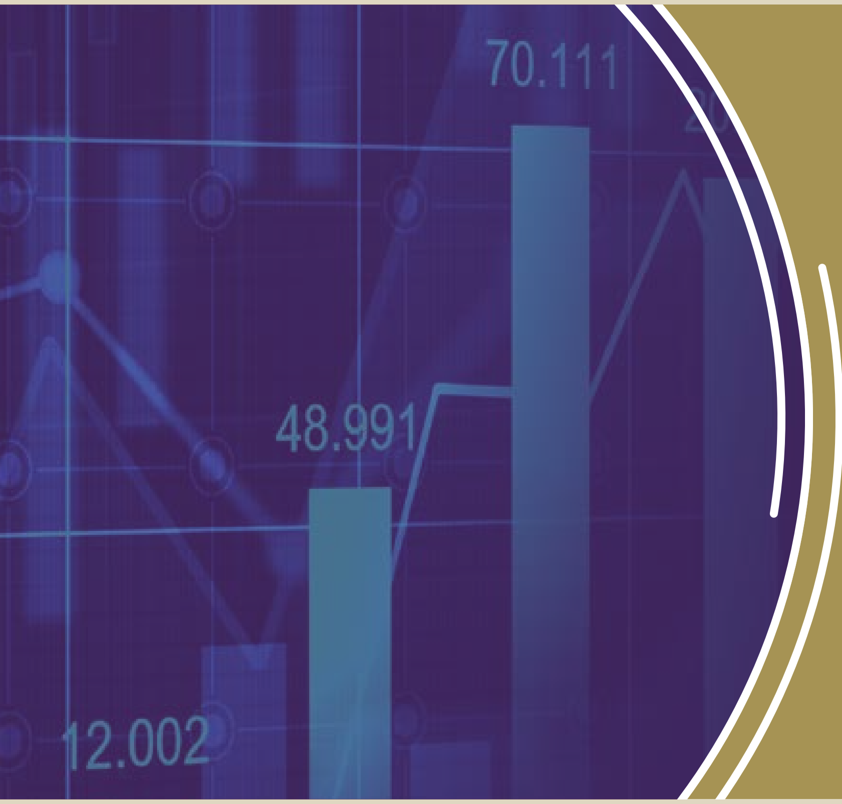
NAMIBIA DEPOSIT GUARANTEE AUTHORITY

NDGA



Annual Report

2021

Published by the Namibia Deposit Guarantee Authority
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ISBN: 978-9991-995-0-9

The Namibia Deposit Guarantee Authority
Annual Report and Financial Statements for the financial year ended 31 December 2021 are prepared pursuant to section 32(1) of the Namibia Deposit Guarantee Act (Act No. 16 of 2018)

Table of Contents

ABBREVIATIONS AND ACRONYMS

ARIC	Audit, Risk and Investment Committee
BON	Bank of Namibia
COVID-19	Coronavirus 2019
DGS	Deposit Guarantee Scheme
GDP	Gross Domestic Product
IMF	International Monetary Fund
NAMFISA	Namibia Financial Institutions Supervisory Authority
NDGA	Namibia Deposit Guarantee Authority
NFSS	Namibia Financial Sector Strategy
NPL	Non Performing Loan
SARB	South African Reserve Bank
SDIS	Singapore Deposit Insurance Scheme
SLA	Service Level Agreement

Ebson Uanguta
Board Chairperson

CHAIRPERSON'S STATEMENT

I am delighted to present the second Annual Report and Statement of Accounts of the Namibia Deposit Guarantee Authority (NDGA) for the year ended 31 December 2021. The report provides relevant information to the Minister of Finance, the Bank of Namibia, our member institutions, other stakeholders and the public at large. The information is presented in three parts. Part A offers a background to the Authority and its organisational structure and management, Part B reports on numerous activities undertaken during the year under review, while Part C presents our Annual Financial Statements as at 31 December 2021.

The NDGA's existence bears testimony to how far we have come in transforming the financial sector in line with the aspirations of the Namibia Financial Sector Strategy (NFSS). Established by the Namibia Deposit Guarantee Act, 2018 (No. 16 of 2018), the Authority provides depositors, particularly small depositors, with the required safety net and protection. The NDGA is mandated to manage the Deposit Guarantee Scheme. Besides protecting a high percentage of depositors against the loss of their deposits by providing compensation when a member institution fails, the Scheme also aims to enhance financial stability. In addition, the Scheme is meant to prevent panic withdrawals by assuring depositors of the safety of their deposits even in the event of a member institution failure, thereby reducing the likelihood of a systemic crisis which could have far-reaching and devastating effects on the economy.

The NDGA is managed by a dedicated management team seconded to it by the Bank of Namibia, while a competent Board of Directors provides effective overall oversight. In line with principles of good governance, the Board is responsible for the general policy, control and administration of the Authority's business and affairs. The Board also ensures that the rules and determining policies for the Authority's administration and functioning are adopted and it advises the Minister on any relevant and related matters. Furthermore, in line with the Service Level Agreement between the NDGA and the Bank of Namibia, the latter has seconded staff to carry out the Authority's day-to-day activities. Such secondments have proved to be the most cost-effective approach to governing the Authority.

The reporting year saw the devastating effects of the Coronavirus pandemic (Covid-19) continuing to underpin the operating economic and market environment, although some improvements were noted. The pandemic resulted in both supply and demand shocks and affected credit flows resulting in devastating income reductions and job losses. Namibia's economic performance is estimated to improve slightly during 2021, following the deepest contraction in the country's history, as recorded during 2020. Preliminary estimates indicate that real Gross Domestic Product (GDP) grew by 2.4 percent in 2021 compared with a contraction of 7.9 percent in the previous year. In it's Economic Outlook update of February 2022 the Bank of Namibia estimated that the domescit economy is expected to accelerate to 3.4 percent in 2022.

The banking industry remained stable despite the impacts of Covid-19. These challenges were evident in the deteriorating quality of assets in the Namibian banking sector as well as in the observed increase in non-performing loans, particularly in 2020. In 2021, the sector proved more resilient to these shocks, remaining sound while operating efficiently and effectively. Total banking sector assets continued to grow, with liquid assets and capital well over the required statutory minimums. Developments in the macroeconomy and the banking industry are monitored closely because the Scheme's sustainability depends on them. Moreover, a stable economy and a resilient banking industry significantly reduce the probability of a crisis.

Allow me, therefore, to take this opportunity to thank the Board of Directors, Management and staff for steering the Authority so expertly during these challenging times. Further, our stakeholders, particularly the Bank of Namibia, the Ministry of Finance and our member institutions, have stood by the Authority since its inception. Their unyielding support and patience have fuelled our resilience and perseverance. We have come through another difficult year that tested us in very many ways, but which also provided us with immense opportunities. As we look up the road towards economic recovery, we do so with renewed determination to achieve our strategic objectives and fulfil our mandate.

Ebson Uanguta
Namibia Deposit Guarantee Authority Board Chairperson

Emma Haiyambo
Head: Namibia Deposit
Guarantee Authority

REPORT BY THE HEAD OF THE AUTHORITY

The year 2021 marks our second full year of operation and it is my distinct honour to present, to our stakeholders, the *Namibia Deposit Guarantee Authority Annual Report 2021.* *The Annual Report is prepared in terms of section 32(b) of the* Namibia Deposit Guarantee Act, 2018 (No. 16 of 2018). This annual account presents information on the Authority's governance and management, its operations as well as the performance of the Deposit Guarantee Scheme. The report includes the NDGA's audited Annual Financial Statements indicating its financial position as at 31 December 2021.

The operating environment in 2021 continued to be characterised by devastating health and economic challenges emanating from the impacts of the COVID-19 pandemic. The pandemic negatively affected performance on a domestic, regional and global scale. The required restrictive measures implemented by the Namibian Government to manage the domestic spread of the virus also had a detrimental impact on all major sectors of the economy. Nonetheless, the gradual relaxation of these measures in 2021 allowed economic activities to resume, which resulted in performance improving during the reporting period.

