AGRIBANK
OF NAMIBIA
Your all Season Bank

ANNUAL REPORT
2019

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GLOSSARY OF TERMS

AASD	:	Agri Advisory Services Division
BPM	:	Business Process Management
CEO	:	Chief Executive Officer
CIC	:	Credit and Investment Committee (of the Board)
ERFP	:	Emerging Retail Financing Product
EXCO	:	Executive Committee
FID	:	Farmers' Information Day
FRACC	:	Finance, Risk, Audit and Compliance Committee (of the Board)
FY	:	Fiscal Year/Financial Year
HRC	:	Human Resources Committee (of the Board)
ICT	:	Information and Communication Technology
MLR	:	Ministry of Land Reform
NCA	:	Northern Communal Areas
SADC	:	Southern African Development Community
SAP	:	Systems, Applications, Products (in data processing)
SAI	:	Sales Automation Initiative

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AGRIBANK
OF NAMIBIA
Your all Season Bank

1. About Agribank

1.1 Mandate

Agribank is a state-owned financial institution mandated to advance money to persons or financial intermediaries for the promotion of agriculture and related activities. The Bank derives its mandate from the provisions of the Agricultural Bank of Namibia Act, No. 5 of 2003.

1.2 Strategic Thrust

1.2.1 Vision

To be the catalyst in transforming the agricultural sector where every Namibian enjoys a quality life.

1.2.2 Mission

To promote socio-economic development through affordable and innovative agricultural financing solutions.

1.2.3 Values

Our core values, which serve as principles that guide our business, are:

- **C**ustomer Service - Striving for excellence in the way we serve our customers
- **A**ccountability - Accounting for and taking responsibility for the actions we take in pursuit of our mandate
- **P**rofessionalism - Striving to apply skills, competence and character, expected of highly trained professionals, in the conduct of our business and the execution of our mandate
- **F**airness - Striving towards equitable and fair treatment of all stakeholders
- **I**ntegrity - Honesty and truthfulness in the conduct of our business
- **T**ransparency - Openness in all our dealings and to public scrutiny

2. SALIENT FINANCIAL RATIOS

	FY 2019	FY 2018
ROE	2.30%	1.29%
ROA	1.92%	1.07%
COST TO INCOME RATIO	69.7%	71.9%
ARREARS AS A % OF TOTAL ADVANCES	19.0%	19.2%
STAFF COSTS TO OPEX	68.8%	63.1%
NON PERFORMING LOAN RATIO	28.8	28.8

3. SALIENT HIGHLIGHTS

3.1 DEVELOPMENT IMPACT OUTCOMES

	FY 2019	FY 2018
TOTAL LOAN DISBURSEMENTS	N$438 million	N$358 million
TRAINING & MENTORSHIP PARTICIPANTS	6 453	5 087

3.2 KEY SNAPSHOTS

TOTAL ASSETS	N$3.01 billion	N$2.82 billion
NET INTEREST INCOME	N$185.8 million	N$167.6 million
SURPLUS	N$56 million	N$30 million
PRUDENTIAL RATINGS	80.8%	78.4%
BRAND VISIBILITY RANKING	8	15
JOBS CREATED OR MAINTAINED	46,816	45,232
LOAN ADVANCES TO YOUTH	N$50.61 million	
LOAN ADVANCES TO WOMEN	N$40.83 million	

Chairperson's *Report*

Michael Iyambo
Chairperson

4. Chairperson's Report

4.1 OVERVIEW

On behalf of the Board, I am pleased to present the Agribank annual report for the financial year ended 31 March 2019. This is my first report since taking over as Chairperson of the Board of Directors in September 2018. This annual report highlights the milestones achieved in terms of the Bank's financial and non-financial performance amidst a difficult and challenging business environment.

The global economy remains weak with the World Bank expecting growth of 2.6% in 2019, compared to 3.6% recorded in 2018.

Key risks to growth include rising geopolitical tensions, trade disputes and climate change. The domestic economy performed substantially below potential, with marked challenges in productive sectors such as agriculture, retail and manufacturing, construction and shrinking government expenditure.

The domestic economy registered marginal negative growth of 0.1% in 2018, compared to a negative growth of 0.9% recorded in 2017.

The economic outlook for 2019, however, remains bleak, with Simonis Storm Securities projecting a growth of -1.1% in 2019 on account of the impact of the prevailing drought and the struggling construction sector. Risks to domestic growth include global geopolitical tensions, mining commodity prices and harsh climatic conditions.

The year ended 31 March 2019 marked the third year of the implementation of a five-year business strategy.

The Bank has focused on improving service delivery, enhancing collections and recovery efforts, embedding risk management and maintaining a robust corporate governance culture.

The Bank continued to face a liquidity squeeze for various reasons, including limited fiscal allocations from National Treasury and poor rainfall, which limited the level of loan repayments by our clients. The Bank's strategy is geared towards optimising opportunities identified within its mandate. Towards this

The Bank continued to face a liquidity squeeze for various reasons, including limited fiscal allocations from National Treasury and poor rainfall, which limited the level of loan repayments by our clients

end, the Bank will continue to implement initiatives to enhance its customer focus, ensure financial sustainability, attract, develop and retain competent employees as well as contribute to the transformation of the economy through financial inclusion.

4.2 FINANCIAL PERFORMANCE

The financial performance of the Bank is a function of the economic conditions and environmental factors, which have a far-reaching impact on the sectors financed by the Bank, and customers' ability to repay.

Despite the difficult operating environment, the Bank delivered a solid set of financial results.

The Bank continues to prioritise its long-term commitment to sound financial performance, financial inclusion and sustainability.

The Bank's performance continued on a positive trajectory. Key drivers of performance are:

- New business growth
- Cost containment
- Managing bad debt provisions by ensuring sufficient collateral cover for loans granted

4.3 STRATEGY

The 2018/19 financial year marked the third year of implementing the new 5-year business strategy. Strategic focus has been placed on improving the quality of the loan portfolio, reducing non-performing loans and driving loan book growth. There have been notable achievements in various constituents of the business strategy, including:

- Implementation of the Emerging Retail Financing Product (ERFP) to cater for full-time communal farmers without collateral to access financing as part of efforts to widen financial inclusion.
- Strengthening the executive team with the appointment of key staff in the Credit, Human Resources and Finance departments.
- Implementing leadership development interventions, which involved a six-month training programme for middle and senior managers, to enhance leadership and management capacity.
- Continuing with the provision of training and mentorship services to farmers thoughout the country.
- Opening an office in Gobabis to bring services closer to customers.
- Embedding risk management in the Bank.

Previous Board (FLTR): Dr. Michael Humavindu, Dagmar Honsbein, Oiva Mahina, Terttu Uuyuni and Michael Iyambo

- Keeping our stakeholders abreast of developments through a robust stakeholder engagement strategy.

The Bank continues to prioritise its long-term commitment to sound financial performance, financial inclusion and sustainability.

