

# ANNUAL REPORT 2020

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## ABBREVIATIONS AND ACRONYMS

<b>ARIC</b>	Audit, Risk and Investment Committee
<b>BoN</b>	Bank of Namibia
<b>DGF</b>	Deposit Guarantee Fund
<b>DGS</b>	Deposit Guarantee Scheme
<b>GDP</b>	Gross Domestic Product
<b>NDGA</b>	Namibia Deposit Guarantee Authority
<b>NFSS</b>	Namibia Financial Sector Strategy
<b>SARB</b>	South African Reserve Bank
<b>SDIC</b>	Singapore Deposit Insurance Corporation
<b>SDIS</b>	Singapore Deposit Insurance Scheme



# **CHAIRPERSON'S STATEMENT**

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Ebson Uanguta  
**BOARD CHAIRPERSON**

# CHAIRPERSON'S STATEMENT

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**It is with great pleasure that I present the first Annual Report and Financial Statements of the Namibia Deposit Guarantee Authority (NDGA) for the year ended 31 December 2020.** The year 2020 marks the first full year of operationalisation of the NDGA. The Report provides relevant information presented in the three principal sections of the Report: background information and management of the NDGA; key activities undertaken during the year under review; and the financial statements as at 31 December 2020.

**The need to establish a Namibian deposit guarantee scheme (DGS) emanated from the Namibia Financial Sector Strategy (NFSS), which was adopted in 2012.** The Strategy serves as the country's roadmap for transforming the financial sector into a more competitive, resilient and inclusive sector that would enable the economy to attain its highest potential. The NFSS, inter alia, advocates for an appropriate financial safety net to be put in place to ensure depositors' protection and thereby contribute to the country's financial stability. The key imperative in this regard, was the need to establish an appropriate DGS, aimed at protecting depositors in the event of a bank failure. This was deemed critical to the Namibian financial sector as the existence of a DGS would provide confidence in the financial system and reduce the risk of a financial-system crisis.

**The Namibia Deposit Guarantee Authority was therefore established by the Namibia Deposit Guarantee Act, 2018 (No. 16 of**

**2018).** The Act was gazetted on 28 December 2018 and fully operationalised on 1 February 2020. In line with international best practices, the main objectives of the NDGA's Deposit Guarantee Scheme include the protection of a high percentage of depositors against the loss of their deposits by providing compensation in the event of bank failures, as well as the enhancement of financial stability since a portion of total deposits are thereby insured. The existence of the Deposit Guarantee Scheme therefore ensures that depositors have access to all (or part) of their funds in the event of a bank failure. It also guards against panic withdrawals by assuring depositors of the safety of their deposits even in the event of a bank failure, thereby reducing the likelihood and scale of a systemic crisis.

## 2020 marks the first full year of operationalization of the NDGA.

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**The year 2020 will go down as one of the most challenging in human history as a result of the coronavirus pandemic, which has resulted in economic vulnerabilities in both developing and advanced economies.**

For Namibia - as with other developing economies - the economic costs of the pandemic have been profound. The coronavirus outbreak severely restricted social interaction and economic exchange nationally and it resulted in both supply and demand shocks, affecting poor and vulnerable members of the society the most. The Namibian economy is estimated to have contracted by 8.0 percent in 2020, the deepest recession ever in the history of independent Namibia.

**The pandemic has had negative impact on the Namibian banking Industry.** The devastating impact of the pandemic was evident in the deterioration of asset quality in the Namibian banking sector, as observed in increases in non-performing loans. By the end of 2020, however, the sector had proved itself to be resilient to these shocks, remaining stable while operating in an efficient manner. Total banking-sector assets continued to grow, with liquid assets and capital well in excess of the required statutory minimum requirements.

**During its first year, the Namibia Deposit Guarantee Authority established a sound organisational architecture, ensuring smooth operations in a challenging year.** I am proud to say that we have managed to create an efficiently operating institution within a short period of time and in the most cost-effective manner possible. Several required and relevant policies, charters and agreements were developed and approved by the Board and on the legal front, a number of regulations and determinations were approved and published in the Government Gazette

(as highlighted further in this Report). The establishment of the Deposit Guarantee Fund and the operationalisation of the Investment Policy and Guidelines are a few of the major milestones during our first year of operations. Member institutions, as required by law, have all paid their first annual premiums and such funds have been invested as per the approved Investment Policy and Guidelines.

**Our success is a result of unyielding support from our stakeholders.** Let me therefore take this opportunity to commend the Board of Directors, management and staff of the NDGA for their loyalty and dedication to service. I also wish to thank our key stakeholders, particularly the member institutions, for their continued support, cooperation and patience during a trying year. As we emerge from this challenging 12-month period, we look forward to the future with hope and optimism for what we can achieve during the coming year and beyond.



Ebson Uanguta

**NAMIBIAN DEPOSIT  
GUARANTEE AUTHORITY  
BOARD CHAIRPERSON**





# HEAD OF THE AUTHORITY'S STATEMENT

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Emma Haiyambo  
**HEAD: NAMIBIA DEPOSIT  
GUARANTEE AUTHORITY**



# HEAD OF THE AUTHORITY'S STATEMENT

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**This first Annual Report of the Namibia Deposit Guarantee Authority is prepared as per Section 32 (b) of the Namibia Deposit Guarantee Act, 2018.** It presents information pertaining to the management and governance of the NDGA; the Authority's operations; as well as information pertaining to the Deposit Guarantee Scheme and Deposit Guarantee Fund's performance. Furthermore, the Report presents the audited Financial Statements, indicating the financial position of the NDGA as at 31 December 2020.

**The year under review marks our first full year of operations.** While we have achieved a great deal over this period, we have done so under challenging conditions following the outbreak of the coronavirus pandemic, which has negatively impacted domestic, regional, and global economic performance. The disruption in supply chains, coupled with the necessary restrictive measures taken by governments all over the world, has had negative effects, particularly on small and medium enterprises globally. This has resulted in significant losses of income and jobs.

**In Namibia, the devastating effect of COVID-19 has been felt across major sectors of the economy.** The regulatory measures and restrictions imposed to curb the pandemic have negatively impacted industries and sectors such as tourism, mining, transport, manufacturing, wholesale and retail trade, and construction. Despite the observed deterioration in asset quality, our banking industry has remained profitable, liquid, and well capitalized during the year under review. The industry has recorded positive returns on equity and assets

during the reporting year and maintained robust capital positions, with the industry's capital adequacy position virtually unchanged at 15.2 percent in 2020, compared to 15.3 percent in 2019. Deterioration in assets quality was unavoidable as the non-performing loan ratios continued their downward trajectory, reaching the lowest level of 6.4 percent during 2020, from 4.8 percent in 2019.

**As a newly established institution, we take pride in the work we have done during our first year of operations.** We were only able to do so with the support of our stakeholders, however, who comprise our most valuable assets. I wish to express my gratitude for the overwhelming support we have received from the Bank of Namibia and the Ministry of Finance as well as our member institutions. This has contributed immensely to the fulfilment of our mandate. I also want to thank the Board of Directors and NDGA staff for their dedication and commitment in the execution of our mandate. We look forward to 2021 with a sense of renewal and optimism.



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Emma Haiyambo  
**HEAD: NAMIBIA DEPOSIT  
GUARANTEE AUTHORITY**

# CORPORATE CHARTER

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**The Namibia Deposit Guarantee Authority was established in terms of the Namibia Deposit Guarantee Act (Act 16 of 2018).** The Authority was established to manage and administer the Deposit Guarantee Scheme. The Scheme's objective is the efficient and transparent compensation of depositors in the event of bank failure. Our Corporate Charter establishes the NDGA's corporate identity in pursuit of its mandate and highlights the vision, mission and guiding values of the NDGA.

