3,637,252)
Staff home ownership scheme loans	10,351,884	-
Loans and advances	70,939,050	-
Cash outflow from operating activities	**399,871,15**	**267,734,025**

DEVELOPMENT BANK OF NAMIBIA (REGISTRATION NUMBER: 2003/189)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

32. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

32.3 CASH RECEIPTS FROM CUSTOMERS

(N$)	2024	2023
Interest income	822,731,935	654,944,584
Bad debts recovered	31,929,804	23,668,785
Fee and dividend income	29,032,188	22,266,652
Staff home ownership scheme loans	10,351,884	-
Loans and advances	70,939,050	-
	964,984,861	**700,880,021**

32.4 CASH PAID TO SUPPLIERS, LENDERS AND EMPLOYEES

(N$)	2024	2023
Interest expense	(369,705,039)	(291,853,365)
Operating expenditure	(195,408,671)	(141,292,630)
	(565,113,710)	**(433,145,995)**

32.5 DECREASE IN LOANS AND ADVANCES

(N$)	2024	2023
Staff home ownership scheme loans	-	(288,413)
Loans and advances	-	8,718,551
		8,430,138

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2024

33. RESTATEMENT OF LIQUIDITY ORDER

During the year under review, it was noted that the liabilities were presented in an incorrect order in terms of their liquidity. Correction is applied in the current year and corrected as below:

In the prior year, the liabilities were presented in an incorrect order below:

[N$]	2023 INCORRECT ORDER	1 APRIL 2022 INCORRECT ORDER
Long term line of credit facility	3,894,534,313	4,251,391,870
Bonds	160,306,716	260,524,278
Fixed term facility	-	146,525,153
Customer deposits held as collateral	44,645,653	-
Green credit line facility	171,788,863	193,262,471
Concessional funding	332,058,978	415,073,723

Restatement was applied to correct the order as follows:

[N$]	2023 INCORRECT ORDER	1 APRIL 2022 INCORRECT ORDER
Fixed term facility	-	146,525,153
Customer Deposits Held as Collateral	44,645,653	-
Concessional funding	332,058,978	415,073,723
Bonds	160,306,716	260,524,278
Green credit line facility	171,788,863	193,262,471
Long term line of credit facility	3,894,534,313	4,251,391,870

The correction does not have any impact on the balances presented on the statement of financial position.

NOTES

Development
Bank of Namibia