Development Bank of Namibia

Integrated Annual Report 2022/23

INDEX

ABOUT THE INTEGRATED REPORT

Reporting objectives

The Development Bank of Namibia (DBN) Integrated Report provides a holistic assessment of DBN's ability to create and preserve value for stakeholders and guards against value destruction. It assesses management of strategy, the risks we face, and DBN's financial, operational, and sustainability performance, as well as the material priorities that may affect value creation over the short, medium and long term. We aim to provide stakeholders with balanced, transparent and comprehensive reporting that supports their decision-making.

Reporting boundary

The 2023 Integrated Report covers the performance of DBN for the period 1 April 2022 to 31 March 2023. The report also covers the risks, opportunities, stakeholder concerns, and outcomes beyond the financial reporting boundaries insofar as they materially affect DBN's ability to create value in the short, medium and long term. The report is primarily aimed at the Government of Namibia and its people and will be of interest to other stakeholders, including our employees, customers, and other partners.

Key frameworks applied

This is the first report prepared in accordance with the Integrated Reporting Framework as we embark on a journey of integrated thinking, accountability and transparency around our shared value creation model for all our key stakeholders, and we will be sure to continuously improve and build on this foundation.

Our Integrated Report is prepared in accordance with the January 2021 Integrated Reporting Framework. Financial performance information included in the Integrated Annual Report is drawn from DBN's Annual Financial Statements, which are prepared in accordance 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.

Materiality is informed firstly by engaging with our stakeholders and determining what is important to them, secondly by the global, regional, and local operating environment trends, and thirdly by carrying out thorough risk assessment processes including the maintenance of an enterprise risk management system.

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

Reporting assurance

Our 2023 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 Integrated Report. The 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. In the Board's opinion, the 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 in accordance with the guidelines of the 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
14 July 2023

Navigating this Integrated Report

Integrated Report (IR)
Provides an outline of our ability to create and preserve value as well as guard against value erosion in the short, medium, and long-term in relation to our shared value purpose.
Annual Financial Statements
Sets out DBN's audited Annual Financial Statements

Previously published annual reports are available at www.dbn.com.na/annual

DBN at a glance

Financed by DBN

DBN provided finance for land servicing for Ongos, now being constructed outside of Windhoek.

ABOUT DBN

Our purpose and vision

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

Our mandate

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

mobilising financial and other resources from the private and public sectors nationally and internationally;

appraising, planning and monitoring the implementation of development schemes, export projects and other economic programmes of national importance;

facilitating the participation of the private sector and community organisations in development schemes, export projects and other economic programmes of national importance;

and assisting in the development of money and capital markets.

The ancillary objectives of DBN are to:

cooperate with, and assist, other development financial institutions in order to achieve an integrated finance system in Namibia for economic growth and sustainable development;

and assist other institutions in the public and private sectors with the management of specific funds

in order that the development requirements of Namibia may be met.

Our mission

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

Our values

Transparency
Our intent, policies and practices are clear and visible to all, and we follow through on them

Integrity
We do the right thing, being honest and matching words with deeds

Excellence
We strive to be innovative and outstanding in all that we do

Service
We prioritise on our stakeholders and strive to deliver service that creates a positive experience for them.

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 needs.

DBN views availability of finance for SMEs as vital to the economy. Finance through the DBN SME Center, or through 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

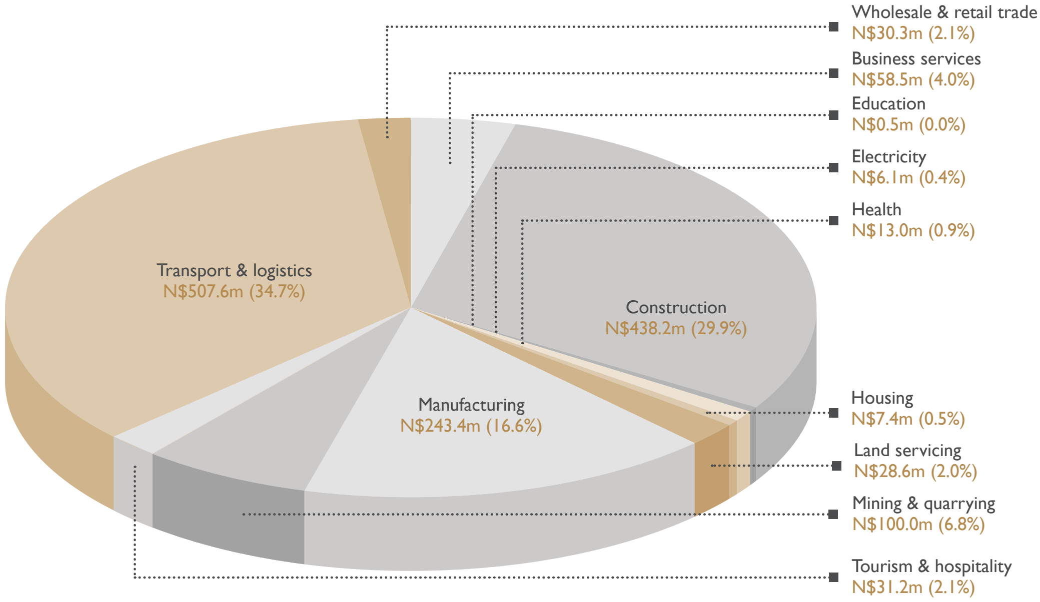
Construction and infrastructure with DBN finance

Top: an office facility constructed by Afrideca Construction.
Middle: affordable housing constructed by Onambula Investment Group.
Bottom: infrastructural work by Otesa Civil Engineering.

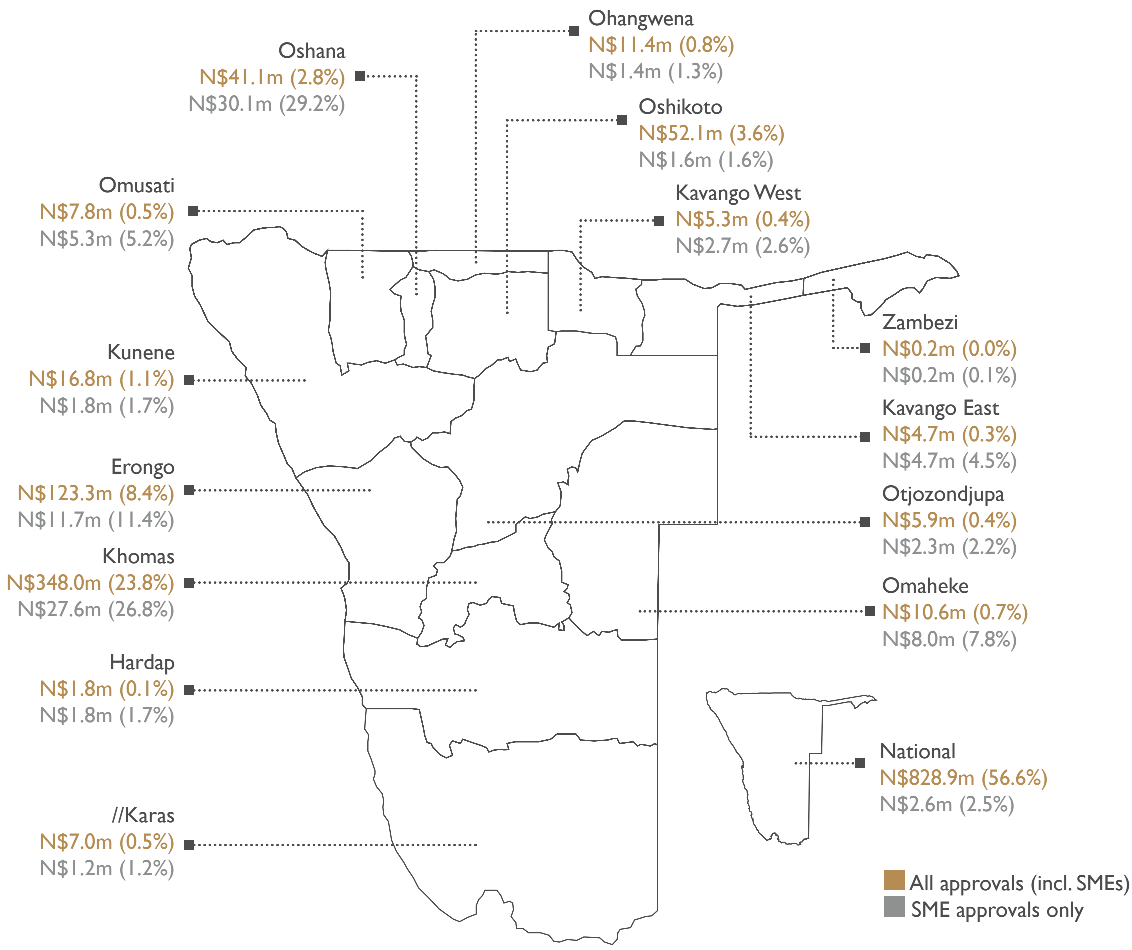
WHERE WE OPERATE

We are mandated by the Government of Namibia to develop Namibian people within Namibia. Our projects are located across the country with physical presence at our Windhoek, Rundu, Ongwediva and Walvis Bay branches.

2023 sectoral approvals



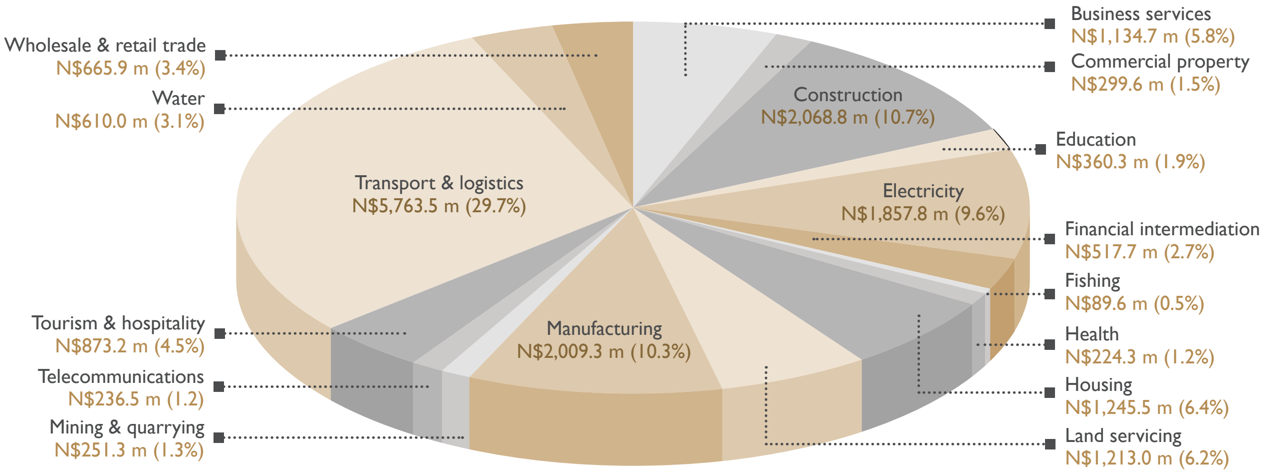
2023 regional approvals



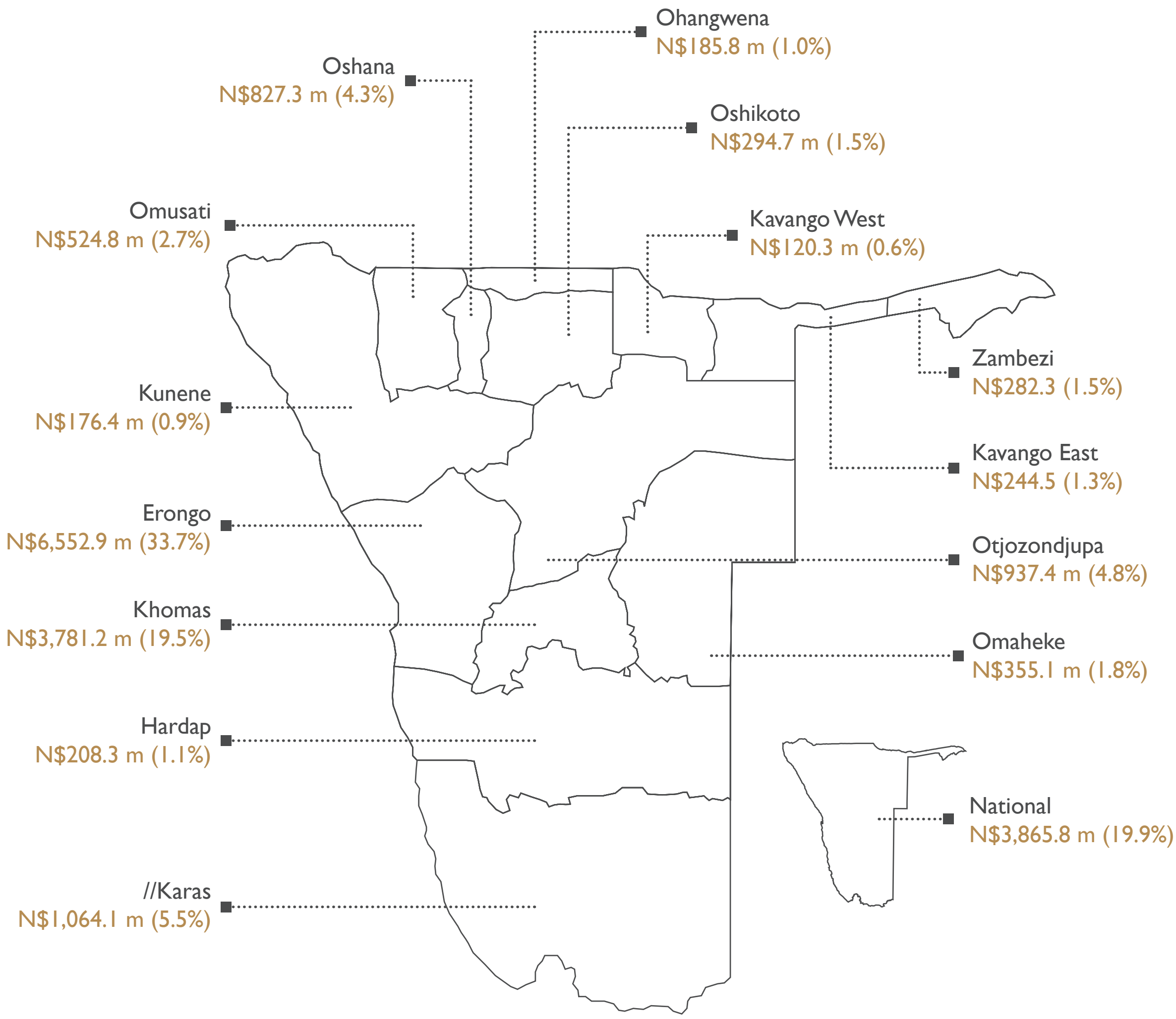
Cumulative approvals since inception (2004)

N$19,420.9m

Sectoral approvals since inception (2004)



Regional approvals since inception (2004)



OUR VALUE CREATING BUSINESS MODEL

Financial capital The source for our financial capital includes equity and debt. While our main source of revenue takes the form of interest income from operations.	• N$977m retained earnings and reserves (2022: N$1.2b) • N$296m cash generated from operating activities (2022: N$783m) • N$4.8b liabilities (2022: N$5.3b) • N$7.8b total assets (2022: N$8.6b) • N$269.8m loss for the year (2022: N$184.5m 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 (2022:119) • N$1.5m (2022: N$1.7m) 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 conceptualisation and development, credit allocation and post-investment processes • Risk management strategies linked to mandate
Manufactured capital Our manufactured capital represents our business structure and operational processes, including our physical assets property, equipment and digital infrastructure.	• N$88.3m in Property plant and equipment (2022: N$84.6m) • N$9.2m invested in software and software development (2022: N$7.6m)
Social and 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 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: 2022/23

Business activities	Our outputs	Outputs - 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 outlet, 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) Portfolio Management Department The Portfolio Management Department (PMD) provides assistance and management services in seven ways after 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) 2023 KEY FOCUS AREAS: • Pro-active measures to improve the quality of the loan book such as strengthening of the credit risk management team, as well as more focused management of the loan book and collections activity. • DBN focused on consolidating its loan and investment portfolio and managing business in distress. • DBN will continue to assist borrowers in distress through the Business Rescue Programme. • DBN focused on completing the core-banking system implementation.	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 organisation 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; and • **Asset management:** Support other institutions in the public and private sectors with the management of specific funds in order to meet the development requirements of Namibia.	**Finance capital** • N$269.8m loss for the year (2022: 184.5m loss) • N$6.56b in Loans and advances (2022: N$6.97b) • Net interest income N$348.1m (2022: N$340.3m) • Total assets at N$7.79b (2022:N$8.57b) • 34% & 20% in Non-performing loans and impairment ratio (2022: 26% & 18%) • Capital adequacy ratio of 78% (2022:79%) and capital base of N$3.0b (2022: N$3.2b) • Cost to income ratio of 40% (2022 - 37%)	• **171 finance approvals** (2022: 178), 19 of the loans were start-up businesses (2022: 13) and 152 existing enterprises. • **Approved N$1.47b** in loans (2022: N$976.4m) N$102.9m approved for SME finance (2022: N$115.7m) • We paid **salaries and personnel costs** of N$103m (2022: N$91m)	• SDG 1 – No poverty • SDG 8 – Decent work and economic growth
		Human capital • N$1.5m on training and development of our staff (2022: N$1.7m) • Staff turnover of 5% (2022: 6.03% with 10 (2022: 14 new) personnel hired	• 13 new jobs created at DBN (8 permanent jobs and 5 temporary jobs) • Representation of previously disadvantaged employees is 95.1% • 61% of the workforce is female. Women constitute 48.6% of management and 50% senior management	• SDG 4 – Quality education • 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 9 – Industry innovation and infrastructure
		Manufactured capital • N$87.2m (2022: N$76.8m) value of buildings situated at Windhoek, Walvis bay and Oshakati	• DBN approved N$7.4m in 2022/23 to finance 29 residential units. • N$23.5m was approved for infrastructure in 2023, (N$524.0m approved for infrastructure in 2021/22.	• SDG 9 – Industry innovation and infrastructure
		Social and relationship capital • 2022/23 communication and marketing spend of N$8,6m	• 2023 Impact score of 2.9 (102 SME projects to the value of N$102.9m have a weighted average development impact score of 3.4, Three (3) infrastructure projects to the value of N$131.2m have a weighted average development impact score of 3.7, 4manufacturing projects to the value of N$222.4m have a weighted average development impact score of 3.6, 28 services projects to the value of N$1,008.2m have a weighted average development impact score of 2.5) • Support for women and youth entrepreneurs spending of N$122.2m (2022: 862.8m) • N$102.9m was approved for SME finance in 2022/23, falling from N$115.7m in 2021/22	• SDG 11 – Sustainable cities and communities • SDG 9 – Industry innovation and infrastructure • SDG 17 – Partnerships for the goals • SDG 1 – No poverty • SDG 4 – Quality education • SDG 3 – Good health • SDG 5 – Gender equality • SDG 10 – Reducing gender inequalities
		Natural capital • 53 MW of renewable energy financed	• 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 6 – Clean water and sanitation • SDG 7 – Affordable and clean energy • SDG 13 – Climate action • SDG 15 – Life on land

Our material matters

Financed by DBN

Cabatana Private School provides additional educational capacity in Oshakati.

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, 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 in our material matters.

Materiality is informed firstly by engaging with our stakeholders and determining what is important to them, secondly by the global, regional, and local operating environment trends, and thirdly by carrying out thorough risk assessment processes including the maintenance of an enterprise risk management system.

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

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 to tap 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:

1. Shareholder, Investors & International Funders

Who are they
- Government of the Republic of Namibia
- Regional DFIs
- Local, regional and international providers of concessional finance & lines of credit
- Bond subscribers

Value for DBN / reason for engagements	Value for stakeholders	Link to material matters
• Independence of the mandate • Concessional finance • Resource mobilization • Knowledge sharing • Bond support • Sustainability bond support	• Alignment to local development goals • Political stability • Alignment to stakeholder goals • Alignment to regional development goals • Return to bonds • Sustainability bond	• Credit risk, capital adequacy (and profitability) – [trade off to developmental impact] • Adverse and volatile economic conditions, social and developmental impact priorities • Climate change, just transition and water security
Concerns & risks	**Opportunities and expectations / strategic response**	**Strategic pillar**
• Mandate drift • External influences on mandate • Conflicting stakeholder goals • Credit downgrades • Financial sustainability	• Understanding & execution of the mandate • Shift to larger enterprises • Return to financial sustainability	• Mandate focus • Development impact • Funding / partnerships
2023/24 Monitoring: key events & activities		
• New CEO • Sustainability bond • Existing bond programme subscription redemption • Recovery lending	• Rescue programme • National mentorship programme rollout • VCF development • Return to financial sustainability & balance sheet growth	• Refocus on large enterprise finance • Development impact • Energy sector (green hydrogen & oil)

2. 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, 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, capital adequacy (and profitability) – [trade off to developmental impact] • Digital innovation, disruption and cyber security
Concerns & risks • Unrealistic applicant expectations • Slow response on applications • Limited entrepreneurial culture • Poor business administration • 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		

3. 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	Opportunities and expectations / strategic response • Mandate clarity • Political engagement • Regional and local engagement • Media engagement • Impact reporting	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		

4. 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 compliment, 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 consis-tent with performance • KPAs linked to KPIs • Employee wellbeing	Strategic pillar • People and culture
2023/24 Monitoring: key events & activities • New CEO • Culture change • Integrated reporting (operational impact) • Cost of living & remuneration packages		

5. 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 laun-dering, financing of terrorism and proliferation • Transparent and effective corporate governance • Collaboration and sharing of informa-tion • Regular communication and report back • Alignment with regulatory require-ments and remedial action where required • Adopt and implement the best practice recommendations e.g., NamCode and King III • 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 de-partments 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 compli-ance culture - compliance training and awareness • Policies and procedures management and continuous monitoring compliance with policies	• Automating processes to manage and monitor compliance • Improve Bank's and FIC relationship through communication and responses	• Managing rapidly changing regulatory environment and reforming compliance reporting and quality of data to provide integrated view

6. Auditors

Who are they • External auditors: PricewaterhouseCoopers • KPMG Namibia - Outsourced internal auditors until 30 April 2023 • Deloitte Namibia – Internal auditors effective 1 May 2023

Value for DBN / reason for engagements	Value for stakeholders	Link to material matters
• Assurance to Board • Audit engagements (Compliance, Risk Management and Financial Reporting) • Consultations • Agreed upon procedures • Combined assurance	• Independent assurance • Corroboration • Governance • Internal controls • Technology: Core banking system (ABACUS, FlowCentric) • Data migration • Processes / systems • Ethics risk management • Compliance management • Transparency	• Regulatory developments and money laundering risks
Concerns & risks	**Opportunities and expectations / strategic response**	**Strategic pillar**
• Core banking solution implementation failure • Cyber-security (core banking system) • Adequacy of data migration controls • Business disruption • Process effectiveness and efficiency	• Automate end-to-end business processes • Continuous control assurance • Independent Assurance	• Mandate focus
2023/24 Monitoring: key events & activities		
• Automate business processes • SAP to ABACUS data migration (Pre and Post- Implementation Review)	• ABACUS and FlowCentric (Core banking system) cutover • IT core banking system security review	

Branding

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

DBN's values are:
- Service
- Integrity
- Transparency, and
- Excellence

Consequently, through management of the brand, 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, its corporate philosophy, decisions and operations, as well as attract external sources of concessional finance and credit lines.

During 2022/23 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. In the course of these visits, potential Corporate Social Investment (CSI) projects may also be identified and inspected.

During 2022/23, focal areas for outreach visits included:
- SME finance
- Finance for young entrepreneurs
- Finance for agri-enterprise, and food processing and manufacturing
- Recovery lending
- Collateral requirements, and
- Applications

In addition to its own outreach visits, DBN joined the outreach visits of its sister agency, the Namibia Investment Promotion and Development Board (NIPDB).

DBN also attends various trade shows to attract industry-specific and regional contacts. Notable shows in 2022/23 included:
- World Skills Africa (Swakopmund)
- The Ongwediva Annual Trade Fair
- The Windhoek Show, and
- The Erongo Expo

Good Business Awards

DBN Good Business Awards resumed in 2022/23 after a hiatus due to the Covid-19 pandemic.

The Awards, adjudicated by an independent judging panel, showcase exceptional businesses financed by DBN in SME and large enterprises categories, highlighting excellent business administration, development and sustainability.

The runners-up and winner in the 2022/23 Large Enterprise Category were:
- San Karros Lifestyle Safaris (runner-up)
- International University of Management (runner-up)
- Otweya Land Developers (winner)

Otweya Land Developers serviced land for the large neighbourhood development at Rocky Crest Extension 4 in Windhoek. Lack of serviced land is a barrier to economic activity, socio-economic wellbeing and formation of capital.

The runners-up and winner in the 2022/23 SME Category were:
- Blue-Chem Investments (runner-up)
- Infinity Logistics (runner-up)
- Zealous Tutorial Centre (winner)

Zealous Tutorial Centre provides tutorial services to grade 10 and 12 learners in Rundu, enhancing secondary school educational outcomes.

Global and regional economic developments

The global economy continues to face several headwinds emanating from rising inflation, geopolitical tensions, and tightening of monetary policies by major central banks. Russia–Ukraine's ongoing war in particular weighs on European growth prospects, while financial conditions in the United States continue to tighten. The IMF's World Economic Outlook estimates that global growth will slow down to 2.9% in 2023, from an estimate of 3.4% growth for 2022.

Slowing global demand, tighter financial conditions, and disrupted supply chains have resulted in weaker economic growth and prolonged adverse financing conditions in Africa. Economic activity in Sub-Saharan Africa (SSA) on the other hand is expected to grow at 3.6% in 2023, before improving to 4.1% in 2024. The slowdown in the SSA region will be compounded by thinner global liquidity conditions, and rising interest rates that are increasing the cost of borrowing. Closer to home, the South African economy is also expected to slow to 0.3% growth in 2023, after growing by 2.0% in 2022, given the impact of load-shedding.