Despite the observed deterioration in asset quality, our banking industry remained profitable, liquid and well capitalised during the year under review. Thus, the industry recorded positive returns to equity and assets for 2021 and maintained robust capital positions. Non-performing loan ratios also moderated slightly by the end of 2021 compared with the previous year, although the deteriorating quality of assets remains a concern.

The NDGA's assets remained safe and secured for the year ended 31 December 2021. The market value of the Deposit Guarantee Fund increased by 3.8 percent, year-on-year, to N$10.260 million. The Fund's growth in value was attributed primarily to N$5.079 million in premiums paid by member institutions and a total annual interest income of N$278,496 in 2021.

We also continued to strengthen the Authority's operational architecture during the review period. This entailed developing the relevant policies, procedures and guidelines required to operate effectively. Our success owed itself to cooperation with our stakeholders as well as their support. Thus, our stakeholders remain our most valuable assets.

I would like to thank the Bank of Namibia's management and staff for their contribution towards ensuring the Authority's smooth operation. Thanks are also due to the NDGA staff for their loyalty, hard work and dedication during these particularly challenging times. Further, I am grateful to the NDGA's Board of Directors as well for their stewardship. I am convinced that if we remain committed to our guiding values and principles, we will continue to fulfil our mandate successfully. Lastly, my appreciation goes out to our member institutions for their support and coorperation throughout the review period.

Emma Haiyambo
HEAD
NAMIBIA DEPOSIT GUARANTEE AUTHORITY

CORPORATE CHARTER

The Namibia Deposit Guarantee Authority (NDGA) is guided by the principles of good corporate governance in fulfilment of its strategic objectives and mandate. The NDGA was established in terms of the Namibia Deposit Guarantee Act, 2018 (No. 16 of 2018) to maintain and manage the Deposit Guarantee Scheme. The Scheme is aimed at compensating depositors efficiently and transparently in the event of member institutions' failure.

The NDGA aspires to be a credible body committed to ensuring the protection of depositors against the risk of loss of their deposits. In pursuit of this vision, the NDGA's staff members, its Board and anyone else acting on behalf of the NDGA are guided by core values to ensure that the Authority delivers on its mandate while ensuring its credibility. Our Corporate Charter is our guiding tool in pursuit of our mandate.

Our Vision

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

Our Mission

To establish and administer a 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 to do so.
- **ACCOUNTABILITY –** We are accountable to our principals and stakeholders and take full responsibility for our actions.


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PART A

ESTABLISHMENT AND GOVERNANCE OF THE NDGA

ESTABLISHMENT OF THE NDGA

The existence of a deposit guarantee or insurance scheme is a crucial consideration for any regulatory structure aimed at protecting small depositors while safeguarding financial stability. The Namibia Financial Sector Strategy (NFSS) 2011–2021, which was developed by the country's financial authorities and stakeholders, advocated for such a safety net to be put in place to protect small depositors. This development was informed by global markets and countries that responded to bank failures by establishing such schemes. To create the required safety net, 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. After such a study had been concluded, it recommended that Namibia consider establishing a Deposit Guarantee Scheme in line with international practice, developments in the southern African region, and in consideration of Namibia's growing banking industry. The primary objective of the envisaged Scheme was to protect depositors in the event of a member institution failure.

The Namibia Deposit Guarantee Authority (NDGA) was therefore established via legislation and became fully operational in 2020. In line with its mandate, the NDGA maintains and manages a Deposit Guarantee Scheme, whose main objectives are (1) to protect a high percentage of depositors against the loss of their deposits by providing compensation in the event of a member institution failure, and (2) to enhance financial stability by way of insuring a portion of the total deposits held by the banking sector. The existence of a deposit guarantee system ensures that depositors have access to all or part of their funds in the event of a member institution failure. It is also meant to prevent panic withdrawals by assuring depositors of the safety of their deposits even in the event of such failures, thereby reducing the likelihood and scale of a systemic crisis.

In respect of the coverage limit, the initial threshold is set at N$25,000 per depositor. This limit is high enough to ensure that 90 percent of depositors receive their deposits back in full. However, because of a relatively small number of depositors holding large deposits, only about five percent of the total value of insurable deposits would be covered in full. This will leave the larger depositors exposed and vulnerable to risk, thereby rendering the potential threat of moral hazard very small.

Mandate and powers

The Authority's mandate and powers are provided for by the Namibia Deposit Guarantee Act, 2018 (No. 16 of 2018, hereafter the Act). The NDGA is an independent juristic entity, but it is administered within the existing structures of the Bank of Namibia. This was considered as the most cost-effective way of running the Authority. In pursuit of its strategic objectives and mandate, the NDGA has clearly specified powers that enable it to:

- provide insurance, in accordance with the provisions of the law, against the loss of deposits
- collect premiums from member institutions in accordance with the provisions of the law
- 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 NDGA Act
- keep the public informed of the benefits and limitations of the deposit guarantee system, and
- engage in public awareness programmes aimed at increasing financial literacy to ensure depositors are better informed.

Scheme membership and coverage

The Act requires that all banks, branches of foreign banks, and building societies who are authorised to conduct business in Namibia are to become members of the Deposit Guarantee Scheme. This is in line with many deposit guarantee or insurance schemes around the world which have mandated the compulsory participation of deposit-taking institutions in their deposit guarantee system.

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

The Scheme adopts a predetermined coverage limit per depositor in respect of the total of all their deposits at a member institution that has failed. Thus, where a depositor holds more than one deposit in a failed banking institution, the value of all deposit accounts held there by that depositor will be added together and the claimant will be compensated up to the maximum coverage limit. The coverage limit is determined per depositor, therefore, and not per deposit. The Board regularly reviews this guaranteed coverage threshold, which is currently set at N$25,000. This threshold ensures that a significant number of small depositors are covered in the event of a bank or building society failure. By the end of 2021, the Deposit Guarantee Fund fully covered 90.7 percent of total depositors at the set threshold. Full coverage decreased only marginally in comparison with the 91.2 percent recorded for the end of the previous reporting year.

The Scheme also provides partial coverage for depositors with deposit values above the coverage limit, i.e. above N$25,000 in total deposits. These partially covered depositors are also eligible to receive a reimbursement up to the threshold value. By the end of the review period, partially covered depositors constituted 9.3 percent of total depositors, a slight increase from 8.8 percent recorded by the end of 2020. For deposits above N$25,000, the depositors would typically be concurrent creditors of the member institutions 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. This is because such increases will have a limited impact on the number of additional depositors that are fully covered, while the costs would increase exponentially.

Table 1: Summary estimates of deposits and depositor coverage, 31 December 2021

At N$25,000 coverage	Fully covered	Partially covered	Total
Value of qualifying deposits (N$)	3,044,056,576	63,795,097,479	66,839,154,056
Share of total qualifying deposits	4.5%	95.4%	100.0%
Number of depositors	1,330,992	136,043	1,467,035
Share of total depositors	90.7%	9.3%	100.0%

Funding

A deposit guarantee authority requires a sustainable funding model to ensure that depositors' claims are reimbursed speedily and effectively. In most countries with deposit guarantee schemes, banking institutions bear the primary responsibility for paying the cost of such a scheme because they and their clients benefit directly from it. The funding of a deposit guarantee scheme can take an ex-ante, ex-post or hybrid form. *Ex-ante funding* of such schemes refers to funds being accumulated and maintained to cover deposit guarantee claims prior to the failure of a bank or building society. This form of funding primarily involves member premiums. In the *ex-post funding* model, funds to cover deposit guarantee claims are only collected from members when a bank or building society fails. The *hybrid funding* system involves the collection of funds through the ex-ante approach but, when there is a shortfall, provision is made for a mechanism for obtain further funds ex-post from members and/or to borrow from the government or the market.

