

ANNUAL REPORT

2022



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The Namibia Deposit Guarantee Authority Annual Report and Financial Statements for the financial year ended 31 December 2022 are prepared pursuant to section 32(1) of the Deposit Guarantee Act, 2018 (No. 16 of 2018).

Content

ABBREVIATIONS AND ACRONYMS	4
CHAIRPERSON'S STATEMENT	6
REPORT BY THE HEAD OF THE AUTHORITY	10
CORPORATE CHARTER	14
Our Vision	15
Our Mission	15
Our Core Values	15

PART A: ESTABLISHMENT AND GOVERNANCE OF THE NDGA	16
Mandate and powers of the Authority	17
Membership of the Scheme and coverage	17
Funding	19

GOVERNANCE	20
Board of Directors	21
Audit, Risk and Investment Committee	23
Management and administration	24
INFORMATION BOX: THE NAMIBIA DEPOSIT GUARANTEE AUTHORITY JOINS THE INTERNATIONAL ASSOCIATION OF DEPOSIT INSURERS	26

PART B: THE YEAR UNDER REVIEW	32
OVERVIEW OF MACROECONOMIC AND INDUSTRY DEVELOPMENTS	32
FUND PERFORMANCE AND OPERATIONS	34
Fund performance versus benchmark	35
Risk categories	36
Risk Management	36
Business Continuity	37
Benchmarking and International Cooperation	37
Strategic Planning	38
Board and Committee meetings	39

PART C: ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022	43
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ABBREVIATIONS AND ACRONYMS

ARIC	Audit, Risk and Investment Committee
COVID-19	Coronavirus disease 2019
DGS	Deposit Guarantee Scheme
DSIB	Domestic Systemically Important Bank
FSAP	Financial Sector Assessment Programme
GDP	Gross Domestic Product
IADI	International Association of Deposit Insurers
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
TAW	Technical Assistance Workshop





CHAIRPERSON'S STATEMENT

It gives me great pleasure to present the third Annual Report of the Namibia Deposit Guarantee Authority (NDGA) for the year ended 31 December 2022. The report is issued in terms of section 32 of the Deposit Guarantee Act, 2018 (No. 16 of 2018) and provides relevant information to the Minister of Finance, the Bank of Namibia, our member institutions, all our 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, and Part C presents our Annual Financial Statements as at 31 December 2022.

Since its establishment in 2020, the NDGA has continued to grow in terms of organisational management and operations, despite having come into existence during the most challenging times, which were characterised by sluggish economic developments as well as the devastating effects of the COVID-19 pandemic. The Authority was established in terms of section 2(1) of the Deposit Guarantee Act, with the main objective of providing depositors, particularly small depositors, with the required safety net and protection. Specifically, the NDGA is mandated to manage a deposit guarantee scheme that provides compensation when a member institution fails. Such schemes foster consumer protection while safeguarding the stability of a country's financial system.



“We rededicate ourselves to the full implementation of our strategic Plan and will commit the resources at our disposal towards this goal.”

Ebson Uanguta
BOARD CHAIRPERSON
NAMIBIA DEPOSIT GUARANTEE AUTHORITY

The NDGA continues to be operationalised through the structures of the Bank of Namibia. The Authority is managed by a dedicated team seconded by the Bank to carry out the NDGA's day-to-day activities, while a competent Board of Directors provides effective oversight. 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.

This Report is presented at a time when economic developments, both globally and domestically, remain subdued. Global economic activities slowed in 2022 relative to the substantial improvement recorded in 2021, mainly due to persistent inflationary pressures and subsequent tightening of financial conditions in most regions. The global economy is estimated to have registered 3.4 percent growth in 2022, which represents a slowdown from the 6.2 percent recorded in 2021. The tempering of economic activity is being buoyed by the escalation of the Russia-Ukraine war, coupled with inflationary pressures that are persistently higher than those seen in the past few decades.

Namibia's economic performance is estimated to have improved slightly during 2022, compared to the previous year. Real gross domestic product (GDP) growth is estimated to have increased to 4.6 per cent in the reporting period, compared to 3.5 per cent in the previous year as reflected across both primary, secondary and tertiary industries. The estimated improved growth for 2022 is largely based on higher production volumes from the diamond mining sector.

Nonetheless, as developments in the banking industry illustrated, the banking sector remained resilient despite various challenges. The industry reported good balance sheet growth, strong capital, profitability, and adequate liquidity levels. Moreover, the steady economic recovery during the reporting year resulted in the industry recording elevated growth in earnings. The banking industry, thus remained well capitalised, with a notable improvement in asset quality and total income during the review period. The total eligible capital ratio increased to 17.0 percent, up from the 15.9 percent reported for 2022. The improvement in asset quality as measured through non-performing loans (NPLs) was due to a combination of repayments, write-offs and debt restructuring measures.

The development of the NDGA's Strategic Plan (2023–2025) constituted a key milestone reached during 2022. The Strategic Plan, crafted in the most cost-effective way possible, provides the NDGA with guided direction and sharp focus for the next three years. Underpinned by the four key strategic objectives, the full implementation of the Plan will take the NDGA a step closer to realising its Vision and accomplishing its Mission. As a Board and Management, we rededicate ourselves to the full implementation of this Plan and will commit all the resources at our disposal towards this goal.

The NDGA's success over the past year relied on the commitment of, and collaboration between its Board and Management, as well as the unyielding support of the Authority's stakeholders. I would, therefore, like to thank the Board of Directors, Management and staff for their dedication. Moreover, I would like to thank the Board, Management and staff of the Bank of Namibia for carrying the NDGA since its inception and for all the support they have rendered to the Authority over the past year. Allow me also to extend the NDGA's appreciation to its member institutions for their cooperation and for the good relations that have prevailed – not only over the past 12 months, but also since the NDGA's establishment. Finally, the Authority pledges to all its stakeholders that it will continue to operationalise the entity prudently, guided by its Core Values, and in pursuit of its strategic objectives and mandate.



Ebson Uanguta

BOARD CHAIRPERSON

NAMIBIA DEPOSIT GUARANTEE AUTHORITY



REPORT BY THE HEAD OF THE AUTHORITY

It is with profound humility and distinct honour that I present the third Namibia Deposit Guarantee Authority Annual Report to our stakeholders and the public at large. The Report is prepared in terms of section 32 of the Deposit Guarantee Act, 2018 (No. 16 of 2018) and in line with standards of good corporate governance. The annual review presents information on the Authority's governance and management, its operations, and the performance of its established Deposit Guarantee Scheme. The Report also presents the Authority's independently audited Annual Financial Statements for the year ended 31 December 2022.

The year under review remained characterised by slow economic growth both globally and domestically. As testified herein in the Board Chairperson's statement, global economic activity slowed in 2022 in relation to the substantial improvement recorded in 2021, mainly due to persistent inflationary pressures, tightening financial conditions in most regions and the escalation of the Russia-Ukraine war. The domestic economy, however, registered improved growth in 2022 compared to 2021, as activity improved across the primary, secondary and tertiary industries.



“Our achievements over the past 12 months offer us all a firm footing for renewed commitment and dedication to extending that success in the next financial year and beyond.”

Florette Nakusera
HEAD
NAMIBIA DEPOSIT GUARANTEE AUTHORITY

The banking industry remained profitable, liquid and well capitalised. Despite the unprecedented shocks over the last few years occasioned by a contractionary environment, the banking sector has maintained adequate capital positions above prudential requirements. Total risk weighted assets stood at 17.0 percent at the end of December 2022, higher than the statutory minimum risk weighted capital requirement. Profitability also improved, with both return on assets and return on equity edging upwards. Moreover Asset quality continues to improve owing to a combination of repayments, write-offs and debt restructuring measures.