Deteriorating global economic performance exposes Namibia to global events. These have contributed to a deterioration of the country's trade balance, while contagion from increasing global and regional interest rates have increased the local cost of borrowing.

Some positive developments have been observed in sectors such as the international tourism market which has started recovering back to pre-Covid-19 (2019) levels. In this regard, the Namibian tourism industry is expected to grow in 2023 as tourism arrivals increase.

Developments in the Namibian economy

Economic Growth.

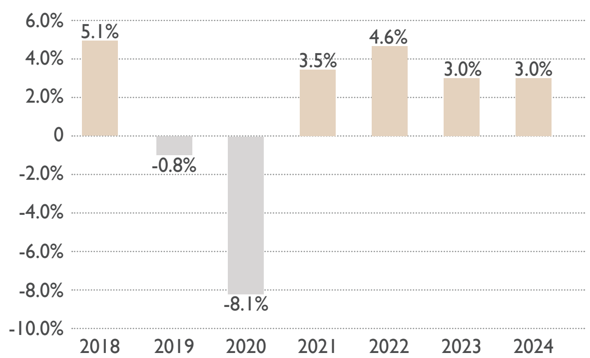
Despite the challenging external environment, the local economy has demonstrated resilience. The Namibian economy recorded positive growth of 4.6% compared to an increase of 3.5% in 2021, after falling by 8.1% in 2020. Although the construction sector was hit the hardest (16.4% contraction), most economic sectors registered varying degrees of positive growth in 2022, with the mining (21.6%), electricity and water (10.3%), and health (8.0%) sectors, registering the most notable growth.

From a production perspective, 16 of the 19 recorded sectors posted positive growth in 2022. Mining and quarrying posted the highest growth, growing by 21.6%. Contractions were observed in construction (16.4%), arts, recreation and entertainment (2.8%) and public administration and defense (0.9%).

From an expenditure perspective, private consumption provided support to the economy alongside improved net exports. Private consumption expenditure grew by 14.4% in 2022 from 12.7% in 2021 as spending on transport and housing and utilities remained robust. Growth in Government consumption expenditure was subdued at 0.7% in 2022, down from 1.5% in 2021 as the Government continued its fiscal consolidation programme.

Gross fixed capital formation contracted by 10.7% in 2022, down from growth of 18.4% in 2021 as investments in buildings, construction work, and transport equipment declined. Exports accelerated rapidly, growing by 20% in 2022 from 1.4% in 2021, while imports grew by 23.6% from 20.3%.

Annual economic growth 2018 to 2024 (estimates)

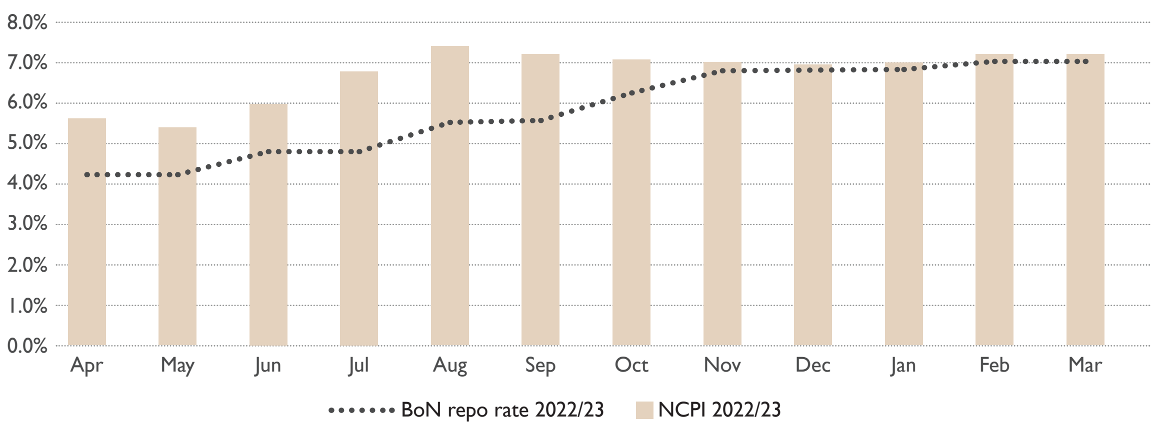


Growth is expected to slow to 3.0% in 2023 and remain at 3.0% in 2024 before gaining momentum in 2025. Signs of decelerating growth could be observed through quarter 4 of 2022, as real GDP growth decelerated to 1.9% in the 4th quarter of 2022 from 3.9% in 3rd quarter of 2022, and a relatively high growth of 7.3% in the 1st quarter of 2022. These declines reflect elevated inflation eroding households' purchasing power and weakening private consumption. Softening global demand and reduced consumer spending power is expected to weigh on growth performance of the domestic economy

Inflation

Pressures on food prices continued to be a key factor that is keeping headline inflation elevated. Headline inflation averaged a high of 6.1% in 2022, and continued to increase through the first quarter of 2023, averaging at 7.2% in March 2023, posing great pressure on the cost of living.

Inflation (NCPI) and Bank of Namibia repo rate (%)



Although the economy registered positive growth for seven consecutive quarters starting in the 2nd quarter of 2021, that growth slowed on a quarterly basis over the course of 2022 from 7.1% in the first quarter of 2022 to 1.9% in fourth quarter of 2022, as global economic activity deteriorated. The Namibian economy is expected to slow to 3.0 % in 2023 and 2.8% in 2024 before gaining momentum in 2025. The moderation is on account of a) weaker trading partner growth which will weigh on exports, b) pressure on household disposable income from sticky food inflation and an elevated policy rate, and c) poor agricultural output due to erratic weather patterns.

The mining industry is expected to continue supporting the local economic growth. The sector is expected to grow by 6.9% in 2023, with the diamond mining sub-sector expected to grow by 8.2% in 2023, and other mining subsectors projected to grow by an average above 5%. Growth in the activities of manufacturing sector as well as electricity and water sectors are also expected improve gradually in 2023 and 2024, and so are expected to positively contribute to the forecasted overall local economic growth. On the other hand, it is expected that both local and international travel will pick-up following disruption caused by Covid-19, boosting growth in the tourism sector, with the tourism sector expected to grow by 4.2% in 2023.

The lagging impact of monetary tightening will weigh on household consumption and business investment in 2023. The impact of inflation is expected to ease in 2023, albeit remaining elevated. Elevated price growth and interest rates will put downward pressure on consumers' purchasing power, and weaken business confidence, constraining investment in ongoing business projects and expansions. The expected declining trend in inflation during the second half of 2023 should be expected to limit the Bank of Namibia's impetus to hike over the 3rd quarter of 2023 to the 4th quarter of 2023, while muted economic growth will encourage the Bank of Namibia to start cutting the repo rate in late 2023.

Other domestic risks include water supply interruptions that continue to affect mining production at the coast, energy challenges in the region, and uncertainty about the effects of climate change going forward.

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-focus culture. The strong governance structures and policy frameworks foster the embedding of risk considerations in business processes and ensure that global and local risks 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.

DBN anticipates that clients will continue to face challenges as the post-lockdown realities take effect. Furthermore, macro-economic factors such as rising inflation rates and DBN of Namibia interest rate normalisation stance, combined with continued supply chain disruptions caused in part by the Russia and Ukraine war, has 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.

Opportunity exists for the sustainable development goals and transformation to more sustainable and digital operating models to enhancing 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 and social risk
- Data protection and market conduct
- Theft, fraud, and violent crime

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 the 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 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. 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 to the its mandate and designed to ensure sustainability and development impact.

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

Key principles:

- Ensure material risks are identified, measured, monitored, mitigated, and reported;
- Assess 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 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 ratios are monitored quarterly by the Board to ensure that DBN is able to support its risk taking capacity within its available resources.

The DBN Board-approved Risk Appetite Statements, which contain the Risk Appetite Ratios to support the strategic objectives of 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) have been exceeded due to the current operating environment.

The single obligor limit exceeded has been based on approvals by Board. Of the three transactions that have the largest developmental impact on the country (NEF; ONGOS and Meatco).

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 cognisance to the ensuring sufficient liquidity to reduce dependence on distress borrowing and the potential opportunity cost.

Protecting DBN's net earnings against adverse market movements.

Sustainability Risk: Delivering on 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.

Operational Risk: Appropriate operational processes that cultivate trust with stakeholders.

Risk universe: top and emerging risks

The 2022/23 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 risks categories. The risk universe represents the risks that are core to DBN's operating model. Regular scanning of the DBN operating environment ensure that changes that affects the risk universe remain relevant.

DBN risk universe

Under these risk types, some risks have been identified as those that require additional management focus in 2022/2023 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, through the Combined Assurance Model, informing the Committee's view 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 (Code) 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 center 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) with standards for ethical behaviour internally and in dealings with customers, and 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 and investigation commenced. When reports are received; preliminary investigation is carried out and remedial action taken, which includes 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:

Ethics pillars

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 instill the behaviours aligned to our values.

Values

Service	Integrity	Transparency	Excellence

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.

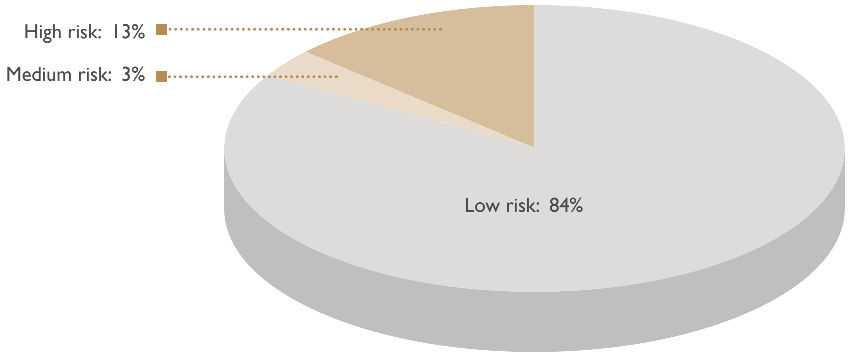
To ensure that environmental, climate change, health and safety, and social risks and impacts are considered during the transaction lifecycle and decision-making processes, DBN has set up an Environmental and Social Management System (ESMS). The ESMS encompasses a range of measures, including robust 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	
Investment stages	**Due diligence**	**Due diligence**	**Investment application & structuring**	**Deal approval & execution**	**Monitoring & management**	**Exit**
	Determine whether to pursue an opportunity / asset & its exposure size in portfolio	Detailed and comprehensive internal rating & development of a detailed investment report	Review investment proposals & ensure agreements comply with prescribed regulation & internal requirements	Approve investment proposal and final terms if considered appropriate	Monitoring & management of portfolio companies Review, assessment and allocation of capital	ESG issues requiring attention prior to disinvestment
ESG considerations	SWG screening ESG risk categorisation ESG red flags Inform scope of ES due diligence	Set out ESG due diligence (DD) and terms of reference for high, medium and low risk investments Conduct ESG DD	Relevant findings from ESG DD and ESG action plan discussed in Investment Committee (IC) meeting	Incorporate & formally agree on ESG terms for legal agreements	Monitor ongoing portfolio companies' ESG performance Obtain data from portfolio companies to compile fund quarterly and annual reports Implementation of action plans to generate maximum ESG outcomes	Report on potential ESG issues affecting disinvestment Determine actions to mitigate ESG risks
ESG tools, documents & templates	**1. ESG policy**					
	2. ESG screening procedures 3. ESG screening IC summary	4. High-risk ESG diligence terms of reference (ToR) 5. Informal ESG questionnaire	6. ESG DD IC summary	7. ESG clauses for legal agreements	8. Major incident reporting template 9. ESG performance reporting templates 10. Grievance mechanisms	11. ESG exit assessment ToR
	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 non-financial institution or project versus financing through a financial institution) and according to the criteria outlined in E&S Risk Categorisation Criteria (right). The categorization supports DBN to monitor 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.

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 in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.	Projects with minimal or no adverse environmental or social risks and/or impacts.

E&S risk categorisation for 229 projects inspected during 2022/23



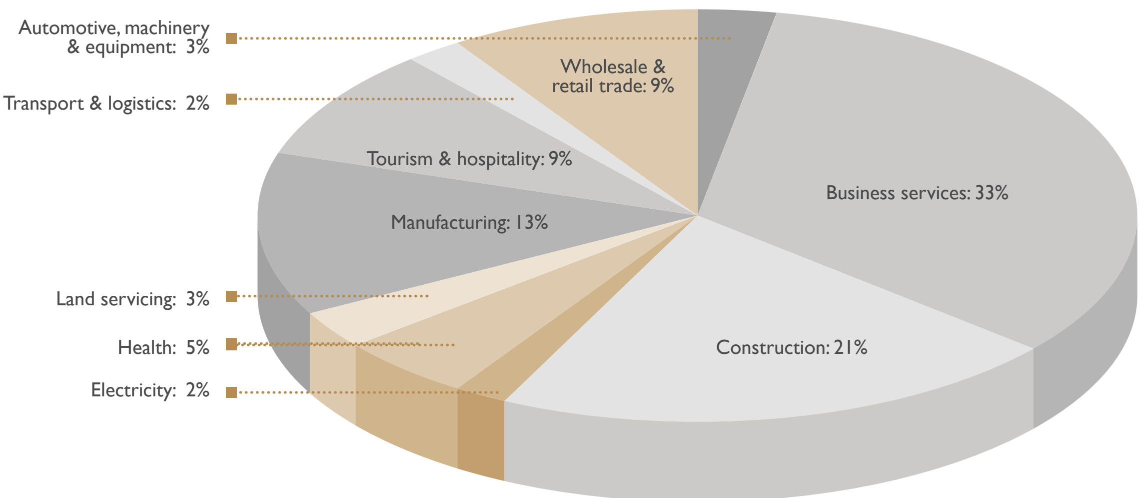
Environmental and social compliance by borrowers

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 depends 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 2022/2023, 63 projects valued at N$3.6b were inspected and / or assessed for compliance. Inspection and assessments findings that are significant are reported back to our clients, and all relevant management and Board committees including DBN's financiers.

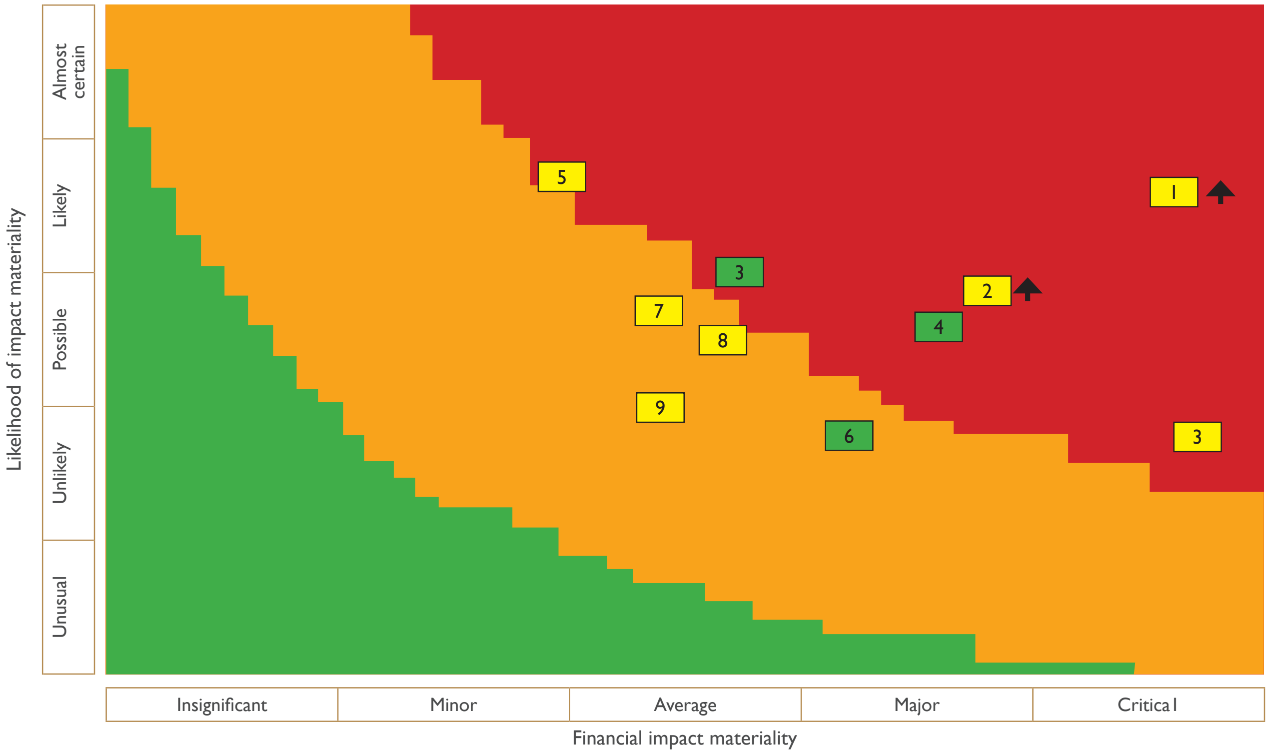
During 2022/23 no active loans were terminated due to non-compliance. Construction and Business Services made up significant sectors due to the size of the projects in those sectors.

Sectoral composition of projects inspected during 2022/23



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.



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

MATERIAL MATTER	CONTEXT	ASSOCIATED RISK	STAKEHOLDER GROUPS	STRATEGIC RESPONSE TO MATERIAL MATTER
1. 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 loan book (NPL and Impairment) may result in the business to not be financially sustainable.	• Credit risk • Capital level at risk • Adverse economic development impacting sustainability risk	• Shareholders, investors and international funders • Clients	Financial sustainability • Profitability • Asset quality • Capital adequacy • Non-interest income
2. Adverse and volatile economic and social conditions impacting developmental priorities	Increased inflation and interest rates coupled with deteriorating currency strength and credit risk affect viability of developmental businesses and projects balanced against 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
3. 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

MATERIAL MATTER	CONTEXT	ASSOCIATED RISK	STAKEHOLDER GROUPS	STRATEGIC RESPONSE TO MATERIAL MATTER
4. 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
5. 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 international funders • Clients	Operational efficiency • Client experience People and culture • Service culture Development impact • Branding/CSI Mandate focus • Engage stakeholders to clarify mandate / product focus
6. Customer centricity and innovation	Focusing on customers and ensuring that we are remaining 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 stakeholders to clarify mandate / product focus
7. People, culture and leadership	Employee empowerment, wellbeing, safety, development, and engagement ensures that we attract and retain the talent we need to drive our long-term strategy.	• Reputational risk	• Employees	People and culture • Employee centricity Talent and performance management
8. 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 digitised processes

MATERIAL MATTER	CONTEXT	ASSOCIATED RISK	STAKEHOLDER GROUPS	STRATEGIC RESPONSE TO MATERIAL MATTER
9. Digital innovation, disruption and cyber security	Digitisation of business processes and inter-phase with clients presents 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

Financed by DBN

An abattoir for Beefcorp.

OUR STRATEGY

DBN's 5-year business strategy (April 2019 - March 2024) is to achieve a high development impact and maintain sustainability of DBN by FY2024. DBN regularly reviews its performance against its 5-year business strategy and crafts annual business plans based on this review. During the most recent annual strategic planning sessions in November 2022, DBN revised its strategic objectives and initiatives to address current market conditions. The strategic pillars supporting DBNs vision will enable 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 & MAINTAIN SUSTAINABILITY OF THE BANK				ACHIEVE HIGH DEVELOPMENT IMPACT	
Strategic pillars	**Financial sustainability**	**People & 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 digitised processes	Climate funding	Develop new sectors	
	Capital adequacy	Talent & performance management	Optimal technology usage		Branding / CSI	
	Non-interest income					

To achieve high development impact: 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: sustainability 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. The key sustainability parameters to be measured in terms of DBN's 5-year business strategy are as follows:

- Financial sustainability
- Quality customer service
- Enterprise risk management
- Good corporate governance
- Stakeholder engagement
- Good corporate brand

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 have identified six strategic pillars together with **FY24 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 automate processes)

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

A 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 and innovation
		Optimal Technology	• Digital innovation, disruption and cyber security
	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

Strategic intent	Strategic pillars	Strategic objectives	Material matters
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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FOCUS AREAS IN STRATEGY

Our key social and environmental focus areas are around our employees, clients as well as impact in 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.

The following highlighted strategic objectives are focused on achieving positive sustainable development outcomes in our employees, clients, economic sectors, communities and climate change mitigation programmes.

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 is in the process of implementing its ESG reporting framework and specific focus will be given to the below various metrics which we intend to report on in the future from the sustainable finance framework.

Eligible project category	Impact reporting metrics
Green project categories	
Renewable energy	• Total installed capacity (MW) • Annual renewable energy generated (MWh/GWh) • Annual GHG emissions avoided or reduced (tCO2e)
Energy efficiency	• Annual GHG emissions avoided or reduced (tCO2e) • Annual energy savings (MWh)
Clean transportation	• Number of low carbon vehicles or vessels • Annual GHG emissions avoided or reduced (tCO2e)
Green buildings	• Number of certified buildings and respective certification • Annual energy savings (MWh) • Annual GHG emissions avoided or reduced (tCO2e)
Sustainable water management	• Annual water savings (m3)Water usage (m3) • Percentage of water discharged (%) • Percentage of recycled waste water (%)
Environmentally sustainable management of natural living resources and land use Terrestrial and aquatic biodiversity conservation	• Increase of area for sustainable management of invader bush in km² and in % • Number of fisheries projects certified by MSC • Absolute number of predefined target organisms and species per km² or m² before and after the project • Absolute number of protected and/or priority species that are deemed sensitive in protected/ conserved area before and after the project
Social project categories	
Affordable Basic Infrastructure	• Number of people gaining access to basic sanitation • Number of people gaining access to safe water supply • Number of new water treatment plants or reservoirs • Number of people gaining access to transportation • Number of roads built to provide access to transportation
Socioeconomic advancement and empowerment	• Number of previously disadvantaged persons financed • Number of women entrepreneurs financed • Number of youth entrepreneurs financed • Number of disabled persons financed
Affordable housing	• Number of households who benefit from the programme • Number of housing units constructed
Access to essential services	• Number of education or healthcare infrastructure financed • Number of beneficiaries

Financed by DBN

A broiler chicken facility expansion for Freshfruit Farming.

2023 HIGHLIGHTS

Approvals	Total Infrastructure Approvals	Jobs created by women entrepreneurs	Jobs created by youth entrepreneurs
2023: 171 (2022: 178)	2023: N$131.2m (2022: N$521.5m)	2023: 173 (2022: 1,061)	2023: 168 (2022: 757)
Enterprise numbers	**Total employment impact**	**Total Assets**	**Loss for the year**
DBN approved finance for 19 start-ups and 152 existing enterprises	2023: 5,267 (2022: 6,284)	N$7.8b (2022: N$8.6)	N$269.8m (2022: N$184.5m)

STRATEGIC PERFORMANCE SCORECARD

Strategic objectives	Measures	YOY change	2023	2022
Financial sustainability				
Asset quality	Non-performing ratio of <15%	8 pp	34%	26%
	Impairment ratio	1.79 pp	19.79%	18%
Profitability	Achieve profit of N$100m	46 %	(N$269.8m)	(N$184.5m)
Capital adequacy	Maintain liquidity coverage ratio (for projected future 6months) at 100%	75 pp	217%	142%
	Loan portfolio growth	-4.7pp	-7.0%	-2.3%
	Net interest income margin	4pp	4.2%	3.8%
	Total assets	- 9 %	N$7,78b	N$8.57b
	Opex / asset ratio	0.3pp	2.6	2.3
	Average collateral provision	-2pp	70%	72%
	Cost to income ratio	3.2pp	40.4%	37.2%
People and culture				
Talent and performance management	Staff turnover (employee retention)	-1.03pp	5%	6.03%
	Previously disadvantaged employees	0.5pp	95.1%	94.52%
	Women in executive positions (Employee diversity)	-	50%	50%
Employee centricity	Performance contracts completed (%)	-6pp	94% of contracts completed on time	100%
	Performance evaluations completed (%)	-59pp	41% of evaluations completed on time	100%
	All key positions filled throughout the year	-	Most positions filled; CEO and Head: Human Capital and Operations Support recruitment ongoing	All key positions filled
Operational efficiency				
Optimal technology usage	Achieve optimal technology usage (100% system usage & 0% manual processes) *	-	Behind schedule on the core banking system implementation	Implementation of new core banking system ongoing.
Core banking system	Core banking system utilisation rate	-	89%	--
	Implementation of core business processes rate	-	100%	--
Development impact				
Quality loan book growth	Maintain quality loan book growth (Target: 5% p.a.)	-6.1pp	-5.9%	-12.0%
	Annual weighted average development impact score	-0.7pp%	2.9	3.6
	Loans and advances approvals	-49%	N$976.4m	N$1.46m
	Loans approved for infrastructure	-75%	N$131.2m	N$521.50m
Environment, social and governance	Number of projects inspected for compliance (environmental and social risks)	9%	63	58
	Sustainability related funding and financing	-	Sustainable Finance Framework launched	--
	Renewable-energy loans approved	-	None	N$249.6m
Branding/CSI	Maintain a positive view of DBN	-	Positive perception > 80%	Positive perception > 80%

CHAIRPERSON'S REPORT

Introduction

DBN is a mirror of the Namibian economy. Its endeavours closely match socio-economic challenges of the moment. However, DBN also mirrors national aspirations, and so it is required to be a forward-looking enterprise.

The period 2022/23 saw a deepening of medium-term challenges that emanated from the trifecta of drought, recession and the Covid-19 lockdowns. On the other hand, 2022/23 also saw the emergence of remarkable medium to long-term opportunities, such as exploitation of confirmed oil reserves.

Economic activity, and associated development, are fluid arenas, and so institutions involved in fostering the goals of economic activity must be fluid as well. This is absolutely true of DBN.

It is clearly an organisation that must be in strategic transition to remain relevant. Nowhere is this better illustrated than in the 2022/23 period.

Implementation of integrated reporting

This integrated annual report marks a departure from annual reports published in previous years.