The NDGA's Deposit Guarantee Scheme has adopted an ex-ante approach with borrowing powers. This is regarded as a more equitable strategy for the NDGA as the cost of the deposit guarantee is spread over time, which prevents it from becoming too expensive. All member institutions contribute premiums to the Deposit Guarantee Fund. The NDGA's main source of income for the Fund and to cover the Fund's associated expenses, therefore, comprises premium contributions collected from member institutions once a year by the Scheme's administrators. These premiums are calculated with reference to the size of each member institution's deposit base as well as its risk score determined by the Bank of Namibia.

Annual premiums differ significantly between member institutions according to their risks. Member premiums to the Fund are based on two principles, as follows:

- Premiums are based on 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 according to the 'double-up principle', i.e. premiums for the highest-risk member institutions are eight times higher than those for their lowest-risk counterparts.

These two principles are designed to ensure that the NDGA is fair in setting its annual premiums, that it remains sustainable, and that it can respond to a member institution failure in a timely and effective manner. Premiums for higher-risk member institutions are higher than those with lower risks since the likelihood of higher-risk institutions failing is higher than it is for their lower-risk counterparts.

The Determination (DGD-6, gazetted on 1 April 2020), which deals with premiums payable as per risk categories, established that all Scheme members were regarded as Category 1 until the end of 2021. This allowed members to prepare themselves for the differentiated risk-based premium structure to be implemented in 2022 which will penalise bad and reward good risk management. As from 2022, a banking institution's premium will be based on its respective risk category (see Part B herein for more detail).

GOVERNANCE

Adopting principles of good governance is crucial for the NDGA to operate effectively. The Authority is operationally independent, accountable, and free from external interference and influence. Although the NDGA falls under the Bank of Namibia in respect of its day-to-day administrative functions, an independent Board of Directors assumes responsibility for oversight of, and policy formulation for, the Authority. The Act requires the Authority to prepare annual reports and annual financial statements that must be presented to the Minister of Finance and Parliament for scrutiny.

Board of Directors

The NDGA is managed by a Board of Directors, as provided for in section 6 of the Act. The Board is responsible for formulating general policy for the Authority as well as for exercising control over its affairs. In addition, the Board is responsible for adopting rules for the Authority's proper administration and functioning, for fulfilling the functions and exercising the powers assigned to it in the NDGA Act, and for advising the Minister on any relevant and related matters. In accordance with section 6(2) of the Act, the Board consists of the following persons who are appointed by the Bank of Namibia subject to the Finance Minister's approval:

- The Deputy Governor of the Bank of Namibia, as referred to in Article 128(2) of the Namibian Constitution and as appointed in terms of section 4(2)(b) of the Bank of Namibia Act, 2020 (No. 1 of 2020), who then serves as the Board Chairperson
- A representative from the Ministry of Finance, who is nominated by the Minister of Finance
- Two persons with relevant qualifications and experience in the field of law, banking, finance, accounting or any other field relevant to the functions of the Board
- A person representing the interests of consumers, and
- A Head of the Authority, who is an *ex officio* member of the Board with no voting rights.

The NDGA Board of Directors was made up as follows during the year under review in respect of the portfolios specified:

Ebson Uanguta
Chairperson, Non-executive Director
(Macroeconomics, Regulation and Monetary Policy)

Linda Dumba Chicalu
Deputy Chairperson, Non-executive Director
Member: Audit, Risk and Investment Committee
(Legal and Consumer Protection)

Festus Nghifenwa
Non-executive Director
Member: Audit, Risk and Investment Committee
(Macroeconomic and Fiscal Policy)

Kenneth S.Matomola
Non-executive Director
(Finance and Banking, Regulation)

Ulrich Eiseb (deceased)
Non-executive Director
Chairperson: Audit, Risk and Investment Committee
(Accounting and Finance)

Emma Haiyambo
Executive Director (Ex officio)
(Macroeconomic Policy and Development Finance)

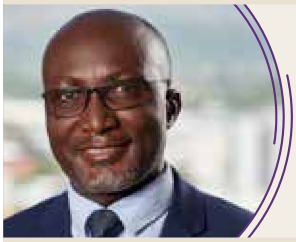
Herman Shilongo
Non- executive Director
(Accounting and Finance)

In line with the NDGA Act and to observe good corporate governance, the Board meets regularly to oversee and monitor the Authority's finances, operations and policies. An important element of the governance structure is that the Board establishes and delegates certain functions to committees. Since the first year of the Authority's existence and considering its administrative set-up, the creation of only one committee was deemed necessary. Thus, the establishment of the Audit, Risk and Investment Committee is in line with section 14 of the NDGA Act, which states that the Board may establish one or more committees consisting of Directors to assist and advise it in exercising its powers and performing its functions or duties.

BOARD MEMBERS OF THE NDGA

Ebson Uanguta
Chairperson, Non-executive Director
(Macroeconomics, Regulation and Monetary Policy)

Linda Dumba Chicalu
Deputy Chairperson, Non-executive Director
Member: Audit, Risk and Investment Committee
(Legal and Consumer Protection)



Festus Nghifenwa
Non-executive Director
Member: Audit, Risk and Investment Committee
(Macroeconomics and Fiscal Policy)

Kenneth S.Matomola
Non-executive Director
(Finance and Banking, Regulation)

Ulrich Eiseb (deceased)
Non-executive Director
Chairperson: Audit, Risk and Investment Committee
(Accounting and Finance)
(Served until 20 March 2021)

Emma Haiyambo
Executive Director (Ex officio)
(Macroeconomics Policy and Development Finance)

Herman Shilongo
Non- executive Director
(Accounting and Finance)
(Served from 1 October 2021)

Audit, Risk and Investment Committee

The Audit, Risk and Investment Committee assists the Board of Directors in implementing effective policy and planning for risk management and internal control to enhance the Authority's ability to achieve its strategic objectives and ensure its sustainability. The Committee is specifically responsible for matters related to financial reporting, internal control systems, risk assessment, oversight of external audit functions, and the review of investment policies and functions, while it also executes all other powers and functions as may be delegated or assigned to it by the Board. As such, the Committee is required to deliver regular reports to the Board in respect of matters for which it is responsible, since the Board remains the overall custodian of the Authority's good corporate governance. The independence of the Committee is of importance in compliance to the principles of good governance. It is for this reason that the Committee comprises of three independent directors and one ex officio member with no voting rights.

Management and administration

In 2021, the NDGA continued to be managed and administered by part-time staff seconded by the Bank of Namibia in line with the Service Level Agreement between the two entities. This arrangement was still considered the most cost-effective for the reporting period, given the Authority's infancy. The seconded staff during the year under review were as follows:

Emma Haiyambo
Head of the NDGA

Petrus Shifotoka
Principal Economist

Emile Van Zyl
Technical Advisor

Emma Haiyambo
Head of the NDGA

Petrus Shifotoka
Principal Economist

Emile Van Zyl
Technical Advisor

INFORMATION BOX

GUIDELINES AND PROCEDURES FOR REIMBURSING DEPOSITORS IN THE EVENT OF A MEMBER INSTITUTION'S FAILURE

CONTENT

1. INTRODUCTION

The Namibia Depository Guarantee Authority (NDGA) was established in terms of section 2 of the Namibia Deposit Guarantee Act, 2018 (No. 16 of 2018). The Authority is mandated to establish and manage a Deposit Guarantee Scheme aimed at ensuring the speedy and transparent compensation of depositors if their deposits at the Scheme's member institutions become unavailable. The NDGA's effective and efficient intervention if a member institution should fail is critical for financial stability and confidence in the banking system. Similarly, prompt and accurate reimbursement is crucial for maintaining public confidence in the stability of the financial system, as well as the Deposit Guarantee Scheme itself.

