

MEDIA RELEASE

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OFFICIAL RELEASE OF THE NAMIBIA DEPOSIT GUARANTEE AUTHORITY 2023 ANNUAL REPORT

THE MARKET VALUE OF THE DEPOSIT GUARANTEE FUND INCREASED TO N\$23.1 MILLION BY THE END OF THE DECEMBER 2023.

- 1. On 10 April 2024, the Namibia Deposit Guarantee Authority (NDGA) released its fourth Annual Report for the financial year ended 31 December 2023.** 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. It highlights information on the NDGA'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 2023.
- 2. The Report highlights that the NDGA's assets remained safe and secured as invested, in line with the approved investment policy and guidelines.** The NDGA Fund recorded an acceleration in growth relative to the preceding year, fuelled by the premiums received from member institutions, in addition to the investment performance, amid the favourable interest environment. Accordingly, member institutions' annual premiums received totalled N\$5,167,016 while the market value of the Fund closed off the year at N\$23,050 504. The Fund outperformed its benchmark by 66.8 basis points during the reporting year. This was achieved by the portfolio generating an annual return of 8.52 percent relative to the benchmark annual return of

7.85 percent. The outperformance is attributed to the high interest rate environment, whereby the Fund strategically capitalised on the peak in interest rates and benefited from locking in high coupons, particularly on negotiable certificates of deposit relative to the benchmark.

3. **The Namibia Deposit Guarantee Act, 2018 (No. 16 of 2018) established the NDGA with the primary goal of administering the Deposit Guarantee Scheme.** The Scheme aims to protect depositors from the loss of their deposits by compensating them in the unlikely event of a commercial bank failure. This ultimately enhances consumer protection while also improving financial stability.
4. **The Scheme adopts a guaranteed coverage limit of N\$25,000 which is currently in effect.** At this coverage limit, the Scheme covers more than 90 percent of current depositors. The Scheme therefore ensures that depositors have access to all or a portion of their funds in the event of a bank failure within a specified time period. It also protects against panic withdrawals by assuring depositors of the safety of their deposits even if a bank fails, reducing the likelihood and scale of such a failure culminating into a crisis for the entire financial system. All Namibian banking institutions and branches of foreign banks and building societies are required to be members of the Deposit Guarantee Scheme and pay annual premiums to the Scheme.
5. **This Report is presented at a time when economic developments, both globally and domestically, weakened somewhat.** The global Gross Domestic Product (GDP) growth is estimated to have slowed from 3.5 percent in 2022, to 3.1 percent in 2023. The estimated weaker growth was influenced by the effects of tight monetary policies in which interest rates remained elevated, restrictive financial conditions, and weak global trade growth. It is anticipated that growth in most advanced economies and several emerging markets decelerated in 2023, with the exception of the United States, where estimates are that growth remained stable. Economies such as China, Japan, and Russia on the other hand, experienced an upturn in growth during the period under review.
6. **On the domestic front, the economy built up momentum during 2023, although at a slower pace compared to the previous year.** The Namibian economy is

estimated to have scaled down to 4.2 percent, compared to growth of 5.3 percent recorded in 2022. This is primarily ascribed to slower growth in the primary and secondary industries, underlined by weaker demand in both global and domestic economies, on the back of high inflation and high interest rates that have a negative impact on consumer spending. From the demand side, all variables except Government consumption remained in positive territory, underpinned by elevated increases in private investment and exports.

7. **Developments in the Namibian banking sector pointed out that the sector remained profitable, liquid and adequately capitalised in 2023, despite a strained economic environment.** The banking sector continues to record higher profitability levels, coupled with robust capital levels above prudential limits. The sector's common equity Tier 1 capital increased during the period under review and stood significantly above the required 7.0 percent limit. The non-performing loan (NPL) ratio picked up slightly year-on-year and is nearing the trigger ratio of 6.0 percent, due to the high inflation and interest rate environment that prevailed during the period under review.

- *The year under review marked the first year of implementation of our three-year Strategic Plan (2023–2025). I am therefore happy to note that, thanks to sustained effort and commitment, the institution yielded tangible results during the first year of its Strategic Plan implementation.* – Ebson Uanguta, Chairperson: NDGA Board

8. The Annual Report and the independently audited Financial Statements indicating the financial position of the NDGA as at 31 December 2023 is testimony of the sound governance architecture in place and the robust governance oversight executed by the Board of Directors. The media and the public at large are encouraged to read the entire report, which is available either in hard copy upon request or accessible online at: <https://www.ndga.com.na/Publications.aspx>



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