The NDGA's assets remained safe and secure, having been invested in line with the approved investment policy and guidelines. In this regard, the market value of the Deposit Guarantee Fund stood at N\$16.2 million by the end of the reporting year, representing a significant increase from N\$10.3 million the year before. The high returns for 2022 are attributed primarily to N\$5.2 million received in premiums, as well as interest earnings of N\$790,963 during the review period.

The NDGA continued to strengthen and enhance its operations and to grow as an institution during the reporting year. The development of our first Strategic Plan was one of the key achievements in 2022. The Plan is anchored on four strategic objectives focused on enabling the Authority to realise its Vision and deliver on its mandate. The enhancement of the NDGA's risk management framework, in line with our commitment to good governance, constitutes another key achievement during the year under review. In this regard, the adoption of a Risk Register and developing a Risk Management Policy will greatly enhance operations and strengthen the Authority's institutional architecture.

Achieving these targets was made possible through the support and guidance from the NDGA's Board of Directors and cooperation received from all NDGA stakeholders. I would therefore like to sincerely thank the Board for providing such sound oversight in operationalising this great institution. The NDGA's staff also deserve appreciation for their hard work and dedication, as we all continue to take the institution to greater heights. In addition, we remain grateful to the Board, Management and staff of the Bank of Namibia for their overwhelming support and for continuing to provide all the resources required to administer this institution. Finally, I want to thank all our member institutions for their cooperation and understanding over the past year. Our achievements over the past 12 months offer us all a firm footing and justify our renewed commitment and dedication to extending that success in the next financial year and beyond.



Florette Nakusera

HEAD

NAMIBIA DEPOSIT GUARANTEE AUTHORITY





CORPORATE CHARTER

In pursuit of achieving its strategic objectives and mandate, the NDGA is guided by the principles of good corporate governance. In accordance with its establishing Act, the NDGA maintains and manages a Deposit Guarantee Scheme aimed at compensating depositors in a speedy, efficient and transparent manner in the event of member institutions' failure. On this legal and principled foundation, the NDGA aspires to be a credible entity in ensuring depositors are protected against the risk of loss. Therefore, the Authority's staff members, its Board and anyone else acting on its behalf are guided by a set of core values to actualise these aspirations and deliver on the NDGA's mandate.



Vision

To be a credible insurer committed to the protection of depositors' funds.



Mission

To establish and administer a deposit guarantee scheme for the protection of depositors against risk of loss of their deposits.



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.



Part A

ESTABLISHMENT AND GOVERNANCE OF THE NDGA

Deposit insurance or deposit protection systems have gained popularity in recent years, but especially in the aftermath of the 2008 global financial crisis. Such schemes have been implemented in many countries to protect bank depositors either fully or in part from losses caused by a bank's failure. Deposit insurance systems are one component of a financial system safety net that promotes consumer protection while safeguarding financial stability. Such institutions are 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.

The Namibia Financial Sector Strategy 2011–2021, which was developed by the country’s financial authorities and stakeholders, advocated for a safety net to be put in place to protect small depositors.

To this end, the Bank of Namibia undertook a comprehensive study that included a benchmarking exercise to find an appropriate model to adopt. The study recommended that, in line with international practice and in consideration of Namibia’s growing banking industry, Namibia should establish a deposit guarantee scheme. This led to the NDGA’s establishment and eventual operationalisation in 2020. In line with its mandate, the NDGA now maintains and manages a Deposit Guarantee Scheme. The main objectives of this Scheme are (1) to protect a high percentage of depositors against loss by compensating them if a member institution should fail, and (2) to enhance financial stability in both the financial sector and the country by insuring a portion of the total deposits held by banks. It is important to note that, while the NDGA is an independent juristic entity, it is currently administered within the existing structures of the Bank of Namibia. This was considered as the most cost-effective way to run the Authority.

Globally, deposit protection schemes are primarily meant to protect small depositors from losing their money as a result of bank failure.

Therefore, the coverage limits of most of these schemes aim to ensure that a significant proportion of small depositors are fully protected. In Namibia, the minimum coverage is N\$25,000 per depositor. This limit is high enough to ensure that well over 90 per cent of depositors receive their deposits back in full. However, because there are relatively few depositors holding large deposits, only about five per cent of the total value of insurable deposits is covered in full. This, too, is in line with international practice, as the primary objective of establishing deposit guarantee schemes is always to ensure the protection of a significant proportion of small depositors.

Mandate and powers

The Deposit Guarantee Act provides for certain functions and powers for the Authority. In pursuit of its strategic objectives and mandate, the NDGA’s specified powers 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 law
- 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 well informed.

Membership and coverage of the Deposit Guarantee Scheme

Many deposit insurance schemes around the world have made membership obligatory for deposit-taking institutions.

In Namibia’s case, section 23 of the Deposit Guarantee Act defines three categories of membership for the country’s Deposit Guarantee Scheme:

- A banking institution authorised under section 11 of the Banking Institutions Act, 1998 (No. 2 of 1998) to carry on banking business in Namibia
- A branch of a foreign banking institution authorised under section 19A of the Banking Institutions Act to carry on banking business in Namibia, and
- A building society registered to conduct the business of a building society under section 4 of the Building Societies Act, 1986 (No. 2 of 1986).

By the end of 2022, the Deposit Guarantee Scheme had seven banking institutions and one foreign branch operating in Namibia as members. All members pay annual premiums to the Scheme.

The Scheme covers specified types of deposits as stipulated in terms of section 39 of the Deposit Guarantee Act. 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, negotiable certificates of deposit as well as deposits at institutions regulated and supervised by the Namibia Financial Institutions Supervisory Authority (NAMFISA). 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 that individual's 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 2022, the Deposit Guarantee Fund fully covered 90.9 per cent of total depositors at the set threshold, a marginal increase in comparison with the 90.7 per cent 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 9.1 per cent of total depositors, a slight decrease from 9.3 per cent recorded by the end of 2021. For deposits above N\$25,000, the depositors would typically be concurrent creditors of the member institution involved. Notably, 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 2022

At N\$25,000 coverage	Fully covered	Partially covered	Total
Value of qualifying deposits (N\$)	3,019,825,238	58,709,739,149	61,729,564,387
Share of total qualifying deposits	4.9%	95.1%	100.0%
Number of depositors	1,360,191	135,739	1,495,931
Share of total depositors	90.9%	9.1%	100.0%

Funding

It is important that an appropriate funding model is adopted for any deposit guarantee authority to ensure there are adequate funds with which to compensate depositors. 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 to 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, which also covers the Fund's associated expenses, comprises premium contributions collected from member institutions once a year by the Scheme's administrators.

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. The Bank of Namibia's Determination which deals with premiums payable per risk category (DGD-6, gazetted on 1 April 2020) 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 implemented in 2022, which penalises bad and rewards good risk management. Annual premiums thus 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 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.



GOVERNANCE OF NDGA

It is important that a proper governance structure comprised of effective management and oversight is put in place for any institution to carry out its mandate effectively. Thus, adopting principles of good governance is crucial for the NDGA to operate effectively. Although the NDGA falls under the Bank of Namibia for its day-to-day administrative functions, an independent Board of Directors assumes responsibility for oversight of, and policy formulation for, the Authority. Section 32(1) of the Deposit Guarantee Act requires the Authority to prepare and submit to the Minister of Finance a copy of its annual report containing annual accounts certified by its auditors as well as its activities and the operations of its Deposit Guarantee Fund for the year in question. The Deposit Guarantee Act further stipulates that the Minister table a copy of the said report in the National Assembly.