**The NDGA aspires to be a credible institution committed to ensuring the protection of depositors against the risk of loss of their deposits.** In pursuit of this vision, staff members, the Board of Directors, and anyone else acting on behalf of the NDGA are guided by a set of values that ensure that the Authority delivers on its mandate, while ensuring its credibility.

## Our Vision

To be a credible institution committed to ensuring the protection of depositors.

## Our Mission

To establish and administer the Deposit Guarantee Scheme for the protection of depositors against risk of loss of their deposits.

## Our Core Values

- **Integrity** We are truthful and honest in all areas of our professional and personal lives.
- **Professionalism** We conduct ourselves in a professional manner at all times in the execution of our duties and when engaging with our stakeholders.
- **Transparency** We pride ourselves on providing complete information when required and authorised.
- **Accountability** We are accountable to our principals and stakeholders and take full responsibility for our actions.



# **PART A: BACKGROUND AND MANAGEMENT OF THE NDGA**

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# PART A: BACKGROUND AND MANAGEMENT OF THE NDGA

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**Banking institutions play a critical role in enhancing economic growth and development.** They represent a vehicle through which financial intermediation takes place and thereby contribute to economic growth and employment creation. The failure of such important institutions can therefore have devastating consequences for both the host economy as well as the global financial system, depending on the extent to which such institutions are integrated into the global system.

**The global market has in the past experienced, and still continues to experience, failures of banking institutions.** A bank failure occurs when a bank is unable to meet its obligations to its depositors and/or other creditors because it has become insolvent or too illiquid to honour these obligations. Globally, more banks failed in the 1980s than in the entire post-Depression period up to the end of the 1970s, and many of these latter failures occurred with banking institutions that were big enough for their failure to cause both national and international financial instability. To manage the negative impact of bank failures that have the potential to contribute to global financial crises, certain countries have introduced depositor guarantee/insurance schemes over the years. This has been done to minimize the negative impacts of such failures by ensuring the transparent, timely and efficient reimbursement of depositors.

**Governments have historically bailed out many banks in the absence of any deposit guarantee schemes (DGSs).** This is usually in cases where such banking institutions' failures were calamitous enough to result in a systemic crisis. These implicit guarantees were, however, always at the discretion of governments and therefore did not offer any meaningful peace of mind and certainty for depositors and as a result, there has been strong growth in the establishment of formal, explicit DGSs. According to recent information obtained from the website of the International Association of Deposit Insurers, it has recorded a total of 143 countries with established deposit guarantee/insurance schemes.

**One of the crucial considerations for any regulatory structure aimed at protecting small depositors while contributing towards financial stability is the existence of a deposit guarantee or insurance scheme.** The Namibia Financial Sector Strategy (NFSS), which was developed by the country's financial authorities and stakeholders, has therefore advocated for a 'safety net' to be put in place to protect small depositors. This stance was informed by developments in global markets, where countries have responded to bank failures by establishing their own deposit guarantee schemes.

**In order to achieve this objective, the NFSS called for a study to be conducted to determine the feasibility and appropriate format of a deposit guarantee and resolution scheme for Namibia.** A feasibility study was duly concluded and recommended that - in line with international practice as well as developments in the region and in view of the growth in Namibia's banking industry - the time was ripe for the country to consider establishing its own DGS. The primary objective of the envisaged scheme was to protect smaller depositors in the event of bank failures by ensuring that depositors are reimbursed with the value of their guaranteed deposits in an efficient, transparent and timely manner.

**In line with international best practices, the main objectives of the Deposit Guarantee Scheme include the protection of a high percentage of depositors against the loss of their deposits.** This is done by providing compensation in the event of bank failures, as well as the enhancement of financial stability through the insurance of a portion of total deposits. The existence of the Deposit Guarantee Scheme ensures that depositors have access to all (or part) of their funds in the event of a bank failure. It is also meant to prevent panic withdrawals by assuring depositors of the safety of their deposits even in the event of a bank failure, thereby reducing the likelihood

and scale of a systemic crisis. In this manner, the stability of the financial sector is to some extent supported.

**An explicit deposit guarantee scheme does not, in itself, ensure that there will be no bank failure.** Other necessary mechanisms - both from a regulatory perspective and from an institutional management perspective - should still be put in place to minimize the risk of a bank failure. In fact, in order to deal with moral-hazard issues, a successful DGS should be accompanied by an effective regulatory framework. This is particularly pertinent since a DGS, if improperly designed, can give rise to moral hazard in the sense that it removes one potential constraint on the banks' desire to take on excessive risks. In other words, a situation should be avoided where banks are willing to take on excessive risks when they recognize that there is a DGS to fall back on in the event of failure. In relation to the coverage limit, the initial threshold has been set at N\$25,000 per depositor; this limit is high enough to ensure that around 90 percent of depositors receive their deposits back in full. However, because a relatively small number of depositors hold significant deposits, only about five percent of the total value of insurable deposits would be covered in full.

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## MANDATE AND POWERS

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**The Act provides the NDGA with a clear mandate and powers to execute its functions.**

The Namibia Deposit Guarantee Authority Act clearly defines the Namibia Deposit Guarantee Authority's primary mandate, which is the compensation of depositors in the event of bank failure. The NDGA is an independent juristic entity but it is administratively managed within the existing structures of the Bank of Namibia. The NDGA has clearly specified powers to fulfil its mandate. These powers enable it to:

- provide, in accordance with the provisions

of the law, insurance against the loss of deposits;

- collect premiums from member banks in accordance with the provisions of the law;
- manage and administer the Deposit Guarantee Fund;
- assess claims made against the Fund by depositors and determine the eligibility and entitlement of claimants in accordance with the provisions of the Act;
- keep the public informed and promote public understanding of the benefits and limitations of the Deposit Guarantee Scheme; and
- engage in public-awareness programmes aimed at increasing financial literacy and creating better-informed depositors.

## GOVERNANCE AND MANAGEMENT

The Namibia Deposit Guarantee Authority is operationally independent, accountable, and free from potential political and industry influence. It resorts under the Bank of Namibia for day-to-day administrative functions, while the policy formulation function and oversight of the NDGA resort under an independent Board of Directors. The NDGA is also mandated to prepare annual reports that must be presented to the Minister of Finance and Parliament for scrutiny.

**Ebson Uanguta**  
Chairperson,  
Non-Executive Director  
(macroeconomics, regulation,  
and monetary policy expert)

### The Board of Directors

The NDGA is managed by a Board of Directors, as provided for under Section 6 of the Namibia Deposit Guarantee Act. The Board is responsible for the general policy, control, and administration of the business and affairs of the NDGA; the adoption of rules and determining policies for the administration and

functioning of the NDGA; fulfilling such functions and exercising such powers as set out in the Act; and advising the Minister of Finance on any relevant and related matters.

In accordance with Section 6 (2) of the Act, the Board consists of the following persons appointed by the Bank of Namibia with the approval of the Minister:

- The Deputy Governor, referred to in Article 128(2) of the Namibian Constitution and appointed in terms of Section 4(2) (b) of the Bank of Namibia Act, who is the Chairperson of the Board.
- A representative from the Ministry responsible for finance, nominated by the Minister of Finance.
- Two persons with relevant qualifications and experience in the field of law, banking, finance, accounting, or in any other field relevant to the functions of the Board.
- A person representing the interests of consumers.
- The Head of the NDGA, who is an ex officio member of the Board with no voting rights

**Emma Haiyambo**  
Executive Director (Ex Officio)  
(macroeconomic policy and  
development finance)



Below are the Board members of the NDGA.