The purpose of integrated reporting is to provide a view of value creation in the short, medium and long-term. The view that the Board takes is that DBN must not only hold itself retrospectively accountable for the value creation implicit in its operations and governance, but that it must also establish forward-looking measures for its strategy and prospects.

This report will endeavour to provide an initial basis for future accountability. As such, the integrated reporting method will also be used as a template for internal accountability and strategy.

Current financial status

DBN is currently challenged by lagging revenue collection due to Covid-19 relief initiatives and a number of non-performing loans. These have materialised in an accounting loss, reflected in the previous annual report and with material impact in this Integrated Report.

However, it must be born in mind, that these accounting losses are within the implicit mandate of the high-risk field of development finance.

DBN has implemented initiatives to reduce the material impact of non-performing loans and normalise collections. This includes implementation of portfolio management strategy, implementation of recovery lending supported by Bank of Namibia and KfW Bankengruppe, and a business rescue initiative.

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In addition to restrained demand for enterprise and infrastructure finance, DBN's balance sheet growth is also challenged by recovery of the Neckartal Dam loan and rapid, ongoing recovery of the loans for the Namibian Energy Fund's strategic fuel storage facility.

Both these loans substantially inflated DBN's balance sheet.

Sustainability and forward-looking strategy

DBN remains sustainable due to its strong liquidity reserve. However, its medium to long-term sustainability depends on balance sheet growth, over and above optimal short to medium-term resumption of repayments.

The first two elements of forward-looking strategy must be ongoing rehabilitation of the non-performing loan book, and resumption of growth of the balance sheet.

In addition of rehabilitation of non-performing loans through the activities of the Portfolio Management Department, DBN has initiated a business rescue scheme to identify those businesses that can be rescued. The scheme will be placed under the auspices of independent business advisors, to obtain objective, neutral views of enterprises in distress. Deployment of independent experts also means that DBN does not have to commit to the expense of permanent capacity.

Resumption of growth of the balance sheet entails strategic 'rebalancing' of DBN's growth through a focus on developing additional finance for large enterprises and infrastructure. At the same time, DBN will further extend its reach to Namibian MSMEs through provision of apex microfinance to microlenders who target borrowers with developmentally beneficial plans and financing needs.

DBN has a part to play in the recovery of the economy, and has already launched the low cost, short-term KfW Bankengruppe recovery facility. DBN is also in the process of launching DBN of Namibia economic recovery scheme.

In terms of its mandate, DBN provides opportunities for the private sector to profit from participation in development schemes, as well as deepening the range of tools for financiers. It achieves this through its bond programme which is registered on the Namibian Stock Exchange (NSX). This programme is expected to extend through issuance of a sustainability bond in the second half of 2023.

Finally, DBN is an implementer of schemes of national importance, particularly the Bank of Namibia SME Strategy. The first leg of the scheme, the Credit Guarantee Scheme, was launched in August 2020. The National Mentorship Scheme has been successfully pioneered and is ready for roll-out. The Venture Capital Fund has been developed as a prototype and, subject to broader agreement, will be implemented as a third-party agency, with its own Board and operational structure.

Gratitude

DBN owes a large debt of gratitude to outgoing CEO Martin Inkumbi for his pivotal role in developing one of Namibia's leading institutions.

During the 10 years of his tenure, he has successfully led development of DBN's enterprise-wide risk management framework, implementation of DBN's environment and social management policy, DBN's debut bond issuance, and restructuring of DBN with distinct Investment, SME and Portfolio Management departments.

Most recently, he has led the considerable efforts entailed in providing Covid-19 relief to DBN's borrowers, the business rescue initiative and development of the Sustainable Finance Framework. He is expected to leave as DBN issues its first Sustainable Finance Bond.

The Board wishes him all success in his future endeavours. His successor will have large shoes to fill.

Sarel van Zyl
Chairperson

CEO'S REPORT

Introduction

This year marks the end of my tenure as Chief Executive Office of the DBN. I depart DBN satisfied with what it has achieved. In August 2013, I set out with an objective of transforming DBN into a development finance institution with the capacity to fund large scale infrastructure and business enterprises, a feat DBN has achieved, as evidenced by the number renewable energy IPPs, and serviced land and housing development projects financed, etc. Since its inception, DBN has been an agile entity, a characteristic that it will continue to draw on in years to come.

As much as DBN is an agency of national policy, it is also a reflection of Namibia's dynamic, evolving economy. Among the changes that have characterised DBN's operations, there have also been challenges. None have been more difficult than contending with the impact of Covid-19, following a period of drought and the recession.

As a result, during the past three years from 2020 to the present, DBN has had to shift its priority from growth to preservation of the economy and its investments in its existing borrowers. Interventions such as repayment holidays for all borrowers in the hospitality, SMEs and transport and logistics industries to any other borrower meriting it had to be implemented. This has had an impact on DBN's financial performance and the quality of its loan book, as stated in the Chief Financial Officer's report.

The net impact is that DBN now has to tactically shift to recovery strategies. These notably include recovery of non-performing loans (NPLs) through positive measures such as renegotiation and restructuring of loan contracts, the Business Rescue Scheme which seeks to identify enterprises which will benefit from turnabout strategies and possible conversion to equity, as well as recovery lending supported by the Bank of Namibia and KfW Bankengruppe.

Forward-looking strategy

DBN's initial view in 2020 and 2021 was that the economy will see a V-shaped recovery: that the loan repayment holidays would be a short-term measure, and DBN's borrowers would soon be able to resume the servicing of their obligations. The economic recovery process has proven to be a drawn out one, and many enterprises has closes business for good.

In addition to recovery initiatives, DBN is engaging in forward-looking strategies that will secure its financial sustainability for the impending 2024 – 2029 5-year business plan.

The overarching component is to limit the risks that have become apparent in the current NPLs through a refocusing of DBN's investment to large enterprises and infrastructure initiatives with significant large-scale development impact. As a part of this strategy, DBN will provide support to the emerging frontier renewable energy sector. At present DBN foresees a need to support upstream and downstream industries associated with the energy sector.

DBN will continue to support SMEs, but will gradually play the role of an apex lender, supporting SME and microfinance lenders who, in turn, provide SME and microfinance facilities.

DBN will continue to support SMEs, but will gradually play the role of an apex lender, supporting SME and microfinance lenders who, in turn, provide SME and microfinance facilities. DBN's cost structure is geared to loans with a minimum amount of N$150,000. By gearing to service developmentally beneficial and micro and small lenders DBN will spread the development impact of its SME finance, while enabling borrowing in smaller amounts through the microlenders.

People & culture

As a part of its strategy, DBN is targeting efficiencies on the part of its employees. During the preceding decade, DBN grew substantially to accommodate expanded and specialised functions.

During the prior three years, DBN also experienced rolling lockdowns and working from home.

These two factors have had the effect of diffusing the cohesiveness of DBN, and so a culture change exercise has been initiated to refocus DBN's sense of purpose and motivation. The exercise is rooted in DBN's values: service, integrity, transparency and excellence.

Operating environment

Despite the challenging external environment, the local economy has demonstrated resilience, recording positive growth of 4.6% compared to an increase of 3.5% in 2021, after falling by 8.1% in 2020. Although the construction sector contracted by 16.4%, most economic sectors registered varying degrees of positive growth in 2022, with the mining (21.6%), electricity and water (10.3%), and health (8.0%) sectors, registering the most notable growth. From a production perspective, 16 of the 19 recorded sectors posted positive growth in 2022.

Nationally, growth is expected to slow to 3.0% in 2023 and remain at 3.0% in 2024 before gaining momentum in 2025.

Gross fixed capital formation contracted by 10.7% in 2022, down from growth of 18.4% in 2021 as investments in buildings, construction work, and transport equipment declined. This indicates hesitancy on the part of existing enterprises to invest. Part of this may be attributed to a lagging precautionary approach following Covid-19, however this may also be due to monetary policy which does not favour enterprise borrowing.

Through the 2022/23 financial year, the repo rate registered a 275 basis points increase with the rate at 4.25%, at the beginning of the financial year and 7.0% at the end of March 2023. This was 75 basis points lower than that of the South African counterpart. The decision to increase the repo rate was to anchor inflation expectations and safeguard a currency peg with the South African rand.

The impact of the repo rate on DBN borrowing levels and NPLs may be partially offset by the very short term KfW-Bankengruppe recovery loan and the Bank of Namibia SME Recovery Scheme. The KfW recovery loan has a 12-month interest rebate and a fixed rate of 5.925%. DBN of Namibia SME Recovery Scheme, available to existing DBN borrowers, has a term of 84 months and a rate of prime less 0.50%.

Impact

DBN's impact on economic activity is at the heart of its purpose.

In 2022/23, DBN approved N$1,464.7m, up from N$976.4m in 2021/22. The rising trend arose from an increase in loan approvals to the public sector. Loan approvals to the sector amounted to N$700.5m in the year under review. This represents an increase compared to the N$6.6m public sector approvals in 2021/22.

DBN approved N$507.6m, or 34.7%, for the transport and logistics sector. This was significantly higher compared to the N$5.0m that was approved in 2021/22 for the sector. Loan approvals for the manufacturing sector totaled N$243.4m in 2022/23, or 16.6% of total approvals. Approvals for the tourism and hospitality sector, one DBN's strategic focus areas, declined in 2022/23. Only N$31.2m was approved, or 2.1% of the total approvals, compared to the N$67.6m, or 6.9%, of the total loans approved in 2021/22.

Although DBN's strategic plan will refocus its lending priorities on large projects, DBN aims to reposition itself as an apex lender for SMEs in addition to continuing support for SMEs. N$102.9m, or 7.03%, of loans approved in 2022/23, out of N$1,464.7 total loan approvals went towards SMEs. In 2021/22 DBN approved N$115.7m, or 11.85% for SMEs. The decline anticipates the shift in DBN's lending priority.

Financial performance and position

As a result of the significant impairments on loans and advances experienced, DBN recorded a net loss of N$269.8 (2022: net loss of N$184.5 million). During the period under review, the bank adopted an aggressive loan book clean-up exercise on the back of a drawn-out economic recovery that cast doubt on the quick recovery of specific industries and borrowers. The net impact is a reduction of DBN's retained earning from N$1.209 billion to N$ 939.2 million for the period.

DBN remained well capitalized throughout the period, with a strong capital adequacy ratio of 78% (2022: 79%). This is well above the Association of African Development Finance Institutions (AADFI) capital adequacy ratio minimum of 15%. Capital adequacy is monitored and managed in line with the capital management guidelines approved by the EXCO. DBN has adopted both the Bank of Namibia and AADFI capital adequacy guidelines.

DBN is currently dedicating its resources to preservation of the value that it has invested in the economic activity of its borrowers, as well as the broader economy.

2022/23 has seen a further rise in non-performing loans and impairment ratio from 26% / 18% to 34% / 20% respectively. Significant growth in credit in the past, coupled with slow economic recovery and a reduction in security values resulted in an increase of N$77m (2021/22: increase of N$283m) in impairments.

Measures to improve the quality of the loan book include reduced exposure to the more challenging sectors, business rescue activities, strengthening of the credit and portfolio management team, as well as more focused management of the loan book and collections activity.

Total assets of DBN now stand at N$7.79b, a reduction of 9% compared to the 2022 results.

This is due to shrinkage of the loan book, in part due to the depressed state of the economy, as well as significant write-offs. The NEF loan repayment of N$220m, funded with the strategic fuel storage levy, makes up more than 50% of the reduction in loans and advances. The Neckartal Dam loan reduced by N$97m due to repayments.

The path ahead

DBN is currently dedicating its resources to preservation of the value that it has invested in the economic activity of its borrowers, as well as the broader economy. Economic activity however is cyclical. Short-term headwinds, seen as dips in the curve, take on a different aspect in the medium and long-term growth curves. Although the economy is currently emerging from a slump, growth, and the upward trend in its curve, can be expected to resume.

Through the exercise of strategy, as reported in this, the Bank's first Integrated report, Development Bank will return to its previous levels of sustainability and will continue to make very significant medium and long-term contributions to the economy.

In parting

A financing operation cannot be measured by the quantum of its assets. It is the deployment of its resources that distinguish it. During my tenure, DBN has grown and succeeded on the thought, experience and tenacity of its Board and employees in all levels of its hierarchy. My utmost gratitude goes to them. They are the value behind the value.

The success of DBN is also dependent on its shareholder, funders and stakeholders. Acceptance of DBN's positions, the exercise of its mandate and willingness to entrust it with outcomes and funds dedicated to the pursuit of goals is of extraordinary value to DBN, and the nation.

To my successor. You are being given an opportunity to pursue the economic development of Namibia. Use it well and the legacy that both you and DBN share will be a very meaningful reward.

Martin Inkumbi
CEO

Financed by DBN

The Osona Solar Park feeds power into the Namibian grid, reducing the need for electricity imports.

CHIEF FINANCIAL OFFICER'S REPORT: INTRODUCTION

Although Covid-19 has officially ended, and some sectors have seen a positive uptick, it has remained a challenging year for our clients, as evidenced in our results. Steep and fast rises in interest rates are a double- edged sword for DBN, as interest revenue gains are offset by higher levels of NPLs and higher funding costs. Our balance sheet has shrunk, based on a smaller loan book and a reduction in debt. A significantly high level of impairments dominates our results, whilst our capital base remains strong. A strong pipeline provides some hope for the future.

Overview of financial results

DBN recorded a loss of N$269.8m compared to a loss of N$184.5m for 2021/22. A large contributor to performance was the increase in impairment of advances from N$432.1m during 2022 to N$509.4m. These results can be attributed to a number of factors, including the prolonged negative state of the economy exacerbated by Covid-19 and its impact on the ability of clients to repay loans.

Despite steep interest rate increases, the net impact on interest income was only moderate due to the shrinkage of the loan book,

There has been a 11% increase in operating expenses to N$153m, due to an increase in activity after Covid-19. A number of appointments were made to strengthen key areas of DBN.

Notwithstanding the negative results, DBN has a strong capital base of N$3b that is able to absorb this loss.

Loans and advances reported at N$6.56b reduced by N$408m (2022: N$6.97b). The depressed economic landscape also resulted in a slowdown in loan book growth.

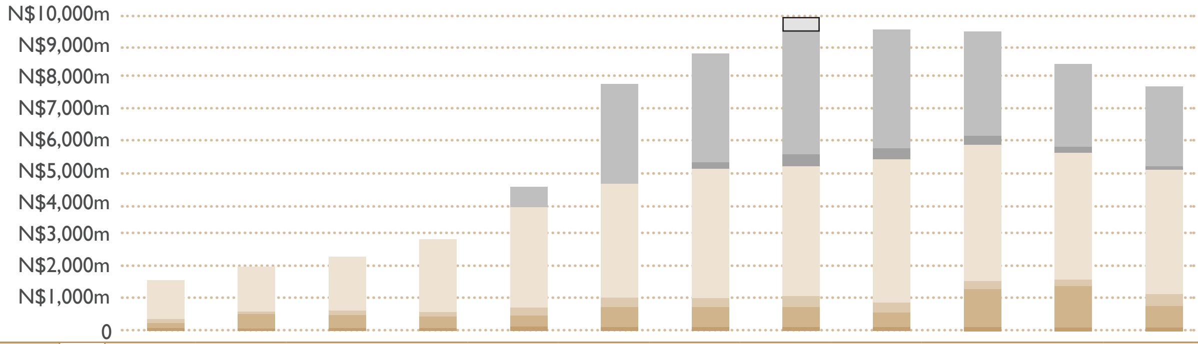
Financial overview

Total assets of DBN now stand at N$7.79b, a reduction of 9% compared to the 2022 results. This is due to shrinkage of the loan book, which is in part due to the depressed state of the economy, as well as significant write-offs. The NEF loan repayment of N$220m, funded with the strategic fuel storage levy, makes up more than 50% of the reduction. The Neckartal Dam loan reduced by N$97m due to repayments in loans and advances.

The hospitality and construction sector were particularly hard hit, and DBN granted repayment moratoriums until September 2022.

Apart from selected industries such as tourism and renewables, we do not expect a rapid economic recovery and asset growth is expected to remain subdued. A strong pipeline provides reassurance.

DBN asset base



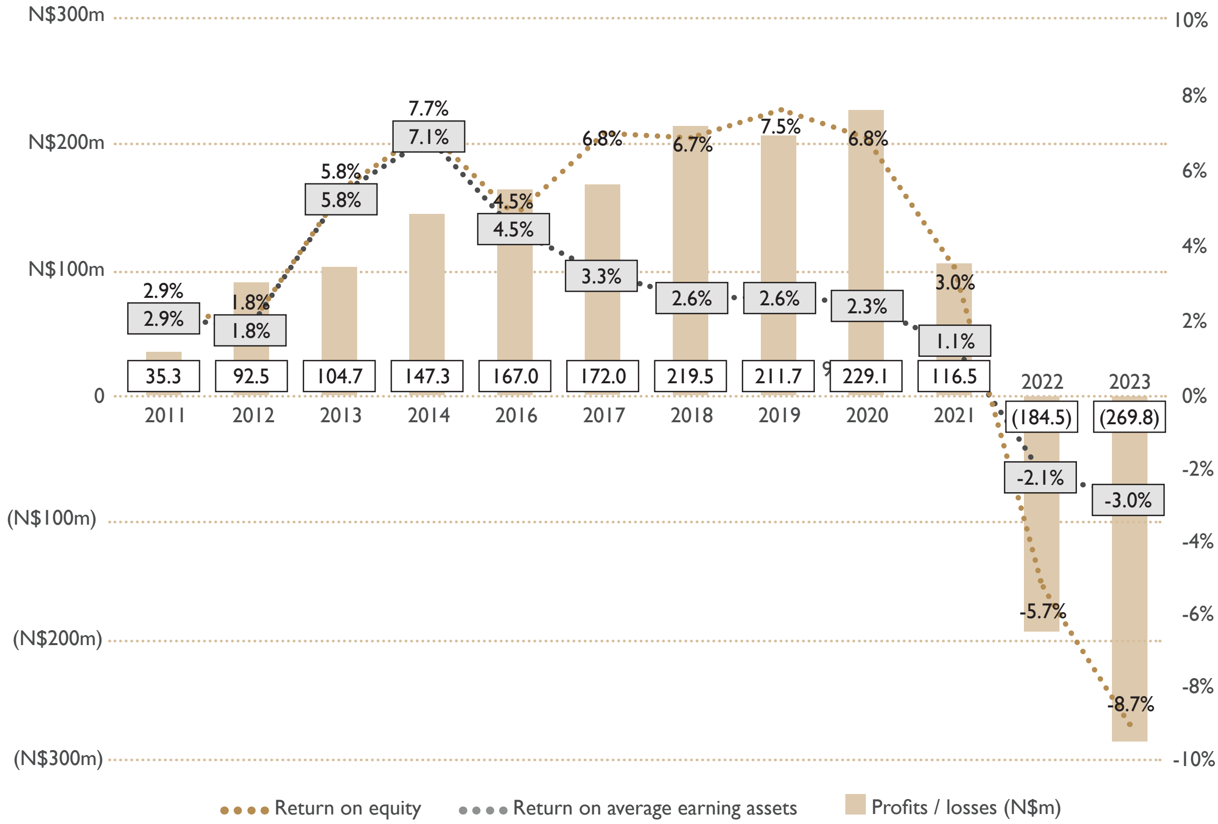
N$m	2011	2012	2013	2014	2016	2017	2018	2019	2020	2021	2022	2023
Relief loans										-	-	-
IFRS 9 impairments	-	-	-	-	-	-	-	375.5	-	-	-	-
NEF Fuel Storage	-	-	-	-	670.0	3,168.4	3,465.2	4,152.8	3,816.8	3,342.7	2,818.9	2,598.4
Neckartal	-	-	-	-	-	-	274.9	436.8	339.7	245.1	145.6	48.5
All other loans and advances	1,242.2	1,424.7	1,741.3	2,331.1	3,175.7	3,612.6	4,052.9	3,981.7	4,408.5	4,453.0	4,127.4	3,915.8
Equity investments	117.3	70.8	130.4	162.9	287.9	296.6	265.2	281.7	272.8	267.7	257.7	271.7
Liquid assets	195.7	489.3	457.6	373.3	397.7	673.3	679.1	727.2	606.8	1,072.1	1,133.0	741.8
Fixed assets	47.4	45.5	47.6	52.7	62.4	68.1	81.3	90.5	90.8	86.0	92.2	97.5

Operating loss and return

DBN's current year loss increased by 46%, mainly due to the significant increase in impairments. Updated PDs, stage downgrades and security values remain the main drivers, and a relatively small number of client accounts had a significant impact on the net results.

Already on a downward trend since 2019, return on equity has further decreased to -8.7% from -5.7% in the prior year.

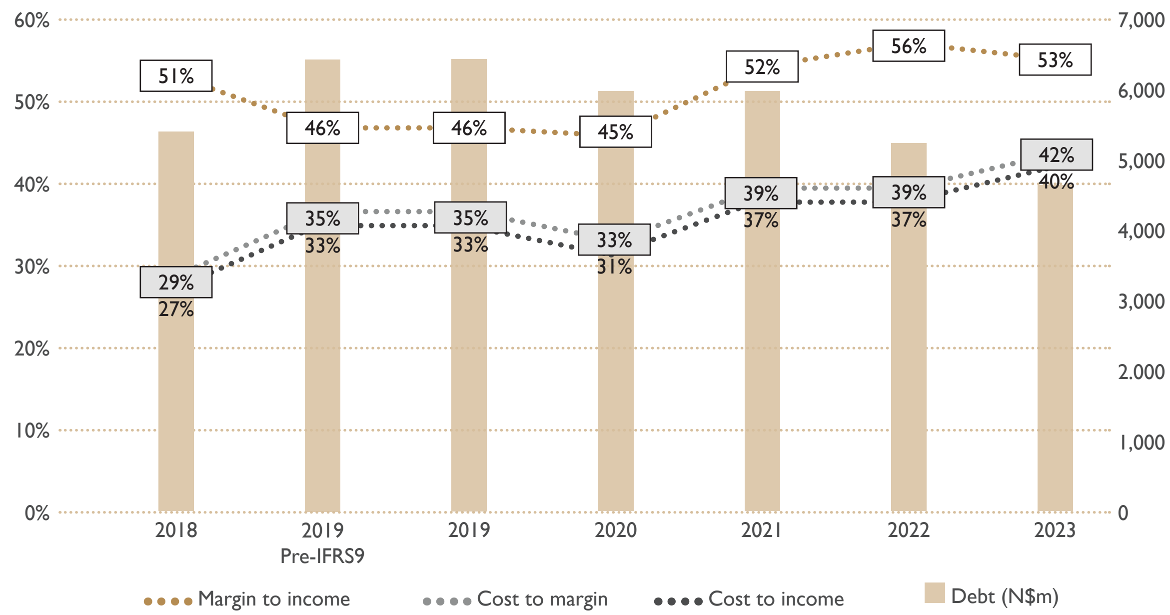
Profit and return



Margin & cost analysis

The net interest income (margin) for 2022/23 is N$348m, an increase of 2.4% from 2021/22. A N$52m (9%) increment in interest income was offset by an increment in interest expense by N$44m (17%). The rising interest rates had a positive effect on net interest income, but funding costs also continued to rise. Cost to income ratio rose by 3pp due to an increase in costs by 11%, rising to N$153m compared to N$138m during 2021/22. The cost to asset ratio was also negatively impacted due to a reduction in assets and an increase in costs. Quality loan book growth is required to offset this downward trend.

Margin and costs



Quality of loan book

2022/23 has seen a further rise in non-performing loans and impairment ratio from 26% / 18% to 34% / 20% respectively. The difficult economic environment continued in 2022/23 leading to a worsening of the quality of the loan book. Significant growth in credit in the past, coupled with slow economic recovery and a reduction in security values resulted in an increase of N$77m (2021/22: increase of N$283m) in impairments.

Management is taking pro-active measures to improve the quality of the loan book. Measures include reduced exposure to the more challenging sectors, business rescue activities where it is warranted, strengthening of the credit and portfolio management team, as well as more focused management of the loan book and collections activity.

Capital adequacy

DBN remained well capitalized throughout the period, with a strong capital adequacy ratio of 78% (2022: 79%). This is well above the Association of African Development Finance Institutions (AADFI) capital adequacy ratio minimum of 15%.

Capital adequacy is monitored and managed in line with the capital management guidelines approved by the EXCO. DBN has adopted both DBN of Namibia and AADFI capital adequacy guidelines

Inaugural Sustainable Finance Framework

DBN has prioritized sustainable business practices since DBN's inception. This entails providing responsible financing while gaining the best possible financial returns and contributing to improved outcomes for clients, society at large and the environment.

DBN acknowledges the spectrum of risks and impacts posed by climate change on its business and those of its clients and is committed to mitigate the impact of climate change wherever possible.

During the year under review, DBN launched its inaugural Sustainable Finance Framework, under which it plans to issue green, social or sustainability bonds and loans. The framework received an alignment score from the Second Party Opinion Provider, S&P Global Ratings.

DBN has a sound track record in financing renewable energy projects, having financed the first renewable energy projects in Namibia.

N$731,207,648
Total value of green / climate commitment capital

9 Number of renewable projects financed by DBN
- 1 Wind
- 8 Solar

53 MW Combined plant capacity financed

5% Percentage of lending portfolio focused on green climate projects

Outlook

Rising interest rates, currency fluctuations, fuel price increases and rising debt levels are expected to continue to put a strain on the economy, expected to keep DBN growth rates muted and clients under strain. We remain optimistic that the tourism sector, as well as the alternative energy sector, will show positive signs of recovery. We have a strong pipeline, with the potential to land a few exciting new projects.

PEOPLE AND CULTURE

Overview

Performance against this pillar of our strategy is measured by achieving acceptable turnaround times, employee centricity and implement performance management and review system. All key positions were filled throughout the year, except the Head: Human Capital and Operations Support recruitment process which is still incomplete.

During the current year, efforts to improve the performance management system entailed introducing a fresh approach to the drafting of departmental implementation plans and a more diligent approach to monitoring the completion of performance contracts and performance reviews.