Board of Directors

As alluded to earlier, oversight for the Authority is the responsibility of a competent Board of Directors appointed in terms of section 6 of the Deposit Guarantee 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 said Act, and for advising the Minister on any relevant and related matters. In accordance with section 6(2) of the said Act, the Board consists of the following persons who are appointed by the Bank of Namibia subject to the 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
- 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:



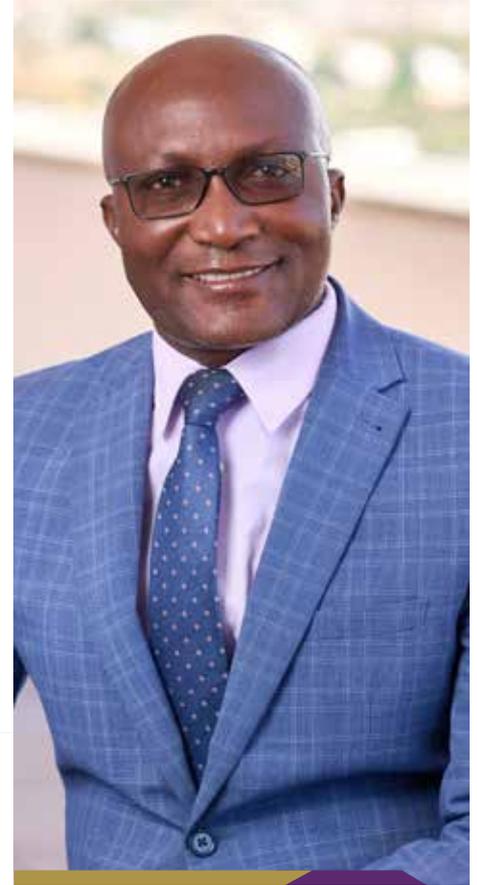
Ebson Uanguta

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)

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 Deposit Guarantee 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.



Kenneth S Matomola

Non-executive Director
(Finance and Banking, Regulation)



Herman Shilongo

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



Florette Nakusera

Executive Director (Ex officio)
(Macroprudential and
Macroeconomic policy, Central
banking, Finance and investments,
Strategic Leadership)

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.

Management and administration

Effective management is crucial for any institution, and this is true for the NDGA as well. Through a Service Level Agreement signed between the NDGA and the Bank of Namibia, the Bank continued to provide the human, financial and other resources required for the Authority's proper functioning. In this regard, Ms Florette Nakusera, the Director of Financial Stability and Macprudential Oversight at the Bank, was seconded to the NDGA and subsequently appointed as head of the Authority by the NDGA Board of Directors. The NDGA's seconded staff during the year under review were therefore as follows:



Florette Nakusera
Head of the NDGA



Petrus Shifotoka
Manager of Operations



1026.13

800.57



INFORMATION BOX

THE NAMIBIA DEPOSIT GUARANTEE AUTHORITY JOINS THE INTERNATIONAL ASSOCIATION OF DEPOSIT INSURERS

CONTENT

1. Introduction	27
2. The International Association of Deposit Insurers	27
3. IADI Core Principles	27
4. Key IADI benefits	28
4.1 Capacity development	28
4.2 E-learning	28
4.3 Collaborative contribution to global financial stability	28
4.4 Research	29
5. Summary of benefits	29
6. Membership fees	30
7. Conclusion	30

1. Introduction

The Namibia Depository Guarantee Authority (NDGA) was established in terms of section 2 of the Deposit Guarantee Act, 2018 (No. 16 of 2018) and became fully operational in 2020. 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. In December 2022, the NDGA Board of Directors approved the institution’s application for membership of the International Association of Deposit Insurers (IADI), subject to the latter’s assessment and approval. IADI approval was granted on 16 February 2023. This article provides important information to NDGA stakeholders on the benefits that the Authority will derive from being an IADI member.

2. The International Association of Deposit Insurers

The IADI is the global standard-setting body for deposit insurance systems. It contributes to the stability of financial systems, firstly, by enhancing the effectiveness of deposit insurance, and secondly, by promoting international cooperation on deposit insurance and bank resolution arrangements in active partnership with other international organisations. Since its inception in May 2002, the IADI has sought to actively share its deposit insurance expertise with the world. In doing so, the Association has grown from an initial group of 25 founding members to a total of 109 members today. The IADI has also become a recognised standard setter and evaluator for deposit insurance systems. Being a member of this international platform has numerous benefits (see 4 below).

3. IADI Core Principles

The IADI is the architect of the Core Principles for Effective Deposit Insurance Systems. Through the development of these Core Principles, the IADI promotes best international practice and standards for deposit insurance systems. The application of these Principles paves the way for the financial systems across the globe to become as sound and stable as possible. The Principles also serve as a benchmark for the various jurisdictions to use for establishing new and/or strengthening existing deposit insurance systems. IADI standards are part of the Financial Stability Board (FSB) Key International Standards for Sound Financial Systems. The FSB has designated the IADI standards as crucial for sound financial systems and deserving of priority implementation, depending on individual countries’ circumstances. As such, the standards are broadly accepted as representing the minimum requirements for good practice that countries are encouraged to meet or exceed. Furthermore, the IADI Core Principles are used in Financial Sector Assessment Programme (FSAP) reviews, in technical assistance programmes conducted by the International Monetary Fund (IMF) and World Bank, and in recent FSB Peer Reviews. The current 16 Core Principles pertain to the following:

1. Public policy objectives
2. Mandate and powers
3. Governance
4. Relationships
5. Cross-border issues
6. Crisis management
7. Membership
8. Coverage
9. Sources and uses of funds
10. Public awareness
11. Legal protection
12. Dealing with parties at fault
13. Early detection and intervention
14. Failure resolution
15. Reimbursing depositors
16. Recoveries

4. Key membership benefits

4.1 Capacity development

Members of the IADI participate in various capacity-building activities and initiatives, including conferences, technical training courses and executive training programmes. Furthermore,

networking with other deposit insurance organisations provides opportunities to share knowledge and best practices. The Association also hosts several series of regional Technical Assistance Workshops (TAWs), which are free of charge for its members. TAW content is based on a thorough analysis of the training gaps and needs per region. The Workshops are therefore well attended by motivated and highly engaged participants who receive assistance that is specifically geared to their needs. The TAWs also provide an opportunity for outreach to organisations that are not yet IADI members. In addition, several IADI members provide capacity-building expertise for other deposit insurers, financial authorities and government officials seeking to develop, strengthen or transition to deposit insurance schemes. Capacity-building services available through these programmes are delivered on-site, that is, in the locale and facilities of the party requesting the services.

Recently, the IADI launched an expanded technical assistance programme to assist its members with conducting a self-assessment of their compliance with the Core Principles. This Self-assessment

Technical Assistance Programme (SATAP), which is available only to IADI members, is important in preparing for FSAP reviews. To date, SATAP teams have assisted IADI members in various jurisdictions, including Brazil, Ecuador, the Republic of South Korea, the Philippines, Trinidad and Tobago, and Vietnam.

