To: The News Editor

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FOR IMMEDIATE RELEASE:

BANKERS' ASSOCIATION OF NAMIBIA STATEMENT

The impact that COVID-19 has had on both the Namibian and global economy, remains unprecedented. The desperation – and at times even desolation – of the current times has been felt by many around the world. Namibia has not been spared the sheer impact of the pandemic. The banking sector remains a key pillar of the Namibian economy and has continued to provide uninterrupted customer services throughout the lockdown periods in an effort to provide access.

Further to this, the banking sector, lead by its government appointed regulator, the Bank of Namibia, responded positively to the need of people economically affected by the pandemic, by implementing measures to help ease the economic burden many Namibians, through no fault of their own, suddenly had to contend with in order to try mitigate the impact of the pandemic on the Namibian economy and to assist with the continuation of a functioning economy.

Members of the Bankers' Association of Namibia (BAN) responded with decisive measures that included a repayment holiday scheme, which saw banks approve the majority of the applications received for relief, thereby contributing just over N$11 billion to the economy through this measure; as well as specific products and measures targeted at the SME sector of the country to assist them through the pandemic. A further N$2.3 million was donated towards the purchase of oxygen tanks and the construction of additional COVID-19 capacity at hospitals. This does not include other contributions the banks have made in their individual capacity.

The sole purpose of the banking system is to serve the real economy. Banks provide many different services that create economic value and contribute to social development. They act as intermediaries in financial transactions, facilitating the flow of funds between participants in the economy, and are also custodians of financial assets. Banks also ensure that capital is allocated effectively throughout the economy between providers of funds (savers and investors) and users of funds (borrowers). It goes without saying that banks have an immense duty of care towards depositors entrusting their money to the banking sector for prudent returns. Similarly, the bank-client relationship, and resultant confidentiality aspects related to contractual agreements, remains sacrosanct to the banking sector and will be protected to the fullest extent.

Access to credit increases the supply of money in the system and has a multiplier effect on economic growth. Effectively, borrowers utilize their future income capacity to access current funding availability in the financial system, which then enables individuals and businesses to make investments and purchases and build infrastructure much faster than if they had to build up cash reserves first, before springing into action. It is important to note that banks, through the guidance of the regulator, ensure that both individuals and entities in these saving and borrowing interactions are protected, at the same time not exposing themselves to excessive risk, thus ensuring the safety and stability of the economy. This is the ultimate bedrock of just how solidly banks have been contributing to the growth of our economy for much longer than a century.

Whilst economists are generally optimistic about the economic outlook for 2022, with Cirrus Securities stating that they “expect stronger growth of 3% in 2022, driven by a continued base effect recovery across the secondary and tertiary industries, bolstered by a stronger mining output”, one has to remain cognisant that we have experienced another year of economic distress in 2021.

The muted recovery last year, following a quite devastating year prior, was in line with the Bank of Namibia projection of real growth in gross domestic product of 1,5% for 2021 against the contraction of 8,5% the previous year. It was also an indicator of the prolonged effects of that contraction and the toll of the pandemic on Namibian businesses and livelihoods, a toll seen not only in loss of bread winners but also in retrenchments, closures and, in turn, an increase generally in non-performing loans in residential and commercial property and asset-based financing.

In accordance with the Quarterly Financial Information report released by the Bank of Namibia at the end of September 2021, non-performing loans rose to over N$7.2-billion against just over N$6.6-billion at 30 September 2020. The NPL ratios also rose to 6.9%, while overdue loans stood at 12.4% (September 2021: 9.8%)

According to the further analysis of the Bank of Namibia by mid-2021, banks were compelled to foreclose on houses to the value of N$230 million. It has to be stated that such foreclosure are the absolute last step, considering banks’ overall intent to keep owners in their houses, rather than the opposite. Sales in execution are often entwined in processes that can take up to five years and longer, which underpins the burden that banks carry as a consequence of non-repayment of loans by clients, when they encounter financial hardship.

In broad strokes, banks will enter into protracted discussions and negotiations with their clients when it becomes obvious that such clients start to experience financial distress and fall behind on their home loan instalments. This process alone generally takes months to complete. Should the client continue to default after remediation agreements, including various options to restructure the loan, are reneged on again, the client’s account is handed over to the attorneys, who will also go to considerable lengths to reach remedial agreement with the defaulting client. In the event that the client still does not adhere to any agreement, the attorneys will institute summons to proceed with a sale in execution.

Defaulting clients have further recourse for dispute resolution at this stage, particularly since High Court Rule 108 came into effect, which stipulates that when a house is the primary residence of its owners, or people renting it from the owner as their primary residence, a court must consider measures that are less drastic than allowing the house to be sold because of the property owners' debts.

Collectively, these processes take several years to exhaust, during which time the banks, as the entrusted entity to manage their clients’ money prudently, carry the financial burden.

Other regulations instituted by the Bank of Namibia, such as BID 2 and BID 6, serve to provide considerable consideration to individual and business borrowers when having to pay back funds borrowed, given the extensive procedures for dispute resolution and remediation, which must be followed before the bank can repossess a property.

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The Bankers Association of Namibia (BAN) was established in 1997 as the representative trade association for the commercial banking sector in the country. BAN members are Bank BIC, Bank Windhoek, First National Bank of Namibia, Nedbank, Letshego, Trustco Bank and Standard Bank.