- Staff turnover (employee retention) for the 2023 financial year was 5% (2022: 6.03%)
- Employees from previously disadvantaged groups made up 95.1% (2022: 94.52%) of our workforce as at 31 March 2023.
- Women in executive positions as at 31 March 2023 were 50 % (2022: 50%)

Service culture

The ratio of employees in the front-office to employees in the back-office was 1:1.46

Employee centricity

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

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

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

Human Capital and Operations Support maintains and continuously improves the work culture, employee well-being, productivity, personal development and the workplace environment with programmes and ongoing management interventions.

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

General and gender equity

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

In 2022/23, 91.7% of the employees who were recruited came from previously disadvantaged groups. Overall representation of previously disadvantaged employees is 95.1%.

DBN respects the abilities of females and takes a gender-neutral stance towards performance of tasks and contributions to productivity. In 2022/23, 61% of the workforce was female, of which 94.7% were previously disadvantaged. Women constitute 48.6% of management, and 50% of senior management.

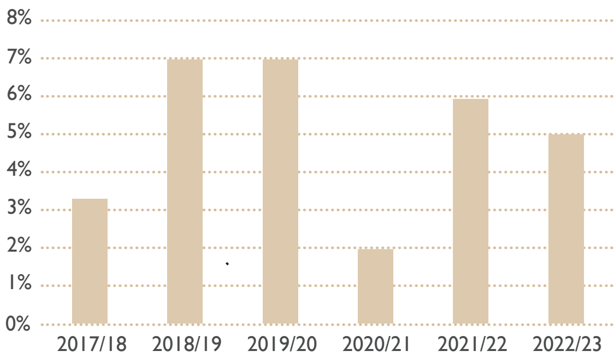
Retention, turnover and recruitment

DBN makes considerable investments in its staff on an ongoing monthly basis and through annual formal and on-the-job training and development.

The premium that DBN places on retention is compounded by a shortage of qualified, experienced and skilled staff in the market, given the specialised nature of DBN's development finance activities.

As a result DBN encourages retention of staff and takes steps to limit turnover through generous employee packages, opportunities for formal training and development, and opportunities for advancement in the organisation.

Staff turnover (% annually)



Total DBN Staff	2018/19	2019/20	2020/21	2021/22	2022/23
Employees at start of year	90	105	109	112	119
Recruitment	15	4	10	14	10
Retirements	-	-	(2)	(1)	1
Resignations	-	-	(5)	(5)	4
Fixed term contract expiry	-	-	-	(1)	0
Dismissal	-	-	-	-	1
Total	105	109	112	119	123

Employee well-being

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

The Employee Wellness Programme expresses DBN's desire to assist its employees to achieve well-being in terms of health, physical health, spirituality, intellect, social life, career,

By ensuring holistic well-being, employees are enabled to be more productive.

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

The Employee Wellness Programme for 2022/23 included:

Wellbeing initiatives in 2022/23

Wellness talks	Exco retreats	Financial wellness interventions	Social event	Employee wellness days
Self-care	Mental health, stress management and servant leadership	Me and My Money	Christmas staff social event	Wellness screening and expo
Diemut Amushila, NeuroBloom Psychology	Leadership conversations with John Kamati	Month-long online training programme sponsored by Liberty Life		NHP offered wellness screening

Talent and performance management

Learning organization

DBN views a learning culture as a particularly important element of sustainable success as it positively impacts strategy, innovation, employee engagement, and employee retention.

Our mission, vision, and values are aligned with and support employee professional development through learning.

We have established processes, offer support systems that encourage learning and development, and provide employees frictionless access to capacity-building experiences.

A vital part of our learning culture philosophy, as an agile business, is an evolving workforce and our ability to learn and adjust to a continuously changing world.

In the wake of Covid-19, we have remodeled learning programs and also created an environment where employees not only take responsibility for their own professional growth and development but also have the resources, they need to make it happen.

Our learning culture developed improvement mindsets and pursuance of opportunities to learn and share knowledge as teams. The culture is further embedded into the recruitment process and is bringing about fast-thinking, creativity, and high social and emotional intelligence.

During 2022/23, 112 employees attended various human resource development interventions designed to enhance organisational and individual competencies.

Financial Study Assistance to Employees

During 2022/23, 23 employees benefited from DBN study loans and were enrolled for academic programmes. For this period, 2 new loans were approved, 4 loans were paid in full, and 3 employees successfully completed their studies, and the loan balance was written off and the repayment was refunded (according to the policy). The financial study assistance loan balance amounted to N$829,333 at 31 March 2023.

Promotions

DBN encourages employees to develop their skills and seek advancement opportunities. It is committed to career mobility of employees with the required qualifications and skills to perform their jobs.

During the year, internal recruitment activities resulted in 7 female employees being promoted, of which one employee was from the previously advantaged category and 6 employees from the previously disadvantaged category.

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

FUNDRAISING & PARTNERSHIPS

Funding

Funding liabilities	Amount outstanding at 31 March 2023 (N$)	Concessional funding (N$)	General funding (N$)
African Development Bank (AfDB) Line of Credit	3,894,534,313	-	-
KfW Credit Line: Economic Recovery	332,058,978	332,058,978	-
KfW Credit Line: Green	171,788,863	-	171,788,863
Medium term Note Programme (NSX)	160,306,716	-	160,306,716
Total funding	4,558,688,870		

Concessional funding

In 2021 DBN secured a concessional credit line of N$450m from KfW. The credit line is meant to provide medium 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 rate.

Climate funding

In 2018 DBN secured a green credit line from KfW for climate-related infrastructure projects. The purpose of the green credit line is the sustainable use of DBN's credit products for investments in climate-friendly infrastructure, particularly in the area of renewable energy, water and transport. This is meant to contribute to climate and environmental protection. 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.

Through its climate finance initiatives, DBN aims to support sustainable development, foster innovation in clean technologies, and contribute to the achievement of global climate goals. To date, the DBN has financed the development of one wind power project, and eight Solar Photo-voltaic power projects, collectively contributing to a total generation capacity of 53MW.

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 (SADC-DFRC and NIPDB), unlocking business opportunities for specific sectors of the economy (Nasria, Agribank, NIPDB and NTF) and supporting struggling businesses (NIPDB, Ministry of Finance and Public Enterprises, GiZ).

National Business Rescue Fund (BRF)

DBN in partnership with Ministry of Finance and NIPDB including GIZ are working towards the establishment of a National BRF.

The objective of the envisaged fund is to support distressed business that have prospects to recover from depressed economic cycle, 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 NASRIA continues to roll-out a Credit Guarantee Scheme. The objective of the CGS to ensure that bankable SMEs who are ready to take up loans but only lack collateral are able to 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, in particular 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.

Memoranda of Understanding

To cement and govern the interaction with development partners, DBN has entered into three memoranda of understanding during the year under review. During the 2022-2023 financial year, DBN entered into memorandums of understanding with:

Agricultural Bank of Namibia (AgriBank)

1. To share and utilise respective institutional experiences, knowledge and industry related best practices aimed at enhancing capacity building to finance Controlled Environment Agriculture (CEA).
2. To identify potential CEA or agro-processing transactions and introduce potential CEA or agro-processing investment opportunities which either party has in their leads and pipelines which could be eligible to the other party.

3. Identify CEA or agro-processing investment opportunities and share opportunities that might be suitable for the other party or where the other party is limited in scope to invest in the opportunity.

Namibia Investment Promotion and Development Board (NIPDB)

1. To share and utilise respective institutional experiences and knowledge, industry related best practices aimed at enhancing the growth and development of businesses, especially SMEs.
2. To share and/or facilitate business support, especially for SMEs and related development services in Namibia.

Namibia Trade Forum (NTF)

1. To cooperate in areas of mutual interest, in order to enhance the growth and development of SMEs by facilitating investment, market access, quality assurance

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

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

Cumulative impact score measures

SMEs: 102 SME projects with a value of N$102.9m, and a weighted average development impact score of 3.4 were approved.

Infrastructure: 3 infrastructure projects with a value of N$131.2m, and a weighted average development impact score of 3.7 were approved.

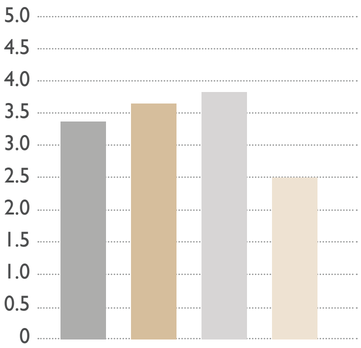
Manufacturing: 3manufacturing projects, with a value of N$222.4m, and a weighted average development impact score of 3.6 were approved.

Services: 28 services projects, with a value of N$1,008.2m and a weighted average development impact score of 2.5 were approved.

Weighted monthly impact scores by sector in 2022/23

Weighted average / month	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Annual weighted average
SMEs	2.3	3.9	3.1	3.5	2.9	3.1	3.3	3.6	3.3	3.4	3.1	3.4	3.4
Manufacturing	-	3.8	-	3.6	-	-	-	-	4.0	4.6	-	-	3.6
Infrastructure	-	3.8	-	-	-	-	-	-	3.6	-	-	-	3.7
Services	2.9	2.5	2.8	2.6	-	2.7	2.6	2.5	2.7	2.1	1.9	1.8	2.5

Annual average impact scores by impact sector in 2022/23



Approvals	2022/23 N$m	2022/23 Score	2021/22 N$m	2021/22 Score	Annual weighted average: 2022/23	Annual weighted average: 2021/22
SMEs	102.9	3.4	115.7	3.4	2.9	3.6
Manufacturing	222.4	3.6	122.0	4.4		
Infrastructure	131.2	3.7	521.5	4.0		
Services	1,008.2	2.5	217.2	2.5		

In 2022/23 the value of approvals amounted to N$1.46b, an increase compared to the N$976.4m approved in 2021/22.

Public/private sector approvals in 2022/23

In 2022/23, DBN approved N$1,464.7m to support economic activity, up from N$976.4m in 2021/22. The rising trend arose from an increase in loan approvals to the public sector. Loan approvals to the sector amounted to N$700.5m in the year under review. This represents an increase compared to the N$6.6m approved for the public sector in 2021/22. Notable loans were approved for meat processing, and transport and logistics. Although a larger portion, 52.2% or N$764.2m, recorded in 2022/23 went towards the private sector, there was a notable decline in this sector when compared to the N$935.7m, or 95.8% of the total approvals, that went towards the sector in 2021/22.

	2021/22		2022/23	
Public / Private Split	N$m	% of total	N$m	% of total
Private	935.7	95.8	764.2	52.2
Public	6.6	0.7	700.5	47.8
Public Private Partnership	34.2	3.5	-	-
Total Approvals: N$m	976.5	100.0	1,464.7	100.0

A total of 171 loans were approved in 2022/23, compared to 181 loans approved in 2021/22. A total of 19 start-up business loans were approved in 2022/23, totaling N$64.3m, compared to 14 start-up loans, totalling N$331.7m, in 2021/22.

	2021/22		2022/23	
Business Classification	Number of Approved Facilities	Approved Amount (N$m)	Number of Approved Facilities	Approved Amount (N$m)
Start-Up Businesses	14	331.7	19	64.3
Existing Businesses	164	644.7	152	1,400.4

Finance for large enterprises and infrastructure projects

DBN's investment strategy focuses on larger projects. DBN prioritises the development and maintenance of infrastructure projects, as well as enterprises in national priority sectors, namely tourism and hospitality, transport and logistics, and manufacturing. N$1,361.8m, or 92.97%, of loans approved in 2022/23, of the N$1,464.7m total approvals, went towards large business enterprises. In 2022 DBN approved N$860.7m, or 88.15% of the total loans approved, for large enterprises.

Infrastructure development

Adequate infrastructure, both social and economic, are crucial for the country's sustainable economic development. Notable infrastructure financed by DBN includes infrastructure in the education, health, and housing sectors, all of which are key drivers for economic activities, and critical in lowering unemployment and poverty.

DBN has also financed the development of renewal energy power plants and other electricity infrastructure. Total loans approved for development, and maintenance of infrastructure was lower in 2022/23. Only N$23.5m was approved, compared to N$524.0m approved in 2021/22.

Infrastructure approvals

	2021/22		20221/23	
Infrastructure	N$m	% of total	N$m	% of total
Commercial infrastructure	19.2	3.7	18.5	78.8
Commercial buildings	19.2	3.7	-	-
Industrial buildings	-	-	14.0	59.6
Service stations	-	-	4.5	19.2
Land servicing	6.6	1.3	-	-
Bulk infrastructure	6.6	1.3	-	-
Social infrastructure	248.5	47.4	5.0	21.2
Education	73.0	13.9	-	-
Housing	175.5	33.5	5.0	21.2
Utility infrastructure	249.6	47.6	-	-
Power plants: Solar	249.6	47.6	-	-
Grand Total	524.0	100.0	23.5	100.0

Key housing project approvals

N$mil	Industry	Sector	Description.
2.38	Secondary	Housing	3 x bedrooms, 1 x lounge & kitchen, veranda, 1 x WC/shower and en-suite bathroom. Funds requested is only to construct 6 houses
2.60	Secondary	Housing	Construction of 20 Low Cost Houses at Gobabis
2.38	Secondary	Housing	Developing 1 free standing house and 2 sectional titles

Housing specification

Description.	No.
Stand-alone Houses	27
Housing units	2
Total	29

Finance for sectoral development

In 2022/23, DBN approved N$507.6m, or 34.7%, for the transport and logistics sector. This was significantly higher compared to the N$5.0m, or less than 1%, that was approved in 2021/22 for the sector. Loan approvals for the manufacturing sector totalled N$243.4m in 2022/23, or 16.6% of total approvals. Approvals for the tourism and hospitality sector, one DBN's strategic focus areas, declined in 2022/23. Only N$31.2m was approved, or 2.1% of the total approvals, compared to the N$67.6m, or 6.9%, of the total loans approved in 2021/22.

Sectoral approvals

	2021/22: all		2021/21: SMEs		2022/23: all		2022/23: SMEs	
	N$m	% of total	N$m	% of total	N$m	% of total	N$m	% of total
Business Services	167.1	17.1	62.6	54.1	58.5	4.0	27.9	27.1
Commercial property	19.2	2.0	-	-	-	-	-	-
Construction	65.3	6.7	27.2	23.5	438.2	29.9	25.1	24.4
Education	78.7	8.1	0.7	0.6	0.5	0.0	0.5	0.5
Electricity	249.6	25.6	-	-	6.1	0.4	2.5	2.4
Financial intermediation	-	-	-	-	-	-	-	-
Fishing	2.9	0.3	-	-	-	-	-	-
Health	2.0	0.2	1.2	1.1	13.0	0.9	8.6	8.3
Housing	175.5	18.0	2.4	2.1	7.4	0.5	4.8	4.6
Land servicing	6.6	0.7	-	-	28.6	2.0	-	-
Manufacturing	35.4	3.6	3.4	2.9	243.4	16.6	21.0	20.4
Mining & quarrying	90.0	9.2	-	-	100.0	6.8	-	-
Telecommunications	-	-	-	-	0.0	0.0	-	-
Tourism & hospitality	67.6	6.9	8.5	7.4	31.2	2.1	6.2	6.0
Transport & logistics	5.0	0.5	5.0	4.3	507.6	34.7	0.6	0.6
Water	-	-	-	-	-	-	-	-
Wholesale & retail trade	11.5	1.1	4.7	4.0	30.2	2.1	5.7	5.7
Grand total	976.4	100.0	115.7	100.0	1,464.7	100.0	102.9	100.0

Support to SMEs

To enhance its development impact, one of DBN's strategic initiatives is to finance SMEs. Although DBN's strategic plan aims at refocusing its lending priorities to large projects, DBN aims to reposition itself as an apex lender for SMEs. N$102.9m, or 7.03 percent, of the loans approved in 2022/2023, were for SMEs. In 2021/22 DBN approved N$115.7m, or 11.85 % for SMEs.

Going forward, DBN will participate in the SME Economic Recovery Loan Scheme, a partnership between the Government of Namibia, through the Ministry of Finance and DBN of Namibia, which has availed N$500m towards helping businesses recover to save jobs, and ultimately revive the economy. The Scheme is aimed at assisting distressed SMEs. DBN's eligible SME clients will access these funds.

Job creation per sector

	2021/22: all		2021/22: SMEs		2022/23: all		2022/23: SMEs	
	Perma-nent	Tempo-rary	Perma-nent	Tempo-rary	Perma-nent	Tempo-rary	Perma-nent	Tempo-rary
Business Services	282	489	183	324	183	134	126	87
Commercial property	43	50	-	-	-	-	-	-
Construction	389	443	169	358	308	916	48	207
Education	60	-	-	-	16	7	16	7
Electricity	48	380	-	-	2	20	0	12
Financial intermediation	-	-	-	-	-	-	-	-
Fishing	20	-	-	-	-	-	-	-
Health	8	-	4	0	39	2	34	1
Housing	80	289	10	5	4	35	4	35
Land servicing	-	-	-	-	-	-	-	-
Manufacturing	99	35	35	20	185	75	116	60
Mining & quarrying	105	-	-	-	-	-	-	-
Telecommunications	-	-	-	-	-	-	-	-
Tourism & hospitality	164	-	164	0	3	4	3	4
Transport & logistics	10	5	10	5	8	-	4	0
Water	-	-	-	-	-	-	-	-
Wholesale & retail trade	43	23	37	21	21	2	21	2
Grand total	1,351	1,714	612	733	769	1,195	372	415

Job creation since inception (including NEF)

Period	Loans approved (N$m)	Permanent jobs	Temporary jobs	Jobs retained	Total jobs
2022/23	1,464.7	769	1,195	3,303	5,267
2021/22	976.4	1,351	1,714	3,219	6,284
2020/21	1,007.9	1,355	3,228	1,729	6,312
2019/20	1,149.1	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	4,425.8	1,607	2,197	1,921	5,725
2015/16	1,798.8	3,204	4,296	2,283	9,783
2014	1,609.0	2,874	4,040	4,201	11,115
2013	840.1	1,619	3,084	3,168	7,871
2012	519.1	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
Since inception	19,419.8	35,641	40,202	39,213	115,056

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.

	2021/221		2022/23	
Transformation (private sector)	N$m	%	N$m	%
Total private sector approvals	969.8		764.7	
Of which: effective PDN	725.4	74.8	562.5	73.6
Of which: effective F-PDN	137.4	14.2	46.0	6.0
Of which: effective youth	81.5	8.4	76.2	10.0

Women entrepreneurs

DBN has a key role to play in promoting gender responsive finance and women's economic empowerment. Empowering women is particularly important for sustainable development and reducing inequality. N$46.0m, or 6.0%, of loans approved for the private sector in 2022/2023, out of the total N$764.7m for the private sector, went towards women owned businesses. In 2021/22, DBN approved N137.4m, or 14.2% of loans, for women-owned businesses.

Job creation by women entrepreneurs

	No. approvals		Permanent jobs		Retained jobs		Temporary jobs	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
SMEs	36	31	143	89	151	106	338	27
Large enterprises	15	8	131	35	482	165	449	22
Grand total	51	39	274	124	633	271	787	49

Approvals to women by sector

	Number of approvals		Effective women	
	2021/22	2022/23	2021/22 N$m	2022/23 N$m
Business services	23	14	31.1	18.8
Commercial property	-	-	-	-
Construction	9	-	11.1	0.1
Education	1	2	5.0	0.4
Electricity	1	-	38.6	2.5
Financial intermediation	-	-	-	-
Fishing	1	-	-	-
Health	1	9	0.6	7.1
Housing	5	1	41.7	2.4
Land servicing	-	-	-	-
Manufacturing	2	7	0.6	5.6
Mining & quarrying	-	-	-	-
Tourism & hospitality	3	3	5.1	1.0
Transport & logistics	1	-	1.0	-
Water	-	-	-	-
Wholesale & retail trade	4	3	2.7	8.2
Grand Total	51	39	137.4	48.4

Youth entrepreneurs

Youth-led start-ups and SMEs continue to face challenges that constrain their development potential. This is partially due to their nature, the economic environment, or their activities. Youth-owned businesses, typically SMEs, are perceived as riskier by traditional financial intermediaries, but create durable and sustainable jobs for youth. A total of 46 businesses owned by youth had their loans approved in 2022/23, a smaller number compared to the 61 loans approved in 2021/22. The value of the loans approved by the DBN for youth-owned businesses, amounted to N$76.2m compared to N$82.7m approved in 2021/22.

Job creation by youth entrepreneurs

	No. approvals		Permanent jobs		Retained jobs		Temporary jobs	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
SMEs	51	38	296	38	387	74	140	76
Large enterprises	10	8	203	0	550	128	118	54
Grand total	61	46	499	38	937	202	258	130

Approvals to youth by sector

	Number of approvals		Effective youth	
	2021/22	2022/23	2021/22 N$m	2022/23 N$m
Business services	34	9	32.2	19.8
Commercial property	-	-	-	-
Construction	13	8	25.8	16.8
Education	1	1	0.1	0.3
Electricity	-	1	-	3.6
Financial intermediation	-	-	-	-
Fishing	-	-	-	-
Health	1	10	0.6	5.7
Housing	1	2	15.0	5.0
Land servicing	-	-	-	-
Manufacturing	4	11	0.6	18.7
Mining & quarrying	-	-	-	-
Tourism & hospitality	1	1	1.5	-
Transport & logistics	3	-	3.2	-
Water	-	-	-	-
Wholesale & retail trade	3	4	2.5	6.3
Grand Total	61	46	81.5	71.2

Economic decentralization and regional economic development

DBN also fosters economic development in regions with lower levels of economic activity by financing economic activities in the regions and in unproclaimed areas).

Bank finance for 2022/23 reached all regions of the country, although some regions received a relatively low amount.

	2021/22(incl. SMEs)		2021/22(incl. SMEs)		2022/23 (incl. SMEs)		2022/23 SMEs only		Since inception	
Region(s)	N$m	% of total	N$m	% of total	N$m	% of total	N$m	% of total	N$m	% of total
Erongo	426.8	43.7	19.0	16.5	123.3	8.4	11.7	11.4	6,552.9	33.7
Hardap	34.9	3.6	3.9	3.4	1.8	0.1	1.8	1.7	208.3	1.1
//Karas	69.7	7.1	4.6	4.0	7.0	0.5	1.2	1.2	1,064.1	5.5
Kavango East	10.2	1.0	4.2	3.6	4.7	0.3	4.7	4.5	244.5	1.3
Kavango West	6.6	0.7	0.0	0.0	5.3	0.4	2.7	2.6	120.3	0.6
Khomas	194.0	19.8	33.6	29.1	348.0	23.8	27.6	26.8	3,781.2	19.5
Kunene	2.7	0.3	2.7	2.3	16.8	1.1	1.8	1.7	176.4	0.9
National	163.2	16.7	16.5	14.3	828.9	56.6	2.6	2.5	3,865.8	19.9
Ohangwena	1.8	0.2	1.8	1.6	11.4	0.8	1.4	1.3	185.8	1.0
Omaheke	7.3	0.7	1.0	0.8	10.6	0.7	8.0	7.8	355.1	1.8
Omusati	3.6	0.4	3.6	3.1	7.8	0.5	5.3	5.2	524.8	2.7
Oshana	5.0	0.5	5.0	4.4	41.1	2.8	30.1	29.2	827.3	4.3
Oshikoto	3.6	0.4	3.6	3.2	52.1	3.6	1.6	1.6	294.7	1.5
Otjozondjupa	36.2	3.7	13.0	11.3	5.9	0.4	2.3	2.2	937.4	4.8
Zambezi	10.8	1.1	2.8	2.4	0.2	0.0	0.2	0.1	282.3	1.5
Grand Total	976.4	100.0	115.2	100.0	1,464.7	100.0	102.9	100.0	19,420.9	100.0

Corporate Social Investment

The primary purpose of DBN's Corporate Social Investment 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 2022/23, DBN spent N$478,446 on CSI and an additional N$379,880 on donations and sponsorships.

A total of N$340,000 for CSI spent in 2022/23 went towards the construction of a maternity ward in Rupara, Kavango West. An amount of N$24,960 was disbursed to Maunga School for the construction of classrooms.

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

Environmental and social compliance by borrowers

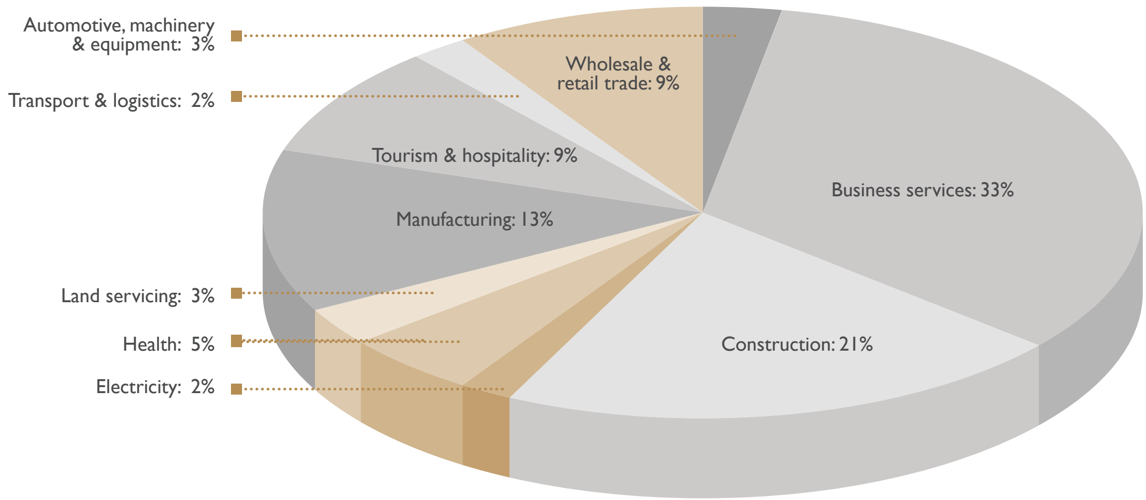
All relevant transactions are monitored to ensure that the E&S commitments are adhered to after DBN has disbursed to borrowers.