2. PURPOSE AND OBJECTIVES OF THE GUIDELINES

The purpose of these Guidelines is to ensure that the NDGA has reimbursement processes and procedures as well as information systems in place to compensate depositors in the event of a member institution failure. The Guidelines specify the principles underlying the establishment of a reimbursement system and define the procedure for reimbursing depositors. The Guidelines also note the conditions the NDGA is required to meet to execute the reimbursement process effectively and efficiently. The principles contained in the Guidelines have been adopted from the International Association of Deposit Insurers and are based on international best practices.

3. PRINCIPLES FOR THE ESTABLISHMENT OF THE REIMBURSEMENT SYSTEM

The Authority is guided by the following principles in developing an effective reimbursement system:

3.1 **Information accessibility:** It is important that the NDGA has access to depositor records at all times and undertakes preparatory reviews of bank or building society deposit liability records to a smooth acquisition or transfer of the deposit book of the troubled institution to another member institution.

3.2 **Single Customer View:** The NDGA needs to ensure a Single Customer View system is implemented. This system puts the NDGA, the Bank of Namibia and other relevant stakeholders in a position where they will quickly have all the information required for an informed decision.

3.3 **Effective on-site examination of records:** Independently or together with officials of the Bank of Namibia, the NDGA is required to carry out on-site examinations of deposit records to verify their accuracy and to reduce the time needed for calculating and verifying depositors' claims.

3.4 **Contingency plans and systemic regulatory testing capability:** The NDGA is required to have contingency plans in place for, and to schedule regular tests of, its systems as well as take any other action to facilitate these processes, including appointing agents to do so where necessary.

3.5 **Effective and timely communication with depositors:** The Authority is required to provide depositors with all the necessary information on the steps being taken when a Scheme member institution fails. The NDGA is also required to set out the scope and limits of coverage and product insurability and communicate these to depositors clearly and in good time to mitigate confusion.

4. ESSENTIAL CRITERIA FOR A PROMPT AND EFFECTIVE RESPONSE

The following criteria and requirements, as prescribed by the NDGA Act and the International Association of Deposit Insurers, are necessary for an effective intervention:

4.1 In the event deposits become unavailable, the first – and preferred – option would be to ensure the deposit book of the failed member institution are acquired by another member. The second option would be to reimburse depositors as per the procedures and requirements outlined in these Guidelines and in line with the NDGA Act, its Regulations and relevant Bank of Namibia Determinations.

4.2 To expedite the acquisition of a failed member institution's deposit book by another member, the NDGA needs to employ a technology-based system to process depositor information in a systematic and accurate manner. The Authority should therefore develop a system that is compatible with those of the banking industry.

4.3 An independent auditor appointed by the NDGA needs to confirm that the deposits transferred to another member institution have been processed and recorded correctly according to the Authority's instructions. The NDGA bears the associated costs.

4.4 The Authority is required to consider other options if the deposit book acquisition option is not feasible, including a direct reimbursement of Depositors.

4.5 The Authority is required to communicate the payment methods and timing for payments clearly to depositors as part of a comprehensive communications strategy to manage public expectations. This strategy should be executed via such platforms and channels as the Authority deems effective.

4.6 Adequate resources and trained personnel should be made available to ensure readiness in undertaking the required processes. Where internal resources are insufficient, a contingency plan should be in place to augment them when necessary.

5. THE INTERVENTION PROCESS AND PROCEDURE

5.1 On being informed that deposits for a particular member institution have become unavailable, the NDGA is required to compile a deposit register detailing the balance of each qualifying deposit account. The external auditor of the failed bank or building society concerned then needs to confirm that the data and information in the deposit register matches that on the failed banking institution's systems.

5.2 Once the NDGA has been informed by a banking institution that its funds have become unavailable, the Authority is required to inform the depositors affected of the procedures that will be followed to deal with the situation.

5.3 If implementing the first and preferred option is not feasible and a claims procedure is adopted, the NDGA needs to inform depositors about their right to claim from the Deposit Guarantee Fund. This includes, without limitation, information on how to lodge a claim, who has been appointed to process claims, and where claims can be lodged.

5.4 Balances in more than one account benefiting the same person are aggregated and reimbursed to the maximum limit, which is currently N$25,000 per depositor.

5.5 The Authority is required to publicise relevant information to ensure the public is aware of how the failed banking institution's deposit book is to be transferred to a similar institution or how depositors will be compensated.

5.6 In compliance with section 11(d) of the Prescription Act, 1969 (No. 68 of 1969), claims for payment from the Fund, or from a member institution to which the deposits were transferred as per points 4.1 and 4.2 of these Guidelines, need to be submitted within three years from the date the NDGA becomes obliged to make a payment to a depositor.

5.7 A depositor claiming from the Fund is required to provide proof of entitlement to payment as determined by the Authority before payment of a guaranteed deposit can be effected.

5.8 The NDGA needs to arrange to pay depositors through the medium they indicate in their claim form.

5.9 Unclaimed funds are to be kept in a separate investment or banking institution account as determined by the NDGA, and all interest accrued on such account will be in favour of the depositors. All funds still not claimed after a prescribed period has lapsed will be transferred to the Fund together with any interest accruals. A detailed analysis needs to be made of the composition of the amount thus transferred to the Fund and should be kept readily available for possible future inspection.

6. CONDITIONS FOR REIMBURSING DEPOSITORS

Where depositors are to be reimbursed, the Authority is only permitted to pay out guaranteed deposits after the Bank of Namibia has notified it in writing that deposits from a member institution have become unavailable. When receiving such a notification, the Authority is required, in the manner it determines, to –

6.1 notify the affected depositors of the bank or building society concerned as well as members of the public that their deposits have become unavailable

6.2 for depositors whose deposit amounts exceed the maximum deposit guarantee coverage limit, issue them with a certificate indicating that their deposits exceed the limits covered by the Scheme

6.3 for depositors whose deposit amounts exceed the maximum deposit guarantee coverage limit, inform them of the procedures to be followed in claiming from the Fund. This includes, without limitation, information on how to lodge a claim, who has been appointed to process claims, and where claims can be lodged, and

6.4 publicise any other relevant information to ensure the public is aware of the process of paying compensation to depositors. Where the Authority is required to make payments from the Fund, such payments need to commence as soon as possible, whether via –

(a) cash

(b) a transfer of funds to the guaranteed depositor's account at another member institution, or

(c) any other lawful payment method approved by the Board.

The NDGA is only obliged to pay guaranteed deposits as stipulated by the NDGA Act, its Regulations and Determinations, and only once it has been duly notified that the deposits of a banking institution have become unavailable.

7. CONDITIONS FOR REIMBURSEMENT PAYABLE ON UNAVAILABILITY

7.1 Where a member institution's deposits become unavailable, a depositor is entitled to reimbursement from the Fund up to the maximum coverage limit of N$25,000 in respect of a guaranteed deposit that the –

(a) depositor holds in his or her own right, or

(b) person holds as a trustee, curator or liquidator.

7.2 Where a depositor holds more than one deposit in a member institution, all deposit accounts held by that depositor in such institution need to be added together and protected up to the maximum coverage limit.

7.3 Where a deposit is held in the names of two or more persons, that deposit needs to be regarded as a single deposit. The conditions that applied at the time the joint account was opened will also apply when compensation is paid from the Fund.

7.4 Within the specified period after receipt of a claim, the Authority is required to pay out the guaranteed deposit to a depositor who has lodged such claim in accordance with law.

8. PLEDGED DEPOSITS

8.1 A *pledge* entails an arrangement or agreement whereby a depositor offers a deposit s/he holds in a member institution to a creditor as security for the repayment of a debt or other obligation owed or due to the creditor.

8.2 The Authority is not permitted to pay out in full or in part to a depositor any deposit that has been pledged by such depositor to a creditor unless that creditor has given written consent to the Authority to make the payment.