4.4 ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my deepest appreciation to the shareholder, and in particular the Minister of Finance, for his continuous support of the Bank in these challenging times.

The seamless transition of the Board tenure is testimony to the high importance that the shareholder attaches to the Bank.

To my fellow Board members, I acknowledge your contributions and collaboration during the year. I would also like to express gratitude to the previous Board members, my predecessor, Mrs Terttu Uuyuni, and Mr Oiva Mahina, for having diligently served the Board until the end of their term in August 2018.

I express appreciation to our customers and all the stakeholders for their continued support.

I applaud our staff for their commitment to high standards and their remarkable achievements over the past year. The Board joins me in thanking the Chief Executive Officer, management and staff for their focus and steadfastness in a very difficult year.

As we look forward to delivering on our developmental mandate in 2019/20 and beyond, I have confidence in your commitment towards the transformation of the agricultural sector and the economy at large.

Michael Iyambo
CHAIRPERSON

5. Board of Directors

Chairperson
Michael Iyambo
(1 September 2018 – 31 August 2021)

Mr Michael Iyambo is the Chairperson of the Board. He is a knowledgeable and successful commercial farmer with a focus on horticulture.

Mr Iyambo has recieved the following awards for his successful farming business: Namibia Business Award of Excellence (2011), Large Scale Horticulture Producer of the Year (2014) and Freshmark Supplier of the Year (2016). He is the founding member of the Oshikoto Fresh Fruits and Vegetables company.

Mr Iyambo is also the Chairperson of the Namibia Agronomic Board. His knowledge of the industry and sound business acumen enable him to effectively lead the Board and provide optimum advice on credit analysis. In addition to the Board chairmanship, Mr Iyambo serves on the Credit and Investment Committee of the Board. He is also a member of the presidential high-level panel on the economy.

His knowledge about the industry and sound business acumen enable him to effectively lead the Board and provide optimum advice on credit analysis.

Vice-Chairperson
Dagmar Honsbein
(1 September 2018 – 31 August 2021)

Mrs Honsbein is a certified expert in various topics related to development finance, like Micro and SME Finance, Climate Finance and Management Accounting.

Dagmar Honsbein is the owner of iDeal-x integrated scientific services, in Namibia. iDeal-x was founded in 2016.

Dagmar serves as lead consultant for various programmes and projects in Namibia and abroad. She is specialised in applied R&D; risk management; and supply and value chains, in the real and financial sectors. Within the real sector, she concentrates her expertise on value addition and manufacturing.

Dagmar has worked both in the public and private sector. In the public sector, she worked mostly at policy advice and implementation level.

Dagmar holds a Bachelor's Degree in Wood Science from University of Stellenbosch (SA), a Masters degree in Chemical Engineering and Applied Science from Aston University, Birmingham (UK); and Masters degree in Leadership in Development Finance from Frankfurt School of Finance and Management, Frankfurt (Germany). She is a certified expert in various topics related to development finance, like Micro- and SME Finance, Climate Finance and Management Accounting.

With her husband, they successfully farm in the Khomas Hochland.

Board Member
Dr Michael Humavindu
(1 September 2018 – 31 August 2021)

Dr Michael Humavindu possesses a strong academic and professional background in economic research and modelling, industrialisation, MSME development and development banking.

He spent eight years in development finance at the Development Bank of Namibia (DBN), where he worked on project finance, deal structuring, credit assessments, and the design of policies such as the Microfinance Policy and Development Impact Framework. Presently a deputy executive director in the Ministry of Industrialisation, Trade and SME Development, he is optimally positioned to lead discussions and test the Bank's policies against the fiscal space, sustainable finance and the country's economic agenda.

Dr Humavindu holds a PhD in Economics from the University of Umeä (Sweden), an MSc in Finance and Investments from the University of Durham, United Kingdom, an MA in Economics from the University of Stellenbosch (South Africa), and a postgraduate diploma in Environmental Economics from the University of London, United Kingdom. He chairs the Board's Credit and Investment Committee and serves on the Finance, Risk, Audit and Compliance Committee. He offers training in investment appraisal and is a certified development banker. Dr Humavindu is an emerging communal farmer in the Otjozondjupa Region.

Board Member
Peyavali Hangula
(1 September 2018 – 31 August 2021)

Mrs Peyavali Hangula is a chartered accountant in Namibia and South Africa and is registered with the Institute of Chartered Accountants of Namibia (ICAN).

She holds an Honours degree in Accounting Science (CTA) from the University of South Africa (UNISA) and a Bachelor's degree in Accounting from the University of Namibia (UNAM). She completed her articles with Deloitte Namibia and thereafter was seconded to work for Deloitte in Atlanta, USA, for a period of six months to gain international experience in the field of auditing. Mrs Hangula's work experience in the financial environment spans a period of over 10 years. She possesses a wide range of skills in the areas of accounting, financial reporting, corporate governance, internal controls, external and internal audits and regulatory reporting.

Mrs Hangula previously worked for Standard Bank Namibia as a financial reporting and regulatory manager, and now works for FirstRand Namibia as the manager of finance. Part of her community outreach involves serving as the national treasurer and chairperson of the Finance Committee of Scouts of Namibia. Mrs Hangula serves on the Finance, Risk, Audit and Compliance Committee and the Human Resources Committee.

Mrs Hangula possesses a wide range of skills in the areas of accounting, financial reporting, corporate governance, internal controls, external and internal audits and regulatory reporting.

Board Member
Phanuel Kaapama
(1 September 2018 – 31 August 2021)

Mr Phanuel Kaapama is a lecturer in Governance and Development Studies at the University of Namibia (UNAM), where he also serves as the Head of the Department of Political and Administrative Studies.

He holds a National Diploma in Public Administration from the Polytechnic of Namibia, as well as an MSc in Development, Planning and Administration from the University of Bristol (UK). His research interest revolves around issues of development theory and practice. He regularly gives media commentaries on Namibian, African and world politics and has published a number of academic papers. Prior to joining academia in 2000, Mr Kaapama worked at, amongst others, the National Planning Commission, the Namibia Chamber of Commerce and Industry, and the National Youth Council, where he was the founding Secretary General.

Mr Kaapama was part of the high-level committee for the preparation of the Second National Land Conference and is a member of both the Technical Committee and Negotiating Team in the bilateral negotiations with the Federal Republic of Germany on the 1904-1908 genocide. He has extensive farming experience in both communal and commercial areas. Mr Kaapama chairs the Human Resources Committee and serves on the Credit and Investment Committee.