**Festus Nghifenwa**  
Non-Executive Director  
Member: Audit,  
Risk and Investment  
Committee  
(macroeconomic and  
fiscal policy expert)



**Ulrich Eiseb**  
Non-Executive Director  
Chairperson of the Audit,  
Risk and Investment Committee  
(accounting and finance expert)



**Linda Dumba Chicalu**  
Deputy Chairperson,  
Non-Executive Director  
Member: Audit, Risk and  
Investment Committee  
(legal and consumer  
protection expert)



**Kenneth S. Matomola**  
(finance & banking and regulation expert)

**In line with the requirements of the Act, and in order to observe good corporate governance, the Board meets on a regular basis to oversee and monitor the NDGA's finances, operations, and policies.** An important element of the governance structure of the NDGA is that the Board establishes and delegates certain functions to committees. For the first year of the Authority's existence - and in view of its administrative set-up - it was deemed necessary to establish just one committee, namely the Audit, Risk and Investment Committee (ARIC). The establishment of the Committee is also in line with Section 14 of the Namibia Deposit Guarantee Act, which states that the Board may establish one or more committees consisting of directors who will assist and advise the Board in the exercise of its powers and performance of its functions or duties.

## **The Roles and Activities of the ARIC**

**The Board has established the Audit, Risk and Investment Committee.** The Committee is established to assist it in implementing an effective policy and plan for risk management and internal control models so as to enhance the NDGA's ability to achieve its strategic objectives and ensure its sustainability.

In particular, the Committee is responsible for matters related to: financial reporting, internal control systems, risk assessment, overseeing external audit functions and reviewing investment policies and functions, as well as carrying out all other powers and functions as may be delegated or assigned to it by the Board. As such, the ARIC has to make regular reports to the Board pertaining to the above-mentioned responsibilities since the Board remains the overall custodian of good corporate governance of the NDGA.

## **Administration and Management**

**In line with the signed Service Level Agreement, the BoN has seconded three of its staff to manage and operationalise the NDGA on a part-time basis.** This was considered to be the most cost-effective strategy at the establishment of the NDGA given that the new institution is still in its infancy. The current staff seconded to the Authority are as follows:



**Emma Haiyambo**

Director: Strategic Communication and  
Financial Sector Development and Head  
of the Authority



**Petrus Shifotoka**  
Principal Economist



**Emile Van Zyl**  
Technical Advisor

## MEMBERSHIP AND COVERAGE

**The Act requires that all Namibian registered banking institutions as well as branches of foreign banks and building societies be members of the DGS.** Many deposit guarantee or insurance schemes around the world have mandated the compulsory participation of deposit-taking institutions in their deposit guarantee system. Membership of the Namibian Deposit Guarantee Scheme is also mandatory and includes all Namibian registered banking institutions as well as branches of foreign banks and building societies.

### **The DGS covers identified types of Deposits.**

Most types of deposits received by a bank in its usual course of business - such as savings, call, and term deposits - are covered by the Scheme. Notable exclusions are foreign currency accounts and tradeable debt and deposit instruments - such as negotiable certificates of deposit and deposits of institutions regulated and supervised by the Namibia Financial Supervisory Authority (NAMFISA), e.g., pension funds and investment managers. Deposits from institutions in which the Government of Namibia is a shareholder are also not covered.

**A depositor is covered up to a predetermined limit in respect of the total of all their deposits at the failed banking institution.** Where a depositor holds more than one deposit in

the failed banking institution, the value of all deposit accounts held by that depositor in that banking institution will be added together and they will be compensated up to the maximum coverage limit. The coverage limit is therefore determined per depositor and not per deposit. The guarantee coverage referred to above is to be reviewed regularly by the Board and the threshold is currently set at N\$25,000 as this level will ensure that a significant number of small depositors will be covered in the event of a bank's failure.

### **The Scheme also provide partial coverage for depositors with deposit values above the coverage limit.**

The remaining depositors (with total deposits of more than N\$25,000) are also covered up to the N\$25,000 limit; therefore depositors with more than the threshold of N\$25,000 are eligible to receive a reimbursement up to the threshold value. These depositors are referred to as 'Partly covered' in Table 1, below. While they represent only 8.8 percent of the total number of depositors, their deposits by value contribute almost 95 percent to the total qualifying deposits. However, in the event of a bank failure, these depositors would on aggregate only recoup about 6 percent of the value of the deposits they held through the Scheme. For deposits above N\$25,000, the depositors would typically be concurrent creditors of the bank involved. Furthermore, it is worth noting that any additional increases in the maximum amount per depositor covered will be minimal from a depositor-coverage point of view as it will have a limited impact on the number of additional depositors that are fully covered, while the costs would increase exponentially.

**Table 1: Summary of estimates of the deposit and depositors' coverage as at 31 December 2020**

At N\$25,000 coverage	Fully covered	Partly covered	Total
Value of qualifying deposits	N\$3,086,428,669.97	N\$53,526,859,866.56	N\$56,613,288,536.53
Percentage of total qualifying	5.5%	94.5%	100.0%
Number of depositors	1,358,709.00	130,504.00	1,489,213.00
Percentage of all depositors	91.2%	8.8%	100.0%
Exposure of the DGS	N\$3,011,722,823	N\$3,068,025,000	N\$6,079,747,823



## FUNDING

**A deposit guarantee authority requires a sustainable funding model to ensure the immediate reimbursement of depositors' claims.**

In most countries with deposit guarantee systems, the primary responsibility for paying the cost of a deposit guarantee is borne by the banks because they and their clients benefit directly from having the deposit guarantee scheme in place. In practice, a DGS can adopt various forms: ex-ante, ex-post, or hybrid. Ex-ante funding of a DGS refers to the accumulation and maintenance of funds to cover deposit guarantee claims prior to the failure of a bank. It is primarily funded by members through contributions and premiums. On the other hand, in the case of the ex-post funding model, funds to cover deposit guarantee claims are only collected from member banks when a bank fails. The hybrid system involves the collection of funds through the ex-ante approach but includes a mechanism (when there is a shortfall) to obtain funds ex-post from members and/or to borrow from the government, or the market.

**The DGS has adopted an ex-ante approach with borrowing powers.** This is regarded as a more equitable strategy as it spreads the cost of the deposit guarantee over time and avoids making it

too expensive. All member institutions - including banking institutions and branches of foreign banks as defined by the Banking Institutions Act (No. 2 of 1998), as amended, as well as building societies - contribute premiums to the Deposit Guarantee Fund (DGF). The main source of income of the NDGA for the benefit of the Fund and its expenses thus comprises premium contributions collected on an annual basis by the scheme administrators from member institutions, calculated with reference to the size of the member institution's deposit base and its risk score as determined by the Bank of Namibia.

**While annual premiums differ significantly between banks according to their risks, the target fund and risk-based contributions are based on two principles:**

- That the premiums will be based on the following four risk categories:
  - ◆ Category 1: 8 basis points
  - ◆ Category 2: 16 basis points
  - ◆ Category 3: 32 basis points
  - ◆ Category 4: 64 basis points
- Premiums are determined in accordance with the 'double-up principle', implying that the premiums for the highest-risk banks are eight times higher than for the lowest-risk banks.