4.2. E-learning

The IADI also provides effective platforms for members to engage in e-learning. Principal in this

regard is FSI Connect, the Bank for International Settlements' e-learning platform launched in 2004. FSI Connect is a web-based information resource and learning tool. The platform has been available by subscription since then exclusively to financial sector supervisors, central banks and deposit insurers. Currently, more than 300 organisations and 9,500 individuals in over 150 countries around the world have access to the tool. The FSI Connect catalogue currently comprises over 250 tutorials, many of which were developed by the Financial Stability Institute (FSI), and the provision continues to expand. Topics covered include the full range of issues of interest to the FSI's subscriber community, including the Basel III capital and liquidity standards, insurer solvency, deposit insurance and bank resolution, macro-prudential policy and other post-crisis reforms, supervisory tools and techniques, the key accounting standards for banks and insurers, financial products and markets, and key banking and insurance risks (credit, liquidity, market, operational and underwriting risks) and their management.

All IADI members and associates receive three free licenses to access more than 200 tutorials provided in FSI Connect. These tutorials include

eight modules of direct relevance to deposit insurers, such as Basics of Deposit Insurance, Premiums and Fund Management, Deposit Insurance – Reimbursing Depositors, Liquidation of Failed Bank Assets, Core Principles for Effective Deposit Insurance Systems, Resolution and Bridge Banking, Public Awareness of Deposit Insurance Systems and Mechanics of Conducting Self-Assessment of Compliance with the Core Principles for Effective Deposit Insurance Systems.

4.3 Collaborative contribution to global financial stability

Collaborations with other international bodies and institutions is a priority within the IADI network.

The IADI collaborates with international organisations that contribute to financial stability, including the Basel

Committee on Banking Supervision, the Financial Stability Board, the Financial Stability Institute, the IMF, the World Bank, the European Forum of Deposit Insurers and the European Commission. Cooperating with these organisations helps to strengthen deposit insurance systems. The IADI is also a member of the FSB’s Resolution Steering Group and the Cross-border and Crisis Management Working Group, providing a voice for the deposit insurance systems on key issues affecting the role of deposit insurance in resolution matters. These relationships help IADI members and associates influence other standard setters.

4.4 Research

The enhancement of research capacity and peer learning is a critical component within the IADI network. The IADI has a research agenda that includes topics relevant to deposit insurance practitioners and other interested academic and policy experts. The research topics are identified by IADI members and associates, who serve as chairs and/or members of various research technical committees and are supported by the IADI Secretariat Research Unit.

5. Summary of key IADI membership benefits

Below are just some of the many benefits of IADI membership:

- The IADI is an international standard-setting body, with their standards recognised and utilised around the world.
- Members can –
 - o participate in developing the IADI Core Principles and standards as well as its guidance and assessment methodologies to enhance the effectiveness of deposit insurance systems
 - o share expertise and information on deposit insurance issues through training, development and educational programmes
 - o participate in capacity-building, conferences, executive training and e-learning
 - o engage in regional TAWs to address member challenges, build capacity, and help to improve compliance with the IADI Core Principles
 - o cooperate with other international organisations, particularly those involved in issues related to financial markets and the promotion of financial stability (FSI, IMF, World Bank, etc.)
 - o participate in joint IADI and FSI conferences
 - o use the FSI Connect e-learning tool
 - o gain access to IADI’s members-only website, which includes access to comprehensive data on deposit insurers from IADI annual surveys for benchmarking and other purposes
 - o gain access to IADI members-only repository of knowledge materials from each IADI conference, workshop or seminar from 2013 onwards, with materials from over 75 events already posted
 - o create awareness for, and highlight the importance of, deposit insurance in maintaining financial stability among safety-net partners and deposit-taking institutions within a member’s jurisdiction
 - o gain access to ongoing, timely IADI research on emerging trends in deposit insurance and the resolution of deposit-taking institutions
 - o receive IADI guidance on assessing compliance with the Core Principles, and
 - o gain unique, members-only access to SATAP, which is important in preparing for IMF/World Bank FSAPs, technical assistance, and FSB peer reviews.

6. Membership fee

An IADI member is an entity which, by law or some pertinent agreement, has a deposit insurance system and whose membership has been approved by the Association. IADI members pay annual membership fees to the Association. In the case of the NDGA, this fee amounts to 18,500 Swiss Francs, with an initial fund contribution of 11,390 Swiss Francs (payable over two years).

7. Conclusion

As outlined above, there are numerous benefits that the NDGA can derive from being a member of the IADI, principal among which is to ensure the Authority's policies and practices are aligned with international best practices. The NDGA has been operating for the first three years without membership of the International Association of the Deposit Insurers. This was deemed necessary given that the institution was still in its infancy stage. After three years of operations, the Management and the Board of the NDGA have made a consideration for membership of this prestigious association. This was necessitated by the numerous benefits that comes with the IADI membership as well as aligning the policies and practices of the Authority to international best practices. This brief information box provides NDGA stakeholders with some background on the nature of these benefits.

“

After three years of operations, the Management and the Board of the NDGA have made a consideration for membership of this prestigious association.

”



PART B

THE YEAR UNDER REVIEW

OVERVIEW OF MACROECONOMIC AND INDUSTRY DEVELOPMENTS

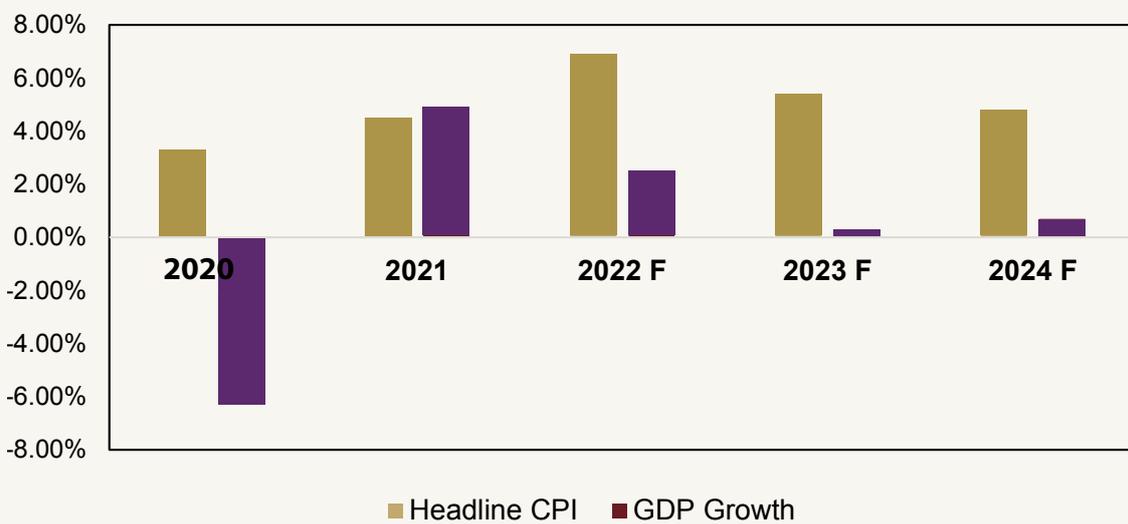
Global economic activity slowed in 2022 relative to the substantial improvement recorded in 2021.

This is due to persistent inflationary pressures and subsequent tightening of financial conditions in most regions. The global economy is estimated to have registered 3.4 per cent growth in 2022, which represents a slowdown from the 6.2 per cent recorded in 2021. The slowdown in economic activity was buoyed by the ongoing Russia-Ukraine war, coupled with persistently higher inflationary pressures compared with those seen for the past few decades.