Corporate Governance *Statement*

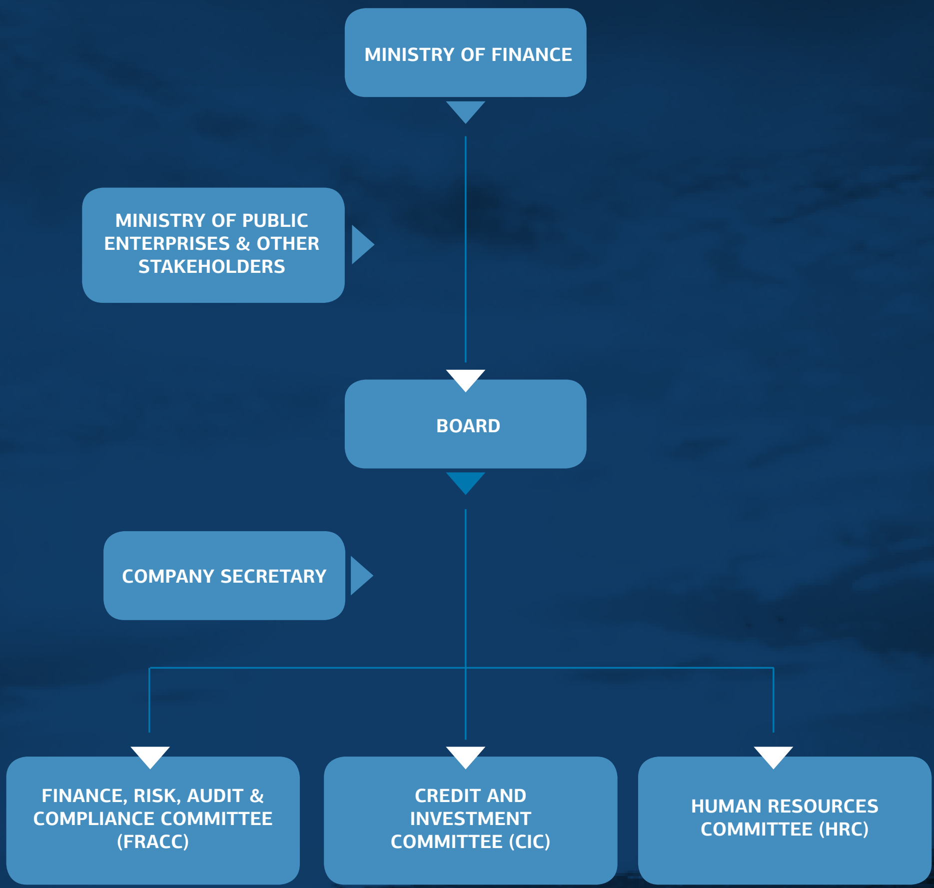
6. Corporate Governance Statement

6.1 DETERMINING STRATEGIC DIRECTION

The Bank acknowledges that virtuous corporate governance is fundamental to the execution of its mandate. The Board and its sub-committees are responsible for strategically directing the Bank by ensuring timely decision-making, and that actions and resolutions of the Board and its committees are based on robust value-based discussions. The Board approves the Bank's strategy and exercises oversight over its implementation.

6.2 GOVERNANCE FRAMEWORK AND BOARD STRUCTURE

Figure 1: Governance Framework and Board Structure



6.2.1 Internal Governance Functions

To ensure robust risk management, compliance and best practice internal controls, the Bank has set up the following fully-fledged functions:

- Internal Audit
- Risk Management
- Compliance

6.2.2 Internal Control Environment

Oversight over operational and internal financial controls rests with the Board and has been delegated to the Finance, Risk, Audit and Compliance Committee (FRACC).

The Bank's governance principles on ethical behaviour, legislative compliance and sound accounting practices lay the foundation for its internal control processes. Executive management is responsible for implementing an effective system of controls. The work of internal audit, risk management and compliance is reported on a quarterly basis to FRACC, which in turn reports to the Board. Assurance on the internal control environment is provided during the year by the internal audit function and by the external auditors for year-end purposes. For the reporting period, the Bank received an unqualified audit.

BOARD OF DIRECTORS

Board of Directors (FLTR): Phanuel Kaapama, Dagmar Honsbein, Michael Iyambo, Peyavali Hangula and Dr. Michael Humavindu

6.3 BOARD OF DIRECTORS

The Board of Directors is accountable for setting the strategic direction of, as well as implementing an effective governance framework within, the Bank. This is necessary to safeguard the interests of the Bank and its stakeholders. The Board ensures that the Bank actively seeks to comply with applicable laws and regulations, as well as its own policies and procedures. This is achieved through strict oversight by the three Board committees, which are accountable to the Board.

The Board consists of five non-executive directors who are appointed by the shareholder based on their skills, experience and expertise in fields critical to the Bank's performance. The role, functions and powers of the Board are derived from the Agribank Act, applicable laws, regulations, the Board Charter, corporate governance best practices as well as approved policies.

The Board's main responsibilities are, inter alia:

- Setting the Bank's strategy and overall direction in line with the shareholder's mandate
- Bringing independent, informed and effective judgement to bear on material decisions affecting the Bank
- Approval of annual business plans and budgets – inclusive of both operational and capital budgets
- Ensuring that an effective governance framework is in place in the Bank
- The recruitment and termination of the services of the Chief Executive Officer

Directors have access to any information from the Bank or any senior employee of the Bank that they may need to exercise their independent judgement on the affairs of the Bank. In addition, directors may seek independent advice individually or collectively on any matter concerning the Bank should they need to do so to fulfil their fiduciary mandate.

6.3.1 Board Committees

To execute its mandate, the Board has set up committees. In so doing, the Board recognises and accepts the principle that whilst certain powers can be delegated to committees, ultimate accountability for delegated matters remains with the Board. Authority delegated by the Board accordingly always entails a requirement of reporting to the full Board and the obligation of the Board to monitor and evaluate the performance of the committees.

Outlined hereafter are the three committees, their oversight roles, as well as members who serve on them:

a) Finance, Risk, Audit and Compliance Committee (FRACC)

This committee consists of three (3) non-executive directors. It is chaired by Mrs Dagmar Honsbein. Other members of the committee are Dr Michael Humavindu and Mrs Peyavali Hangula. The committee exercises oversight in respect of:

- Systems of internal control in the areas of finance and accounting
- Oversight over procurement policies and adherence to these
- Auditing, accounting and financial reporting processes
- Internal and external auditor obligations
- Bank-wide risk management, which includes consideration and investigation of strategic, financial and operational risks as identified by management and internal and external auditors
- Compliance to applicable laws, regulations and policies

b) Human Resources Committee (HRC)

This committee consists of three (3) non-executive directors. It is chaired by Mr Phanuel Kaapama, with other members being Mrs Dagmar Honsbein and Mrs Peyavali Hangula. Its primary functions are:

- Establishment and review of an appropriate remuneration framework for management and employees in line with periodic market developments and the directives of the Ministry of Public Enterprises
- Review of organisational and staff matters, as well as ensuring employee welfare
- Review and approval of annual salary increases

c) Credit and Investment Committee (CIC)

This committee is comprised of three (3) non-executive directors. It is chaired by Dr Michael Humavindu, with other members being Mr Michael Iyambo and Mr Phanuel Kaapama. The committee's primary functions are:

- Oversight over credit policy
- Oversight over the development impact of the Bank
- Review and approval of loans with a monetary value ranging between N$2.5 million and N$15 million
- Review and recommendation, to the Board for approval, of loans with a monetary value in excess of N$15 million
- Oversight over investment decisions of the Bank
- Oversight over the assets and liability management function of the Bank,
- Ensuring the continuing relevance of the Bank's loan products

6.3.2 Board and Committee Attendance

Table 1 reflects the attendance of directors at Board and committee meetings during the review period. The Board had three special meetings during the review period. Board members do not receive sitting fees for special or additional meetings. The Credit and Investment Committee (CIC) is scheduled to meet at least once a month in order to expedite loan approval decisions.