These two principles are designed to ensure that the NDGA is fair in setting its annual premiums and remains sustainable and able to respond to bank failures in a timely and effective manner. Premiums for higher-risk banks are higher than for lower-risk banks since the likelihood of such banks failing is higher than it is for lower-risk banks.

**The Determination dealing with premiums payable as per risk categories has established that all banks will be considered to be Category 1 institutions until the end of 2021.** This is to allow all banks to prepare themselves for the differentiated risk-based premium structure that will penalize bad risk management and reward good risk management in the future.

## **BOX 1: Deposit Guarantee Schemes – A Global Context**

**There have been numerous bank failures over the years, experienced in both developing and advanced economies.** A total of 171 banks failed in the US between 1979 and 1987 alone. Many of these failed US banks were smaller institutions located in areas of the mid-west, south-west and west of the country, and 78 percent of them had less than US\$50 million in assets. Clarke (1988) conducted a study looking at factors that caused these banks to fail which showed that deficiencies within boards of directors and management were the primary internal problems faced by these failed banks. The US has two federally mandated deposit insurance systems: the Federal Deposit Insurance Corporation provides explicit protection for deposits in banks and savings associations while the National Credit Union Administration provides protection of depositor funds in credit unions (termed share accounts) under a separate legislative mandate.

**Even countries with strong and stable banking systems have established some sort of deposit guarantee or insurances scheme.** This includes countries such as Singapore - with a banking industry ranked among the strongest in the world - which has established the Singapore Deposit Insurance Scheme (SDIS) to minimize the devastating effects of bank failures. In Singapore, the banking industry offers a wide range of financial

services, including traditional lending and deposit-taking functions as well as corporate and investment banking activities and its consumers enjoy the benefits of a sound banking system. Banks and finance companies licensed in Singapore are supervised by the Monetary Authority of Singapore, whose aim is to ensure the stability of the national banking system and to oblige financial institutions to have sound risk-management systems and adequate internal controls in place. This does not guarantee the soundness of individual financial institutions, however, as a result (and like many other countries) Singapore has experienced its share of bank failures over the years (Singapore Deposit Insurance Scheme, 2019).

**The SDIS has been established to protect the core savings of small depositors in Singapore in the event that a bank or finance company fails.** All commercial banks and finance companies in Singapore are SDIS members, except those exempted by the Monetary Authority of Singapore. The Singapore Deposit Insurance Corporation Ltd (SDIC) covers individuals and other non-bank depositors with insured deposits placed with an SDIS member. Other non-bank depositors include sole proprietorships, partnerships, companies, and unincorporated entities such as associations and societies.

**If a member of the SDIS fails, all depositors entitled to receive compensation are notified regarding the details of how compensation will be made.** Depositors do not need to file claims with the SDIC as pay-outs are computed

based on the records of the failed SDIS member and the SDIC aims to pay out compensation to depositors entitled to compensation as soon as possible. Payment may be made by cheque or by depositing the amount of compensation into new accounts opened for the insured depositors with another SDIS member appointed by the SDIC.

**In recent years, an increasing number of countries have introduced deposit guarantee or insurance schemes.** As of 2018, the International Association of Deposit Insurers has recorded 143 countries and regions worldwide with deposit guarantee or insurance schemes. A list of some deposit guarantee and insurance schemes established in selected countries can be found in Table 2, below:

**Table 2: Some examples of deposit guarantee and insurance schemes worldwide**

Country	Name of deposit insurer	Year established
USA	The Federal Deposit Insurance Corporation	1933
India	Deposit Insurance and Credit Guarantee Corporation	1962
USA	The National Credit Union Administration	1970
Turkey	Savings Deposit Insurance Fund	1983
Kenya	Kenya Deposit Insurance Corporation	1985
Nigeria	Nigeria Deposit Insurance Corporation	1989
Tanzania	Deposit Insurance Board of Tanzania	1991
Uganda	Bank of Uganda	1994
Sweden	Swedish National Debt Office	1996
Ukraine	Deposit Guarantee Fund	1998
France	Fonds de Garantie des Dépôts et de Résolution	1999
United Kingdom	Financial Services Compensation Scheme	2000
Zimbabwe	Deposit Protection Corporation	2003
Tajikistan	Individuals' Deposit Insurance Fund	2004
Finland	Finnish Financial Stability Authority	2005
Malaysia	Malaysia Deposit Insurance Corporation	2005
Singapore	Singapore Deposit Insurance Corporation Ltd	2006
Malawi	Deposit Protection Agency	2008
Sri Lanka	Sri Lanka Deposit Insurance and Liquidity Support Scheme	2010
Central African Economic and Monetary Community	Deposit Guarantee Fund in Central Africa	2011
West African Monetary Union	West African Monetary Union Deposit Insurance Fund	2014
Ghana	Ghana Deposit Insurance Corporation	2016

Source: International Association of Deposit Insurance, 2020

**Regionally, South Africa presents compelling examples and lessons as far as bank failures are concerned.**

The country has recorded a significant number of bank failures over the past 15 years and has a well-developed and regulated banking system that compares favourably with those of other industrialised countries. Although the South African banking sector has been through periods of volatility and change in the past, it has attracted a lot of interest from abroad, with a number of foreign banks establishing their presence in the country and others acquiring stakes in major banks (Businesstech, 2019).<sup>1</sup>

**There a number of factors that contributed to bank failures.**

As with many countries, the reasons for bank failures in South Africa over the past years include credit risks, market risks, liquidity risks, capital requirements, bank regulation, inefficient management, and external economic factors. Oile-Balogun (2016) highlighted the fact that even though the majority of the South African banks ultimately resolved their liquidity problems, the ways in which this was done often resulted in the banks ‘shutting down’ in one way or another. As a result of various deals, sell-offs and mergers, over 20 banks have been deregistered in South Africa since 1990.

**Given its history of bank failures, South Africa is at advanced stage of establishing a deposit insurance scheme.**

The main policy objective of a deposit insurance scheme for South Africa would be to protect less-financially literate depositors in the event of a bank failure, thereby contributing to consumer protection and enhancing the stability of the South African financial system. By protecting the covered deposits in all banks, the deposit insurance scheme could also contribute to the development of a less-concentrated banking sector, thereby supporting financial inclusion and transformation of the sector (South African Reserve Bank, 2017).

The proposal is for an explicit, privately funded deposit insurance scheme with the following features:

- There should be a ‘paybox-plus’ mandate, which would allow for the reimbursement of the covered deposits if a bank failed, and which should also support other forms of resolution, provided that this would cost the deposit insurance scheme less than sums it would have had to pay out in the event of the liquidation of a bank.
- The scheme should be established as a subsidiary of the South African Reserve Bank (SARB), making it a separate legal entity with its own legislative framework and governance requirements, although remaining physically located within the SARB.
- Membership of the scheme should be compulsory and automatic for all registered banks, and the deposit insurance entity should be consulted whenever an application for a new banking licence is received.
- Qualifying deposits should include all the deposits held with banks, with the exception of deposits made by banks and by the non-bank private financial sector (including money market unit trusts, non-money market unit trusts, insurers, pension funds, fund managers, and other private financial corporate sector institutions).

It is thus in line with international experiences and best practices that Namibia decided to establish a Namibian Deposit Guarantee Scheme through an Act of Parliament, i.e., the Namibia Deposit Guarantee Act (No.16 of 2018).