The downturns in China and the energy crisis in Europe exerted additional pressure on global growth in 2022. Global inflation, on the other hand, surged during 2022, severely aggravated by the Russia-Ukraine war. To contain the escalating inflation, most central banks in major advanced economies were compelled to increase policy rates and unwind their non-conventional stimulatory monetary measures. Going forward, growth in the global economy is projected to remain subdued in 2023 and only grow by 2.9 per cent. The risks to the global outlook remain on the negative side primarily owing to the ongoing Russo-Ukrainian war, the persistent high inflation, tighter financial and monetary conditions, and slower growth in China – given that China holds a larger portion of global demand in terms of trade.

Despite the expected slowdown in global economic growth outlook by the IMF in October 2022, the South African Reserve Bank (SARB) increased their projections (as at January 2023) of their country's economy growth from 1.8 per cent to 2.5 per cent for 2022 (Figure 1). Meanwhile, the forecasts for 2023 and 2024 were revised downwards. Thus, the economy is now forecast to expand by only 0.3 per cent and 0.7 per cent, respectively. These downward adjustments in growth are mainly ascribed to expected challenges on both the global and domestic front, namely electricity load-shedding, weaker expected domestic and global demand, geopolitical risks and other logistical constraints.

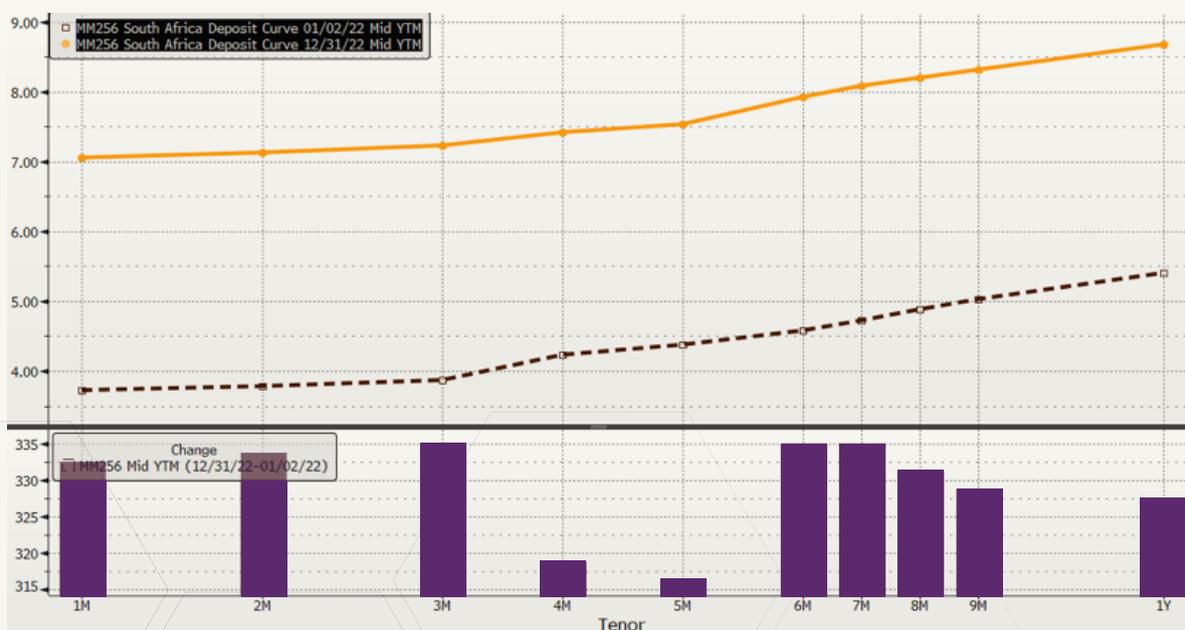
Figure 1: South Africa GDP and headline inflation



In terms of inflation, South Africa's headline inflation still remained above the target (3–6 per cent) for 2022, although it eased to 7.2 per cent in December, reflecting the higher international energy and food prices emanating from supply and demand disruptions caused by the war in Ukraine. The SARB therefore hiked interest rates by 325 basis points over the reporting year to respond to inflationary pressures. Moreover, average headline inflation expectations were revised (in January 2023), reflecting a final position above the inflation target range and averaging at 6.9 per cent for 2022 before slowing to 5.4 per cent in 2023 (Figure 1).

The South African money market maintained an upward trajectory in term of interest rates for most of 2022. As proxied by the deposit curve in Figure 2, the rise reflected the aggressive rate hikes by the SARB in retaliation to elevated inflation. The curve is expected to reflect a gentler slope upwards for 2023, reflecting a slower interest rate hike environment owing to the expected slowdown in inflation globally – although room for downside risks to the economy still remains.

Figure 2: South Africa – Deposit curves



On the domestic front, Namibia's economy registered improved growth in 2022 compared with 2021, as activity improved across both the primary, secondary and tertiary industries. The domestic economy is estimated to have registered a higher growth rate of 4.6 per cent in 2022, compared with the 3.5 per cent registered for the previous year as per the preliminary National Accounts of the Namibia Statistics Agency. This incline in 2022 can be traced to increased output registered across all three main industry groupings.

Developments in the banking industry underlined that, despite various challenges, the banking sector remained resilient. The industry reported good balance sheet growth, with strong capital and profitability positions as well as adequate liquidity. The steady economic recovery resulted in the industry recording elevated growth in earnings during the year under review. The Bank of Namibia's relief measures remained in place, in order to continue supporting economic recovery. These measures were initially meant to enable banking institutions to support

businesses and clients affected by the pandemic.

The banking industry remained well capitalised, with a notable improvement in asset quality and total income during 2022. The total eligible capital ratio increased to 17.0 percent, up from 15.9 percent reported for 2021. Although the industry posted strong capital levels, it is expected that increasing interest rates and rising provisions may negatively impact profitability and, ultimately, capital levels in future. Asset quality improved materially due to a combination of repayments, write-offs and debt restructuring measures.

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 2022, the market value of the Deposit Guarantee Fund stood at N\$16,2 million.

The growth in the Fund value was primarily attributable to N\$5,156,105.26 in member institution premiums paid in April 2022. Detailed information on income and flows into the fund are presented in Table 2.

Table 2: Portfolio income and market value

Size (N\$) 31 Dec. 2021	Interest income (1Q22)	Interest income (2Q22)	Interest income (3Q22)	Interest income (4Q22)	Total interest income	Contributions	Size (N\$) 31 Dec. 2022
10,259,574	56,415	120,410	294,558	319,580	790 963	5,156,105	16,206,642

Fund performance versus benchmark

The Fund generated an annual return of 5.57 per cent during the reporting year alone, which was ahead of the benchmark (South African three-month STeFNI Index) return of 4.79 per cent by 77.31 basis points. The high returns for the year can be attributed to the rising yield environment observed during 2022, while the outperformance resulted from exposure to floating-rate notes and high-yielding treasury bills. Beyond one year performance, the Fund consistently performed better than its benchmark, having benefited from high interest earned on its cash account with the SARB.