DBN monitors the implementation and progress of remedial actions for the loan's tenure. The frequency and duration of monitoring depends 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 2022/2023, 63 projects valued at N$3.6b were inspected and / or assessed for compliance. Inspection and assessments findings that are significant are reported back to our clients, and all relevant management and Board committees including DBN's financiers.

During 2022/23 no active loans were terminated due to non-compliance. Construction and Business Services made up significant sectors due to the size of the projects in those sectors.

ESM site visits per sector



Environment assured by DBN

A plant protection facility for sensitive species during construction of Rosh Pinah Solar Park.

GOVERNANCE PHILOSOPHY & 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 III Report, the Namibian Companies Act, 2004 and the Development Bank of Namibia Limited Act, 2002, for the financial year ended 31 March 2023.

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 responsibility 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 in an ethical and professional manner, 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 so as to ensure DBN's sustainable business. At the core of this Code are the values of:

- Service
- Integrity
- Transparency
- Excellence

DBN provides guidance to its employees in terms of what is good at DBN.

These are set out in DBN's Code of Conducts and Ethics, Bank Policies, Procedures, Compliance with laws and Regulations in the conduct of DBN's business.

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 is 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 wellbeing 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 2021, DBN undertook the process of assessing it's ethical performance. The assessment was performed by an external professional service provider, from which, DBN developed an ethics strategy that impacts on organisational culture and improving identified gaps. The outcome was to improve ethical governance and putting in place processes and standards within DBN.

During FY2023, 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.

The Board has approved the revised Code of Business Conduct and Ethics during November 2022. The revised Code of Business Conduct and Ethics incorporates the recommendations from the external investigations report issued during July 2020 and it furthermore incorporates various recommendations emanating from the 31 August 2021, Ethics Risk Assessment report.

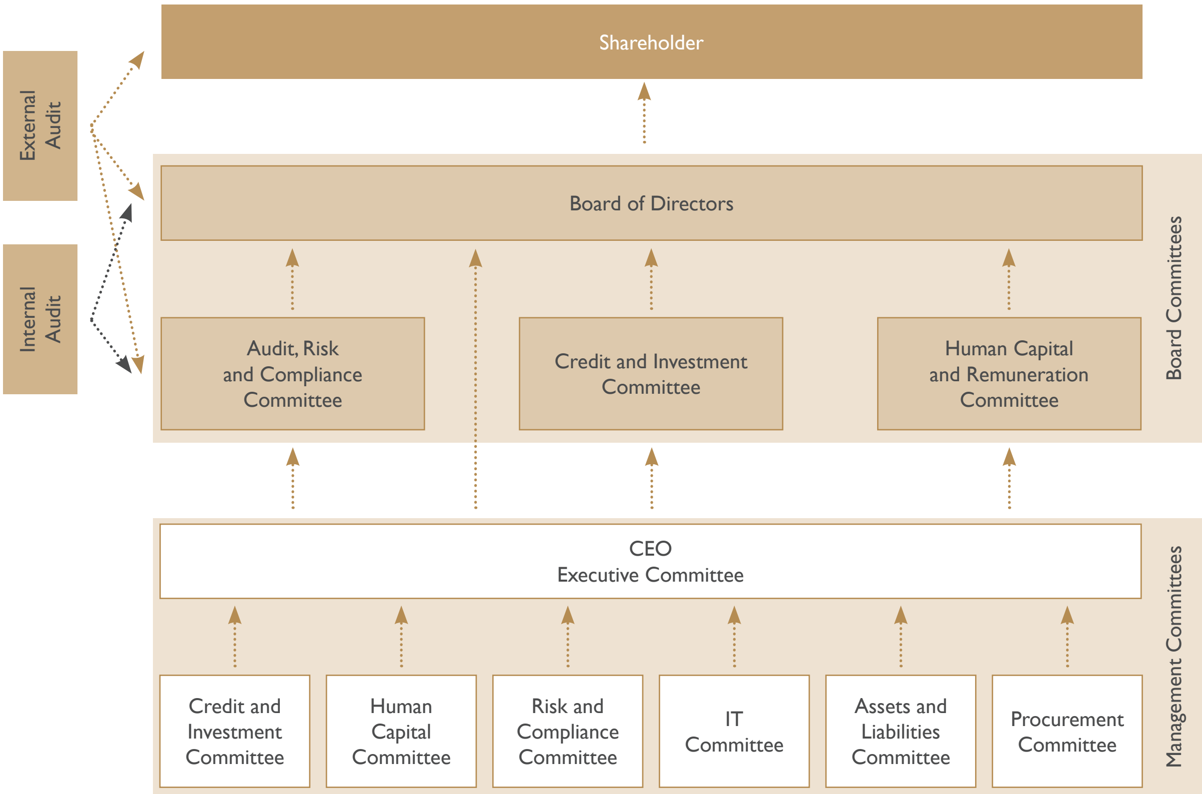
DBN through an external consultant conducted an Ethics Risk Assessment during 2021. This involved:

- 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



ROLE AND FUNCTION 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 with the aim of creating value through 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) is responsible for the appointment of the members of the Board 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 2023, the Board comprised of 7 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 (61)

(Chairperson)

Non-executive and independent

Occupation: businessman

Board member since September 2021

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 as well as 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

EVANGELINA NAILENGE (42)

(Deputy Chairperson)

Non-executive and independent

Occupation: Managing Director - Momentum Investments

Board member since September 2021

QUALIFICATIONS:

Masters of Commerce (Money and Banking)

Bachelor of Commerce Honours (Money and Banking)

Bachelor of Economics

WORK EXPERIENCE:

Chief Executive Office - Hangala Prescient Investment Management & Hangala Prescient Infrastructure Manager

Board Member - Electricity Control Board (ECB) - Chairperson of the Regulation Sub-Committee

Board Member (Regulator Representative) - Namibia Stock Exchange (NSX)

General Manager: Investment Institutions / Capital Markets - NAMFISA

WILLY MERTENS (48)

Non-executive and independent

Occupation: Chief Executive Officer of Debmarine Namibia

Board member since September 2021

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

Senior Financial Accountant - Debmarine

Part-time Lecturer: Auditing - UNAM

Audit Services Manager - NAMDEB)

Currently serving as a Board member of Ashburton Investment Managers (Pty) Ltd and NORED

Previous served as Board member - NIMT, Air Namibia, EBank Limited and EBank Holdings Limited, Namdeb Medical Aid Scheme (NMS) and Namibian Broadcasting Corporation (NBC)

PATIENCE KANALELO (44)

Non-executive and independent

Occupation: Chief Legal, Risk and Compliance Officer - Mobile Telecommunications Limited

Board member since September 2021

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

MARSSORY ICKUA (45)

Non-executive and independent

Occupation: Director: Information Technology - Bank of Namibia

Board member since September 2021

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

DIANA HUSSELMAN (52)

Non-executive and independent

Occupation: Superintendent: Remuneration - Swakop Uranium

Board member since April 2018

QUALIFICATIONS:

Bachelors in 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:

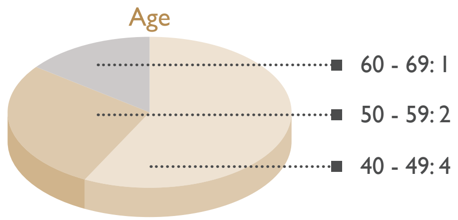
- is a significant or ongoing service provider or professional advisor, or was an officer, employee or a representative of such provider of financial capital or funding.
- has been employed by DBN at an executive level within the past 3 financial years or is a related party to such executive.
- has been 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.

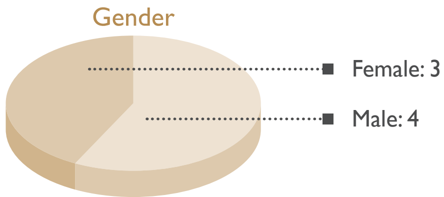
Based on the above dynamics, DBN had six independent, non-executive Directors at the end of the year under review.

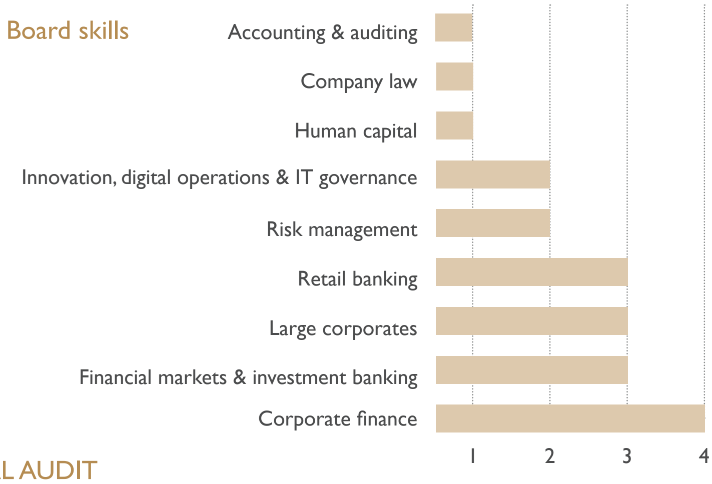
The role of the Chairperson is separate from that of the CEO. The Chairperson provides overall leadership to the Board and ensures that Directors perform effectively.

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

There was no removal, resignation nor retirement of Directors during the FY23. No political connections exist. All Directors are independent non-executive Directors except the CEO who is an executive Director.







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 (EXCO)

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

MARTIN INKUMBI (50)

Executive Director

Occupation: Chief Executive Officer
(Development Bank of Namibia)

CEO since September 2013

QUALIFICATIONS:

M.Sc (Financial Economics)

Postgraduate Diploma (Banking and Finance)

B.Com

WORK EXPERIENCE:

Head Lending - DBN

Portfolio Manager - DBN

Manager: Corporate Business Services - FNB
(First National Bank of Namibia)

Financial Market Analyst - Bank of Namibia

Research Officer - Bank of Namibia

JANTJE DAUN (56)
(Chief Financial Officer)

QUALIFICATIONS:

B.Com

B.Compt (Hons)

Chartered Accountant (SA)

WORK EXPERIENCE:

Various consultancies - Independent

Advisor - Ministry of Public Enterprises, Corporate Advisory Reform Unit

Chief Financial Officer - NBC

Senior Managing Consultant - IBM Global Services UK

Consultant - PwC Consulting UK

Senior Manager, Forensic Services - PricewaterhouseCoopers UK

Assistant Manager: Audit - Price Waterhouse SA

ROBERT EIMAN (46)
(Head: SME Finance)

QUALIFICATIONS:

MBA

C.A.I.B (SA)

WORK EXPERIENCE:

Senior Manager: Investments - DBN

Senior Portfolio Manager - DBN

Portfolio Manager - DBN

Head: SMEs - FNB

Business Manager - FNB

Commercial Manager - FNB

Branch Manager North - FNB

HELLEN AMUPOLO (40)
(Head: Investments)

QUALIFICATIONS:

MBA - Finance

M.Dev Fin

B.Econ

WORK EXPERIENCE:

Senior Investment Manager - DBN

Senior Portfolio Manager: Infrastructure & Utilities - DBN

Northern Regional Portfolio Manager - DBN

Senior Business Analyst - DBN

Business Analyst - DBN

Market Analyst - South Africa Breweries

Acting Chief Economist - Ministry of Fisheries and Marine Resources

Economist - Ministry of Fisheries and Marine Resources

ERASTUS HOVEKA (54)
(Head: Credit Risk)

QUALIFICATIONS:

MBA

B.Sc Accounting

Certified 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 (49)
(Head: Portfolio Management)

QUALIFICATIONS:

MSc (Financial Economics)

B.Econ

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

Economics Tutor - UNAM

SAIMA NIMENGOBE (42)
(Head: Risk & Compliance)

QUALIFICATIONS:

Certified Ethics Officer

MBA (Business Management & Administration)

B.Accounting

Postgraduate Certificate (Compliance Management)

Certificate (Project Management)

WORK EXPERIENCE:

Senior Manager: Risk & Compliance - DBN

Group Manager: ERM & Compliance - O&L Group

Risk Manager - Namibia Breweries

Risk Officer - NamPower

Risk & Compliance Officer - Old Mutual

Trainee Accountant - Ernst & Young

HEIKE SCHOLTZ (47)
(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 (53)
(Head: Marketing and Corporate Communication)

QUALIFICATIONS:

MBA (Strategic Management)

Certificate (Senior Management Development Program)

Certificate (Project Management)

MA (TESOL)

HED (SEC)

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 (40)
(Company Secretary & Legal Services)

QUALIFICATIONS:

LLM (Human Rights and Democratisation 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

BERENIZE TITUS (47)
(Acting Head: Human Capital & Operations Support)

QUALIFICATIONS:

M.Phil (People Management)

BA Hons (Psychology)

B.Sc (Psychology & Organizational / Industrial Psychology)

WORK EXPERIENCE:

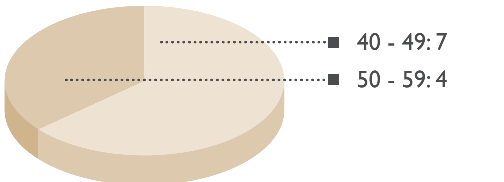
Manager: Human Resources and Payroll - DBN

HR Practitioner - DBN

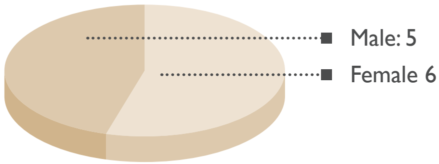
HR Consultant - NAMFISA

Senior Human Resource Officer - Polytechnic of Namibia

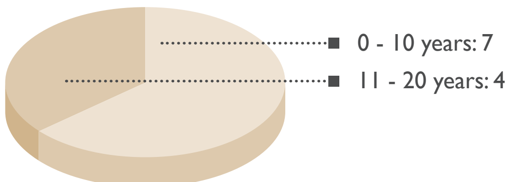
Age



Gender



Tenure (in Bank)



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 and Compliance Committee (ARCC)

W Mertens	Chairperson, non-executive independent Director
M Inkumbi (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 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 in relation to 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
M Inkumbi (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 with respect to 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
M Inkumbi (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 introductory 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

General Board Meetings

DD/MM/YY	30.06 2022	15.08 2022	14.11 2022	06.12 2022
S van Zyl	√	√	√	√
M Inkumbi (CEO)	√	√	√	√
E Nailenge	√	√	√	Apology
D Husselmann	√	√	√	√
M Ickua	√	√	√	√
P Kanalelo	√	√	√	√
W Mertens	√	√	√	√

Board Strategy Meeting

DD/MM/YY	21.10 2022
S van Zyl	√
M Inkumbi (CEO)	√
E Nailenge	Apology
D Husselmann	√
M Ickua	Apology
P Kanalelo	Apology
W Mertens	√

Annual General Meeting

DD/MM/YY	21.10 2022
S van Zyl	√
M Inkumbi (CEO)	√
E Nailenge	Apology
D Husselmann	Apology
M Ickua	√
P Kanalelo	Apology
W Mertens	Apology

Extraordinary Board Meetings

DD/MM/YY	30.06 2022	06.12 2022
S van Zyl	√	√
M Inkumbi (CEO)	√	√
E Nailenge	√	Apology
D Husselmann	√	√
M Ickua	√	√
P Kanalelo	√	√
W Mertens	√	√

Board sub-committees meeting attendance

Audit Risk and Compliance Committee

DD/MM/YY	28.06 2022	12.08 2022	11.11 2022
W Mertens	√	√	√
M Inkumbi (CEO)	√	√	√
M Ickua	√	√	√
P Kanalelo	√	√	√

Credit and Investment Committee

DD/MM/YY	22.06 2022	13.07 2022	09.08 2022	18.10 2022	08.11 2022	25.11 2022	09.12 2022
E Nailenge	√	√	√	√	Apology	√	√
M Inkumbi (CEO)	√	√	√	√	√	√	√
W Mertens	√	√	√	√	√	√	√
S van Zyl	√	√	√	√	√	√	√

Human Capital and Remuneration Committee

DD/MM/YY	28.06 2022	12.08 2022
D Husselmann	√	√
M Inkumbi (CEO)	√	√
P Kanalelo	√	Apology
S van Zyl	√	√

Board and committee evaluation

Board evaluation will be conducted during June/July. The Board evaluation was not conducted in 2021 due to the expiry of the Director terms. No evaluation was conducted in 2022 as the Board had not yet served a full financial year.

AUDIT RISK AND COMPLIANCE COMMITTEE REPORT

The role of the Audit, Risk and Compliance Committee 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 FY23 include continuous oversight on:

- 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 maintained 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;

- Submissions to the Board, where applicable, on any matter concerning DBN's accounting policies, financial controls, records and reporting; and
- Reviewing and approving the amended ARCC charter.

In line with the Board Charter; The ARCC have the responsibilities and authorities set out in this charter which provides the basis for the establishment of an effective and efficient corporate governance structure for DBN. The Board charter reflects the organisational governance structure of DBN, outlines the responsibilities and authorities of the corporate bodies, focuses on the responsibilities and authorities of the Board committees, outlines the role profiles for all Board and committee members as well as management and states the expectations that DBN requires of these members. The ARCC has satisfied its responsibilities for the year in compliance with its terms of reference in the Board Charter.

The ARCC oversees DBN's compliance management framework and the effectiveness of the compliance function; including reviewing and overseeing with key legislation, regulations and Bank's policies.

The ARCC has overseen the integrated reporting process, reviewed the report and has recommended the 2023 Integrated Report and consolidated financial statements for approval by the Board on 28 June 2023

The ARCC has satisfied itself as to the independence of the external auditor, PwC, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors, including tenure of the audit firm and rotation of the designated individual partner. Requisite assurance was sought from and provided by PwC that internal governance processes within the firm support and demonstrate its claim to independence. PwC has been the auditor of DBN for 5 years.

The ARCC has reviewed the accounting policies and Financial Statements of DBN and is satisfied that it complies in all material aspects with the requirements stipulated in the Companies Act, (Act 28 of 2004), Development Bank of Namibia Act, (Act 8 of 2002), and IFRS and that the adoption of the going concern basis in preparing the Annual Financial Statements is appropriate. Furthermore, the ARCC is of the opinion that these Financial Statements fairly represent the financial position of the Development Bank of Namibia Limited as at 31 March 2023.

The ARCC has reviewed the internal financial controls of DBN and is satisfied that the controls in place are effective and form a reliable basis for the preparation of the financial statements. No findings have been identified by the ARCC which could indicate material deficiencies in the financial internal controls.

GOVERNANCE OF INFORMATION TECHNOLOGY

The Board assumes the responsibility over the IT governance. The Board is confident that it has taken the necessary steps to ensure that there are processes in place to ensure complete, timely, relevant, accurate and accessible IT reporting.

DBN has strategic initiatives that are meant to achieve the following objectives:

- Alignment of IT applications to Bank's processes
- Enhance IT-risk management
- Enable data-driven decisions & monitoring
- Information security management
- Ensure efficient IT service delivery
- Continuous improvement of IT governance

Strategic IT initiatives update

Alignment of IT applications to Bank's processes	Source & implement appropriate IT applications	In progress
	Automate business processes	In progress
	Source & implement appropriate CRM application	In progress
Enhance IT risk management	Maintain and manage IT risks and control	Not started
Enable data-driven decisions & monitoring	Develop and implement a robust BI reporting framework	Completed
	Enforce users' technology adoption	Completed
Information security management	Enhance IT security management & awareness	Completed
Ensure efficient IT service delivery	Manage, evaluate and improve infrastructure	Completed
	Manage service level agreements	In progress
Continuous improvement of IT governance	Review IT governance framework	Completed

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. Risk and Compliance department reports quarterly to provide an update on progress to 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 on a voluntary basis:

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 during November 2021.

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 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 in 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 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 greatest exposure to risks.

REMUNERATION REPORT

Remuneration Philosophy

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 performer.
   - The remuneration system aims to reward overall contribution rather than status or position.
5. Affordability and sustainability:
   - Certain limits are set with regards to remuneration and other human resources costs, in accordance with DBN's business plan and strategy and in 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 incentive.
     - Using both cash and non-cash incentive rewards, enhance and sustain individual performance including short-term incentives to achieve short-term outcome.
     - Practicing pay parity among staff in the same role with the same performance

Remuneration Policy

The Remuneration, Rewards and Benefits Policy will provide a relevant framework and approach to remuneration decision making, whilst retaining 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 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, 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 perform a review of the remuneration of the Board members and make recommendations for AGM approval.

Schedule of Directors' fees

N$	2023	2022
Chairperson's quarterly fee	18,117	17,589
Chairperson's sitting fee per Board meeting	10,209	9,912
Director's quarterly fee	14,799	14,368
Director's sitting fee per Board meeting	6,440	6,252
Sub-committee chairperson quarterly fee	8,684	8,431
Sub-committee chairperson sitting fee per meeting	4,760	4 ,622
Sub-committee member quarterly fee	6,616	6,424
Sub-committee member sitting fee per meeting	3,185	3,093

Non-executive Directors' emoluments

	N$: 2023	N$: 2022
T Hangula (Chairperson)*	-	74,034
J Cumming*	-	103,402
K Geschke*	-	97,286
T Mbome*	-	107,681
D Husselman	161,907	164,038
W Mertens	214,654	117,901
NP Kanalelo	176,653	107,065
MS Ickua	144,389	89,051
SJ Van Zyl (Chairperson)	257,616	142,226
EP Nailenge	166,349	98,323
	1,121,568	1,101,007

**Tenure ended 31 August 2022*

Development Bank of Namibia

Annual Financial Statements
for the year ended 31 March 2023

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Directors' Responsibility Statement

for the year ended 31 March 2023

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 at 31 March 2023, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the period then ended, and the Notes to the Financial Statements which include a summary of significant accounting policies, in accordance with International Financial Reporting Standards (IFRS) 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 annual reports and other financial information to shareholders.

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

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

Approval of the Annual Financial Statements

The Financial Statements of Development Bank of Namibia Limited, as identified in the first paragraph, were approved by the Board of Directors on 14 July 2023, and are signed on their behalf by:

Sarel van Zyl
Chairperson of the Board

Martin Inkumbi
Chief Executive Officer

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Development Bank of Namibia Limited (the Company) as at 31 March 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

What we have audited

Development Bank of Namibia Limited's financial statements set out on pages 71 to 118 comprise:

- the Directors' report for the year ended 31 March 2023;
- the statement of financial position as at 31 March 2023;
- 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, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent 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$77.8 million, which represents 1% of total assets.

Key audit matters

- 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 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$77.8 million

How we determined it

- 1% of total assets

Rationale for the materiality benchmark applied

- We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users. The 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 (ECL)	
Refer to note 2.4 Critical judgements and estimates) for details on key management assumptions, note 3.10.7 (Impairment of financial assets) for related accounting policies, note 13 (Loans and advances to customers), note 14 (Impairment of financial assets) and note 27.2 (Credit risk), to the financial statements. As at 31 March 2023, the Company recognised gross loans and advances of N$ 8.2 billion, against which an impairment of loans and advances of N$ 1.6 billion was recognised. The Expected Credit Losses (ECL) were calculated by applying IFRS 9 – Financial Instruments. In calculating the ECLs, the key areas of significant management judgement and estimation included: **Significant increase in credit risk (SICR):** Determining whether there has been a SICR by using the criteria as set out in note 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. In response to the COVID 19 pandemic, some customers were granted payment holidays to reduce the financial impact on their businesses. Even though these payment holidays gave rise to certain credit-impaired loans being restructured, management retained these loans in the credit-impaired category for a curing period. These relief measures were specifically focussed on the tourism and Small and Medium- Sized Enterprise (SME) customers and were still in effect in the current financial year. The Company did not determine this to be an indicator of SICR in itself, but applied the criteria as set out in note 27.2 to determine whether there has been a SICR. **Determination of the probability of default (PD):** Management assigns a credit risk grade to each exposure (including loans to government entities) based on a variety of data that is determined to be predictive of the risk of default and applying assumptions formulated through the application of their credit risk assessment expertise. The exposures are then subject to ongoing monitoring, which can result in an exposure being moved to a different grade, based on various considerations as disclosed in note 27.2 to the financial statements. For loans for which the PD is calculated on a portfolio basis, an analysis is performed on the categorisation of the loan book (performing, under-performing and credit impaired) and arrears report, comparing changes over time.	**Determining whether there has been a SICR** Utilising our valuations expertise, we assessed the reasonableness of the SICR thresholds, and assumptions and inputs applied in the ECL model by performing the following procedures: • We evaluated whether there are indicators of SICR by comparing the staging of a sample of loans to an independent staging based on the assumptions and data included in management's model, as well as on our own independent assumptions, in particular around the outlook on the economy due to the aftermath of the COVID 19 pandemic, the Russia/Ukraine conflict and rising inflation and interest rates. 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 and payment holidays granted indicates increased credit risk. For a sample of loans, we evaluated whether the stage they are placed in is in line with management's quantitative and qualitative considerations with reference to the applicable accounting policies. No exceptions were noted. **Determination of the PD:** • We recalculated the PD using the Company's historical default data to assess the history of default, taking into account Namibia's macroeconomic outlook. No material variances were noted. • For loans to 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.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses (ECL) on loans and advances (contd.)	
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) forecasts in light of the aftermath of the COVID 19 pandemic, the Russia/ Ukraine conflict, rising inflation and interest rates, and related factors that are expected to impact individual counterparty and/or portfolio exposures. Management identified large exposures in sectors to which it is significantly exposed, i.e., construction, land servicing, tourism and hospitality, financial services and wholesale & retail trade, and assessed the impact of the latest GDP forecasts on their ECLs. **Determination of the loss given default (LGD):** Management estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value (LTV) ratios are a key parameter in determining LGD. The LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. **Determination of the 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 degree of judgement and estimation applied by management in determining the ECLs; and • the significance of the loans and advances balance recognised in the financial statements, as it makes up the majority of the Company's assets and are a significant part of the Company's normal operations.	**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. • 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 tested the reasonability of the market values determined by management's valuation experts on a sample basis. No material exceptions were noted. • We tested the reasonability of the collateral 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 tested write-offs that took place during the current year on a sample basis by agreeing the amount that was written off to management's policy. No material exceptions were noted. • 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. • 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. **Determination of the EAD:** • We recalculated the EAD on a sample basis by recalculating the loan amortisation schedule with interest accrued up to the point of default. • Additionally, a conversion factor was applied to the balances of performance guarantees and the EAD was recomputed. The recomputed EAD was used in the independent recalculation of the ECL. No material variances were noted.