<https://businesstech.co.za/news/banking/231009/all-the-south-african-banks-that-have-failed-in-the-past-30-years>



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**Disclaimer:** The information contained in this article was published in the 2018 Annual Report of the Bank of Namibia. The information is published here as it is deemed relevant for the stakeholders of the Namibia Deposit Guarantee Authority.

# **PART B: THE YEAR UNDER REVIEW**

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# AN OVERVIEW OF MACROECONOMIC AND INDUSTRY DEVELOPMENTS

**The year under review will go down in history as one where the global economy experienced extreme challenges.** Such significant challenges emanated from the effect of the coronavirus pandemic, which severely disrupted supply chains and saw global GDP contracting significantly throughout 2020. The impact of COVID-19 has been felt in both advanced and developing economies as well as in emerging markets and is more severe compared with the contraction in global GDP during the financial crisis of 2008.

**The International Monetary Fund (IMF) projected that in 2021 the global economy will gradually recover.** This recovery will be partially driven by developments around the roll-out of COVID-19 vaccines. The global economy is projected to grow by 5.5 percent in 2021, from an estimated 3.5 percent contraction in 2020. Much of the recovery in economic activities and growth will depend on the rate at which vaccines will be rolled out across the globe; investor and consumer confidence is expected to boost resumption of economic activities although uncertainty around the proliferation of coronavirus variants remains a concern.

**As a small open economy that depends largely on international trade, Namibia's economy was significantly impacted by the pandemic.** In this regard, real GDP is estimated to have contracted significantly during the year under review, the effects having been felt across primary, secondary, and tertiary industries. Real GDP is estimated to have contracted by 8.0 percent across all major industries; output significantly declined in the tourism industry, transport, mining, agriculture, manufacturing, construction, and wholesale and retail trade sectors.

**The Namibian banking industry was also affected by the pandemic.** In terms of the

banking industry, the overall liquidity position of the Namibian banking industry declined in 2020. Average surplus liquidity was recorded at N\$2.1 billion in 2020, lower than the average of N\$2.9 billion recorded during the previous year. The industry, however, remained profitable and well capitalized in 2020, despite the observed deterioration in asset quality. The banking industry recorded a positive return on equity, although it has decreased from 20.1 percent at the end of December 2019 to 13.5 percent at the end of December 2020. Capital adequacy has remained broadly flat at 15.2 percent in 2020, compared with 15.3 percent in 2019.

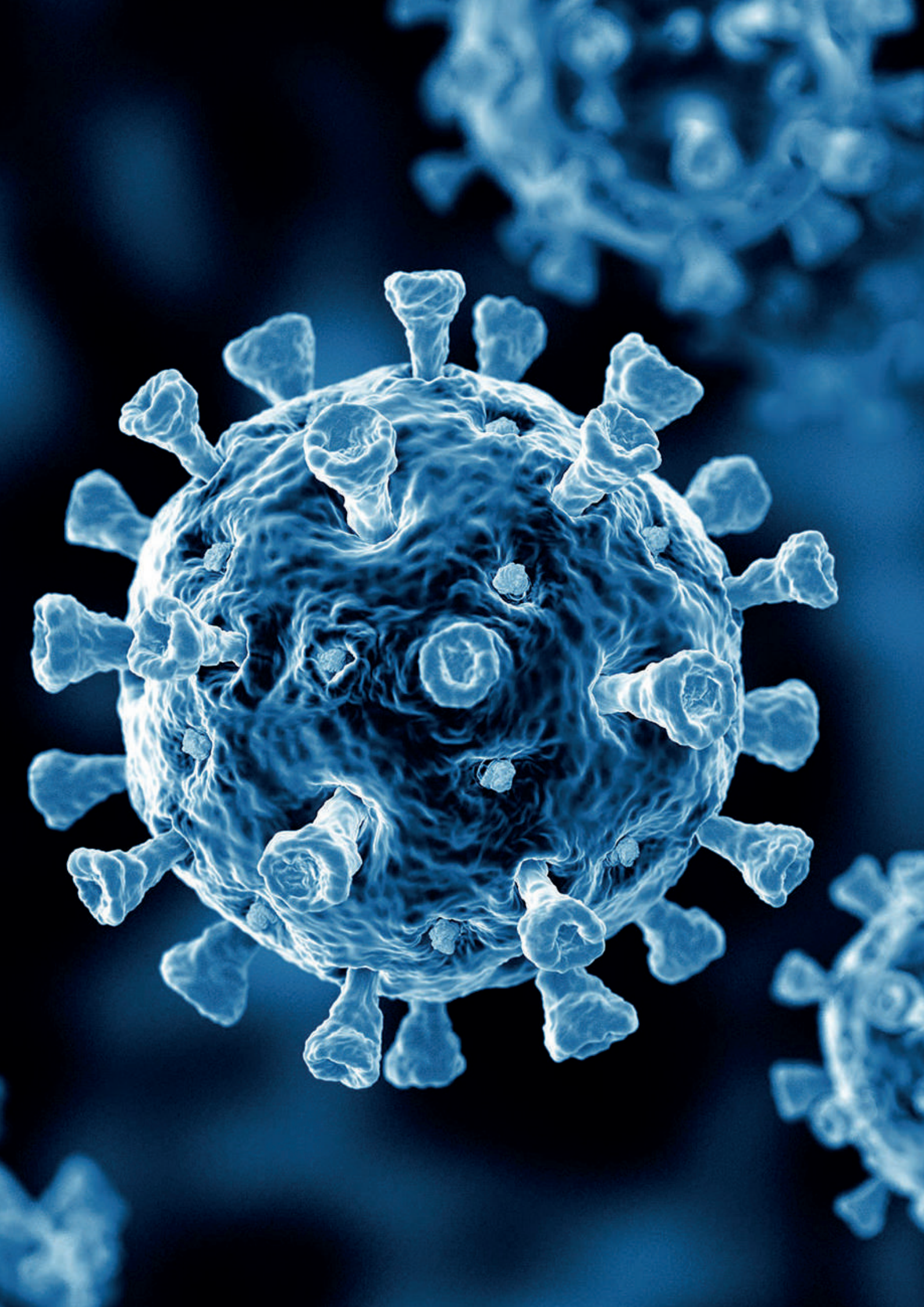
This level is, however, substantially higher than the statutory minimum requirement of 10.0 percent of risk-weighted assets, however. The negative impact of COVID-19 saw a deterioration in the industry's asset quality as the non-performing loans ratio reached a weaker level of 6.4 percent during 2020. This is significantly worse when compared with 4.8 percent recorded in 2019.

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**The negative impact of COVID-19 saw a deterioration in the industry's asset quality as the non-performing loans ratio reached a weaker level of 6.4 percent during 2020.**

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**The lower demand for credit amidst the uncertainties of the reporting year has resulted in stronger liquidity levels for the banking industry.** The liquidity ratio of the banking industry stood at 15.6 percent at the end of 2020, slightly higher than the 15.3 percent registered at the end of December 2019. This position is well above the prudential requirement of 10.0 percent of average total liabilities to the public. Despite slower balance sheet growth, the commercial banks still managed to record profits, although much lower when compared with the previous year.

**The performances of both the economy and the banking industry are critical for the operations of the Namibia Deposit Guarantee Authority and its Scheme.** This

is because a sluggish economic performance could pose significant risk to the stability of the financial sector and could lead to bank failure. Moreover, global and domestic economic performance have direct implications on the performance of the Deposit Guarantee Fund (DGF). It is thus important that economic and industry developments are closely monitored from the NDGA's perspective as the above factors point to potentially challenging economic and industry performance. All of these elements characterised the environment in which the NDGA operated in its first year, as well as the performance of the DGF.

