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FOR IMMEDIATE RELEASE

NAMIBIAN BANKS ABLE TO WITHSTAND FOREIGN BANKING CRISIS

1. Namibia's banking system remains resilient and sound, with solid capital and liquidity buffers in place to withstand risks emanating from internal and external shocks as the world reels from the closure of a number of regional banking institutions in the United States and a global systemically important bank based in Europe. The Bank of Namibia is confident that both the robust regulations and sound oversight of banking institutions in Namibia can shield local institutions from shocks that have shaken confidence in the banking system in those countries.

2. The aim of banking sector regulation is to protect depositors' funds, promote the banking system's safety, ensure the fidelity of authorised financial institutions, and foster financial inclusivity. Effective banking supervision systems boast suitable legal frameworks that provide regulatory institutions with the legal powers to authorise banks, conduct ongoing supervision, enforce compliance with laws, and undertake timely corrective actions to ensure banking sector stability. The Bank also abides by the highest standards set by the Basel Committee on Bank Supervision. Through the Banking Institutions Act, 1998 (Act. No.2 of 1998) as amended, its related secondary legislation and supervisory framework compliance is enforced.

3. To augment the world-class regulatory and supervisory regime, the Bank recently launched the Automated Regulatory Reporting System, which provides an effective, reliable, and scalable way to detect and address any risks and vulnerabilities or issues in near real-time from the submission of information of regulated and supervised entities. This regulatory toolkit is intended to support the Bank in safeguarding financial stability through proactive risk identification and mitigation.

4. Unlike the mortgage loan crisis precipitating the 2008 global financial crisis, the current banking crisis, which originated in a regional lender in the US, is not the result of risky lending or non-performing loans. Rather, it emanates from numerous vulnerabilities, including inadequate risk management practices, which exposed the banking institutions to risks like the rapid repricing

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of financial instruments on account of aggressive interest rate hikes to curb stubborn inflation. This repricing triggered a downward adjustment of their investment portfolios, with a concomitant negative impact on profits as well as liquidity in those institutions.

5. The situation in Namibia is unique. Banking institutions in Namibia, as at 31 December 2022, allocated only 34 percent of the banking sectors' exposure to government bonds, unlike one of the failed US institutions, which is estimated to have held as much as 55 percent of its assets in long-duration fixed income securities. Additionally, the local banking sector holds shorter-term government instruments that enable them to ensure that their assets and liabilities tenures are aligned. This makes it easier to cover any possible liquidity mismatches. Moreover, the Namibian banking sector held a liquidity buffer of N$11.1 billion during December 2022, indicating that liquidity needs can be met.

6. Despite the ongoing global developments, the Namibian banking system remains liquid and well-capitalised. In this regard, the total risk-weighted assets stood at 17.0 percent at the end of December 2022, higher than the statutory minimum risk-weighted capital requirement of 10.0 percent. Similarly, the liquidity position of the banking sector stood at 17.8 percent, N$ 10.4 billion above the statutory minimum requirement. Maintaining adequate liquidity is a bank's lifeline, ensuring it can honour its obligations as they become due.

7. Said Mr. Johannes !Gawaxab, the Governor of the Bank of Namibia: "Every bank has its own story and should be treated on its merits. What is happening in those foreign banks, which sparked the current debate, largely has to do with the exposure of those institutions to government bonds vis a vis the interest rates environment. It is not a credit problem or that customers cannot repay their loans. Our circumstances and context are, therefore, different. We have robust rules and regulations to thank for our set of circumstances. We are duty-bound to monitor these current global developments and any spill-over effects. However, as things stand, our institutions are insulated from these events, and our public members can be assured of the stability and soundness of our institutions."

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