Figure 3: Fund performance, 2022

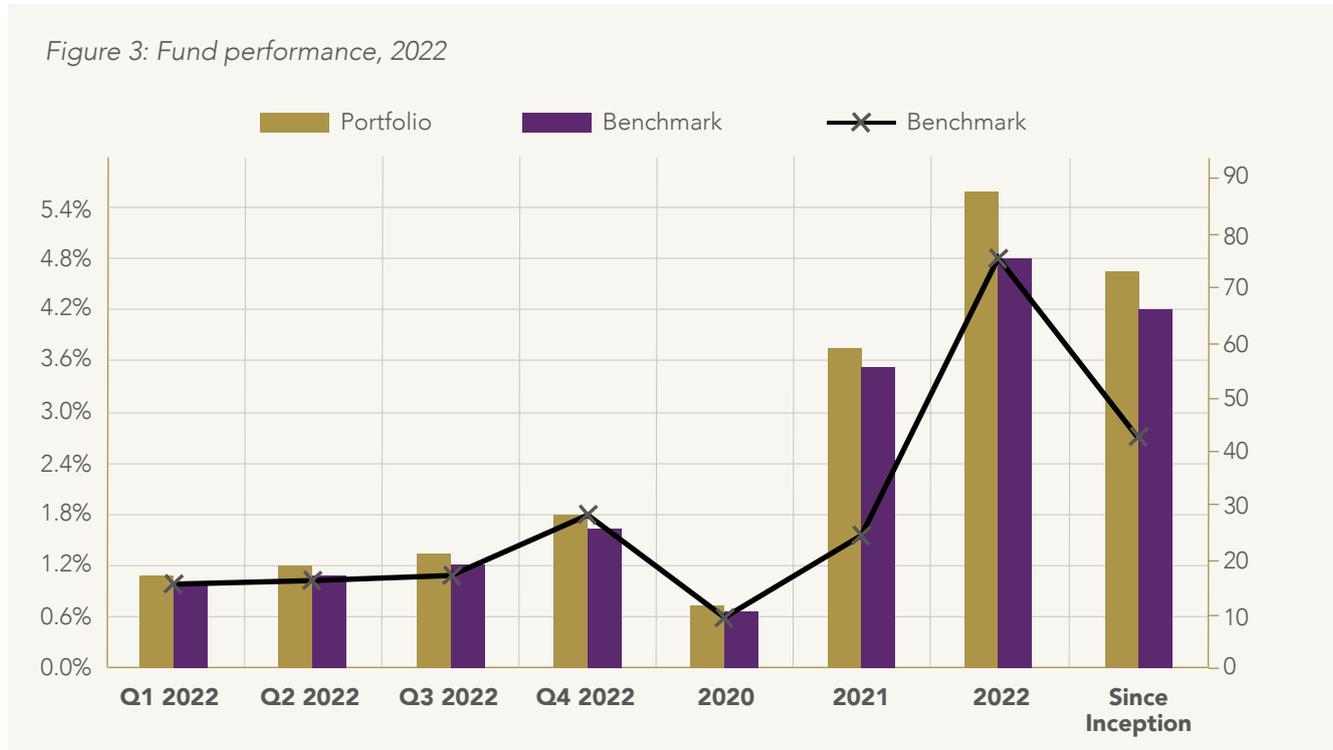
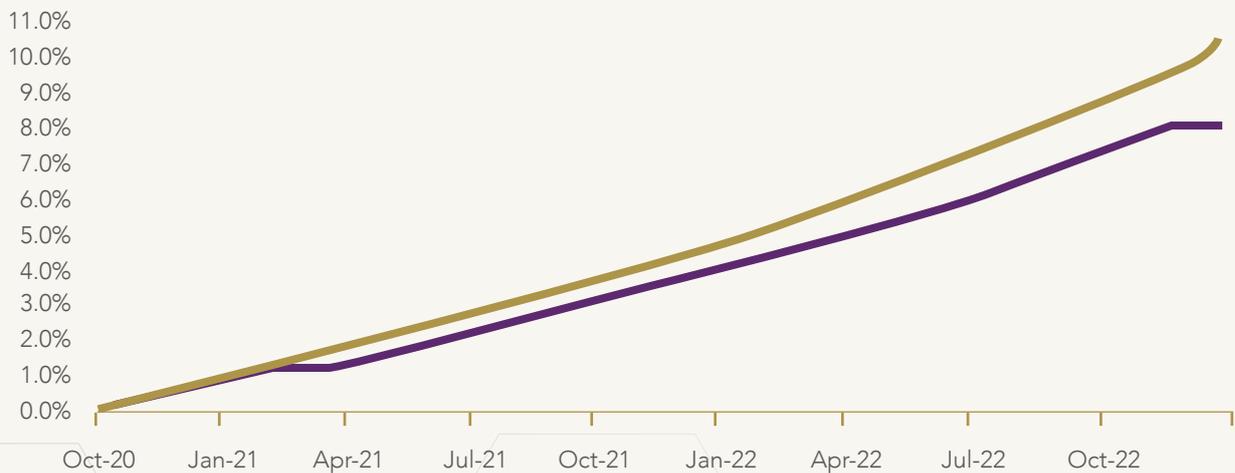


Figure 4: Cumulative historical performance



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

During 2022, 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: the capital adequacy ratio, the liquid asset ratio, asset quality deposit concentration,

profitability and supervisory assessment. These variables serve as indicators of a particular member institution's performance, governance and risk profile. The average ratios of four quarters (Q3 of 2021, Q4 of 2021, Q1 of 2022 and Q2 of 2022) 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 2022. These categories will be used in calculating annual premiums payable in 2023.

Risk management

It is important that the NDGA implements an effective and comprehensive risk monitoring and management framework. The Board is tasked, through its Audit, Risk and Investment Committee (ARIC), with monitoring the risks that face the Authority and with providing guidance on how to mitigate them. The ARIC Charter,

as approved by the NDGA Board, stipulates that the ARIC should assist the Board in carrying out its risk responsibilities. Accordingly, the duties of the ARIC are to –

- review the Authority's risk management progress and maturity, the effectiveness of its risk management activities, the key risks it faces, and its responses to address such risks
- review and approve the Risk Management Policy and Plan as well as monitor the entire risk management process
- review the Risk Management Policy as well as the frameworks, processes and practices associated with risk management and make recommendations to the Board on an annual basis
- recommend risk tolerance levels to the Board
- ensure that the Authority takes appropriate measures to achieve a prudent balance between risk and reward in both ongoing and new business activities
- evaluate any significant risks to which the Authority is exposed and assess Management's actions in mitigating such exposures in a timely manner (including once-off initiatives and ongoing activities such as business continuity planning, and disaster recovery planning and testing), and
- keep the Board informed about risk exposures and risk management activities through the submission of periodic reports from Management.

During the period under review, a Risk Register for the NDGA was developed and received Board approval. The Register highlights the key risks facing the institution and include plans and strategies to mitigate them. This Register as well as a Risk Tracker were presented at ARIC meetings to keep the Board abreast of action being taken to mitigate the impact of identified risks. Furthermore, following the approval of the NDGA's Strategic Plan in December 2022, a Risk Management Policy has been developed for Board approval in 2023.

Business continuity

The ability of any organisation to continue operating even when its course of business is disrupted is of paramount importance. The NDGA therefore developed a Business Continuity Plan highlighting the mechanisms and processes that need to be put in place to ensure the Authority's critical functions will continue in the event of a disruption. The Plan, which was approved by the Board during the reporting year, details the procedures for successful recovery and continuity of the Authority's critical business processes should a major disruption occur within a defined Maximum Allowable Outage timeframe.