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 Integrated Annual Report 2022/23". The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: Louis van der Riet
Partner
Windhoek
Date: 21 July 2023

The Directors have pleasure in presenting this report as part of the Annual Financial Statements of the Development Bank of Namibia Limited for the year ended 31 March 2023.

Nature of business

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

Specifically, the Bank's guiding objectives include:

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

Financial results

The Annual Financial Statements, for the financial year ended 31 March 2023, on pages 71 to 118 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 32 to 34 of the Annual Report.

Dividend

No dividends have been declared in the current financial year (2022:N$0). 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. The liability is further subdivided into the following development programmes:

1. The Client Support & Development Fund
2. The Project Preparation Fund
3. The Innovation Fund
4. Skills-Based Facility Fund
5. Youth Programme Fund

Share capital

DBN'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 (2022: N$165 million) and the share premium at N$1,842.1 million (2022: N$1,842.1 million).

Directors' interest

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

Directorate and secretariat

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

- Sarel van Zyl (Chairperson) (Appointed 1 September 2021)
- Evangelina Nailenge (Deputy Chairperson) (Appointed 1 September 2021)
- Diana Husselmann
- Marsorry Ickua (Appointed 1 September 2021)
- Martin Inkumbi
- Patience Kanalelo (Appointed 1 September 2021)
- Willy Mertens (Appointed 1 September 2021)

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

Directors' emoluments

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

Business and registered address

Development Bank of Namibia Building
12 Daniel Munamava Street
P.O. Box 235
Windhoek
Namibia

Taxation status

The Bank is exempt from taxation in terms of section 16(1) (e) (i) of the Income Tax Act (Act No. 24 of 1981), as amended, as well as section 4 of the Development Bank of Namibia Act, 2002 (Act No. 8 of 2002). The Bank is subject to and complies with all other Namibian taxes, including value added tax, employees' tax and withholding tax. During the financial year under review the Bank paid value added tax of N$4,543,456.34 (2022: N$2,583,715), employees tax of N$21,070,401 (2022: N$21,540,843) and withholding tax of N$0 (2022: N$0).

Changes in accounting policies

The accounting policies applied during the year ended 31 March 2023 are consistent in all material respects with those applied in the Annual Financial Statements for the year ended 31 March 2022.

Going concern

It is Board and management's responsibility 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. It is recognized that DBN's results are disappointing in contrast to extremely positive results reported by commercial banks. However, it is worth pointing out that Development Finance Institutions have a different business model which is not comparable to commercial banks. Operating in a solely local market brings further limitations to shield the Bank from economic woes. Nonetheless, the Bank has taken various initiatives in strengthening its foundation, including reorganisation and strengthening of capacity particularly around credit, some process improvements around loan administration, a deep dive of the loan book with realistic provisioning, some business rescue activities of DBN clients' where warranted, and write-off where there is no reasonable prospects of recovery.

Despite a challenging year, DBN has a strong capital base with a funding plan for the next few years. Near term fund raising is at an advanced stage. Draw down is guided by pipeline and liquidity outlook. Repayment of our liabilities is continuing as scheduled. The Bank produces financial forecasts that take into consideration the quality of our loan book, the adequacy of our debt and capital ratios, our growth rate, as well as income and cost ratios. This allows management and the Board to evaluate financial performance for the next financial year.

The Bank recognises the dynamic nature of the economy and macro outlook and will continue to review and refine interventions if necessary, while safeguarding the Bank's financial sustainability and liquidity. The Directors have made an assessment of the ability of the Bank to continue as a going concern and confirm that they have no reason to believe that the business will not be a going concern for the foreseeable future.

Outlook

The outlook for the economy is more positive than this time last year, but various uncertainties remain. Rising interest rates, currency fluctuations, fuel price increases and rising debt levels are expected to continue to put a strain on the economy and is expected to keep the Bank's growth rates muted and clients under strain. We remain optimistic that the tourism sector, as well as the alternative energy sector, will show positive signs of recovery. We have a strong pipeline, with the potential to land a few exciting new projects.

Subsequent Events

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

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 March 2023

N$	Notes	2023	*2022
Interest income	4	654,961,910	602,816,843
Interest expense	5	(306,821,931)	(262,472,165)
Net interest income	5	348,139,979	340,344,678
Fee income	6	20,874,947	19,545,899
Operating income		369,014,926	359,890,577
Other income	7	23,514,173	25,458,649
Net impairment on loans and advances	13	(509,429,750)	(432,103,434)
Operating expenses*	8	(152,921,127)	(137,745,052)
Loss before tax		(269,821,779)	(184,499,260)
Tax expense	9	-	-
Loss for the year		(269,821,779)	(184,499,260)
Loss for the year		(269,821,779)	(184,499,260)
Other comprehensive income / (loss), net of income tax		17,869,592	(6,576,776)
Items that will not be reclassified subsequently to profit or loss			
Revaluation gain on property	21.1	3,869,592	3,423,224
Fair value adjustments on FVOCI equity investment financial assets	21.2	14,000,000	(10,000,000)
Total comprehensive loss		(251,952,187)	(191,076,036)

**In the prior year 'Unwinding of discounted present value on off-market loans' have been separately disclosed on the Statement of Profit or Loss and Other Comprehensive Income. In the current and comparative year this has been reclassified due to materiality and aggregated as part of Operating expenses under salaries and personnel costs.*

Statement of Financial Position
as at 31 March 2023

N$	Note	2023	2022
Assets			
Cash and cash equivalents	10	734,333,764	1,127,281,493
Trade and other receivables	11	7,570,502	5,692,238
Staff home ownership scheme loans	14	114,458,783	121,266,513
Loans and advances to customers	12	6,562,727,347	6,970,635,911
Equity investments	16	271,684,662	257,684,662
Property and equipment and right-of-use assets	15	88,294,575	84,555,788
Intangible assets	17	9,179,372	7,617,275
Total assets		7,788,249,005	8,574,733,880
Liabilities			
Trade and other liabilities	18	157,539,118	28,329,508
Line of credit facility	18.2	3,894,534,313	4,251,391,870
Bonds	18.3	160,306,716	260,524,278
Fixed term facility	18.4	-	146,525,153
Debt service facility	18.4	44,645,653	-
Credit line facility	18.5	171,788,863	193,262,471
Relief loans	18.6	332,058,978	415,073,723
Dividends retained for redeployment	19	43,071,813	43,371,140
Total liabilities		4,803,945,455	5,338,478,143
Equity			
Share capital and share premium	20	2,007,071,178	2,007,071,178
Retained earnings		939,171,645	1,208,993,424
Reserves	21	38,060,727	20,191,135
Total equity		2,984,303,550	3,236,255,737
Total liabilities and equity		7,788,249,005	8,574,733,880

Statement of Changes in Equity
for the year ended 31 March 2023

N$	Share capital and share premium: 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 loss 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
Dividend paid	-	-	-	-	-	-
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
Note	20	20	21.1	21.2		

N$	Share capital and share premium: Share capital	Share premium	Revaluation reserve on land and buildings	Fair value reserve	Retained earnings	Total
Balance as at 1 April 2021	165,000,000	1,842,071,178	53,057,740	(26,289,829)	1,393,492,684	3,427,331,773
Total comprehensive loss for the year	-	-	3,423,224	(10,000,000)	(184,499,260)	(191,076,036)
Loss for the year	-	-	-	-	(184,499,260)	(184,499,260)
Other comprehensive (loss), net of income tax	-	-	3,423,224	(10,000,000)	-	(6,576,776)
Dividend paid	-	-	-	-	-	-
Balance as at 31 March 2022	165,000,000	1,842,071,178	56,480,964	(36,289,829)	1,208,993,424	3,236,255,737
Note	20	20	21.1	21.2		

Cash Flow Statement
for the year ended 31 March 2023

N$	Note	2023	2022
Cash flows from operating activities			
Cash receipts from customers	31.2	700,880,021	649,721,228
Cash paid to suppliers, lenders and employees	31.3	(433,145,996)	(389,310,747)
Cash flows from operating activities	31.1	267,734,025	260,410,481
Government grants received	7	21,500,000	22,500,000
Payments from special funds	19	(1,728,471)	(1,068,338)
Decrease in loans and advances	31.4	8,430,137	500,727,484
Net cash generated from operating activities		295,935,691	782,569,626
Cash flows from investing activities		(10,816,645)	(14,730,772)
Acquisition of property and equipment	15	(9,204,940)	(14,314,091)
Proceeds from disposal of property and equipment		53,114	10,000
Acquisition of intangible assets	17	(1,664,819)	(426,681)
Cash flows from financing activities		(678,066,775)	(707,239,273)
Funding liabilities raised bond		-	130,000,000
Funding liabilities paid line of credit facility		(375,000,000)	(281,250,000)
Funding liabilities paid bonds		(100,000,000)	(100,000,000)
Funding liabilities paid fixed term facility		(144,959,463)	(394,145,399)
Debt service facility		44,645,653	-
Funding liabilities paid - credit line facility		(20,934,783)	(20,934,783)
Funding liabilities paid - relief loan scheme		(81,818,182)	(40,909,091)
Net increase in cash and cash equivalents		(392,947,729)	60,599,581
Cash and cash equivalents at the beginning of the year	10	1,127,281,493	1,066,681,912
Cash and cash equivalents at the end of the year	10	734,333,764	1,127,281,493

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 International Financial Reporting Standards ('IFRS'), 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 judgments and estimates

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

The preparation of the financial statements in conformity with IFRS requires management to make judgments, 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 significant 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 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).

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 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. Significant accounting policies

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

3.1 Interest Income and 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.

3. Significant accounting policies (contd.)
3.1 Interest Income and Expenditure (contd.)

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

Calculation of interest income and expense

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

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

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

Presentation

Interest income and expenses presented in the Statement of Profit or Loss and 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 includes account guarantee fees, front-end fees and other administrative fees are recognised at the point in time when the related services are performed. If a loan commitment is not expected to result in the drawdown of a loan, then the related loan commitment fee is recognised over the commitment period, unless the other fees are immaterial in comparison to the financial asset, in which instance the full amount is recognised in the Statement of Profit or Loss and OCI. A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

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

3.5.3 Employee Housing 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 expense 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 is initially recognised at cost. Cost includes expenditures directly attributable to the acquisition of the asset. Purchased software that is integral to functionality of related equipment is capitalised as part of that equipment. Subsequently property is stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Vehicles, furniture and equipment are subsequently stated at cost less accumulated depreciation and accumulated impairment losses. Changes in the fair value are recognised directly in equity through the property revaluation reserve (see Note 3.6.4). The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognised within operating expenses in profit or loss. The carrying amount of a replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred."

3.6.2 Subsequent Costs

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

3.6.3 Depreciation

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

Estimated useful lives for current and comparative periods are:

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

The estimated useful lives, residual values and depreciation 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.

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

3.6.4 Revaluation

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

Any revaluation increase arising on the revaluation of the property is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such property is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset. On 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 the grant will be received or becomes receivable. Hence, monetary government grants are initially treated as deferred income and recognised in profit or loss on a systematic basis over the periods in which the entity recognises, as expenses, related costs for which the grants are intended to compensate.

3.9 Leases

The group recognises a right-of-use-asset (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 of the lease liability and the ROUA.

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 so as 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.

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

The Bank usually enters into lease for a period of 1 - 5 years.

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, line of credit facilities, Bonds, fixed term facilities, , debt service facility, credit line facility, relief loans and dividends retained for redeployment.

3.10.1 Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the trade date. All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Financial instruments issued at lower-than-market rates, commonly known as off-market financial instruments, are recognised at the present value of the contractual future cash flows discounted at a market-related rate at initial recognition. With such financial assets the difference between the discounted and transaction price is released to interest income in accordance with IFRS 9.

3.10.2 Classification

Financial Assets

On initial recognition, a financial asset is classified as measured at amortised cost, 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

the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (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 sell 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,

3. Significant accounting policies (contd.)
3.10 Financial Instruments (contd.)
3.10.2 Classification (contd.)

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

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

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g., non-recourse loans); and
- features that modify 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 repayments, 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 recognised in profit or loss. In addition, any cumulative gain or loss that is recognised in other comprehensive income is also recognised in profit or loss. Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in Note 3.10.6. 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 into transactions whereby it transfers assets recognised on its Statement of Financial Position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Bank retains all or substantially all the risks and rewards of ownership of such assets. In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

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

3.10.3.2 Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether or not the new terms of the modified asset are substantially different to the original terms. Factors that are considered include whether modification merely reduces the contractual cash flows to amounts affordable to the borrower, any new 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 Offsetting

"Financial assets and financial liabilities are offset, and the net amount presented in the Statement of Financial Position when, and only when, the Bank has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity (see Note 18.4)."

3.10.5 Amortised cost measurement

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

3.10.6 Fair value measurement

"Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk. When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, the Bank uses a valuation technique that maximises use of relevant observable input and minimises the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market performance would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e., without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When the transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out. If an asset or a liability measured at fair value has a bid price and an ask price, the Bank measures the assets and liabilities at a representative value within the bid price and ask price. Portfolios of financial assets and financial liabilities that are exposed to market and credit risk that are managed by the Bank on the basis of net exposures to either market risk or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure, those portfolio-level adjustments are allocated to the individual assets or liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio. The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting year during which the change has occurred."

3.10.7 Impairment of financial assets

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

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

No impairment loss is recognised on equity investments. The Bank measures loss allowances at an amount equal to life time 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 low credit risk exemption to any financial instruments. 12-month ECL is the portion of ECL resulting from default events on a financial instrument, 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);

3. Significant accounting policies (contd.)
3.10 Financial Instruments (contd.)
3.10.7 Impairment of financial assets (contd.)

- 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 DBNs 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. Also see Note 27.2.

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow 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 a security because of financial difficulties.

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

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and 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 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 rep- resenting 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'."

3.10.8 Dividends retained for redeployment

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

3.10.9 Trade payables

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

3.10.10 Cash and cash equivalents

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

3.10.11 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.

3.10.12 Debt service facility

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

3.10.13 Fixed term facilities

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

3.10.14 Line of credit facility

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

3.10.15 Bonds

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

3.10.16 Credit line facility

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

3.10.17 Relief loans

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

3.10.18 Equity instrument

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

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

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.

Each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to the income statement over the lease period so as 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.

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

3.11 Impairment of non-financial assets

The carrying amount of non-financial assets of the Bank is reviewed at each reporting date to determine if there is any indication of impairment, in which case their recoverable amounts are estimated. An impairment loss is recognised in profit or loss when the carrying amount of an asset exceeds its recoverable amount. A previously recognised impairment loss will be reversed if the recoverable amount increases due to a change in estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined net of depreciation and amortisation had no impairment loss been recognised. The recoverable amount of an asset is the higher of its fair value less cost of disposal and its value in use. Net realisable value is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value-in-use, the expected future cash flows from the asset are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risks specific to the asset.

3.12 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

3. Significant accounting policies (contd.)

3.13 Contingent liabilities

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

3.14 Commitments

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

3.15 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.

3.16 Summary of standards and interpretations issued

3.16.1 Standards and Interpretations effective and adopted in the current year

International Financial Reporting Standards and amendments relevant to the Bank issued and effective for 31st March 2023 year-end:The bank has adopted all the standards and interpretations which are relevant to its operations. Non of the new or amended IFRS which became effective for the year ended 31 March 2023 impacted the Banks reported earnings, financial position or reserves, nor the accounting policies.

Number	Effective date	Executive summary
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022 (Published May 2020) The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates."	These amendments include minor changes to: • IFRS 1,'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent.The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. • IFRS 9,'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. • IFRS 16,'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements.The amendment intends to remove any potential confusion about the treatment of lease incentives. • IAS 41,'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13.The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.
Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making.This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfill the contract.The amendment clarifies the meaning of 'costs to fulfill a contract'. Under the amendment, costs to fulfill a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly).The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

International Financial Reporting Standards and amendments relevant to the Bank issued but not effective for 31st March 2023 year-end:

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

Number	Effective date	Executive summary
Amendment to IAS 1,'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2024 (Published Jan 2020)	"The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

4. Interest income

N$	2023	2022
Received on financial assets measured at amortised cost:		
Cash and cash equivalents	44,363,249	41,228,911
Loans and advances to customers: performing (stage 1 and 2)	581,680,602	549,994,260
Loans and advances to customers: credit impaired (stage 3)	18,356,043	522,989
Dividend income on preference shares in loan book	3,756,555	6,097,184
Loans and advances to staff	6,805,461	4,973,499
Total interest income	654,961,910	602,816,843

5. Interest expense

N$	2023	2022
Incurred on financial liabilities measured at amortised cost:		
Line of credit facility	259,029,958	194,096,821
Bonds	19,210,672	18,083,961
Fixed term facility	2,063,921	19,437,757
Credit line facility	12,113,664	13,557,795
Relief loan facility	14,055,215	17,015,828
Bank overdrafts	1,917	7,590
Interest on lease liabilities	346,586	272,412
Total interest expense	306,821,931	262,472,165
Net interest income	348,139,979	340,344,678

6. Fee and commission income

N$	2023	2022
Guarantee fees	5,713,245	6,328,969
Front-end fees	15,048,696	13,004,911
Other fees received	113,006	212,019
	20,874,947	19,545,899

7. Other income

N$	2022	2021
Government Grant *	21,500,000	22,500,000
Foreign exchange gain on loan	17,821	202,816
Other income	604,647	2,755,833
Dividends received	1,391,705	-
	23,514,173	25,458,649

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

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

A subsidy of N$21,500,000 (2022: N$22,500,000) was received and funded a portion of the total expenditure associated with the Special Development Fund, which amounted to N$123,117,490 (2022: N$124,090,734) for the financial year.

8. Operating expenses

N$	2023	2022
Auditors' remuneration		
Audit fees	2,001,751	1,904,232
Other services	23,936	171,722
Directors' fees		
For services as Directors	1,121,568	1,101,007
For management services	2,671,943	2,803,027
Depreciation and amortisation	9,817,874	8,264,121
Donations and sponsorships	966,326	1,841,529
Loss on disposal of property and equipment	(53,114)	(10,000)
Loss on revaluation of property and equipment	-	3,696,187
Professional services	12,069,441	8,089,524
Salaries and personnel costs*	103,120,548	91,263,051
Short-term leases		
Buildings	406,872	548,129
Equipment	174,156	153,115
Other expenditure		
Information technology services	4,900,077	4,290,415
Promotions and marketing	2,244,058	1,784,720
Building maintenance, cleaning and security services	3,396,017	2,444,971
Telephone, stationery, photocopier and courier	2,605,618	2,886,405
Training and development	1,494,593	1,753,614
Municipal charges	1,831,100	1,609,817
Subscriptions and memberships	1,222,679	1,289,445
Traveling and accommodation	1,103,741	632,819
Other operational expenditure	1,801,943	1,227,202
Total operating expenditure	152,921,127	137,745,052
Number of employees	123	119

* In the prior year "Unwinding of discounted present value on off-market loans" was separately disclosed on the Statement of Profit or Loss and Other Comprehensive Income. In the current and comparative year this has been reclassified due to materiality and aggregated as part of Operating expenses under salaries and personnel costs.

8.1 Directors' emoluments

8.1.1 Chief Executive Officer

N$	2023	2022
Pensionable salary - M Inkumbi	2,166,519	2,106,886
Gratuity / Bonus	-	209,881
Bank contributions to pension and medical aid schemes	505,424	486,261
	2,671,943	2,803,028

8.1.2 Non-executive Directors' emoluments

N$	2023	2022
T Hangula (Chairperson)	-	74,034
J Cumming	-	103,402
K Geschke	-	97,286
D Husselman	161,907	164,038
T Mbome	-	107,681
W Mertens	214,654	117,901
NP Kanalelo	176,653	107,065
MS Ickua	144,389	89,051
SJ Van Zyl (Chairperson)	257,616	142,226
EP Nailenge	166,349	98,323
	1,121,568	1,101,007

8.1.3 Schedule of Directors' fees

N$	2023	2022
Chairperson's quarterly fee	18,117	17,589
Chairperson's sitting fee per Board meeting	10,209	9,912
Director's quarterly fee	14,799	14,368
Director's sitting fee per Board meeting	6,440	6,252
Sub-committee chairperson quarterly fee	8,684	8,431
Sub-committee chairperson sitting fee per meeting	4,760	4,622
Sub-committee member quarterly fee	6,616	6,424
Sub-committee member sitting fee per meeting	3,185	3,093

9. Taxation

No provision for taxation has been made in the annual financial statements, as the Bank is exempt from taxation in terms of section 16(1)(e)(i) of the Income Tax Act (Act No. 24 of 1981) as amended as well as section 4 of the Development Bank of Namibia Act, 2002 (Act No. 8 of 2002).

10. Cash and cash equivalents

	2023	2022
Bank balances and call deposits	296,168,867	299,787,280
Short term fixed deposits with local banks	438,164,897	827,494,213
	734,333,764	1,127,281,493

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.

Included in cash and equivalent ís restricted cash of N$83,875,000 which is not available for the Banks general use.

11. Trade and other receivables

	2023	2022
Accrued interest on short term fixed deposits with local banks	4,263,308	3,007,831
Deposits	376,287	179,454
Staff study loans	829,333	982,298
Prepaid expenses	1,657,494	1,078,575
Inland Revenue - withholding tax	444,080	444,080
	7,570,502	5,692,238

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.

12. Loans and advances to customers

12.1 Category analysis

		At amortised cost	At amortised cost
N$		2023	2022
Installment sales		250,042,298	336,715,719
Preference share advances		79,819,051	96,507,942
Guarantees honoured by the Bank		195,768	4,343,342
Term loans		7,867,353,313	8,090,976,153
Total loans and advances		8,197,410,431	8,528,543,156
Accrued interest on loans and advances		3,507,008	18,634,366
Loans and advances		8,200,917,439	8,547,177,522
Impairment of loans and advances	13	(1,638,190,092)	(1,576,541,611)
Net loans and advances		6,562,727,347	6,970,635,911

12. Loans and advances to customers (contd.)

12.2 Sectoral analysis

N$	Note	2023	2022
Automotive, machinery & equipment repair services		4,451,578	34,781,476
Business services		246,079,583	205,833,643
Commercial property		300,367,969	314,404,504
Construction		469,557,127	507,080,394
Education		186,458,610	208,567,046
Electricity		307,152,026	377,749,138
Financial intermediation		107,134,625	100,525,738
Fishing		10,925,878	10,032,659
Government & public authorities		3,484,556,558	3,791,674,838
Health		131,082,994	148,563,018
Housing		840,150,252	683,061,336
Land servicing		172,984,695	179,939,584
Manufacturing		749,494,143	573,644,410
Mining & quarrying		18,685,229	22,102,713
Telecommunications		12,951,899	12,976,951
Tourism & hospitality		784,175,090	843,041,501
Transport & logistics		163,999,824	234,075,027
Wholesale & retail trade		210,709,359	299,123,546
Gross value of advances		8,200,917,439	8,547,177,522
Impairment of loans and advances	13	(1,638,190,092)	(1,576,541,611)
Net loans and advances		6,562,727,347	6,970,635,911

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

The Government of the Republic of Namibia loan was included in the Government and public authorities sector (see Note 27.1.4).

12.3 Maturity structure per contractual maturity date

N$	2023	2022
Receivable on demand	328,084,411	325,494,722
One year or less but not receivable on demand	258,461,080	326,959,507
Three years or less but over one year	646,796,421	746,575,577
Five years or less but over three years	753,955,469	1,051,441,501
Over five years	4,575,429,966	4,520,164,604
Net loans and advances	6,562,727,347	6,970,635,911

12.4 Geographical analysis*

N$	2023	2022
Namibia – net loans and advances	6,562,727,347	6,970,635,911

13. Impairment of loans and advances

13.1 Credit impaired loans by sector

N$ 2023	Credit risk	Security	Impairment allowances: Contractual interest suspended	Impairment allowances: Impairment
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

Credit impaired loans by sector

N$ 2022	Credit risk	Security	Impairment allowances: Contractual interest suspended	Impairment allowances: Impairment
Automotive,machinery &equipment repair services	34,400,415	9,501,500	7,530,494	19,334,841
Business services	112,522,076	39,307,550	20,908,705	55,638,129
Commercial property	277,397,562	131,183,000	40,307,365	113,277,032
Construction	412,004,322	205,582,793	84,240,393	120,228,614
Education	25,300,755	9,605,000	8,424,217	7,545,535
Electricity	611,965	-	57	5,794
Financial intermediation	85,962,477	108,120,000	48,076	3,014,210
Fishing	6,853,940	2,589,780	1,774,702	2,274,963
Health	104,944,263	42,502,842	21,467,506	42,232,491
Housing	216,108,605	95,227,684	50,484,136	69,334,098
Manufacturing	395,664,449	174,717,528	53,991,631	172,791,932
Mining & quarrying	10,915,160	2,525,240	625,490	7,831,691
Telecommunications	6,675,449	3,050,000	1,804,553	1,883,760
Tourism & Hospitality	170,609,150	71,965,054	58,275,141	48,454,288
Transport & Logistics	161,603,318	101,710,226	18,663,884	49,451,131
Wholesale & retail trade	230,429,910	95,590,328	50,592,671	95,996,734
Total credit impaired loans by sector	2,252,003,816	1,093,178,525	419,139,021	809,295,243

* Includes guarantees issued in risk categories C, D and E (see Note 22).