9. SUBROGATION OF AUTHORITY

9.1 Once a deposit has been paid compensation in terms of section 34 of the NDGA Act, the Authority is subrogated, up to the amount of such compensation, to any rights and remedies in respect of the guaranteed deposit concerned that may be vested in or become available to the depositor.

9.2 The effect of the Authority paying a depositor in terms of point 9 of these Guidelines is that:

(a) the member institution concerned becomes liable to the Authority for an amount equal to the Authority's payment, in all respects as if the Authority rather than the depositor had deposited that amount with the institution before its deposits became unavailable, and

(b) the liability of the relevant member institution to the depositor concerned is reduced by an amount equal to the Authority's payment.

9.3 The Authority is entitled to institute an action in respect of its rights and interest in the name of a depositor or under its own name.

9.4 No payment is permitted to be made to a depositor by an insolvent member institution or its liquidator unless full satisfaction has been given to the Authority for any amount which the Authority has paid to the depositor.

9.5 Any payment made in contravention of point 9.4 of these Guidelines is void and any amount so paid and any interest associated with it is a debt due to the Fund, and the Authority may recover such amount and such interest from the member institution concerned by way of proceedings in a court of competent jurisdiction.

PART B

THE YEAR UNDER REVIEW

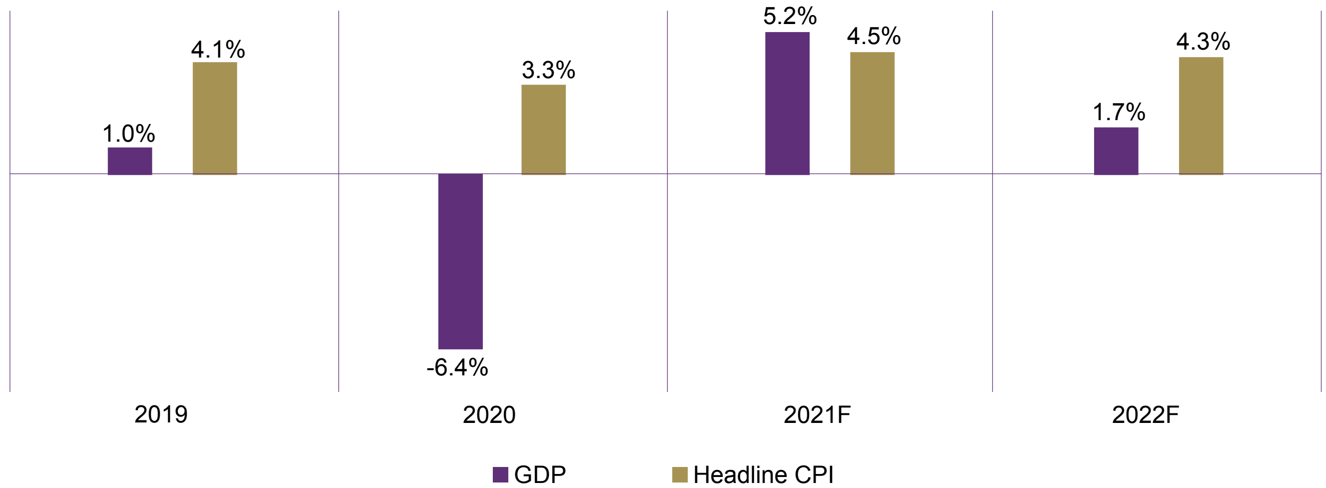
OVERVIEW OF MACROECONOMIC AND INDUSTRY DEVELOPMENTS

Economic performance, both globally and domestically, improved in 2021 compared with 2020, mainly driven by improvements in COVID-19 vaccination roll-outs and the resumption of economic activities. The global economy is estimated to have grown by 5.9 percent in 2021, compared to a contraction of about 3.1 percent in 2020 and expected to moderate to 4.4 percent in 2022 (World Economic Outlook, January 2022). Global economic growth was predominantly reflected in growth in Advanced Economies, where economic activity became less constrained on the back of relaxation of pandemic-related lockdowns following expansive vaccine coverage which subsequently improved economic activity. Global inflation continued to rise on the back of high food and energy prices owing to recovering demand and supply bottlenecks. Central banks in major economies maintained broadly accommodative monetary policies to support economic recovery, while Emerging and Developing Economies' central banks increased their interest rates to mitigate high inflation expectations. Despite the observed improvement in economic activity, downside risks such as continued Covid-19 flare-ups and possible tightening of the financial conditions as well as geopolitical tensions remain.

The South African economy showed resilience, registering consecutive quarters of growth. It expanded by 4.2 percent and 4.7 percent, respectively, in the first and second quarters of 2021, before contracting by 1.5 percent in the third quarter. Growth in the first six months of 2021 was supported by, inter alia, better global economic growth, progress in the speed and scale of the vaccination roll-out, robust domestic terms of trade, and high export commodity prices. Conversely, pressures of more stringent Covid-19 lockdown restrictions, coupled with a spate of civil disorder events, detracted growth in the second half of the year.

The South African Reserve Bank (SARB) revised its yearly GDP outlook downwards. Growth was revised to 1.7 percent (from 2.3 percent) for 2022 reflecting expectations of diminishing export commodity prices, slow domestic household consumption and ongoing energy supply constraints in the medium term (Figure 1). On the other hand, inflation has been reassessed on the upside, revising its headline consumer price inflation forecasts marginally upwards to 4.3 percent in 2022 (from 4.2 percent). This adjustment reflects risks in global producer price and consumer price inflation, higher domestic import tariffs, and escalating domestic wage demands.

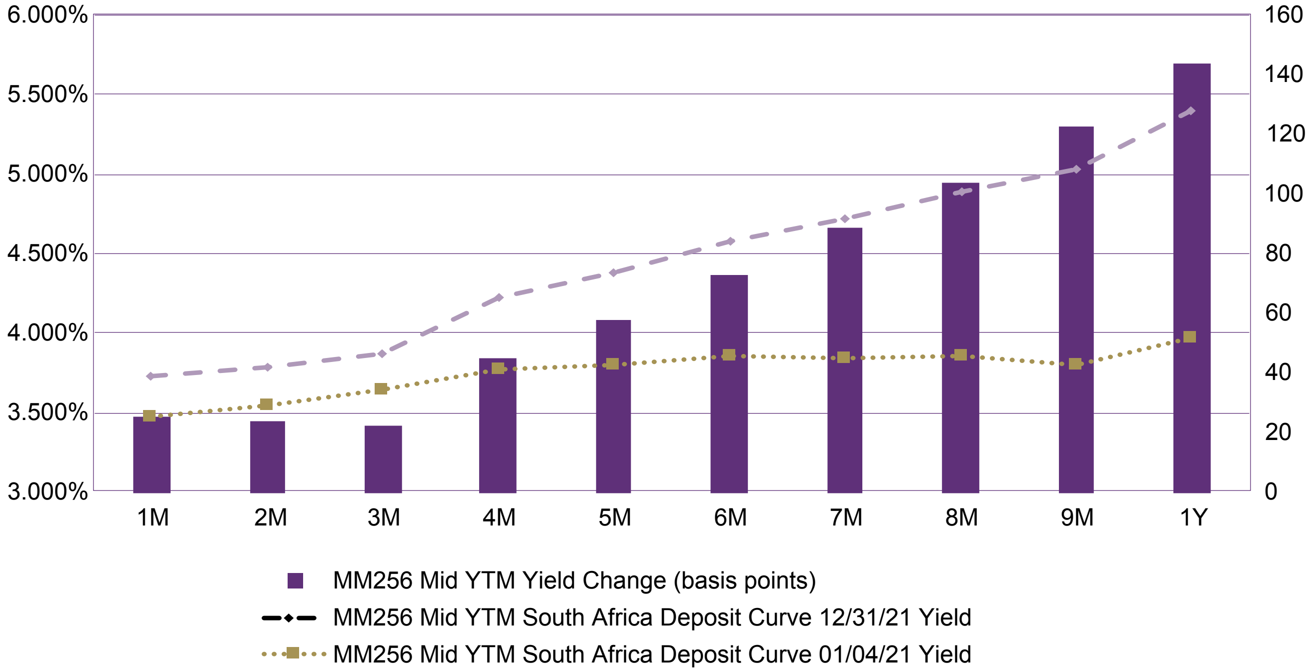
Figure 1: South Africa GDP and headline inflation



On the monetary front, the SARB Monetary Policy Committee maintained its repo rate at a historical low of 3.5 percent for most of 2021 to support economic recovery and enhance financial conditions for credit demand. It, however, increased the rate by 25 basis points during November 2021 in response to rising inflation. Further guidance by the SARB in its Quarterly Projection Model suggested a gradual and data-dependent increase in the repo rate to 4.75 percent and 5.75 percent in 2022 and 2023, respectively.