Finance Department team members

Table 1: Board and Committee Attendance, FY 2018/19

Name of Director	Board	Meetings attended	FRACC	Meetings attended	CIC	Meetings attended	HRC	Meetings attended
Michael Iyambo	Chairperson	7/7	-	-	Member	11/11	Member until 1 September 2018	2/4
Dagmar Honsbein	Deputy Chairperson	5/7	Chairperson	6/6	-	-	Member	2/4
Dr Michael Humavindu	Member	7/7	Member	5/6	Chairperson	9/11	-	-
Peyavali Hangula	Member since 1 September 2018	3/7	Member since 1 September 2018	2/6	-	-	Member since 1 September 2018	2/4
Phanuel Kaapama	Member since 1 September 2018	3/7	-	-	Member since 1 September 2018	6/11	Chairperson since 1 September 2018	2/4
Terttu Uuyuni	Chairperson until 31 August 2018	3/7	Member	3/6	-	-	-	-
Oiva Mahina	Member until 31 August 2018	4/7	-	-	Member until 31 August 2018	5/11	Member until 31 August 2018	2/4

Marketing and Customer Strategy team members

6.3.3 Board Training and Development

The Board and senior members of management attended a three-day training workshop on change management and leadership facilitated by Professor Udo Steffens from the Frankfurt School of Finance and Management in March 2019. The training was held at the Bank's head office in Windhoek.

6.3.4 Board Fees

Table 2: Board Fees for 2018 and 2019

	2019	2018
Retainer Fees	574,984.60	488,164.00
Sitting Allowance	263,616.40	201,327.00
Total	**838,601.00**	**689,491.00**

Table 3: Board Fees per Director for the Period 1 April 2018 to 31 March 2019

Board Member	Retainer Fees	Sitting Fees	Total
Terttu Uuyuni	44,672.30	33,736.26	78,408.56
Michael Iyambo	122,856.64	66,767.11	189,623.75
Oiva Mahina	54,813.40	36,845.47	91,658.87
Phanuel Kaapama	103,329.94	34,546.38	137,876.32
Dagmar Honsbein	158,143.34	64,042.92	222,186.26
Peyavali Hangula	91,168.98	27,678.26	118,847.24
Dr Michael Humavindu	N/A	N/A	N/A
Total	**574,984.60**	**263,616.40**	**838,601.00**

- As a civil servant, Dr Michael Humavindu does not receive Board fees.
- The term of office of Mrs Terttu Uuyuni and Mr Oiva Mahina ended on 31 August 2018. They were replaced by Mrs Peyavali Hangula and Mr Phanuel Kaapama from 1 September 2018.

FLTR: Evast Kalumbu and Kenneth Kasata from the Corporate Governance team

6.3.5 Company Secretary

The role of the Company Secretary is to ensure the Board remains cognisant of its duties. Towards this end, the Company Secretary keeps the Board abreast of relevant changes in legislation and governance best practices.

The Company Secretary also oversees the induction of new directors, as and when these are appointed, and coordinates the initiatives for the on-going education of directors.

To enable the Board to function effectively, all directors have full and timely access to information that may be relevant to the proper discharge of their duties. This includes information such as corporate announcements, stakeholder communication and other developments that may affect the Bank and its operations. All directors have access to the services of the Company Secretary.

6.4 COMMUNICATION WITH THE SHAREHOLDER

The Bank ensures continuous and constructive communication with the shareholder, primarily through the following fora:

- The Bank's Annual Report, prepared and submitted in a timely manner to the shareholder in line with statutory reporting requirements
- Regular briefings with the shareholder on matters affecting the Bank
- The Annual General Meeting at which the shareholder is informed about
    - The strategy of the Bank
    - The performance of the Bank
    - Any significant matters

6.5 COMPLIANCE

6.5.1 Code of Ethics

The Bank operates on the basis of a sound culture of entrenched values that are reflected in the approved Code of Ethics.

Credit and Recoveries team members

To ensure that these ethics are adhered to, all employees are made aware of the Code of Ethics during their induction.

Furthermore, employees are required to complete a conflict of interest declaration form, which should be updated regularly when changes occur. Employees are introduced to all new policies through policy awareness sessions. All policies are uploaded on the Bank's intranet site for easy reference by employees.

6.5.2 Conflict of Interest

In order for the Bank to guard against conflicts of interest, the Company Secretary maintains a register of directors' and executives' interests. In addition, the directors and executive management are required to declare all interests at the meetings they attend. These interests are recorded in writing, as required by legislation.

At no time during the reporting period were any contracts of significance relative to the Bank's business entered into with either a director of the Bank, or any member of the Executive Committee, or any entities in which any director or executive of the Bank have an interest. Thus, no conflicts of interest arose during the review period.

Midland branch team members

Chief Executive Officer's *Review*

7. Chief Executive Officer's Review

Sakaria Nghikembua
Chief Executive Officer

7.1 INTRODUCTION

I am pleased to report on the Bank's performance for the financial year ended 31 March 2019. Although faced with an unfavourable business climate, the Bank continued to make credible strategic progress through proactive and responsive leadership during the review period.