## PERFORMANCE AND OPERATIONS OF THE NDGA

**The year 2020 marked the first full year of operations for the Namibia Deposit Guarantee Authority.** During this period, the premiums received from member institutions were invested in line with the Investment Policy and Investment Agreement signed between the NDGA and the Bank of Namibia. Furthermore, a number of regulations, determinations, agreements, policies, charters, and guidelines were drafted and approved for implementation.

### Deposit Guarantee Fund Performance

The Deposit Guarantee Fund's market value stood at N\$4.902 million by the end of the fourth quarter of 2020, which is N\$35.363 thousand higher than the N\$4.867 million at its inception date of 18 October 2020. This growth in value represents a portfolio total return of 0.727 percent for the quarter.

#### Performance review versus benchmark

The Deposit Guarantee Fund's portfolio recorded a quarterly positive return of 7.69 basis points above the South African 3-month STeFNI Index. The portfolio was invested in cash with the SARB, earning an annualised rate of 3.6 percent, as seen in Table 3, below.

**Table 3: Portfolio income and market value**

**Portfolio income for the first quarter since DGF inception**

Size (N\$) at 19th Oct 2020	Interest income (Oct)	Interest income (Nov)	Interest income (Dec)	Total income	Contribution (withdrawal)	Size (N\$) at 31st Dec 2020
4,866,560	5,881	14,111	15,371	35,363	-	4,901,923

# Regulations and Determinations

A number of regulations and determinations were issued during the year under review. During the year under review, the regulations and determinations listed in Table 4, below, were issued as required by the Namibia Deposit Guarantee Act, Act No.16 of 2018.

Table 4: Regulations and determinations issued

Regulation/Determination	Publication
Regulation on the maximum coverage limit for guaranteed deposits	Government Notice No.24 of 14 February 2020
Determination on the target level of the Deposit Guarantee Fund	Government Notice No.83 of 16 March 2020
Determination on the premiums per risk category and the rate of interest payable on failure by a member institution to pay the premium on the due date and the manner of calculating the interest	Government Notice No. 100 of 1 April 2020
Determination on the manner of payment of premiums	Government Notice No. 143 of 16 April 2020
Determination on the manner of payment of financial penalties	Government Notice No. 144 of 16 April 2020
Determination on the proof of entitlement to payment of compensation	Government Notice No. 145 of 16 April 2020
Determination on the format and manner in which information must be kept	Government Notice No. 146 of 16 April 2020

## Bilateral Agreements

During the year under review, the NDGA entered into two bilateral agreements in line with the provisions of the Namibia Deposit Guarantee Act, as discussed below:

### Service Level agreement

**Section 19(5) of the Namibia Deposit Guarantee Act stipulates that the Bank of Namibia must provide facilities, assets, resources, and other services to the NDGA.** The Act further makes provision for the NDGA to enter into a service-level agreement with the Bank of Namibia to assist the Authority with all such work as may arise during the exercise and performance of its powers, duties, and function. It is on this basis that the Service Level Agreement was signed between the two institutions, in which the Bank of Namibia agrees to:

- provide office accommodation, facilities, use of assets, resources, and other services; and
- provide human resources, remuneration, and performance management.

## The Agreement on Sharing of Information

**The availability of timely information is crucial for the Authority to fulfil its mandate. In order to fulfil its mandate,** access to information is critical for the NDGA. Section 54 of the Namibia Deposit Guarantee Act, 16 of 2018 allows for the Authority to enter into an arrangement (or agreements) with any other institution or organisation within Namibia that performs functions that are similar to those of the Authority; that has objectives that are similar to those of the Authority or that performs functions related to the regulation or supervision of deposit-taking financial institutions. It is on this basis that the Authority and the Bank of Namibia agreed to cooperate in the sharing of vital information that will enable the two institutions to fulfil their mandates. A bilateral agreement to that effect was thus signed by the two institutions on 26 June 2020.

## The Investment Management Agreement

**An Investment Management Agreement was signed between the NDGA and the Bank of Namibia.** In this regard, the Bank's Financial Markets Department will act as the investment manager of the Deposit Guarantee Fund. The purpose of the Investment Management Agreement is to provide for an agreement between the NDGA and the BoN regarding the investment of the funds of the DGF. The Agreement is in line with the broader Service Level Agreement signed between the Authority and the Bank.

## Policies

During 2020, a number of policies considered to be crucial for the Namibia Deposit Guarantee Authority to fulfil its mandate were developed and approved. These include:

### The Deposit Guarantee Policy

**A Deposit Guarantee Policy was developed and approved during the period under review.** The Deposit Guarantee Policy is issued to member institutions of the Deposit Guarantee Scheme in terms of Section 23(4) of the Namibia Deposit Guarantee Act. The main objective of the Policy is to provide member institutions with information pertaining to their roles, rights, and obligations, as well as on the responsibilities of the Scheme and its member institutions. The Policy also provides individual member institutions with information pertaining to coverage of their deposits, in line with the provisions of the regulations and determinations issued.

### The Deposit Guarantee Fund Investment Policy

**A Deposit Guarantee Fund Investment Policy was also developed and approved during 2020.** The objective of the Deposit Guarantee Fund Investment Policy is to provide guidance in respect of investments of the available financial resources accumulated in the Deposit Guarantee Fund and it also provides information on the investment philosophy and risk tolerance, as approved by the Board of Directors of the NDGA. The Policy further provides a framework for the overall management of the investment of the assets of the Fund. The Deposit Guarantee Fund comprises premiums and any interest received from the member institutions as provided for under Section 26 of the Namibia Deposit Guarantee Act, including grants, income from investment, and any other funds which may be received by the Authority. During the year under review, in addition to the development of the Deposit Guarantee Fund Investment Policy, investment guidelines were also developed and approved by the Board.



## The Code of Ethics and Declaration of Interest Policy

**The Namibia Deposit Guarantee Authority values good corporate governance and is committed to ethical practice in all its dealings.** The Authority's commitment to ethical standards is embedded in the core values and guiding principles of the NDGA. It is on this basis that all Board members, employees, and persons acting on behalf of the NDGA are required to act in an ethical and professional manner at all times. The Code of Ethics and Declaration of Interest Policy was thus developed to establish guiding principles for the manner in which management, staff, the Board of Directors, or anyone acting on behalf of the NDGA, should conduct themselves. The Policy was approved by the Board of Directors during the review period.

## Charters

**A number of charters were also developed and approved during the period under review.** These charters are designed to guide the Board, management, and staff of the NDGA in carrying out their functions and activities. These include:

### The Namibia Deposit Guarantee Authority Corporate Charter

**The Namibia Deposit Guarantee Authority Corporate Charter was developed to establish the NDGA's corporate identity and vision in pursuit of its mandate.** The Charter highlights, inter alia, the vision, mission, and guiding values of the Authority. The Authority aspires to be a credible institution committed to ensuring the protection of depositors against the risk of loss of their deposits. In pursuit of this vision, staff members, the Board, and anyone acting on behalf of the Authority will be guided by a set of values that ensure that the institution delivers on its mandate while ensuring its credibility.

### The Board of Directors Charter and the Audit, Risk and Investment Committee Charter

**The Board of Directors Charter and the Audit, Risk, and Investment Committee Charter were finalised during the review period.** As provided for under Section 6 of the Namibia Deposit Guarantee Act, the Namibia Deposit Guarantee Authority is managed by a Board of Directors, whose main function is to provide policy direction and guidance and to advise the Minister of Finance accordingly. Furthermore, the Act makes provision for the Board to establish committees to assist the Board in carrying out its functions. To this effect, a committee was created to review related policies and advise the Board on issues pertaining to audit, risk and investment.