13. Impairment of loans and advances (contd.)

13.2 Impairment of loans and advances by product

N$ 2023	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	-	-	(10,641,331)	(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 loans and advances	1,576,541,612	-	774,069,268	(704,507,258)	(7,913,532)	1,638,190,091

N$ 2022	Opening ECL 1 April 2023	Total transfer between stages	Net impairments raised / (reversed)	Impaired accounts written off	Closing ECL 31 March 2022
Term loans	979,923,023	-	523,696,766	(98,121,773)	1,405,498,016
Stage 1	39,072,851	(6,006,047)	17,400,531	-	50,467,335
Stage 2	171,363,838	(55,845,376)	161,718,322	-	277,236,784
Stage 3	769,486,334	61,851,423	344,577,913	(98,121,773)	1,077,793,897
Installment sales	91,414,742	-	56,785,229	(9,273,313)	138,926,658
Stage 1	11,753,535	(3,093,722)	(502,876)	-	8,156,937
Stage 2	6,552,491	(81,941)	(1,859,527)	-	4,611,023
Stage 3	73,108,716	3,175,663	59,147,632	(9,273,313)	126,158,698
Preference Shares	3,692,259	-	9,869,815	-	13,562,074
Stage 1	-	-	-	-	-
Stage 2	3,692,259	(2,814,455)	3,089,385	-	3,967,189
Stage 3	-	2,814,455	6,780,430	-	9,594,885
Guarantees	5,746,379	-	15,039,357	(2,230,873)	18,554,863
Stage 1	37,952	(9,927)	262,011	-	290,036
Stage 2	32,444	(16,273)	3,361,872	-	3,378,043
Stage 3	5,675,983	26,200	11,415,474	(2,230,873)	14,886,784
Total loans and advances	1,080,776,403	-	605,391,167	(109,625,959)	1,576,541,611

Provision on guarantees are reclassified prospectively since they are immaterial, from loans and advances to customers to trade and other liabilities. Refer to note 18.

13.3 Credit impaired loans by category*

N$ 2023	Credit Risk	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
Installment 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	881,548,200
Total credit impaired loans	2,789,386,509	1,470,097,850	413,845,048	950,026,639

N$ 2023	Credit Risk	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
Installment 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	881,548,200
Total credit impaired loans	2,789,386,509	1,470,097,850	413,845,048	950,026,639

Credit impaired loans by category*

N$ 2022	Credit Risk	Security	Contractual Interest Suspended	Impairment provision
Guarantees	62,441,646	17,240,459	2,150,990	12,735,790
Preference shares	21,814,475	11,804,935	331,829	9,263,055
Installment sales	226,482,787	90,582,282	45,893,566	80,265,135
Term loans	1,941,264,908	973,550,849	370,762,636	707,031,263
Total credit impaired loans	2,252,003,816	1,093,178,525	419,139,021	809,295,243

Impact: increase / decrease

	2023			2022		
N$	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
New loans added	325,173,931	42,683,303	27,647,336	310,584,428	114,485,291	58,897,224
Loans settled	(131,319,895)	(32,314,583)	(45,013,037)	(283,301,978)	(46,651,268)	-
Loans written off	-	-	(704,507,258)	-	-	(102,565,400)
Transferred to Stage 1	203,073,259	(192,781,656)	(10,291,604)	122,769,244	(117,721,112)	(5,048,133)
Transferred to Stage 2	(54,936,383)	80,211,064	(25,274,682)	(567,288,392)	605,415,676	(38,127,284)
Transferred to Stage 3	(178,156,514)	(502,184,956)	680,341,469	(171,223,650)	(415,429,362)	586,653,013

13.4 Loans and advances to customers at amortised cost

N$	2023	2022
Balance at beginning of the year	1,576,541,611	1,080,776,403
Amounts written off	(704,507,258)	(98,324,772)
Statement of comprehensive income charge	509,429,750	432,103,434
Provision for impairment - Off balance sheet (Guarantees)	(10,297,909)	-
Interest in Suspense	267,023,897	161,986,546
Balance at the end of the year	1,638,190,091	1,576,541,611

Impairment charge recognised during the year

N$	2023	2022
Increase in loss allowance	533,098,535	446,838,850
Recoveries of bad debts	(23,668,785)	(14,735,416)
Net impairment on loans and advances	509,429,750	432,103,434

14. Staff home loans and benefits

N$	2023	2022
Opening balance	121,266,513	117,866,651
New loans and interest during the year	20,383,152	28,303,735
Resignations / terminations of employees transferred to term loans	(7,096,143)	-
Loan receipts	(20,094,739)	(24,903,873)
Closing balance	114,458,783	121,266,513

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. ECL for staff home loans are considered insignificant. The total below market value was N$24,142,642 as at 31 March 2023, this is yet to be amortised to profit and loss.

15. Property, equipment and right-of-use assets

N$ Cost or revalued amount	Land	Buildings	Vehicles	Furniture & equipment	Right of Use Assets	Assets under construction	Total
Balance at 1 April 2021	25,100,000	67,053,979	1,875,681	15,864,135	6,469,823	2,123,334	118,486,952
Additions	-	20,388	532,027	897,581	4,496,271	8,367,824	14,314,091
Capitalised	-	10,491,158	-	-	-	(10,491,158)	-
Disposals	-	-	-	(165,972)	-	-	(165,972)
Revaluation gains / (losses)	425,000	(697,963)	-	-	-	-	(272,963)
Balance at 31 March 2022	25,525,000	76,867,562	2,407,708	16,595,744	10,966,094	-	132,362,108
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	-	9,204,940
Capitalised	-	-	-		-	-	-
Disposals	-	-	-	(991,585)	(219,246)	-	(1,210,831)
Revaluation gains / (losses)	(5,620,000)	10,094,239	-	-	-	-	4,474,239
Balance at 31 March 2023	19,905,000	87,212,587	2,871,704	19,919,301	14,921,863	-	144,830,455
Accumulated depreciation and impairment							
Balance at 1 April 2021	-	(20,553,978)	(1,118,453)	(12,510,669)	(5,767,992)	-	(39,951,092)
Eliminated on disposals of assets	-	-	-	165,972	-	-	165,972
Depreciation expense	-	(3,595,485)	(334,195)	(1,366,280)	(2,725,240)	-	(8,021,200)
Balance at 31 March 2022	-	(24,149,463)	(1,452,648)	(13,710,977)	(8,493,232)	-	(47,806,320)
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)	(14,640,285)	(11,552,140)	-	(56,535,880)
Carrying amount							
As at 31 March 2022	25,525,000	52,718,099	955,060	2,884,767	2,472,862	-	84,555,788
As at 31 March 2023	19,905,000	58,752,752	988,084	5,279,016	3,369,723	-	88,294,575

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 2023 is N$25,844,167 (2022: N$26,682,736).

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 2023. Valuation methods used were the comparative sales method, the replacement cost method with the significant unobservable inputs being the associated replacement values of the land and buildings and the depreciation rate. 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 ed 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 2023 is as follows:

N$ 2023	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

N$ 2022	Level 1	Level 2	Level 3	Total
Land	-	-	25,525,000	25,525,000
Buildings	-	-	52,718,098	52,718,098
	-	-	78,243,098	78,243,098

Changes in the Bank's best estimate of the unobservable inputs (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$84,266,362 (2022: N$80,990,670) and using more negative reasonable assumptions to N$73,271,487 (2022: 71,516,198).

16. Equity investments

N$ **Equity investments - unlisted**	Amazing Kids Private School (Pty) Ltd	Norsad Finance Ltd	Ohorongo Cement (Pty) Ltd	Total
Fair valued amount	*28.75% Shareholding*	*5.58% Shareholding*	*11.73% Shareholding*	
Balance at 1 April 2021 at FVOCI	10,000,000	47,684,662	210,000,000	267,684,662
Fair value adjustment	(10,000,000)	-	-	(10,000,000)
Balance at 31 March 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
Dividend income recognised in profit or loss	-	1,391,705	-	1,391,705

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 28 on the fair value of financial instruments for the methodologies and assumptions used to determine the fair value of the investments in unlisted equity.

17. Intangible assets

N$	Software	Software development	Total
Cost			
Balance at 1 April 2021	12,507,028	6,934,308	19,441,336
Additions	-	426,681	426,681
Balance at 31 March 2022	12,507,028	7,360,989	19,868,017
Balance at 1 April 2022	12,507,028	7,360,989	19,868,017
Additions		1,664,819	1,664,819
Balance at 31 March 2023	12,507,028	9,025,808	21,532,836
Accumulated amortisation and impairment			
Balance at 1 April 2021	(12,007,821)	-	(12,007,821)
Amortisation for the year	(242,921)	-	(242,921)
Balance at 31 March 2022	(12,250,742)	-	(12,250,742)
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)
As at 31 March 2022	256,286	7,360,989	7,617,275
As at 31 March 2023	153,564	9,025,808	9,179,372

18. Trade and other liabilities

N$	Note	2023	2022
Trade payables		22,217,898	18,580,646
SOE liability		83,875,000	-
Business rescue programme		15,000,000	-
Mentoring and coaching programe		8,500,000	-
KFW Business recovery		7,755,612	-
ECL for off-balance sheet exposure - guarantees and letters of credit		10,297,909	-
Salary related payables		6,128,523	6,418,394
Receiver of Revenue		217,541	54,066
Lease liabilities	19.1	3,546,635	2,572,625
GiZ Funding		-	703,776
		157,539,118	28,329,508

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.

18. Trade and other liabilities (contd.)

Ministry of Finance allocated liquidity support in the form of an SOE during 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$15,000,000.00). These funds were not utilised by 31 March 2023.

KFW provided support to business recovery loans through an interest subsidy.

ECL for off-balance sheet exposure in prior year (N$18,554,863) was disclosed as part of loans and advances. The amount is reclassified prospectively as it is immaterial.

18.1 Reconciliation of lease liabilities

NS	**Total**	**Office & parking space**	**IT equipment**	**Office equipment**
Balance at 1 April 2021	743,002	572,980	-	170,022
Additions	4,496,271	1,019,596	2,664,228	812,447
Interest expense	272,412	75,325	158,733	38,354
Payments	(2,939,060)	(1,237,625)	(1,437,305)	(264,130)
Balance at 31 March 2022	2,572,625	430,277	1,385,656	756,692
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

Income statement recognition of lease related expenditure

N$	2023	2022
Depreciation on right-of-use assets	(3,060,524)	(2,723,624)
Expenses relating to short-term leases	(581,028)	(701,244)
Total included in operating expenditure	(3,641,552)	(3,422,847)
Interest expense	360,759	272,412

18.2 Line of credit facility

N$	2023	2022
Opening balance	4,251,391,870	4,530,534,603
Interest expense	259,029,958	194,096,821
Interest paid	(240,887,515)	(191,989,554)
Capital repayment	(375,000,000)	(281,250,000)
	3,894,534,313	4,251,391,870

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.

18.3 Bond

N$	2023	2022
Opening balance	260,524,278	230,581,119
Bonds issued during the year:		
DBN29	-	130,000,000
Interest expense	19,210,672	18,083,961
Interest paid	(19,428,233)	(18,140,803)
Repayment	(100,000,000)	(100,000,000)
	160,306,716	260,524,278

Bonds issued consist of senior, unsecured notes, under the N$2.5 billion medium term note programme listed on the Namibian Stock Exchange (NSX), paying either a fixed or floating rate. DBN20 has been repaid during the current year. DBN20A1, DBN20B and DBN23 are 5-year fixed-rate notes paying interest and principal semi-annually in arrears with final payments, 28 February 2023, 31 March 2023 and 31 August 2023. DBN29 was issued 4th March 2022 and is a floating rate note linked to the three month JIBAR paying interest quarterly with final payment 5 March 2029.

18.4 Fixed term facility

N$	2023	2022
Opening balance	146,525,153	544,492,005
Interest expense	2,063,921	19,437,757
Interest paid	(3,629,611)	(23,259,211)
Capital repayment	(144,959,463)	(394,145,399)
	-	146,525,153

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 current 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. During 2022 the two call accounts have been offset as DBN has a legal right to set off the call accounts and intends to realise the asset and settle the liability simultaneously. The loan with Standard Bank has been repaid during the current year therefore these are no longer offset. (Refer to Note 30.)

NEF Debt service reserve facility

N$	2023	2022
Deposit at Standard Bank of Namibia (DBN DSR)	44,444,927	42,641,444
Interest accrued on deposit	200,726	85,108
Accrued interest	-	(85,108)
Deposit by NEF (NEF DSR)	-	(42,641,444)
	44,645,653	-

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

18. Trade and other liabilities (contd.)

18.5 Credit line facility

N$	2023	2022
Opening balance	193,262,471	214,736,079
Drawn	-	-
Interest expense	12,113,664	13,557,795
Interest paid	(12,652,489)	(14,096,620)
Capital repayment	(20,934,783)	(20,934,783)
	171,788,863	193,262,471

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%.

18.6 Relief loan facility

N$	2023	2022
Opening balance	415,073,723	450,822,637
Interest expense	14,055,215	17,015,828
Interest paid	(15,251,778)	(11,855,651)
Capital repayment	(81,818,182)	(40,909,091)
	332,058,978	415,073,723

Six year term loan with KfW received 15 March 2021, maturing 15 November 2030. Principal and interest is payable semi-annually (15 May and 15 November) in arrears at the fixed rate of 3.925%.

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

N$	2023 Other loans and borrowings	2022 Other loans and borrowings
Balance at the beginning of the year	5,266,777,076	5,971,166,444
Changes from financing cash flows:		
Funding liabilities raised bonds	-	130,000,000
Funding liabilities paid Line of credit facility	(375,000,000)	(281,250,000)
Funding liabilities paid bonds	(100,000,000)	(100,000,000)
Funding liabilities paid fixed term facility	(144,959,463)	(394,145,399)
Debt service facility	44,645,653	-
Funding liabilities paid credit line facility	(20,934,783)	(20,934,783)
Funding liabilities paid relief loan	(81,818,182)	(40,909,091)
Total changes from financing activities (excluding dividend & credit guarantee funding)	(678,066,775)	(707,239,273)
Other changes		
Liability-related:		
Interest expense	306,475,345	262,199,752
Interest paid	(291,853,365)	(259,349,847)
Total liability-related other changes	14,621,980	2,849,905
Balance at the end of the year	4,558,686,628	5,266,777,076
Total changes from financing activities	(678,066,775)	(707,239,273)

19. Dividends retained for redeployment

N$	2023	2022
Balance at the beginning of the year	43,371,140	44,439,478
Dividend retained from retained earnings	-	-
Repayments	-	2,467,836
Written off	1,429,144	-
Disbursements	(1,728,471)	(3,536,174)
The Client Support & Development Fund	(1,411,242)	(303,055)
The Innovation Fund	-	(153,241)
The Youth Programme Fund	-	1,002,197
The Skill-based Facility Fund	-	(3,917,975)
The Project Preparation Fund	(317,229)	(165,000)
Balance at end of the year	43,071,813	43,371,140

Dividends declared in 2008 to 2010 and 2016 to 2019 were retained redeployment to special enterprise development endeavors 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	43,071,813	43,371,140
The Client Support & Development Fund	3,864,709	5,275,951
The Innovation Fund	99,770	99,770
The Project Preparation Fund	13,568,928	13,886,157
The Skill-based Facility Fund	17,538,406	16,109,262
The Youth Programme Fund	8,000,000	8,000,000

20. Share capital and share premium

N$	2023	2022
Share capital		
Authorised		
2,000 Ordinary shares of N$100,000 each	200,000,000	200,000,000
Issued		
Share capital: 1,650 (2022: 1,650) Ordinary shares of N$100 000 each.	165,000,000	165,000,000
Share premium		
Share premium on issue of shares	1,842,071,178	1,842,071,178
Total share capital and share premium	2,007,071,178	2,007,071,178

The Bank has one class of ordinary shares which carry no right to fixed income. All issued shares are fully paid up.
Each share is entitled pari passu to dividend payments or any other distribution.

21. Reserves

21.1 Revaluation reserve on land and buildings

N$	2023	2022
Balance at the beginning of the period	56,480,964	53,057,740
Gain on revaluation of land and buildings	3,869,592	3,423,224
Balance at the end of the year	60,350,556	56,480,964

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

21.2 Fair value reserve

N$	2023	2021
Balance at the beginning of the year	(36,289,829)	(26,289,829)
Gain / (Loss) on revaluation of available for sale financial assets	14,000,000	(10,000,000)
Balance at the end of the year	(22,289,829)	(36,289,829)

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

Net balance of reserves at the end of the year	38,060,727	20,191,135

22. Loan commitments and contingent liabilities

N$	2023	2022
Contingent liabilities		
Commitments in respect of loans approved	468,273,220	1,097,636,309
Guarantees issued	142,914,216	140,370,921
Letters of credit	1,260,000	2,835,482
Performance and demand guarantees	141,654,216	137,535,439
	611,187,436	1,238,007,230

22.1 Contingent liabilities

N$	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loan commitments								
Committed undrawn loans	316,523,029	41,085,505	110,664,686	468,273,220	1,009,162,727	17,043,722	71,429,860	1,097,636,309
	316,523,029	41,085,505	110,664,686	468,273,220	1,009,162,727	17,043,722	71,429,860	1,097,636,309
Impairment provision	-	-	-	-	-	-	-	-
Carrying amount	316,523,029	41,085,505	110,664,686	468,273,220	1,009,162,727	17,043,722	71,429,860	1,097,636,309
Guarantees issued								
Risk category								
A	62,677,368	-	-	62,677,368	76,097,953	-	-	76,097,953
B	-	17,761,571	-	17,761,571	-	13,037,360	-	13,037,360
C	-	-	13,677,458	13,677,458	-	-	13,122,631	13,122,631
D	-	-	17,743,230	17,743,230	-	-	5,417,170	5,417,170
E	-	-	31,054,588	31,054,588	-	-	32,695,808	32,695,808
	62,677,368	17,761,571	62,475,276	142,914,216	76,097,953	13,037,360	51,235,609	140,370,922
Impairment provision	(588,689)	(15,814)	(9,890,393)	(10,494,896)	(290,040)	(3,378,043)	(14,886,780)	(18,554,863)
Carrying amount	62,088,679	17,745,757	52,584,883	132,419,320	75,807,913	9,659,317	36,348,829	121,816,059

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

* Refer to note 27.2 for risk categories descriptions.

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 judgment in the amount of N$94,606,555.71 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 Judgment in favour of the Bank and declared the bonded property executable. The Defendant has since appealed against the Judgment 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$	2023	2022
Capital expenditure authorised:		
Not yet contracted for	11,347,177	25,300,000

24. Lease commitments

N$	2023	2022
Lease commitments:		
Buildings	2,460,179	3,274,906
Office equipment and leased lines *	100,988	100,988
	2,561,166	3,375,894
To be incurred as follows:		
Up to 1 year	1,829,010	1,699,969
2 – 5 years	732,156	1,675,925
	2,561,166	3,375,894

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

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$12,157,849 (2022: N$11,725,233).

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.

26.1.2 Shareholder

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

N$	2023	2022
Dividends declared	-	-

26.1.3 Key management personnel

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

N$	2023	2022
Compensation	16,602,092	16,011,802
Pension benefits	1,881,789	1,939,307
Other short-term benefits	657,042	663,971
Gratuity payment	-	1,288,574
	19,140,923	19,903,654

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

26. Related party information (contd.)
26.1 Related party balances and transactions (contd.)

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.

N$	2023		2022		2023		
Related party	Outstanding balance	Interest charged	Outstanding balance	Interest charged	ECL provision	Collateral held	*Principal type of collateral held*
Preference shares advance							
Seaflower Whitefish Corporation	54,614,554	2,544,904	52,717,780	2,021,050	-	25,600,000	*Government guarantee*
Term loans							
Erongo Regional Electricity Distributor Company	195,289,675	21,698,683	248,041,161	21,839,841	1,533,113	108,169,549	*Commercial property & Cash*
Meat Corporation of Namibia	683,077,867	64,427,185	437,267,267	38,086,680	-	461,205,438	*Government guarantee, industrial properties & farmland*
Namibia Power Corporation	5,716,377	517,780	8,347,851	3,901,099	98,845	-	*None*
Namibia Wildlife Resorts	43,341,127	19,315,309	70,065,390	5,989,722	-	91,500,000	*Government guarantee*
National Energy Fund	2,598,419,265	206,357,067	2,818,928,175	181,269,833	-	2,598,419,265	*Government guarantee & Cash Flow*
Seaflower Whitefish Corporation	9,232,233	619,869	9,250,027	518,623	-	38,500,000	*Government guarantee & Cash Flow*
The Government of the Republic of Namibia	48,531,545	12,311,210	147,057,187	21,175,566	-	145,599,596	*Letter of comfort*
	3,638,222,644	327,792,008	3,791,674,838	274,802,414	1,631,958	3,468,993,848	

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

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

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; and
4. Compliance risk management

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

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

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

Compliance with policies and exposure limits is reviewed by risk and compliance committee and the internal auditors on a continuous basis 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.

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

Management of credit risk

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

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

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

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

27. Financial risk management (contd.)
27.2 Credit risk (contd.)

Concentration risk is monitored by assessing the following exposure limits:

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

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

These exposure limits are determined on an annual basis.

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

Maximum exposure to credit risk

N$	2023	2022
Cash and short term funds	734,333,764	1,127,281,493
Loans and advances: at carrying amount	6,562,727,347	6,970,635,911
Installment sales	175,370,932	197,789,061
Term loans	6,319,025,969	6,704,112,501
Preference Share advances	68,330,446	82,945,869
Guarantees honored by Bank	-	(14,211,520)
Trade and other receivables	5,913,008	4,613,663
Staff home ownership scheme loans	114,458,783	121,266,513
	7,417,432,902	8,223,797,580
Amounts not recognised on the Statement of Financial Position		
Guarantees	142,914,216	140,370,921
Commitments to borrowers	468,273,220	1,097,636,309
	8,028,620,338	9,461,804,810

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"

Loans and advances to customers at amortised cost

N$ Risk category	2023 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	1,375,160,585	6,562,727,347

N$ Risk category	2022 Stage 1	Stage 2	Stage 3	Total
A	4,740,307,859	-	-	4,740,307,859
B	-	1,606,101,455	-	1,606,101,455
C	-	-	111,407,086	111,407,086
D	-	-	428,791,368	428,791,368
E	-	-	1,660,569,754	1,660,569,754
Gross value	4,740,307,859	1,606,101,455	2,200,768,208	8,547,177,522
Impairment allowances	(58,914,309)	(289,193,039)	(1,228,434,263)	(1,576,541,611)
Carrying amount	4,681,393,550	1,316,908,416	972,333,945	6,970,635,911

Installment sales to customers at amortised cost

N$ Risk category	2023 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)	(74,671,367)		
Carrying amount	62,428,037	22,081,022	90,861,872	175,370,932		

N$ Risk category	2022 Stage 1	Stage 2	Stage 3	Total	*Collateral held*	*Residual credit exposure*
A	95,666,206	-	-	95,666,206	*109,132,203*	*(13,465,997)*
B	-	14,566,726	-	14,566,726	*7,756,045*	*6,810,681*
C	-	-	1,264,890	1,264,890	*882,088*	*382,802*
D	-	-	72,587,882	72,587,882	*41,041,672*	*31,546,210*
E	-	-	152,630,015	152,630,015	*48,658,522*	*103,971,493*
Gross value	95,666,206	14,566,726	226,482,787	336,715,719	*207,470,530*	*129,245,189*
Impairment allowances	(8,156,934)	(4,611,023)	(126,158,701)	(138,926,658)		
Carrying amount	87,509,272	9,955,703	100,324,086	197,789,061		

27. *Financial risk management (contd.)*
27.2 *Credit risk (contd.)*

Preference shares to customers at amortised cost

2023

N$ Risk category	Stage 1	Stage 2	Stage 3	Total	*Collateral held*	*Residual credit exposure*
A	-	-	-	-	-	-
B	-	-	-	-	-	-
C	-	-	-	-	-	-
D	-	-	79,819,051	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	-	-	68,330,446	68,330,446		

2022

N$ Risk category	Stage 1	Stage 2	Stage 3	Total	*Collateral held*	*Residual credit exposure*
A	-	74,693,468	-	74,693,468	*25,600,000*	*49,093,468*
B	-	-	-	-	-	-
C	-	-	21,814,475	21,814,475	*11,804,935*	*10,009,540*
D	-	-	-	-	-	-
E	-	-	-	-	-	-
Gross value	-	74,693,468	21,814,475	96,507,943	*37,404,935*	*59,103,008*
Impairment allowances	-	(3,967,189)	(9,594,885)	(13,562,074)		
Carrying amount	-	70,726,279	12,219,590	82,945,869		

Term loans to customers at amortised cost

2023

N$ Risk category	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		

2022

N$ Risk category	Stage 1	Stage 2	Stage 3	Total	*Collateral held*	*Residual credit exposure*
A	4,651,289,356	-	-	4,651,289,356	*4,451,424,852*	*199,864,504*
B	-	1,517,056,253	-	1,517,056,253	*1,093,544,251*	*423,512,002*
C	-	-	109,633,963	109,633,963	*69,343,493*	*40,290,470*
D	-	-	333,947,998	333,947,998	*220,639,363*	*113,308,635*
E	-	-	1,497,682,948	1,497,682,948	*683,567,994*	*814,114,954*
Gross value	4,651,289,356	1,517,056,253	1,941,264,909	8,109,610,518	*6,518,519,953*	*1,591,090,565*
Impairment allowances	(50,467,335)	(277,236,784)	(1,077,793,897)	(1,405,498,016)		
Carrying amount	4,600,822,021	1,239,819,469	863,471,012	6,704,112,502		

Summary loans and advances at amortised cost

N$ Risk category	2023 Installment sales	Preference shares	Term loans	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	175,370,932	68,330,446	6,319,025,969	6,562,727,347		

N$ Risk category	2022 Installment sales	Preference shares	Term loans	Guarantees	Total	Collateral held	*Residual credit exposure*
A	95,666,206	-	4,651,289,356	(6,647,704)	4,740,307,858	4,804,458,438	*(64,150,580)*
B	14,566,726	74,693,467	1,517,056,253	(214,992)	1,606,101,454	64,579,237	*1,541,522,217*
C	1,264,890	-	109,633,963	508,234	111,407,087	281,632,084	*(170,224,997)*
D	72,587,882	21,814,475	333,947,998	441,013	428,791,368	182,100,068	*246,691,300*
E	152,630,015	-	1,497,682,948	10,256,791	1,660,569,754	290,440,664	*1,370,129,090*
Gross value	336,715,719	96,507,942	8,109,610,518	4,343,342	8,547,177,521	5,623,210,491	*2,923,967,030*
Impairment allowances	(138,926,658)	(13,562,073)	(1,405,498,017)	(18,554,862)	(1,576,541,610)		
Carrying amount	197,789,061	82,945,869	6,704,112,501	(14,211,520)	6,970,635,911		

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.