7.2 STRATEGIC PROGRESS

7.2.1 Key Actions

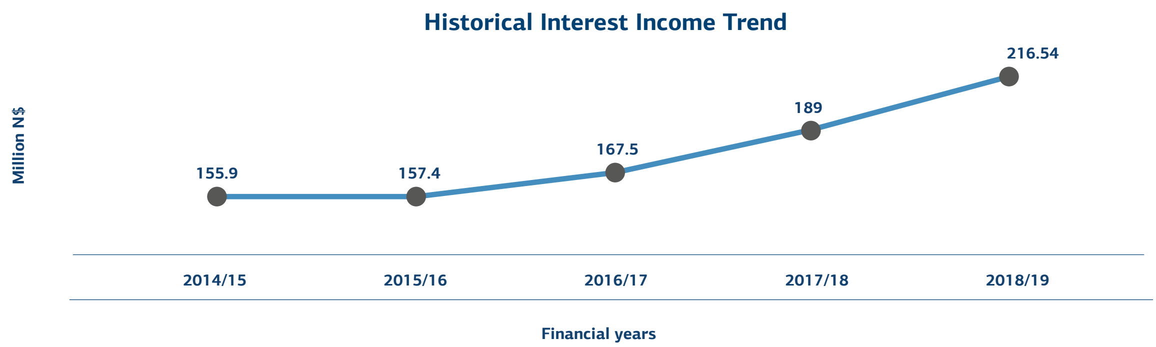
- The Bank opened a new office in Gobabis in June 2018 as part of its efforts to get closer to its customers.
- The Bank introduced a new product called the Emerging Retail Financing Product (ERFP) in May 2018. This product is targeted at making loans accessible to communal farmers who do not have collateral to offer.
- Efforts to ensure the financial sustainability of the Bank continued. Towards this end, focus was placed on growing the loan book, unlocking new funding sources, enhancing collections efforts and prudently managing expenses. Actions taken have had a positive impact on the Bank's results for the year.
- Various strategic actions were implemented in support of the people pillar of the Bank's strategy. In this regard, two new executives joined the team in the areas of ICT and Business Innovation as well as Credit. The Bank implemented leadership development interventions for managers, senior managers and executives in addition to job-specific training courses for different employees. The Bank also implemented an employee recognition programme, which re-enforces the performance management system.
- The Bank continued to strengthen its governance environment through its internal audit, compliance and risk management functions. Clear frameworks and plans of action are in place and their implementation is monitored at different organisational levels throughout the year. The Bank continues to be amongst the few public enterprises that not only receive unqualified audits, but which also complete their annual audits within six months of financial year-end.
- The Agri Advisory Services division continued to reach out to more farmers country-wide. Details of their achievements are highlighted elsewhere in this report.
- The Bank continued with its robust and dynamic stakeholder engagement strategy, reaching out to both internal and external stakeholders. Stakeholder groups that are routinely engaged include employees, the trade union representing employees of the Bank, the shareholder and other stakeholder ministries, farmers' unions, clients and farmers throughout the country.

7.2.2 Financial Highlights

The Bank delivered a good performance in a difficult operating environment, as highlighted below:

- Loans and advances to customers grew 15% from N$2.43 billion in 2018 to N$2.8 billion in 2019, largely on account of new business growth. Disbursements have increased by 22% from N$358 million in 2018 to N$438 million in 2019.
- Interest income grew 14.5% from N$189 million in 2018 to N$216.4 million in 2019, on the back of new business growth.
- The good growth in interest income continued a positive growth trajectory over the past three years, as shown in Figure 2.
- Interest expenses increased by 42% from N$21.5 million in 2018 to N$30.6 million in 2019, on the back of increased borrowing to fund loan book growth.
- Credit impairment losses were N$10 million in 2019 compared to N$23.8 million in 2018, as a result of increased efforts to ensure enough collateral cover for loan accounts in arrears and maintaining the collections rate.
- Total expenses by only by 4.4% from N$130.9 million in 2018 to N$136.7 million in 2019. The moderate rise in expense growth is due to deliberate cost containment efforts by the Bank. The decelerating expense growth rate continues a downward trajectory over the past three years, in line with the Bank's strategy of prudent cost management. Expense growth trends are depicted in Figure 3.
- Surplus for the year increased by 87% from N$30 million in 2018 to N$56 million in 2019. Whilst the Bank's focus is not to make excessive profits given its developmental mandate, it is important that it remains sustainable and delivers consistent returns on equity. To this end, the Bank has attained satisfactory surplus levels over the years, as depicted in Figure 4.
- Total assets surpassed the N$3 billion mark for the first time, while net asset value increased by 6.1% from N$2.3 billion in 2018 to N$2.44 billion in 2019.

Figure 2: Interest Income Trends



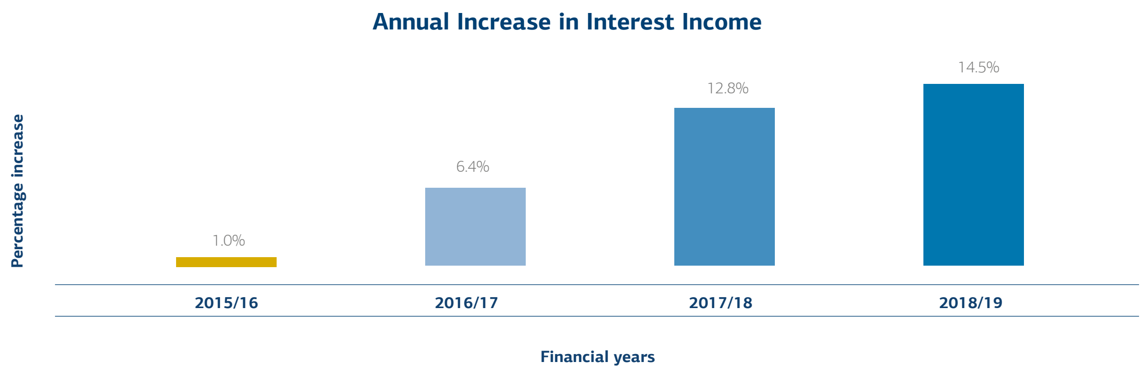
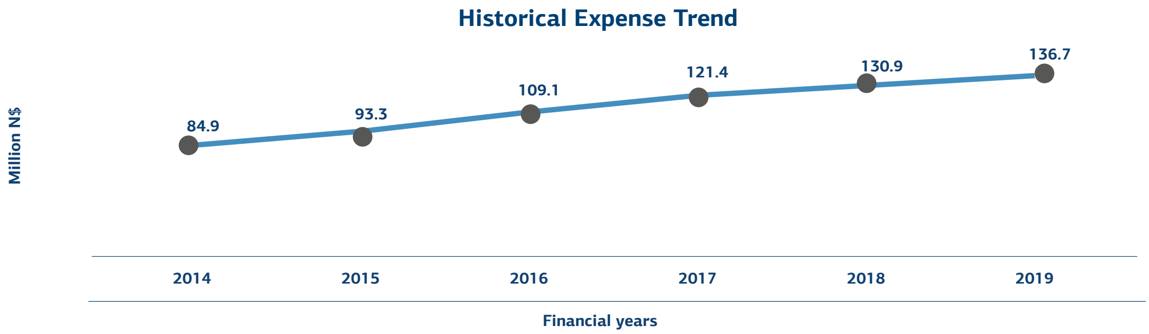