The South African deposit curve, which is a proxy for the South African money market, steepened earlier in the year (Figure 2). The rise was driven by a normalisation in liquidity conditions as the SARB sought to reverse some of the emergency liquidity support provided in 2020, at the height of the COVID-19 crisis. The curve steepened further owing to the 25-basis-point hike in November 2021. The curve is expected to steepen further in 2022 to reflect hawkish market and SARB sentiment that interest rate normalization will accelerate around the world as fears of higher inflation remains, Covid-19 is better handled, and economies open more.

Figure 2: South Africa – Deposit curves



YTM – yield to maturity.

With regard to domestic developments, the Namibian economy recovered in 2021, mainly attributed to the growth in the primary and tertiary industries. Preliminary estimates by the Namibia Statistics Agency indicate that real Gross Domestic Product (GDP) grew by 2.4 percent in 2021 compared with a contraction of 7.9 percent in the previous year. The economy is further expected to accelerate to 3.4 percent in 2022 (Bank of Namibia, Economic Outlook, February 2022). Improvements in the primary and tertiary industries were attributed to a recovery in the production of diamonds and uranium, coupled with positive real value addition in the wholesale and retail trade, hotels and restaurants, information and communication, and public administration. This observed recovery was mainly ascribed to base effects, following the severe and necessary restrictive measures imposed in 2020 to contain the COVID-19 pandemic. However, the secondary industry registered a contraction in 2021, which was due to a decline in the construction, as well as the electricity and water sectors.

The banking industry held adequate levels of capital and liquid assets and remained profitable in 2021, despite the persistent deterioration in asset quality. The return on equity for the sector stood at 13.9 percent by the end of December 2021, an increase from 10.9 percent at the end of 2020. The capital adequacy of the banking industry stood at 15.7 percent in 2021, an increase from the 15.2 percent registered in 2020, and higher than the statutory minimum requirement of 11.0 percent of risk-weighted assets. The non-performing loan (NPL) ratio moderated to 6.40 percent during 2021, from 6.44 percent in 2020. At this level, NPLs exceeded the crisis benchmark of 6.0 percent. The increase in the NPL ratio over the past three years has been driven by the continued pressure on household and business income owing to the COVID-19 pandemic.

The banking industry maintained strong liquidity levels despite subdued demand for credit. The industry liquidity ratio stood at 18.3 percent at the end of 2021, higher than the 15.7 percent registered at the end of December 2021, and well above the prudential requirement of 10.0 percent of average total liabilities to the public. The liquidity position increased largely due to the weak demand for credit from both households and firms. Despite operating in harsh economic conditions owing to depressed economic activities, the banking industry reported growth in the balance sheet. A year-on-year comparison indicates growth in the banking industry's total assets of 2.8 percent during 2021, while the growth during 2020 was just 1.3 percent.

FUND PERFORMANCE AND OPERATIONS

Over the reporting year, 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. As at 31 December 2021, the market value of the Deposit Guarantee Fund stood at N$10,259,574 (N$4,902,924: 31 December 2020). The growth in the Fund value was primarily attributable to N$5,079,150 in member institution premiums paid in July 2021. Detailed information on income and flows into the fund are presented in Table 1.

Table 1: Portfolio income and market value

Size (N$) 31 Dec. 2020	Interest income (1Q21)	Interest income (2Q21)	Interest income (3Q21)	Interest income (4Q21)	Total income	Contri-butions	Size (N$) 31 Dec. 2021
4,902,924	45,361	45,102	91,668	96,413	278,544	5,079,150	10,259,574

Fund performance versus benchmark

In every quarter since its inception in October 2020, the Deposit Guarantee Fund has consistently outperformed its benchmark, the South African three-month STeFNI Index, returning 4.5 percent against the benchmark return of 4.2 percent (Table 2). Due to the relatively small size of the portfolio, the Fund's investments remained on a SARB call account in 2021.

Table 2: Fund performance, 2021

	Q1	Q2	Q3	Q4	31 Dec. 2020 to 31 Dec. 2021	Since October 2020 inception
Portfolio	0.924%	0.912%	0.927%	0.949%	3.764%	4.518%
Benchmark	0.843%	0.858%	0.891%	0.895%	3.533%	4.206%
Excess (basis points)	8.11	5.37	3.59	5.34	23.02	31.15

The Fund generated an annual return of 3.76 percent during the reporting year alone, which was ahead of the benchmark return of 3.53 percent by 23.03 basis points. The healthy gain was due to attractive rates earned on the SARB call account, which typically yields returns that are higher than those for three-month deposits. As the SARB embarks on a rate-hiking cycle, the Fund's yield is expected to increase, given that most of the cash and cash-equivalent instruments reference the repo rate.