Benchmarking and international cooperation

Benchmarking and international cooperation are critical for the success of any organisation. Through benchmarking and strengthening international relations, an institution is able to learn from the experience of others and enhance its own operations. To this end, the NDGA undertook benchmarking visits to other deposit insurers to exchange relevant information. In 2022, NDGA Management visited the United Kingdom's Financial Services Compensation Scheme, the Ghana Deposit Protection Corporation, and Zimbabwe's Deposit Protection Corporation, among others. The learnings from these benchmarking visits will contribute greatly towards enhancing NDGA operations and will allow the institution to adopt the best international practices.



The Head of the NDGA, Ms Florette Nakusera; the Chief Executive Officer of the Ghana Deposit Protection Corporation, Ms Pearl Esua-Mensah (fourth from right); and the NDGA's Manager of Operations, Mr Petrus Shifotoka, were joined by the Management and staff of the Ghana Deposit Protection Corporation during a benchmarking visit to Ghana in September 2022.

Strategic planning

In 2022, the NDGA committed to developing its first Strategic Plan and accomplished this target successfully. The Plan covers the period 2023–2025 and was devised after a rigorous and comprehensive reflection and planning process that involved both Management and the Board. Thus, the Authority scanned both the external and internal environment to identify the various factors that held implications for its operations. This enabled the NDGA to identify its key strategic objectives for the three years concerned and to assign high-level initiatives and activities to those objectives. The three-year Plan focuses on the following four key strategic objectives that will position us the NDGA well in respect of delivering the above principal benefits:

- Grow the Deposit Guarantee Fund
- Establish robust and seamless processes
- Engage stakeholders effectively, and
- Promote a reputable brand.

The Plan spells out these key four strategic objectives for the three-year period with the aim of building a stronger foundation for future institutional priorities. Ultimately, the Strategic Plan should strategically align all NDGA activities to ensure its Vision of being a credible insurer committed to the protection of depositors' funds will be achieved.



The Board and Management of the NDGA at a strategic planning session in Windhoek, 23 November 2022

Board and Committee meetings

As provided for under section 6 of the Deposit Guarantee 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 said 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 Corporate Governance Code for Namibia (NamCode) principles.

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 2022, four ordinary Board meetings as well as one special meeting were held. Table 3 sets out the dates and attendance of these meetings.

Table 3: Attendance of Board meetings, 2022

Board Member	18 March	17 June	16 September	21 November	6 December (Special)
Mr Ebson Uanguta (Chairperson)	✓	✓	✓	✓	✓
Ms Linda Dumba Chicalu	✓	✓	✓	✓	✓
Mr Festus Nghifenwa	✓	✓	✓	✓	✓
Mr Kenneth S Matomola	✓	✓	✓	✓	✓
Mr Herman Shilongo	✓	✓	✓	✓	✓
Ms Florette Nakusera (Ex officio)	✓	✓	✓	✓	✓

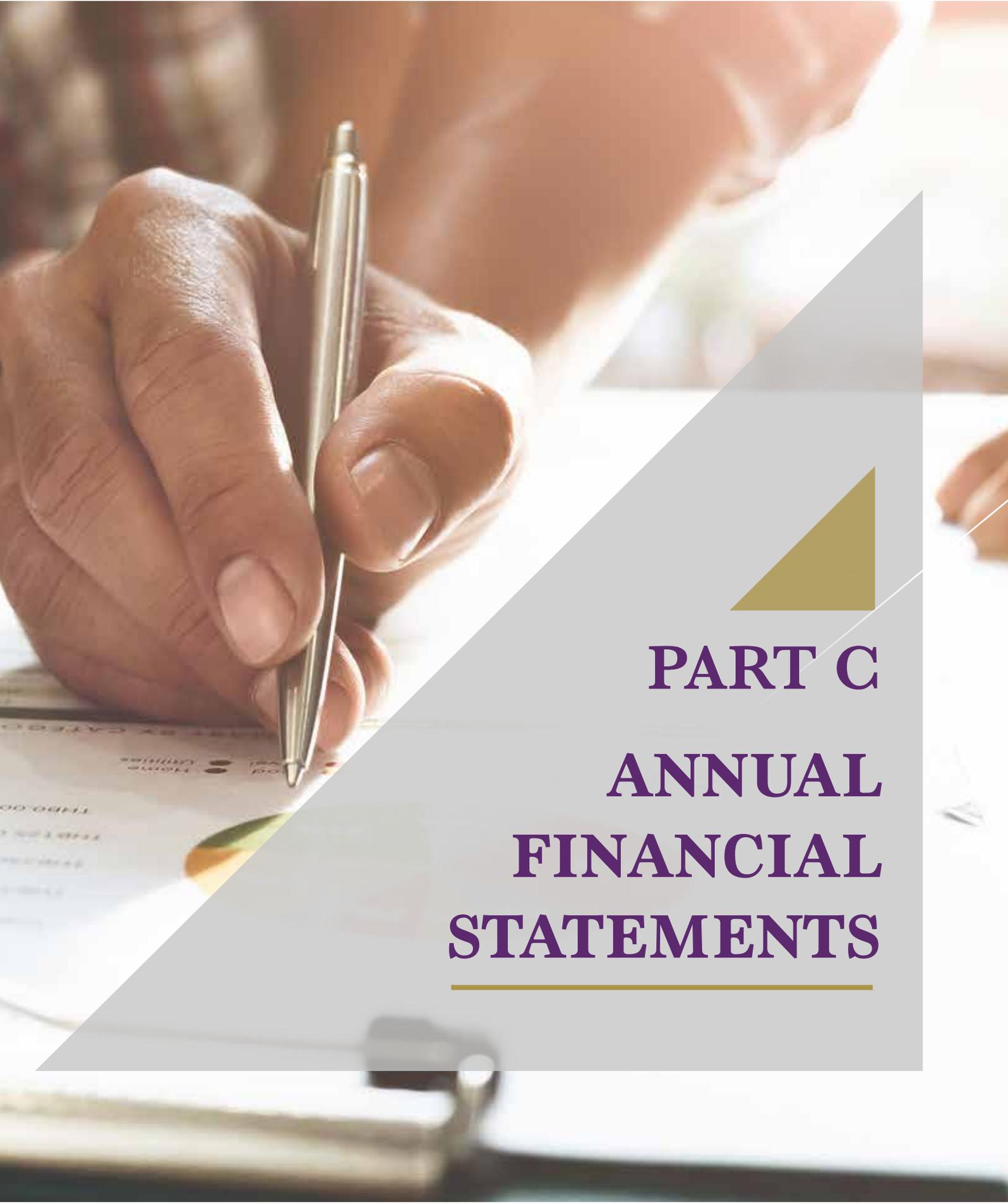
Similarly, the Audit, Risk and Investment Committee ordinarily meets four times a year. This Committee was established by the Board to assist it in implementing effective policy and to plan for risk management and internal control models that enhance the Authority's ability to achieve its strategic objectives 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, 2022

Committee Member	14 March	3 June	2 September	4 November
Mr Herman Shilongo (Chairperson)	✓	✓	✓	✓
Ms Linda Dumba Chicalu	✓	✓	✓	✓
Mr Festus Nghifenwa	✓	✓	✓	✓







PART C

**ANNUAL
FINANCIAL
STATEMENTS**

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 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.