Figure 3: Expense Trends



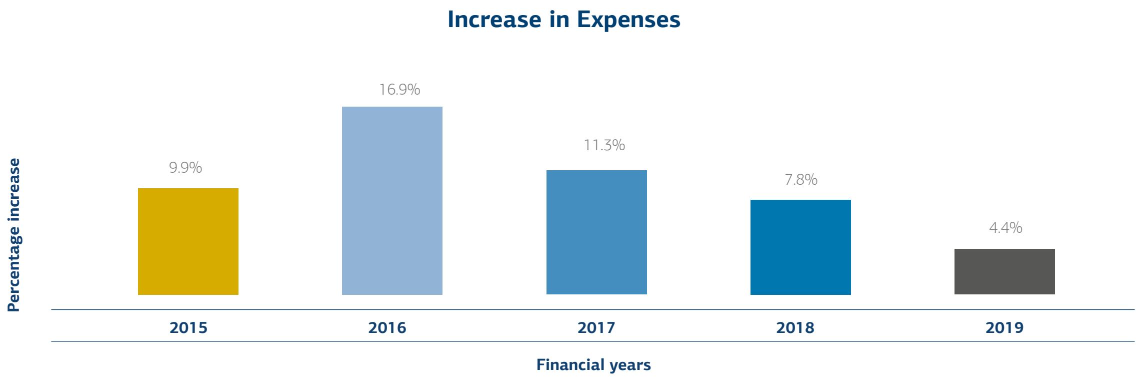
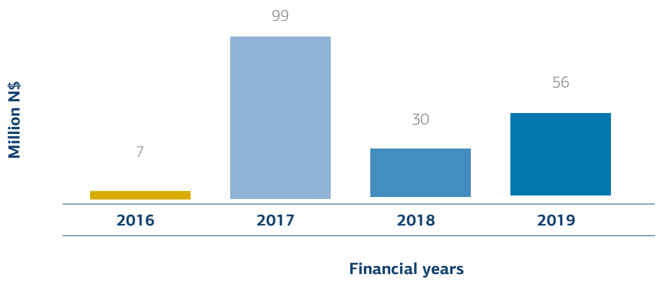


Figure 4: Surplus Trends



Consistent Return on Investment

Based on the performance for the 2019 financial year, the comparative key financial ratios are as follows:

Table 4: Key Financial Ratios

Key Ratio	2018	2019
Loan Advances (after provisions) as a percentage of total assets (%)	**86.15%**	**92.78%**
Return on Assets	**1.09%**	**1.93%**
Cost-to-Income	**71.88%**	**69.66%**
Liquidity	**6.66%**	**5.26%**
Arrears as a percentage of total advances (%)	**19.2%**	**19.0%**
Net Interest Margin (%)	**6.16%**	**6.25%**

Finance team

Midland Branch team

7.3 BENCHMARKING

As a member of the Association of African Development Banks and Finance Institutions, Agribank rates itself in three core areas, namely: governance guidelines, financial prudential standards and operational guidelines.

This rating system is designed to assist the Bank to achieve the highest levels in respect of governance, financial management and operational efficiencies. This self-rating is reviewed by external auditors.

The Bank has made good progress in terms of improving its prudential standards over the past four years, improving its score from 64.5% in 2016 to 80.8% in 2019, as per Figure 5 and Table 5.

Figure 5: Prudential Ratings Trends

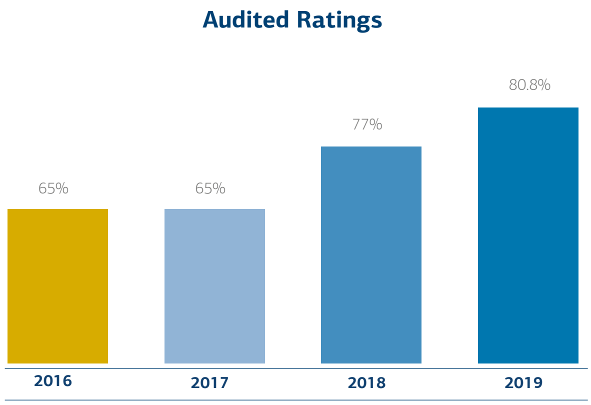


Table 5: Development Finance Institutions Benchmarking

Key Metric (% weight)	2017/18 Score	2018/19 Score	Direction of change
Governance Standards (40%)	41.4%	42.6%	⬆
Financial Prudential Standards (40%)	25.4%	26.0%	⬆
Operational Standards (20%)	11.5%	11.8%	⬆
Total Score (weighted)	**78.4%**	**80.8%**	⬆

7.4 SALES

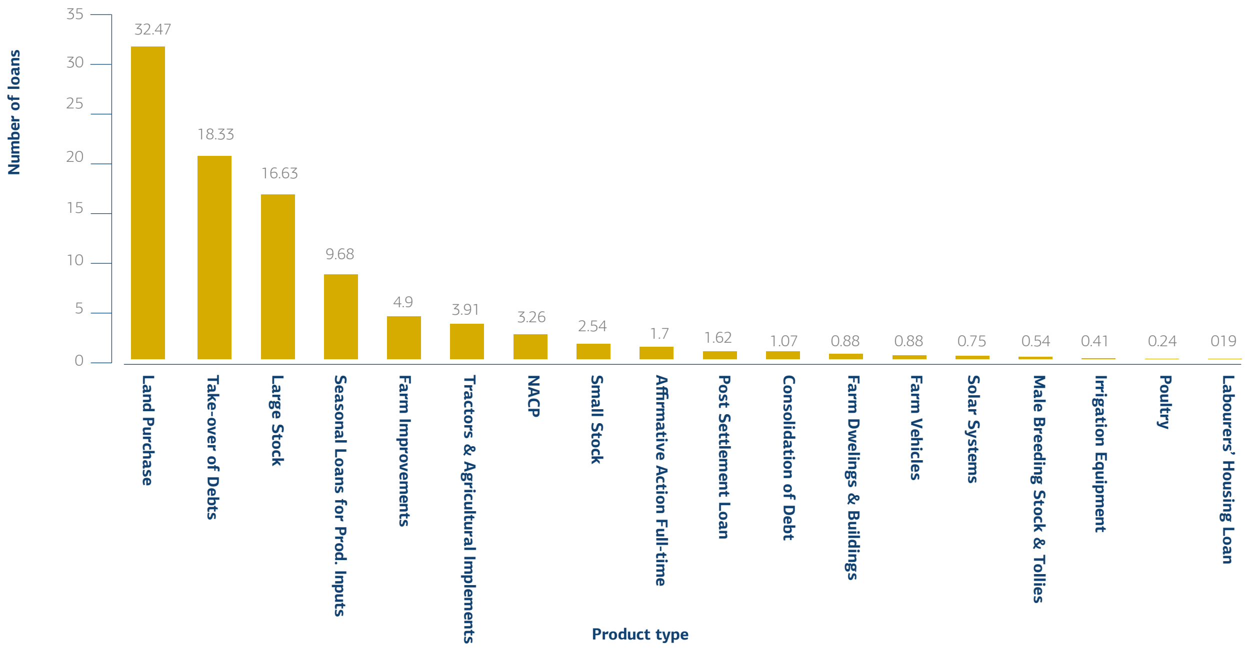
With the strong focus on new business growth, disbursements increased by 22% from N$358 million in 2018 to N$438 million in 2019. The break-down of disbursements during the year is reflected in Figure 6.