Figure 3: Historical performance

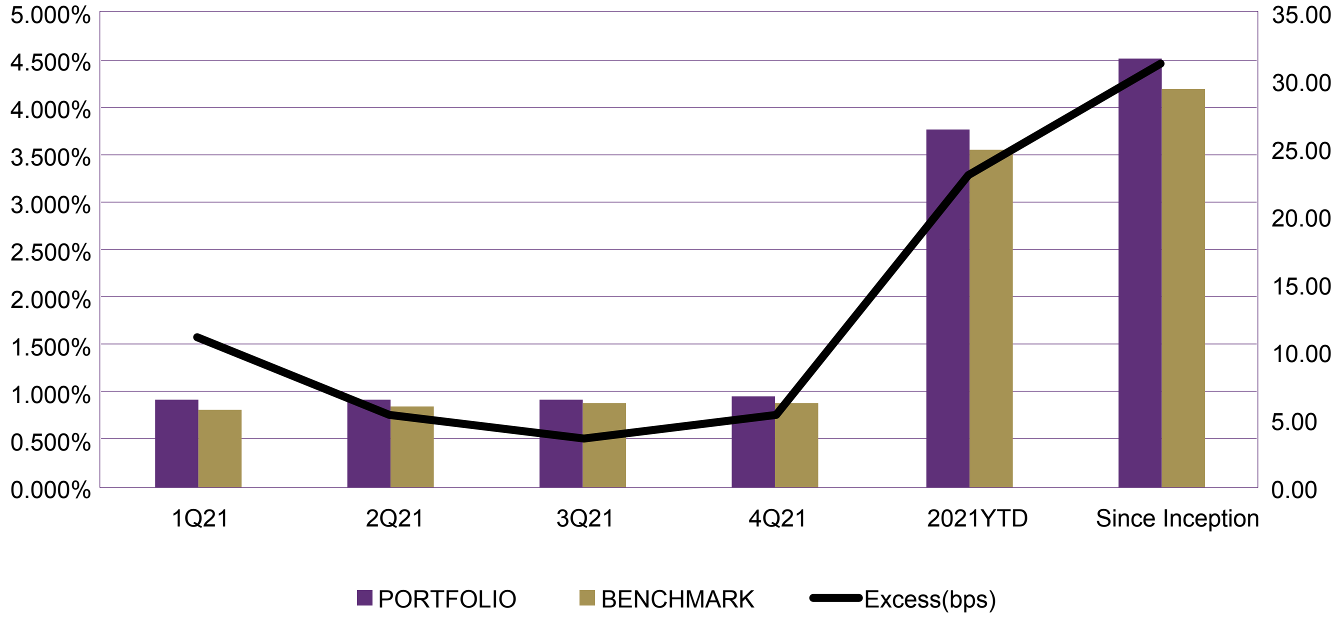
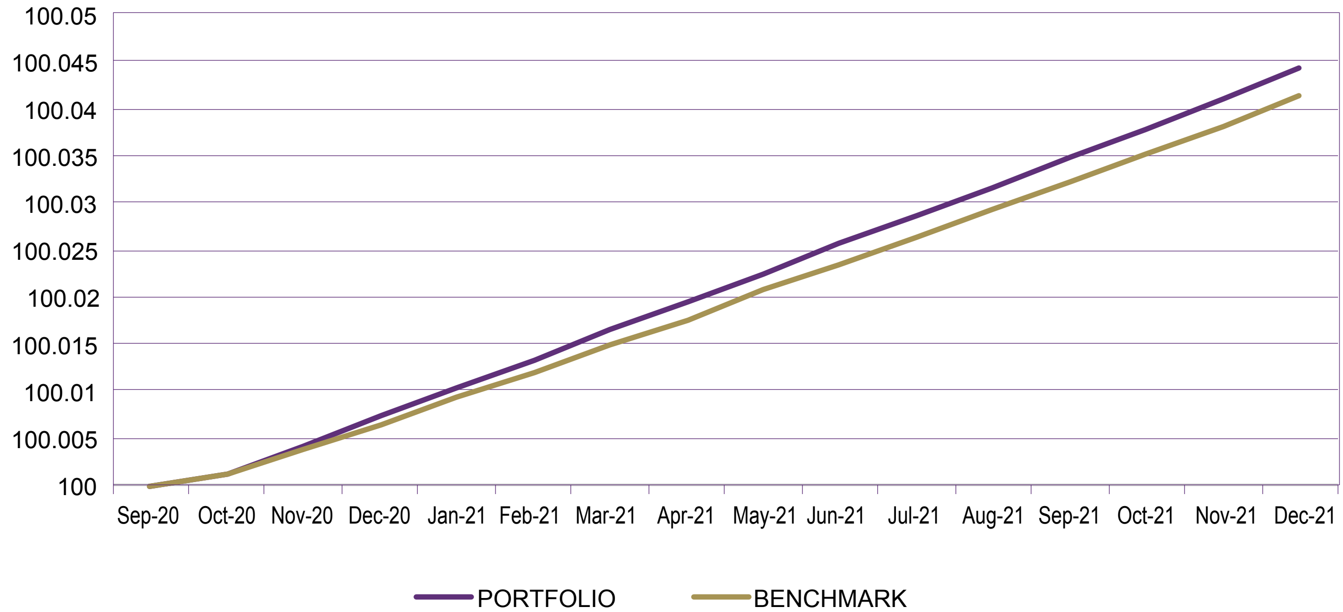


Figure 4: Cumulative performance



Risk categories

Determination of risk categories for member institutions

Premiums payable to the Deposit Guarantee Scheme by member institutions are based on their respective individual risk profiles. The Determination on the premiums payable per risk category and the rate of interest payable on outstanding payments (DGD-6) gazetted on 1 April 2020 specifies the premiums for the various risk categories as follows:

- Category 1: 8 basis points
- Category 2: 16 basis points
- Category 3: 32 basis points
- Category 4: 64 basis points

The Determination further specifies that all member institutions are in the same category (Category 1) until the end of 2021. This measure allows members enough time to prepare for the differentiated risk-based premium structure that will penalise bad and reward good risk management. From 2022 onwards, all premiums payable by the various individual member institutions will be risk-based.

During 2021, the risk categories for member institutions were calculated using data provided by the Banking Supervision Department of the Bank of Namibia in line with the Memorandum of Agreement on information sharing entered into by the NDGA and the Bank. The data is based on the following six variables: capital adequacy ratio, liquid asset ratio, asset quality (NPL ratio), deposit concentration, profitability (ROE) and supervisory assessment. These are all relevant variables that would provide an indication on the performance and governance of a particular member institution as well as the risk profile of such an entity. The average ratios of four quarters (Q3 of 2020, Q4 of 2020, Q1 of 2021 and Q2 of 2021) were applied on the risk scores and assigned weights of the selected variables in order to determine the risk categories. The need to look at the four quarters is primarily to incorporate a trend or performance over a longer period as opposed to relying on a single point. This trend analysis would also eliminate the effect of a single internal or external factor. The Categories were determined and communicated to the respective member institutions in October 2021. These categories will be used in the calculations of the annual premiums payable in 2022.

Policy on the provision for non-audit services by the External Auditors

As prescribed in the Corporate Governance Code for Namibia (NamCode) principles, the NDGA as a corporate body, requires both audit and non-audit services from its External Auditors. To this end, the Authority developed a policy on the rendering of non-audit services. The purpose of the subsequent Policy on the Provision for Non-audit Services by the External Auditors is to ensure that the procedures set out for such services enable the Audit, Risk and Investment Committee to fulfil its responsibility of safeguarding against the loss of External Auditor independence. The Policy is based on the principle that an auditor must be, and must be seen to be, independent, i.e. in fact and appearance. The Policy was developed and approved by the Board at its meeting in November 2021.

Board and Committee meetings

As provided for under section 6 of the Act, the NDGA is managed by a Board of Directors. The Board's main function is to provide policy direction and guidance to the Authority and to advise the Minister of Finance accordingly. The NDGA Act also provides for the Board to establish Committees to assist it in carrying out its functions. To this end, an Audit, Risk and Investment Committee was created to review related policies and advise the Board on issues pertaining to audit, risk and investment per the NamCode.

During the review period, all scheduled Board meetings were held. The Board meets at least four times a year with the main purpose of overseeing and monitoring the Authority's policies operations and finances, as well as the performance of the Deposit Guarantee Fund. During 2021, four ordinary Board meetings were held. Table 3 sets out the dates and attendance of these meetings.

Table 3: Attendance of Board meetings, 2021

Board Member	19 March	18 June	17 September	19 November
Mr Ebson Uanguta (Chairperson)	✓	✓	✓	✓
Mrs Linda Dumba Chicalu (Deputy Chairperson)	✓	✓	✓	✓
Mr Festus Nghifenwa	✓	✓	✓	✓
Mr Kenneth Matomola	✓	✓	✓	✓
Mr Herman Shilongo	N/A	N/A	N/A	✓
Mr Ulrich Eiseb	✓	D	D	D
Dr Emma Haiyambo (Ex officio)	✓	x	✓	✓

N/A – Member was only appointed during the last quarter of 2021.

D – Deceased

Similarly, the Audit, Risk and Investment Committee ordinarily meets four times a year. This Committee was established by the Board to assist it in implementing effective policy and to plan for risk management and internal control models that enhance the Authority's ability to achieve its strategic objectives and ensure its sustainability. During the year under review, five Committee meetings were held. Table 4 sets out the dates and attendance of these meetings.

Table 4: Attendance of Audit, Risk and Investment Committee meetings, 2021

Committee Member	5 March	17 March (Special Meeting)	4 June	3 September	5 November
Ms Linda Dumba Chicalu	✓	✓	✓	✓	✓
Mr Festus Nghifenwa	✓	✓	✓	✓	✓
Mr Ulrich Eiseb (Chairperson)	✓	✓	D	D	D

D – Deceased

STAKEHOLDER ENGAGEMENT

The effective engagement of key stakeholders is an important strategic objective of the NDGA. Information on relevant aspects of the Authority and the Scheme is disseminated through constant engagement with such stakeholders. Such activities were particularly relevant in 2021 in respect of the Authority's official launch and the issuing of its first Annual Report and Annual Financial Statements. The launch event, which took place on 22 April 2021, was attended by invited Members of Parliament, the Managing Directors and other representatives of member institutions, the media and the public. During the event, materials such as posters and brochures with information concerning the Authority and the Scheme were disseminated. These materials were also disseminated in various Regions, including Kavango East, Kavango West, Oshikoto and Oshana. Further regional distributions of such information will be undertaken in 2022. Moreover, the development of the NDGA website reached an advanced stage during the review period. This will be an effective communication platform where stakeholders can access information on the NDGA and its Deposit Guarantee Scheme and can interact with Authority representatives.