**The charters of both the Board of Directors and the Audit, Risk, and Investment Committee were developed and approved by the Board for implementation.** They make provisions and provide guidance on the roles and responsibilities, composition, and structure of the Board and the ARIC respectively. The two charters, as approved by the Board, have been aligned to the relevant guidelines and provisions of the Corporate Governance Code for Namibia (NamCode).

## Meetings of the Board and ARIC

**Board of Directors meetings were all held as scheduled for the review period.** The Board is mandated to meet at least four times a year with the main purpose of overseeing and monitoring the NDGA's policies, operations, and finances, including the performance of the DGF. During 2020, four ordinary board meetings were held. Table 5, below, sets out the dates of NDGA board meetings and the attendance of members during 2020.

**Table 5: Dates of board meetings and attendance of members, 2020**

Board member	27 March	26 June	25 Sept.	27 Nov.
Mr Ebson. Uanguta (Chairperson)	✗	✓	✓	✓
Mrs Linda Dumba Chicalu	✓	✓	✓	✓
Mr Festus Nghifewa	✓	✓	✓	✓
Mr Kenneth S. Matomola	✓	✓	✓	✓
Mr Ulrich Eiseb	✓	✓	✓	✓
Dr Emma Haiyambo (ex officio)	✓	✓	✓	✓

X Absent with apology

**The Board established an Audit, Risk and Investment Committee (ARIC).** The Committee was established with the mandate of assisting the Board to implement an effective policy and to plan for risk management and internal control models in order to enhance the NDGA's ability to achieve its strategic objectives and ensure its sustainability. During the year under review, four ARIC meetings were held. Table 6, below, sets out the dates of ARIC meetings and the attendance of members during 2020.

**Table 6: Dates of ARIC meetings and attendance of members, 2020**

ARIC member	6 March	5 June	4 Sep.	6 Nov.
Mr Ebson. Uanguta (Chairperson)	✓	✓	✓	✓
Mrs Linda Dumba Chicalu	✓	✓	✓	✓
Mr Festus Nghifewa	✓	✓	✓	✓

## Stakeholders Engagements

**Stakeholder engagement is a crucial element in the operations of the NDGA.** This is important to ensure that key stakeholders - particularly the member institutions as well as the public at large - are informed regarding relevant aspects of the NDGA and its Deposit Guarantee Scheme. During the year under review, a comprehensive Communications and Stakeholder Engagement Strategy was developed and submitted to the Board for review. Budgetary allocations for communications and stakeholder engagement activities were subsequently approved by the Board and a full roll-out of this Strategy will commence in 2021. The public has, however, already been informed, through the media of the existence of the NDGA as well as the Board of Directors of the institution. Constant engagements with member institutions also took place during the period under review.



# **PART C: ANNUAL FINANCIAL STATEMENTS**

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**FOR THE PERIOD ENDED  
31 DECEMBER 2020  
(FIRST SINCE ITS INCORPORATION)**



**NAMIBIA DEPOSIT GUARANTEE AUTHORITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020**  
**(FIRST SINCE ITS INCORPORATION)**

**GENERAL INFORMATION**

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<b>Country of incorporation and domicile</b>	Namibia
<b>Nature of business and principal activities</b>	<p>NDGA is an established juristic body whose main responsibility is to manage the Deposit Guarantee Scheme.</p> <p>The Deposit Guarantee Scheme is established in terms of section 22 of the Deposit Guarantee Act to protect depositors of member institutions by paying out compensation in the event of deposits held by a member institution becoming unavailable.</p> <p>There is established a Fund to be known as the Deposit Guarantee Fund, which vests in the Authority and administered by the Authority.</p>
<b>Directors</b>	<p>Mr. Ebson Uanguta (Chairperson) Mr. Festus Nghifenwa Ms. Linda Dumba Chicalu Mr. Ulrich Eiseb Mr. Kenneth S. Matomola Dr. Emma Haiyambo (Ex-officio member &amp; Head of the Authority)</p>
<b>Business address</b>	<p>71 Robert Mugabe Avenue Windhoek Namibia</p>
<b>Postal address</b>	<p>P O Box 2882 Windhoek Namibia</p>
<b>Auditors</b>	<p>Grand Namibia Registered Accountants and Auditors Chartered Accountants (Namibia)</p>

**NAMIBIA DEPOSIT GUARANTEE AUTHORITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020**  
**(FIRST SINCE ITS INCORPORATION)**

**Contents**

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The reports and statements set out below comprise the annual financial statements presented to the Board of directors:

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Independent Auditor's Report	49 - 51
Directors' Report	52
Statement of Financial Position	53
Statement of Comprehensive Income	54
Statement of Changes in Equity	55
Accounting Policies	56 - 57
Notes to the Annual Financial Statements	58



## **DIRECTORS' RESPONSIBILITIES AND APPROVAL**

The directors are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the directors' responsibility to ensure that the annual financial statements fairly present the state of affairs of the Authority as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the basis as set out in note 1. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Authority and places considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Authority and all employees are required to maintain the highest ethical standards in ensuring the Authority's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Authority is on identifying, assessing, managing and monitoring all known forms of risk across the Authority. While operating risk cannot be fully eliminated, the Authority endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Authority's cash flow forecast for the year 31 December 2021 and, in the light of this review and the current financial position, they are satisfied that the Authority has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Authority's annual financial statements. The annual financial statements have been examined by the Authority's external auditors and their report is presented on pages 44 - 51.

The annual financial statements set out on pages 52 to 58, which have been prepared on the going concern basis, were approved by the board of directors and were signed on its behalf by:



**Ebson Uanguta**  
**Chairperson**  
26 March 2021



**Festus Nghifenwa**  
**Board Member**  
26 March 2021

## **INDEPENDENT AUDITOR'S REPORT**

### **INDEPENDENT AUDITOR'S REPORT**

#### **TO THE BOARD OF DIRECTORS OF NAMIBIA DEPOSIT GUARANTEE AUTHORITY**

##### **Opinion**

We have audited the annual financial statements of Namibia Deposit Guarantee Authority set out on pages 52 to 58, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income and the statement of changes in equity for the year then ended, and the notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Namibia Deposit Guarantee Authority as at 31 December 2020, and its financial performance for the year then ended in accordance with the basis of accounting set out in note 1 to the annual financial statements and the requirements of the Namibia Deposit Guarantee Act No.16 of 2018.

##### **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 Annual Financial Statements section of our report.

We are independent of the Authority in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Revised July 2016), parts 1 and 3 of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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

##### **Other Information**

The directors are responsible for the other information. The other information comprises the director's responsibility and approval of the annual financial statements and the directors report, as required by statute. The other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual 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 annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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## **INDEPENDENT AUDITOR'S REPORT (continued)**

### **Responsibilities of the directors for the Annual Financial Statements**

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with the basis of accounting set out in note 1 to the annual financial statements and the requirements of the Namibia Deposit Guarantee Act No.16 of 2018, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the directors are responsible for assessing the Authority'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 Authority or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Annual Financial Statements**

Our objectives are to obtain reasonable assurance about whether the annual 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 annual financial statements.