This information shows that not only is the acquisition of farmland the biggest need for loan funding, but also that the Bank has been taking business from its competitors, as reflected in take-over loans.

As part of its strategy, the Bank makes conscious efforts to ensure the youth benefit from its funding. Although funding to this category is not yet at optimal levels, the Bank disbursed loans to the value of N$50.6 million to clients who are 40 years or younger, as per Table 7.

It is worth highlighting that, during the review period, N$162 million went to groups/companies, a category that also benefits the youth.

Figure 6: Loan Disbursement by Products



Of the N$438 million advanced during the year, N$41 million went directly to female applicants. Another N$162 million went to groups/companies. This classification includes couples, which improves the coverage of female beneficiaries. The break-down of loans advanced by gender is captured in Table 6.

Table 6: Loan Product by Gender

Gender	No Collateral Loans		ERFP Loans		Collateral-back Loans		Grand Total	
	Value	No.	Value	No.	Value	No.	Value	No.
Male	16,595,289	63	2,490,422	16	215,792,136	276	234,877,847	355
Female	7,159,601	3	1,771,069	16	31,900,002	142	40,830,672	161
Group/Company	1,753,138	12	297,415	4	159,762,142	169	161,812,695	185
Total	**25,508,028**	**78**	**4,558,906**	**36**	**407,454,280**	**587**	**437,521,214**	**701**

Table 7: Age Group Analysis of Loan Disbursements

Age Group	No-collateral Loans	ERFP Loans	Collateral-backed Loans	Grand Total
18 – 30	1,540,593	-	18,429,847	19,970,440
31 – 40	9,912,124	431,700	20,295,033	30,638,857
41 – 60	11,497,190	3,118,496	174,616,440	189,232,126
61 – 80	473,157	711,296	33,842,968	35,027,421
Above 80	338,012	-	459,803	797,815
Group/Company	1,746,952	297,415	159,810,189	161,854,556
Total	**25,508,028**	**4,558,907**	**407,454,279**	**437,521,214**

The Bank's loans continue to benefit all regions of the country, as highlighted in Table 8.

Table 8: Regional Spread of Loan Disbursements

Region	2018 FY	2019 FY	%
//Kharas	22,100,898.16	72,907,822.60	230%
Erongo	8,573,515.34	28,128,634.30	228%
Hardap	41,776,407.40	61,783,010.31	48%
Kavango	20,453,024.50	20,661,323.12	1%
Khomas	61,526,739.59	27,885,159.46	-55%
Kunene	29,472,988.82	25,422,329.80	-14%
Ohangwena	4,920,133.92	8,512,456.35	73%
Omaheke	44,993,119.29	54,633,705.90	21%
Omusati	9,155,918.37	6,974,983.53	-24%
Oshana	7,182,090.23	3,993,265.17	-44%
Oshikoto	34,035,259.58	20,432,594.69	-40%
Otjozondjupa	61,472,089.32	95,648,910.00	56%
Zambezi	12,772,750.35	10,548,500.52	-17%
Total	**358,434,934.87**	**437,532,695.75**	**22%**

As part of its inclusivity strategy, the Bank introduced the Emerging Retail Financing Product (ERFP) and continued to roll out the salary-backed no collateral loan product. The regional spread of loans advanced in respect of these two products during the review period is shown in Table 9.

Table 9: Regional Distribution of Loan Disbursements

	No-Collateral Product		ERFP Product		Total
Region	**Number of disbursed loans**	**Disbursed loans (N$)**	**Number of disbursed loans**	**Disbursed loans (N$)**	**N$**
Erongo	-	-	-	-	-
Hardap	25	2,352,607	3	329,000	2,681,607
Kavango	44	5,622,569	7	887,773	6,510,342
Khomas	-	-	1	120,000	120,000
//Kharas	4	345,500	1	190,000	535,500
Kunene	5	305,050	-	-	305,050
Ohangwena	24	1,716,116	4	95,692	1,811,808
Omaheke	33	3,456,661	12	1,234,503	4,691,164
Omusati	15	1,493,861	1	521,474	2,015,335
Oshana	28	2,202,592	1	38,700	2,241,292
Oshikoto	11	381,918	4	494,345	876,263
Otjozondjupa	17	3,224,816	6	348,052	3,572,868
Zambezi	22	4,406,338	2	299,368	4,705,706
Total	**228**	**25,508,028**	**42**	**4,558,907**	**30,066,935**

7.5 CREDIT

7.5.1 Credit Analysis

The Bank has demonstrated a robust philosophy of credit assessment of new business, which involves balancing growth with quality. The

Bank continues to improve and enhance system capabilities to reduce non-performing loans. Alongside this, an internal credit-scoring model was developed and implemented, which integrates qualitative and quantitative credit analyses.

7.5.2 Arrear Collections and Collateral Management

As a result of various efforts to contain arrear levels, the Bank has achieved a steady decline in the arrears ratio since 2016, as depicted in Figure 7.

The Bank continues to focus on ensuring that it reduces the number and value of unsecured loans. This is achieved by ensuring all loan accounts are linked to collateral. and that where a collateral shortfall is identified, additional collateral is secured and additional bonds registered on such collateral in favour of the Bank.

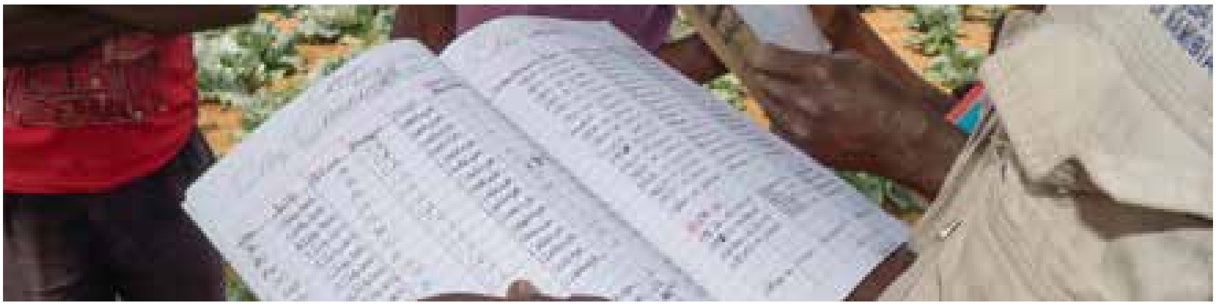
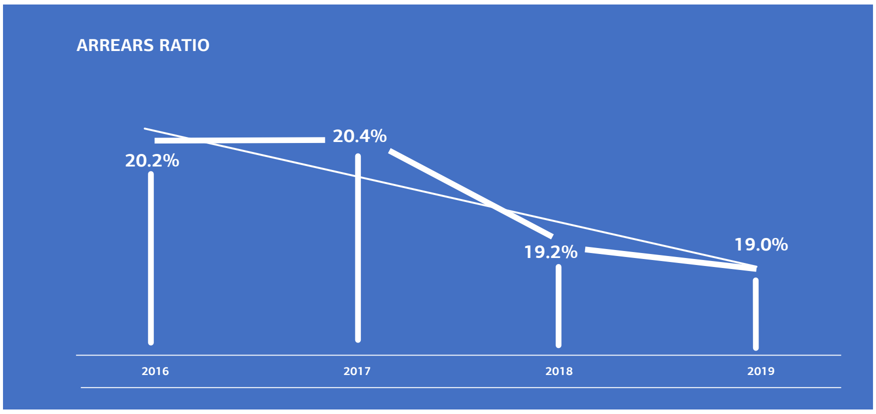


Figure 7: Arrears Ratio



The Credit team

7.6 SUSTAINABILITY REPORT

The sustainability report brings in a new dimension of reporting, taking into account people, stakeholders and resources to protect the environment while fulfilling our mandate.