N$200

PART C

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2021

GENERAL INFORMATION

Country of incorporation and domicile	Namibia
Nature of business and principal activities	The Namibia Deposit Guarantee Authority is an established juristic body whose main responsibility is to manage the Deposit Guarantee Scheme. The Deposit Guarantee Scheme was established in terms of section 22 of the Namibia Deposit Guarantee Act, 2018 (No. 16 of 2018) to protect depositors of member institutions by paying out compensation in the event of deposits held by a member institution becoming unavailable. There is established a Fund to be known as the Deposit Guarantee Fund, which vests in and is administered by the Authority.
Board of Directors	Mr Ebson Uanguta (Chairperson) Mr Festus Nghifenwa Ms Linda Dumba Chicalu Mr Herman Shilongo Mr Kenneth S. Matomola Dr Emma Haiyambo (*Ex officio*)
Business address	71 Robert Mugabe Avenue Windhoek Namibia
Postal address	PO Box 2882 Windhoek Namibia
Auditors	Grand Namibia Registered Accountants and Auditors Chartered Accountants (Namibia)

CONTENTS

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

Contents **Page**

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 place considerable importance on maintaining a strong control environment. To enable the Board of Directors to meet these responsibilities, it 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 the 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.

Based on the information and explanations given by management, the Directors are of the opinion 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 ended 31 December 2022 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 35 to 37.

The annual financial statements set out on pages 39 to 47, which have been prepared on the going-concern basis, were approved by the Board of Directors and were signed on its behalf by the following representatives:

Ebson Uanguta
Chairperson
23 March 2022

Linda Dumba Chicalu
Board Member
23 March 2022

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 39 to 47, which comprise the statement of financial position as at 31 December 2021, 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 2021, 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 the International Standards on Auditing. 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.

INDEPENDENT AUDITOR'S REPORT continued

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.

Responsibilities of the Board of 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 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 the International Standards on Auditing, 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.

INDEPENDENT AUDITOR'S REPORT continued

Auditor's responsibilities for the audit of the financial statements (Continued)

- 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, and
- 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.

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.

Grand Namibia

Grand Namibia
Registered Accountants and Auditors
Chartered Accountants (Namibia)
PO Box 24304, Windhoek
Per: Petrus NGHIPANDULWA (Partner)

Windhoek
24 March 2022

DIRECTORS' REPORT

The Directors have pleasure in submitting their report on the annual financial statements of the Namibia Deposit Guarantee Authority for the year ended 31 December 2021.

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.

The surplus for the Authority for 2021 is N$ 5,608,781 (2020: N$ 5,211,205).

The Authority's operating results and state of affairs 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 Nghifenwa
Ms Linda Dumba Chicalu
Mr Herman Shilongo
Mr Kenneth Matomola
Dr Emma Haiyambo (*Ex officio*)

3. Events after the reporting period

The Board is not aware of any material event that occurred after the reporting date and up to the date of this report.

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 of the Minister of Finance.

5. Going concern

The accumulated surplus as at 31 December 2021 amounted to N$ 10,819,987. The annual financial statements have been prepared on a going-concern basis.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note(s)	2021 N$	2020 N$
ASSETS			
Non-current assets			
Property, plant and equipment	2	-	11,998
Total non-current assets		**-**	**11,998**
Current assets			
Investments (Deposit Guarantee Fund)	3	10,259,574	4,901,923
Bank	4	621,413	-
Receivable from Bank of Namibia	7	-	344,416
Total current assets		**10,880,987**	**5,246,339**
TOTAL ASSETS		**10,880,987**	**5,258,337**
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		10,819,987	5,211,205
Total equity		**10,819,987**	**5,211,205**
Liabilities			
Current liabilities			
Audit fees provision	9	61,000	-
Trade payables	8	-	47,132
Total liabilities		**61,000**	**47,132**
TOTAL EQUITY AND LIABILITIES		**10,880,987**	**5,258,337**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note(s)	2021 N$	2020 N$
Revenue	5	5,894,101	5,566,560
Operating expenses	6	(563,820)	(390,718)
Operating surplus		**5,330,281**	**5,175,842**
Investment revenue	3	278,500	35,363
Surplus for the year		**5,608,781**	**5,211,205**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Accumulated profit/(loss) account N$	Total N$
Opening balance	**-**	**-**
Surplus for the year	5,211,205	5,211,205
Balance at 31 December 2020	**5,211,205**	**5,211,205**
Surplus for the year	5,608,782	5,608,782
Balance at 31 December 2021	**10,819,987**	**10,819,987**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note(s)	2021 N$
Cash flow from operating activities		
Grant received	5	1,159,367
Payments to suppliers and employees		(537,954)
Cash generated from operations		**621,413**
Total cash movement for the year		**621,413**
Cash at the beginning of the year	7	-
Total cash at end of the year	**4**	**621,413**

No comparative figures are available on the Statement of Cash Flows as the Authority did not have a bank account in the previous financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. Accounting policies

Presentation of annual financial statements

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

1.1 Basis of preparation

The preparation of these statements is in conformity with the Authority's policies that require not only the use of certain critical accounting estimates, but also that management should exercise their judgement in applying the Authority's accounting policies. No significant estimates or 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
- 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*

An asset's carrying amount is written down to its recoverable amount if such 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

1. Accounting policies (Continued)

1.3 Revenue recognition

Premiums received

Premium income from member institutions is 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 approved funding received from the Bank of Namibia. The funds will not be paid back to the 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.

1.5 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.

1.6 Trade payables

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

2. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer hardware	23,996	(23,996)	-	23,996	(11,998)	11,998
Total	**23,996**	**(23,996)**	**-**	**23,996**	**(11,998)**	**11,998**

3. Investments

	2021 N$	2020 N$
Opening balance	4,901,923	-
Premiums invested	5,079,150	4,866,560
Interest received	278,500	35,363
Closing balance at 31 December	**10,259,574**	**4,901,923**

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

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. Bank

Bank account	621,413	-
Total	**621,413**	**-**

Section 25(2) of the NDGA Act requires the Authority to open a bank account with the Bank of Namibia. The account was opened during 2021.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

5. Revenue

	2021 N$	2020 N$
Premiums received	5,079,150	4,866,560
Grant received	814,951	700,000
Total revenue	**5,894,101**	**5,566,560**

6. Operating expenses

Advertising and related expenses	41,705	-
Audit fees	101,250	-
Corporate identity	4,319	3,519
Depreciation – Computer hardware	11,998	11,998
Directors' fees	245,233	322,712
Entertainment expenses	11,208	-
Printing and publications	82,622	52,489
Training	65,485	-
Total	**563,820**	**390,718**

7. Receivable from the Bank of Namibia

Opening Balance	**344,416**	**-**
Grant received	-	700,000
Operational expenses incurred	-	(355,584)
Transfer to NDGA bank account	(344,416)	-
Closing balance	**-**	**344,416**

8. Trade payables

Sundry creditors	-	47,132
Total	**-**	**47,132**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

9. Audit fees provision

Provision for audit fees	61,000.00	-

A provision for audit fees for the current year was made based on the approved budget.

10. Going concern

The annual financial Statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available as detailed in the directors' report to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Notes

NAMIBIA DEPOSIT GUARANTEE AUTHORITY

NDGA

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