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

- Identify and assess the risks of material misstatement of the annual 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 Authority'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 Authority'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 annual 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 Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

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

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

**Report on Other Legal and Regulatory Requirements**

During the course of our audit, we performed audit procedures in accordance with the requirements of the International Standards on Auditing to determine whether there were any instances of non-compliance with laws and regulations by the Authority during the year. Audit noted non-compliance to section 25 (2) and 26(1) of the Namibia Deposit Guarantee Act No.16 of 2018 which requires the Authority to open a bank account with the Bank of Namibia and the composition of the Fund records, respectively. Our audit opinion is not modified in respect of this matter.

*Grand Namibia*

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Grand Namibia  
Registered Accountants and Auditors  
Chartered Accountants (Namibia)  
Per: R Theron - Partner

Windhoek  
26 March 2021

## **DIRECTORS' REPORT**

The directors have pleasure in submitting their report on the annual financial statements of the Namibia Deposit Guarantee Authority for the period ended 31 December 2020.

### **1. Main business and operations**

The main objective of the Authority in terms of Namibia Deposit Guarantee Act No.16 of 2018 is to establish and administer the Deposit Guarantee Scheme for the protection of depositors against the risk of loss of their deposits.

During the Authority's first year of operations, the Authority has successfully established the scheme which has collected premiums to the value of N\$ 4,866,559 and has invested such premiums in line with the Investment Policy.

The operating results and state of affairs of the Authority are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

### **2. Board of directors**

The members of the Board of directors in office at the date of this report are as follows:

#### **Directors**

Mr. Ebson Uanguta (Chairperson)  
Mr. Festus Nghifwenwa  
Ms. Linda Dumba Chicalu  
Mr. Ulrich Eiseb  
Mr. Kenneth S. Matomola  
Dr. Emma Haiyambo (Ex-officio member & Head of the Authority)

### **3. Events after the reporting period**

The Board wishes to inform our stakeholders that it has taken note of the identified non-compliance to section 25 (2) and 26(1) of the Namibia Deposit Guarantee Act No.16 of 2018 which requires the Authority to open a bank account with the Bank of Namibia and the composition of the Fund records, respectively. This matter is being attended to. Further, the Board wishes to inform that one of the founding Board Members of the Authority, Mr. Ulrich Eiseb passed on on 20 March 2021, shortly before the publication of this Report. Mr. Eiseb also served as the Chairperson of the Audit, Risk and Investment Committee.

### **4. The Authority's Governance**

The Authority is managed by an independent Board of directors appointed by the Governor of the Bank of Namibia with the approval by the Minister of Finance.

### **5. Going concern**

The accumulated surplus as at 31 December 2020 amounted to N\$ 5 211 205. The financial statements have been prepared on a going concern basis.

**NAMIBIA DEPOSIT GUARANTEE AUTHORITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020**  
**(FIRST SINCE ITS INCORPORATION)**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note(s)	2020
		N\$
<b>Assets</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	2	11,998
<b>Current Assets</b>		
Investments (Deposit Guarantee Fund)	3	4,901,923
Receivable from Bank of Namibia	6	344,416
<b>Total Assets</b>		<b>5,258,337</b>
<b>Equity and Liabilities</b>		
<b>Equity</b>		
Accumulated Surplus		5,211,205
<b>Total Equity</b>		<b>5,211,205</b>
<b>Liabilities</b>		
Current liabilities		
Trade Payables	7	47,132
<b>Total Liabilities</b>		<b>47,132</b>
<b>Total Equity and Liabilities</b>		<b>5,258,337</b>



**NAMIBIA DEPOSIT GUARANTEE AUTHORITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020**  
**(FIRST SINCE ITS INCORPORATION)**

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2020

	Note(s)	2020
		N\$
Revenue	4	5,566,560
Operating expenses	5	(390,718)
<b>Operating Surplus</b>		<b>5,175,842</b>
Investment Income	3	35,363
<b>Surplus for the year</b>		<b>5,211,205</b>
Other comprehensive income		-
<b>Total Comprehensive Surplus for the year</b>		<b>5,211,205</b>

**NAMIBIA DEPOSIT GUARANTEE AUTHORITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020**  
**(FIRST SINCE ITS INCORPORATION)**

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2020

	Accumulated
	surplus
	N\$
Opening balance	-
Surplus for the year	5,211,205
Other comprehensive income	-
Balance at 31 December 2020	<u>5,211,205</u>

# NAMIBIA DEPOSIT GUARANTEE AUTHORITY

## ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

### (FIRST SINCE ITS INCORPORATION)

#### ACCOUNTING POLICIES

##### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the accounting policies set out below. The annual financial statements have been prepared on the historical cost basis.

##### 1.1 Basis of preparation

The financial statements of the Authority have been prepared in accordance with the Authority's basis of accounting. They have been prepared under the historical cost convention.

The preparation of financial statements is in conformity with the Authority's policies that require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Authority's accounting policies. No significant estimates and judgements were used during the period under review

##### 1.2 Property, plant and equipment

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of services, for rental to others or for administrative purposes; and
- are expected to be used during more than one period.

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. The useful lives of the assets are as follows:

Computer Hardware	2 - 6 years
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An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/ (losses) - net' in the statement of comprehensive income.

##### 1.3 Revenue Recognition

###### Premiums received

Premium income from member institutions are levied and recognised in terms of Section 34 of the Namibian Deposit Guarantee Act, 2018. The Board determines the premiums per risk category payable by each member institution for the benefit of the Fund having regard to the appropriate size of the Fund to meet its liabilities and potential liabilities and total guaranteed deposits of member institutions. Premium income is recognized once the money is received from the member institutions.

###### Grant income

The grant income consists of the "start-up capital" received from the Bank of Namibia. The funds will not be paid back to Bank of Namibia.

###### Investment income

Interest is recognised, in profit or loss, using the effective interest rate method.

##### 1.4 Expenses

Expenses are recorded on the accrual basis.

**NAMIBIA DEPOSIT GUARANTEE AUTHORITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020**  
**(FIRST SINCE ITS INCORPORATION)**

Accounting Policies (Continued)

**1.6 Other receivables**

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Trade and other receivables are classified as loans and receivables at amortised cost.

**1.7 Trade payables**

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

**NAMIBIA DEPOSIT GUARANTEE AUTHORITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020**  
**(FIRST SINCE ITS INCORPORATION)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2020

N\$

2. Property, plant and equipment

	2020	
	Cost	Accumulated Depreciation and]Carrying Value impairments
Computer Hardware	23,996	(11,998) 11,998
Total	23,996	(11,998) 11,998

3. Investments

Opening balance	-
Premiums invested	4,866,560
Interest received	35,363
Closing balance at 31 December 2020	<b>4,901,923</b>

In terms of Section 29 of the Namibia Deposit Guarantee Act, 2018, the Authority may invest money standing to the credit of the Fund, which is not required for immediate use, in a manner approved by the Board.

Premiums received were invested with the Bank of Namibia's Corporation for Public Deposits (CPD) account at the South African Reserve Bank to enable the Fund to earn interest at a low risk.

4. Revenue

Premiums received	4,866,560
Grant received	700,000
Total Revenue	<b>5,566,560</b>

5. Operating Expenses

Corporate Identity	3,519
Depreciation	11,998
Directors' emoluments	322,712
Printing & Publications	52,489
	<b>390,718</b>

6. Receivable from Bank of Namibia

Grant received	700,000
Operational expenses incurred	(355,584)
Closing balance at 31 December 2020	<b>344,416</b>

7. Trade Payables

Sundry creditors	47,132
	<b>47,132</b>







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