Media Release

Bank of Namibia

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FOR IMMEDIATE RELEASE

AMENDMENTS TO POLICY CHANGES FOR THE BANKING INDUSTRY IN RESPONSE TO ECONOMIC CHALLENGES AS A RESULT OF THE COVID-19 PANDEMIC

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1. Following extensive consultations with economic agents and key stakeholders, the Bank of Namibia has proactively decided to amend some key provisions of the Determination on Policy Changes in Response to Economic and Financial Stability Challenges (BID-33), to avoid the premature exit of relief measures.

2. This is aimed at supporting households, SMEs, and corporates as the country has not exited the Covid-19 pandemic yet. Whilst, the Bank wants to safeguard the stability of the financial system, it also needs to guard against premature withdrawal of support to the economy and mitigate effects of economic scarring.

3. As can be recalled, the Bank implemented the Determination on 01 April 2020 to deal with and mitigate the risks to the economy as a result of the COVID-19 pandemic. In addition, these measures were also taken to safeguard a sound monetary, credit and financial system, whilst providing much-needed relief to borrowers.

4. The implementation of the Determination has been monitored closely since its inception and the Bank saw it fit to revise various aspects of the Determination to strengthen the relief measures to both banking institutions and customers of banking institutions.

5. The factors that necessitated the amendments include the ongoing macroeconomic strain and the uncertainty surrounding emerging COVID-19 variants and their concomitant impact on the economic activities at large, which continue to delay economic recovery. Whilst banking institutions remain adequately capitalised and profitable, prolonged economic distress, beyond the initially considered timelines, require amendments with respect to remedial measures.

6. The Bank therefore made the amendments to the Determination to meet the current economic climate and consumer protection considerations of which the most salient are as follows:

   6.1. **Extension of the Determination**

   The Determination has been revised to remain in place for an additional twelve months, i.e., until 01 April 2023. This presents an effective period of thirty-six months

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(an additional 12-months) as opposed to the initial twenty-four months to support businesses and individuals from the adverse and negative effect of COVID-19 unless the Determination is revoked in writing. The Bank is committed to ensure that no early withdrawal of the COVID-19 relief measures would be considered without due assessment and analysis of the potential impact on the banking industry, individual households and businesses.

6.2. **Loan Repayment Moratorium**

The loan repayment moratorium provided in the Determination has been revised from the current 6-24 months to a period of 1-24 months, thus removing any inconsistent treatment of moratoria of less than six months.

6.3. **Banking Charges on Loan Moratoria**

Banking institutions are prohibited to charge clients higher, punitive interest rates, in excess of the initial contractual interest rate, following the expiration of any COVID-19 related loan moratorium imposed. Similarly, banking institutions are only allowed to charge an administrative fee of the extension of a loan moratorium at the initial extension, whereafter no administrative fee or charge for the rollover of the facility may be charged to a customer.

6.4. **Adverse Loan Classification**

A general loan moratorium, as a result of COVID-19 distress will not result in adverse classification at the initial extension of a loan moratorium of any allowable duration, i.e., one to twenty-four months. Should this moratorium, however, be rolled over based on prolonged distress it will be viewed as demonstrating increased credit risk once the cumulative moratorium amounts to twelve (12) months. Such a loan will then be classified accordingly.

6.5. **Collateral Haircuts Values on Loss Classified Loans**

Having monitored the implementation of the International Financial Reporting Standards 9 (IFRS 9) at Namibian banking institutions and the support of audit firms in the assurance of these models, the Determination has revised the collateral haircuts on loss category loan facilities. The Determination now requires that banking institutions implement a once-off collateral haircut of 30% on loans once they become non-performing. This collateral haircut will be maintained at 30% or increased as a result of the discounting of collateral over time using the IFRS 9 models to ensure collateral values realistically reflect current collateral market values.

6.6. **Liquidity Relief Measures**

The liquidity relief measures for the banking institutions previously introduced for a period of 6 months have been reintroduced for the duration of the Determination to ensure liquidity relief in the 0-7 day and 8–31-day time buckets. The relief measures cited are as before.

6.7. **Credit Bureau Reporting**

In order to ensure that banking customers are not unduly impacted by negative credit bureau listing as a result of the implementation of the Determination, banking institutions, as credit providers, should not report those benefitting from a loan moratorium rolled over for less than 12 months as delinquent to credit bureaus.

7. The Bank believes that the changes to the COVID-19 relief measures on the banking industry and its customers will enable banking institutions to better play their role in supporting the economy and their customers during these challenging circumstances. The Bank will continue to closely monitor developments and response of banking institutions to these measures in order to ensure and maintain a sound monetary and financial system in Namibia amid economic challenges posed by COVID-19 outbreak.

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