Board of Directors

Mr Ebson Uanguta (Chairperson)
Mr Festus Nghifenwa
Ms Linda Dumba Chicalu
Mr Herman Shilongo
Mr Kenneth Matomola
Ms Florette Nakusera (Ex officio Board Member, Head of the NDGA)

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)

Content

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

Financial Statements Overview	46
Directors' Responsibilities and Approval	46
Independent Auditor's Report	48-51
Directors' Report	52
Statement of Financial Position	53
Statement of Comprehensive Income	54
Statement of Changes in Equity	55
Statement of Cash Flows	56
Notes to the Annual Financial Statements	57-61



FINANCIAL STATEMENTS OVERVIEW

KEY POINTS		2022 N\$	2021 N\$
Surplus for the year increased by N\$600,000 from N\$5.6 million in 2021 to N\$6.2 million in 2022	Surplus for the year	6,197,740	5,608,781
Total operating expenses decreased by N\$22,000 from N\$564,000 in 2021 to N\$542,000 in 2022	Operating Expenses	542,423	563,820
Total assets increased by N\$6.2 million from N\$10.9 million in 2021 to N\$17.1 million in 2022	Total assets	17,062,727	10,880,987
Deposit Guarantee Fund investments increased by N\$5.9 million from N\$10.3 million in 2021 to N\$16.2 million in 2022	Total investment	16,206,642	10,259,574

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 2023 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 48 to 51.

The annual financial statements set out on pages 44 to 61, 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

Windhoek

23 March 2023



Linda Dumba Chicalu

Board Member

Windhoek

23 March 2023

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF THE NAMIBIA DEPOSIT GUARANTEE AUTHORITY

Opinion

We have audited the Annual Financial Statements of the Namibia Deposit Guarantee Authority set out on pages 53 to 61. These comprise the Statement of Financial Position as at 31 December 2022, 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, which include a summary of significant accounting policies.

In our opinion, the Annual Financial Statements present fairly, in all material respects, the Namibia Deposit Guarantee Authority's financial position as at 31 December 2022 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 with the requirements of the Deposit Guarantee Act.

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 section below entitled *Auditor's responsibilities for the audit of the Annual Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Namibia, and we have fulfilled our other 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.

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. This other information comprises the Directors' responsibility for, and approval of, the Annual Financial Statements and compilation of the Directors' Report, as required by statute. Such other information does not include the Annual Financial Statements or 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.

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 Deposit Guarantee Act, 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 intend either 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 the International Standards on Auditing 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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.
- 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.

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.

Grand Namibia

Grand Namibia

Registered Accountants and Auditors

Chartered Accountants (Namibia)

PO Box 24304, Windhoek

Per: Petrus NGHIPANDULWA (Partner)

Windhoek

24 March 2023

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 2022.

1. Main business and operations

The main objective of the Authority in terms of the Deposit Guarantee Act 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 2022 is N\$6,197,740 (2021: N\$5,608,781).

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

Ms Florette Nakusera (*Ex officio* Board Member, Head of the NDGA)

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 2022 amounted to N\$17,017,727 (2021: N\$10,819,987). The annual financial statements have been prepared on a going-concern basis.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note(s)	2022 N\$	2021 N\$
ASSETS			
Current assets			
Investments	2	16,206,642	10,259,574
Bank	3	856,085	621,413
Total current assets		17,062,727	10,880,987
TOTAL ASSETS		17,062,727	10,880,987
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		17,017,727	10,819,987
Total equity		17,017,727	10,819,987
Liabilities			
Current liabilities			
Audit fees provision	6	45,000	61,000
Total liabilities		45,000	61,000
TOTAL EQUITY AND LIABILITIES		17,062,727	10,880,987

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Note(s)	2022 N\$	2021 N\$
Revenue	4	5,949,200	5,894,101
Operating expenses	5	(542,423)	(563,820)
Operating surplus		5,406,777	5,330,281
Interest received	2	790,963	278,500
Surplus for the year		6,197,740	5,608,781
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		6,197,740	5,608,781

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Accumulated surplus N\$	Total N\$
Balance at 1 January 2021	5,211,206	5,211,206
Surplus for the year	5,608,781	5,608,781
Other comprehensive income	-	-
Balance at 31 December 2021	10,819,987	10,819,987
Surplus for the year	6,197,740	6,197,740
Other comprehensive income	-	-
Balance at 31 December 2022	17,017,728	17,017,728

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note(s)	2022 N\$	2021 N\$
Cash flow from operating activities			
Grant received	4	793,095	1,159,367
Payments to suppliers and employees		(558,423)	(537,954)
Cash generated from operations	A	234,672	621,413
Total cash movement for the year		234,672	621,413
Cash at the beginning of the year	3	621,413	-
Total cash at end of the year	3	856,085	621,413
Note:			
A. Reconciliation of surplus for the year to cash generated from operations:			
Surplus for the year		6,197,740	5,608,781
Adjusted for depreciation		-	11,998
Operating cash flows before movements in working capital		6,197,740	5,620,779
(Decrease)/Increase in trade and other payables		(16,000)	13,868
Decrease in other receivables		-	344,416
Increase in Investments		(5,947,068)	(5,357,650)
		234,672	621,413

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 exercise their professional judgement in applying the Authority's accounting policies. No significant estimates or judgements were used during the period under review.

1.2 Revenue recognition

Premiums received

Premium income from member institutions is levied and recognised in terms of Section 34 of the Deposit Guarantee Act 16 of 2018. The Board determines the premium payable by each member institution to the Fund according to their respective risk category. The Board's determination is done with due regard to the appropriate size of the Fund to meet its actual and potential liabilities and the total guaranteed deposits of member institutions.

Grant income

The grant income consists of the approved funding received from the Bank of Namibia. The funds will not be refunded to the Bank of Namibia.

Interest received

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

1.3 Expenses

Expenses are recorded on an accrual basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. Accounting policies (continued)

1.4 Trade and other receivables

Trade and other receivables are measured at initial recognition at amortised cost 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.

1.5 Trade and other payables

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Investments

	2022 N\$	2021 N\$
Opening balance at 1 January	10,259,574	4,901,924
Premiums received	5,156,105	5,079,150
Interest received	790,963	278,500
Closing balance at 31 December	16,206,642	10,259,574

In terms of Section 29 of the Deposit Guarantee 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.

3. Bank

Bank account

856,085

621,413

4. Revenue

Premiums received

5,156,105

5,079,150

Grant received

793,095

814,951

Total revenue

5,949,200

5,894,101

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2022 N\$	2021 N\$
5. Operating expenses		
Advertising and related expenses	-	41,705
Audit fees	26,665	101,250
Corporate identity	-	4,319
Depreciation – computer hardware	-	11,998
Development responsibilities	2,823	-
Directors' fees	305,074	245,233
Entertainment expenses	-	11,208
Printing and publications	95,436	82,622
Stationery	5,025	-
Travel, subsistence, and accommodation	107,400	65,485
Total	542,423	563,820

6. Audit fees provision

Provision for audit fees

45,000

61,000

Provision for audit fees is recognised based on the approved budget.

7. Subsequent events

There were no material subsequent events between the reporting date and the date of approval of the annual financial statements.

8. Contingent Liability

The Bank of Namibia filed an application with the High Court of Namibia on 2 November 2022 to liquidate Trustco Bank Namibia Limited ("Trustco Bank") following the failure of Trustco Bank and its shareholders to remediate severe flaws in the bank's risk management practices and systems, failure to maintain liquidity ratios within the prescribed ratios, and a failure to comply with agreed-upon directives to recapitalise Trustco Bank.

There is no past event as the court has not pronounced itself at the reporting date. No provision has been raised in these financial statements as there is no obligating event giving rise to a present obligation at the reporting date. The NDGA has a possible obligation to depositors of Trustco Bank subject to the court case's outcome. The contingent liability is estimated at N\$741,256 at the reporting date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

9. 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.



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