27. Financial risk management (contd.)
27.2 Credit risk (contd.)

Other loans and trade receivables

	Risk category	2023 Stage 1	Stage 2	Stage 3	Total
Staff home loans and benefits (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

	Risk category	2022 Stage 1	Stage 2	Stage 3	Total
Staff home loans and benefits (100% collateral)	A	121,266,513	-	-	121,266,513
Staff study loans	A	982,298	-	-	982,298
Trade receivables	A	4,709,940	-	-	4,709,940
Gross value		126,958,751	-	-	126,958,751
Impairment allowances		-	-	-	-
Carrying amount		126,958,751	-	-	126,958,751

		2023			2022		
N$	Risk category	Gross amount	Impairment allowances	Carrying amount	Gross amount	Impairment allowances	Carrying amount
Staff home loans	A	114,458,783	-	114,458,783	112,266,513	-	112,266,513
Staff study loans	A	829,333	-	829,333	982,298	-	982,298
Trade receivables	A	6,741,169	-	6,741,169	4,709,940	-	4,709,940
Carrying amount		122,029,285	-	122,029,285	126,958,751	-	126,958,751

Collateral

The Bank requires collateral in order to secure its own sustainability. Collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, investment securities, session of contract income and guarantees. Collateral values do not include collateral not readily convertible to cash or without reasonable determined value, for those collateral the Bank will obtains judgment whereby the assets are attached and then sold. The proceeds are used towards the settlement of debt.

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

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

Type of security	2023 Risk Value of Security ('RVS')	2022 Risk Value of Security ('RVS')
Immovable assets	• Residential properties: 70% - 90% of realisable market value • Commercial properties: 60% - 80% of realisable market value • Industrial properties: 50% - 70% of realisable market value	• Residential properties: 70% to 90% of realisable market value • Commercial properties: 60% to 80% of realisable market value • Industrial properties: 50% to 70% of realisable market value
Movable assets	• 60% of net present market value	• 60% of net present market value
Intangible assets	• 0% - 60% of net present market value	• 0% - 60% of net present market value
Ceded investments Shares / stocks / equity Callable cash investments	 • 100% of fair value • 100% of fair value	 • 100% of fair value • 100% of fair value
Third party collateral Ceded investments Bank and Government guarantees	 • As above for ceded investments • 100% of guarantee value	 • As above for ceded investments • 100% of guarantee value
Insurance - e.g., endowment policies	• 100% of surrender value	• 100% of surrender value
Debtors book (30 days)	• 70% of net present value	• 70% of surrender value
GRN and SOE guaranteed cash flows *(e.g., GRN loan repayments & ceded NEF strategic fuel storage levy)*	• 100% of exposure	• 100% of exposure

The Bank determines the fair value only in the following instances:
- on the date that the loan or advance is initiated; and / or
- when the loan or advance is being renegotiated; or
- when a loan or advance has been transferred to the collections department of the Bank.

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

As at 31 March 2023, the net carrying amount of credit-impaired loans and advances to corporate customers amounted to N$1,368,552,038 (2022: N$972,333,945) and the value of identifiable collateral mainly commercial properties) held against those loans and advances amounted to N$1,451,428,518 (2022: N$1,093,178,525). 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$4,203,635 (2022: N$3,956,122).

Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3.10.7.

Significant increase in credit risk

When determining 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 this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:
- quantitative tests, including any asset which is overdue 60 days or more; and
- qualitative indicators, including deteriorating collateral, deteriorating economic conditions or negative trends in the client's financial position.

Credit risk grades

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

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

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

27. Financial risk management (contd.)
27.2 Credit risk (contd.)

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.
- Analysis of the latest audited annual financial statements and / or Management Accounts, i.e., In terms of the Statement of Comprehensive Income the profitability of the business is assessed including Gross Profit margin, Net Profit margin and income before interest & taxation (EBITDA) and after interest & taxation; In terms of the Statement of Financial Position the solvency of the business is assessed as well as the liquidity and the debt to equity ratio; Statement of Cash Flows is assessed to understand where the cash is generated and how the cash is utilized.
- The repayment ability or affordability of the respective loan agreements is determined and the debt service cover ratio is calculated.
- The customer's performance risk is assessed to understand whether contracts are completed in time and within budget or whether contracts have consistent time delays and budget overruns. Where there are delays the nature of the delays are assessed whether caused by external uncontrollable factors like excessive rain, recession etc. or internally generated delays predicting performance risk which increases the probability of default on an account.
- The customer's business is assessed for all the risks that can influence the performance of the business and therefore its account with DBN i.e., forex risk, market risk including competition, supply/demand risk, sourcing of supplies and based on the risk assessment the probability of default is determined.
- On a portfolio basis, an analysis is performed of the categorisation of the loan book (performing, under-performing and credit impaired) and arrears report, comparing changes over time.
- Existing and forecast changes in business, financial and economic conditions.

The table below provides an indicative mapping of how the Bank's internal credit risk grades relate to IFRS 9 stages and recognition of expected credit losses. For additional information please refer to Measurement of ECL section later.

Staging table

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

Generating the term structure of PD

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

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. Management determines credit risk at a client level and not on an individual financial instrument level as the Bank believes this provides the most reliable assessment of credit risk. Consequently a client's credit risk assessment is assigned to all of the client's financial instruments.

What is considered significant differs for different types of lending, in particular between the Development Portfolio and Enterprise Portfolio. The DP portfolio includes smaller loans (e.g., SMEs), not limited to activities based exclusively on commercial operating principles, but also activities based on socio economic benefit with an inherent higher risk rating. The Government over the years provided grant funding for the SDF activities which form part of this portfolio. The DP portfolio exposure is limited to 10% of the total loan book based on the approved strategy. The DP portfolio exposure was N$276 million or 4.0% of total loans and advances at 31 March 2023 (2022: N$302 million or 3.6% of total loans and advances). Accounts with a turnover of less than N$10 million qualify to be in this portfolio with a minimum loan of N$150,000.

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

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

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period, generally of six (6) months, during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default:
- the criteria do not align with the point in time when an asset becomes 60 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;

- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

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

Definition of default

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

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

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g., breaches of covenant;
- quantitative: e.g., overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

The Bank's approach of using 60 days and 120 days in determining SICR and default is similar to the Bank of Namibia BID2 regulatory classification and industry practice for SICR in Namibia, while the default definition is based on internal risk management practices that adopted 120 days considering that its an unregulated, non-commercial bank with no wide-spread branch representation and without transactional banking facilities.

Incorporation of forward-looking information

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

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

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

N$

Scenario	Better	Base	Worse
Expected ECL provisioning	1,596,434,660	1,638,190,092	1,693,532,076
Reduction / (Increase) compared to Base case	53,943,009	-	-43,154,407
- Tourism & hospitality	850,325	-	-680,260
-Land servicing & housing	47,078,041	-	-37,662,433
-Manufacturing	1,022,975	-	-818,380
- Education	1,458,743	-	-1,166,994
- Construction	439,513	-	-351,611
- Business services	545,954	-	-436,763
- Wholesale & retail trade	352,925	-	-282,340
- Health	979,812	-	-783,850
- Telecommunications	778,808	-	-623,047
- Other sectors	435,913	-	-348,730

Measurement of ECL

The key Inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

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

27. Financial risk management (contd.)
27.2 Credit risk (contd.)

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

ECL for Stage 1 is calculated by multiplying the 12-month PD by the LGD and EAD

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

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

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

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

As described above, and subject to a maximum of a 12-month PD for Stage 1 financial assets, DBN measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, DBN considers a longer period. The maximum contractual period extends to the date at which DBN has the right to require repayment of an advance or terminate a loan commitment or guarantee.

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

Loans with renegotiated terms

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

The total outstanding balance of loans restructured during the period under review amounts to N$779,669,769 as at 31 March 2023 (2022: N$407,238,467).

Expected credit loss increased to N$1.64 billion (2022: N$1.58 billion). The increase is primarily due to increases in stage 3 assets to N$2.8 billion (2021: N$2.2 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 2023. These revisions have been 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$704,507,258 (2022: N$116,153,246) in loans that have been written off but are still subject to 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 meetings its obligations associated with its financial liabilities that are being settled by delivering cash or another financial assets.

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

The key measure used by the Bank is the cash level reserves measured as a percentage of capital reserves. For the period under review, the reserve levels were 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 2023 the cash level reserve stood at 23.1% (2022: 34.8%).

N$	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and balances with banks	296,168,867	296,168,867	299,787,280	299,787,280
Call deposits	438,164,897	438,164,897	827,494,213	827,494,213
Undrawn facilities *	280,000,000	-	470,000,000	-
Total liquidity reserves	1,014,333,764	734,333,764	1,597,281,493	1,127,281,493

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

Contractual undiscounted cash flows of financial assets and liabilities

	Contractual cash flows					
N$: 2023	Carrying amount	Demand	1-12 months	1-3 years	3-5 years	Over 5 years
Cash and cash equivalents	734,333,764	405,072,550	354,814,959	-	-	-
Trade and other receivables	7,570,502	7,570,501	-	-	-	-
Staff 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	7,419,090,396	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)	-	-	-
Credit line facility	(171,788,863)	-	(120,823,424)	(232,847,584)	(229,044,908)	(122,578,950)
Debt service facility	(44,645,653)	-	(44,645,653)	-	-	-
Relief loans	(332,058,978)	-	(93,854,197)	(178,100,697)	(84,215,707)	-
Line of credit facility	(3,894,534,313)	-	(532,719,543)	(1,017,965,952)	(953,491,039)	(2,199,208,163)
Bonds	(160,306,716)	-	(38,919,465)	(17,204,200)	(17,227,767)	(138,602,100)
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

27. Financial risk management (continued)
27.3 Liquidity risk (continued)

		Contractual cash flows				
N$: 2022	Carrying amount	Demand	1-12 months	1-3 years	3-5 years	Over 5 years
Cash and cash equivalents	1,127,281,493	557,849,836	573,638,190	-	-	-
Trade and other receivables	4,613,663	4,613,663	-	-	-	-
Staff home ownership scheme loans*	121,266,513	-	10,683,871	21,318,158	20,412,871	126,340,448
Loans and advances to customers	6,970,635,911	-	1,619,300,255	2,523,863,904	2,191,323,387	3,060,855,369
Total financial assets	8,223,797,580	562,463,499	2,203,622,316	2,545,182,062	2,211,736,258	3,187,195,817
Liabilities						
Trade and other payables	(28,329,508)	-	(30,029,481)	(1,675,925)	-	-
Bonds issued	(171,788,863)	(171,788,863)	-	-	-	-
Credit line facility	(379,324,809)	(379,324,809)	-	-	-	-
Relief Loans	(290,467,436)	-	(117,748,491)	(47,521,565)	(17,204,200)	(147,227,767)
Fixed term facility	251,441,700	-	(31,609,714)	(141,677,856)	-	-
Line of credit facility	(3,972,249,137)	-	(563,092,441)	(1,145,296,098)	(1,005,225,022)	(2,678,478,772)
Guarantees issued	-	(140,370,921)	-	-	-	-
Loan commitments	-	-	(1,097,636,309)	-	-	-
Total liabilities	(4,590,718,052)	(691,484,593)	(1,840,116,436)	(1,336,171,444)	(1,022,429,222)	(2,825,706,539)
Net liquidity excess/ (gap)	3,633,079,528	(129,021,094)	363,505,880	1,209,010,618	1,189,307,036	361,489,278
Cumulative liquidity excess	-	(129,021,094)	234,484,786	1,443,495,404	2,632,802,440	2,994,291,718

* Guarantees issued and loan commitments was included in the current year as it was erroneously excluded in the prior year.

27.4 Market risk

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

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

Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate 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 2023 would increase/decrease by N$8,894,319 (2022: increase/decrease by N$11,613,257). This is mainly attributable to the Bank's exposure to interest rates on its variable rate investment portfolio and floating price structure of loans advanced, and funding liabilities.

The Bank's sensitivity to interest rates has not changed during the current year. Loans and advances are normally priced at variable rates linked to market rates such as prime lending rate or Johannesburg Interbank Agreed Rate (JIBAR) and are re-priced as and when these

Interest rate exposure

N$ 2023 **Assets**	Effective interest rate	Carrying amount	Term to repricing Demand	1-12 months	2 - 5 years	Over 5 years	Non-interest earning / bearing
Cash and cash equivalents	7.27%	734,333,764	405,072,550	284,615,562	-	-	-
Trade and other receivables	-	7,570,502	-	-	-	-	7,570,500
Staff home ownership scheme	7.00%	114,458,783	114,458,783	-	-	-	-
Customer loans and advances	11.33%	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							
Bonds	9.67%	(160,306,716)	-	(130,000,000)	(30,306,713)	-	-
Line of credit facility	8.30%	(3,894,534,313)	-	(3,894,534,314)	-	-	-
Fixed term facility	5.25%	(44,645,653)	-	(44,645,653)	-	-	-
Credit line facility	6.91%	(171,788,863)	-	(171,788,863)	-	-	-
Trade and other liabilities	-	(157,539,118)	-	-	-	-	(157,539,118)
Relief loans	3.93%	(332,058,978)	-	(332,058,978)	-	-	-
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)

N$ 2022 **Assets**	Effective interest rate	Carrying amount	Demand	1-12 months	2 - 5 years	Over 5 years	Non-interest earning / bearing
Cash and cash equivalents	4.05%	1,127,281,493	560,857,667	566,423,827	-	-	-
Trade and other receivables	-	4,613,663	-	-	-	-	4,613,663
Staff home loans and benefits	4.03%	121,266,513	121,266,513	-	-	-	-
Customer loans and advances	7.79%	6,970,635,911	3,604,916,849	3,210,351,207	145,599,596	9,768,259	-
Total financial assets		8,223,797,580	4,287,041,029	3,776,775,034	145,599,596	9,768,259	4,613,663
Liabilities							
Bonds	8.85%	(290,467,436)	-	(130,659,887)	(129,864,388)	-	-
Line of credit facility	4.79%	(3,972,249,137)	-	(3,972,249,137)	-	-	-
Fixed term facility	6.62%	251,441,700	-	251,441,700	-	-	-
Relief loans	3.93%	(379,324,809)	(379,324,809)	-	-	-	-
Trade and other liabilities	6.91%	(171,788,863)	(171,788,863)	-	-	-	-
Dividends retained for redeployment	-	(28,329,508)	-	-	-	-	(28,329,508)
Total financial liabilities		4,590,718,052)	(551,113,672)	(3,851,467,324)	(129,864,388)	-	(28,329,508)
Net interest sensitivity excess / (gap)		3,633,079,528	3,735,927,357	(74,692,290)	15,735,208	9,768,259	(23,715,845)

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 and 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$	2023	2022
Equity investments	47,684,662	47,684,662

27. Financial risk management (continued)
27.4 Market risk (continued)

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 (2022: 14.48) was applied at year end and a movement of 10% was added or deducted to calculate the sensitivity.

N$	2023	2022
Profit or loss and equity	4,768,466	4,768,466

The sensitivity analysis represent 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. If the equity prices had been 5% higher or lower:

- Profit for the year ended 31 March 2023 would have been unaffected as the equity investments are classified as Equity investment FVOCI, and no investments were disposed of or impaired.
- Other comprehensive income for the year ended 31 March 2023 would increase/decrease by N$13,584,233 (2022: N$12,884,233)..

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 applicable to local financial institutions. At reporting date the Bank's capital adequacy ratio stood at 78% (2022: 102%).

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

N$	2023	2022
Share capital	165,000,000	165,000,000
Share premium	1,842,071,178	1,842,071,178
Retained earnings plus reserves	977,232,372	1,044,685,299
	2,984,303,550	3,051,758,499

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 on-going 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 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 include inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

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

The objective of using valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

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

The 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 categorized. The amounts are based on the values recognised in the Statement of Financial Position.

N$ 2023	Note	Level 1	Level 2	Level 3	Total
Equity investments at FVOCI					
Equity investments		-	-	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

N$ 2022	Note	Level 1	Level 2	Level 3	Total
Equity investments at FVOCI					
Equity investments		-	-	257,684,662	257,684,662
Ohorongo Cement (Pty) Ltd		-	-	210,000,000	210,000,000
Norsad Finance Ltd		-	-	47,684,662	47,684,662
Amazing Kids		-	-	-	-
Financial assets		-	-	257,684,662	257,684,662

The Ohorongo valuation model is sensitive to changes in forecasted sales volume. Forecasted sales is assumed to be based on 2022 actual escalated with a Namibian GDP forecast (2.74% 5 year average) view plus a 2%-point growth adjustment for local sales and a more aggressive expansionary growth rate for export sales, based on recent growth. If the forecast view is reduced by 2% annually (the additional growth adjustment factor) and the export growth removed, the valuation drops to N$169 million. This represents the worst-case result of the model. The best-case result produces a valuation of N$241 million, with the view that export sales remain the same as the base case, but the local sales growth factor increases to 5%-points from 2% in the base-case. Base-case overall plant utilisation growth is assumed, but is constrained within 80% utilisation during the five-year view. The selling price view is assumed to be CPI linked, with the base-case assuming a two-year 1%-point reducing adjustment to CPI growth. The key assumption used in the valuation model is disclosed below.

The Norsad valuation key sensitivity is to foreign currency fluctuation.

The Amazing Kids key assumption used for the valuation model is disclosed below.

Reconciliation of financial instruments

N$ 2023	Equity investments
Balance at 1 April 2022	257,684,662
Total gain recognised in other comprehensive income	14,000,000
Fair value at 31 March 2023	271,684,662

N$ 2022	Equity investments
Balance at 1 April 2021	267,684,662
Total loss recognised in other comprehensive income	(10,000,000)
Fair value at 31 March 2022	257,684,662

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 reporting date:

Ohorongo Cement (Pty) Ltd

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 the macro-economic considerations, such as the Russia-Ukraine conflict as well as the impact of increasing interest rates and inflation are reflected in 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.

28 *Fair value of financial instruments (continued)*

Applicable to 2022

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

1. Production and sales are based on Namibia GDP forecast, and an expected improvement in export volumes.
2. COVID-19 considerations are reflected in the use of the GDP forecast data.
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 13.5%.
5. A terminal growth rate percentage of 3.20% 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 (2022: 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 12.7 (2022: 12) times was used to estimate terminal value; and
5. COVID-19 considerations are reflected by the use of the weighted SADC forecast data.

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. Low confidence (turnaround strategy has not yet yielded verifiable results) in projections would produce an unreliable cash flow model;

29. Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where the Bank currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis ore realise the asset and settle the liability simultaneously.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements.

	2023			2022		
N$:	Gross amounts	Gross amounts set off in the statement of financial position	Net amounts presented in the statement of financial position	Gross amounts	Gross amounts set off in the statement of financial position	Net amounts presented in the statement of financial position
Financial assets						
Cash and cash equivalents	734,333,764	-	734,333,764	1,169,922,937	42,641,444	1,127,281,493
Trade and other receivables	7,570,502	-	7,570,502	5,692,238	-	5,692,238
Staff home ownership scheme loans	114,458,783	-	114,458,783	121,266,513	-	121,266,513
Loans and advances to customers	6,562,727,347	-	6,562,727,347	6,970,635,911	-	6,970,635,911
Total financial assets	7,419,090,396	-	7,419,090,396	8,267,517,599	42,641,444	8,224,876,155
Trade and other payables	157,539,118	-	157,539,118	28,329,508	-	28,329,508
Credit line facility	171,788,863	-	171,788,863	193,262,471	-	193,262,471
Debt service facility	44,645,653	-	44,645,653	-	-	-
Relief Loans	332,058,978	-	332,058,978	415,073,723	-	415,073,723
Line of credit facility	3,894,534,313	-	3,894,534,313	4,251,391,870	-	4,251,391,870
Bonds issued	160,306,716	-	160,306,716	260,524,278	-	260,524,278
Fixed term facility	-	-	-	189,166,597	42,641,444	146,525,153
Total financial liabilities	4,760,873,642	-	4,760,873,642	5,337,748,446	42,641,444	5,295,107,002

30. Analysis of assets and liabilities

The table that follows sets out the company's classification of assets and liabilities:

		2023					
N$:	Note	Total carrying amount	FVOCI	Amortised cost	Non-financial assets and liabilities	Current	Non-current and Non-contractual
Assets							
Cash and cash equivalents	11	734,333,764	-	734,333,764	-	734,333,764	-
Trade and other receivables	12	7,570,502	-	5,913,008	1,657,494	5,913,008	1,657,494
Staff home ownership scheme loans	15	114,458,783	-	114,458,783	-	13,145,489	101,313,294
Loans and advances to customers	13	6,562,727,347	-	6,562,727,347	-	1,143,286,438	5,419,440,909
Equity investments	17	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 liabilities	19.2	157,539,118	-	157,539,118	-	157,539,118	-
Credit line facility	19.5	171,788,863	-	171,788,863	-	25,245,385	146,543,478
Relief loans	19.6	332,058,978	-	332,058,978	-	86,604,433	245,454,545
Debt service facility	19.4	44,645,653	-	44,645,653	-	44,645,653	-
Line of credit facility	19.2	3,894,534,313	-	3,894,534,313	-	375,000,000	3,519,534,313
Bonds	19.3	160,306,716	-	160,306,716	-	100,000,000	60,306,716
Other non-financial liabilities	20	43,071,813	-	-	43,071,813		43,071,813
Total liabilities		4,803,945,456	-	4,760,873,642	43,071,813	789,034,590	4,014,910,865
Total equity		2,984,303,550	-	-	2,984,303,550	-	2,984,303,550
Total liabilities and equity		7,788,249,006	-	4,760,873,642	3,027,375,363	789,034,590	6,999,214,415

		2022					
N$:	Note	Total carrying amount	FVOCI	Amortised cost	Non-financial assets and liabilities	Current	Non-current and Non-contractual
Assets							
Cash and cash equivalents	11	1,127,281,493	-	1,127,281,493	-	1,127,281,493	-
Trade and other receivables	12	5,692,238	-	4,613,663	1,078,575	4,613,663	1,078,575
Staff home ownership scheme loans	15	121,266,513	-	121,266,513	-	19,583,304	101,683,209
Loans and advances to customers	13	6,970,635,911	-	6,970,635,911	-	1,235,144,426	5,735,491,485
Equity investments	17	257,684,662	257,684,662	-	-	-	257,684,662
Other non-financial assets		92,173,063	-	-	92,173,063	-	92,173,063
Total assets		8,574,733,880	257,684,662	8,223,797,580	93,251,638	2,386,622,886	6,188,110,994
Liabilities							
Trade and other liabilities	19.2	28,329,508	-	28,329,508	-	28,329,508	-
Credit line facility	19.5	193,262,471	-	193,262,471	-	193,262,471	-
Relief loans	19.6	415,073,723	-	415,073,723	-	415,073,723	-
Debt service facility	19.4	4,251,391,870	-	4,251,391,870	-	375,000,000	3,876,391,870
Line of credit facility	19.2	260,524,278	-	260,524,278	-	100,000,000	160,524,278
Bonds	19.3	146,525,153	-	146,525,153	-	146,525,153	-
Other non-financial liabilities	20	43,371,140	-	-	43,371,140	-	43,371,140
Total liabilities		5,338,478,142	-	5,295,107,002	43,371,140	1,258,190,854	4,080,287,288
Total equity		3,051,756,477	-	-	3,051,756,477	-	3,051,756,477
Total liabilities and equity		8,390,234,619	-	5,295,107,002	3,095,127,617	1,258,190,854	3,051,756,477

* Current and non-current split was not included in the prior year due to an error. This has been updated in the current year restrospectively.

31. Notes to the cash flow statement

N$	Note	2023	2022
31.1 Cash generated by operations			
Loss for the year		(269,821,779)	(184,499,259)
Adjusted for:			
Unwinding of discounted present value on off-market loans		3,434,784	7,908,387
Fair value adjustments of off-market loans		(52,555)	(2,171,712)
Depreciation and amortisation		9,817,874	8,264,120
Net impairment on loans and advances		533,098,535	446,838,849
Gain on disposal of property and equipment		(53,114)	(10,000)
Government grants received		(21,500,000)	(22,500,000)
Interest on lease liabilities		360,759	272,412
Lease payments on lease liabilities		(3,328,346)	(2,939,060)
Accrued interest		14,623,802	2,850,325
IIS reversal and Interest on net credit impaired loans per IFRS9		6,669,581	11,366,943
		273,249,541	265,381,004
Increase in trade receivables		(1,878,264)	(240,135)
Decrease in trade payables		(3,637,252)	(4,730,389)
		267,734,025	260,410,481
31.2 Cash receipts from customers			
Interest received		654,944,584	612,684,079
Bad debts recovered		23,668,785	14,735,416
Fee and dividend income		22,266,652	22,301,733
		700,880,021	649,721,228
31.3 Cash paid to suppliers and employees			
Interest paid		(291,853,365)	(259,349,847)
Operating expenditure		(141,292,630)	(129,960,900)
		(433,145,996)	(389,310,747)
31.4 Decrease in loans and advances			
Staff home ownership scheme loans		(288,413)	(3,399,862)
Loans and advances		8,718,550	504,127,346
		8,430,137	500,727,484

32. Segment information

Chief operating decision maker (CODM)	Board of Directors
Identification and measurement of operating segments	Aligned with the internal reporting provided to the Board of Directors and reflects the risk and rewards related to the Bank.
Reportable segment	DBN considers its banking operations as one operating segment.

* In the prior year the Bank disclosed segment reporting erroreously based on the split between SME customers, LE customers and Corporate. IFSR 8 was applied incorrectly in prior yearand this was an error.

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

Internal reporting provided to the CODM is not split between LE and SME, therefore no reportable segment exist.

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