7.6.1 Human Capital Perspective

Human capital metrics determine the value and effectiveness of human resources initiatives, typically including such areas as turnover, training, return on human capital, and labour expenses per employee. Agribank tracks the metrics quarterly to determine the effectiveness of the human resources initiatives on service delivery, and to measure productivity towards the overall performance of the Bank.

During the period under review, the staff turnover rate remained unchanged at 5% when compared to the previous year, while the absenteeism rate due to sick leave decreased to 2.62% from 2.85%, which is below the 5% acceptable limit as reflected in Table 10.

Table 10: Human Resources Ratios FYE March 2019

Indicator	FYE March 2018	FYE March 2019
Average age	**40**	**40**
Staff turnover rate	**5%**	**5%**
Average tenure service	**8.3 Years**	**8.3 Years**
Terminations	**7**	**7**
Staff cost/Total cost ratio	**58%**	**68%**
Absenteeism rate	**2.85%**	**2.62%**
Total number of employees	**139**	**144**
Workforce distribution: Male to Female	**48 - 52%**	**46 – 54%**

As at 31 March 2019, the Bank had 144 full-time employees, an increase of 3.6% year-on-year. Seven employees resigned during the same period in pursuit of new opportunities in the market. These movements are within the benchmark thresholds. The breakdown of the employment categories as at year-end are indicated in Table 11.

7.6.2 Employee Relations

The Bank maintained a conducive working business environment by managing industrial or employment relations through a signed Recognition Agreement with NAFINU. The two parties, namely the Bank and NAFINU, maintained professional relations and engaged regularly on matters of mutual interest.

Table 11: Employment Breakdown

	Male	Female	Disability	Total
Executive	6	0	0	6
Management	22	13	0	35
Non-Management	38	63	2	103
Total	**66**	**76**	**2**	**144**

** One female employee joined the Bank as the Executive: Human Resources with effect from 1 April 2019*

The Human Resources team

7.6.3 Organisational Development

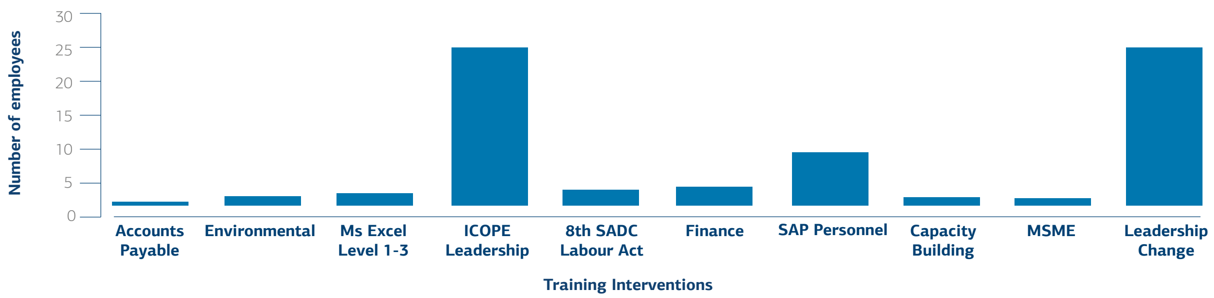
The Bank provided training interventions that focused on both functional and generic capacity building of employees. In line with the strategic focus on people development, 26 middle and senior managers underwent training on leadership and change management.

Other training interventions included environmental impact assessments and climate change, SAP administration, payroll and postings, as well as advanced Excel. The total investment in staff development during this period amounted to N$776,000 with a 51.4% coverage of the total number of employees.

The Bank also introduced a Women Leadership Development Programme. Over the next three years, female employees will have an opportunity to benefit from a mix of formal training at tertiary education institutions, supervisory and management development training, exposure and attachments at similar institutions, and other related interventions. The sole objective of this programme is to develop women leaders in the business so that they are ready for leadership roles at different levels in the Bank and in the broader economy.

Figure 8 indicates the training interventions for the year ended 31 March 2019.

Figure 8: Training Interventions



7.7 MARKETING AND COMMUNICATION

7.7.1 Stakeholder Relationships

Agribank is committed to carrying out its mandate and creating sustainable stakeholder value by engaging stakeholders in a way that fosters mutual understanding while building confidence. The Stakeholder Engagement Plan (SEP) aims to provide the framework for managing stakeholder relationships in a consistent and coherent manner. To strengthen and maintain stakeholder relationships, the Bank continued to implement its robust and dynamic stakeholder engagement strategy in sync with the media plan. To ensure a holistic and coordinated stakeholder engagement approach, the stakeholders were segmented and classified based on their relevance to the Bank as reflected in Figure 10.

The engagement plan adopts a combination of various platforms, such as one-on-one meetings, presentations, social media and closed-door discussions. In this regard, the Bank, through its marketing and communications division, delivers regular reports on the outcome of engagements.

During the reporting period, the Bank received the prestigious Golden Arrow Award for being one of the companies and institutions doing the most in their sector over the past 12 months to stimulate economic growth and the development of Namibia. The Bank continued to make transformational inroads in a very difficult operating business environment, and has made significant improvements in brand management and visibility since 2016, when it was ranked 92nd in the media space for its brand, as reflected in Figure 9. For the reporting period, the Bank was ranked 8th in the competitive media space due to its robust stakeholder and brand management strategy.

Figure 9: Brand Visibility

Top Positive Communicating Companies 2016

Source: NaMedia 2017 Media Analysis Report

The Agribank brand ranked **92nd** amongst high communicating brands, with negative mentions towards the brand (situation of agricultural industry)

Top Positive Communicating Companies 2017

Source: NaMedia 2018 Media Analysis Report

1. FNB Namibia
2. Bank Windhoek
3. Standard Bank Namibia
4. Namibia Breweries
5. MTC
6. Meatco
7. Air Namibia
8. DBN
9. NBC
10. B2Gold
11. Nedbank
12. Letshego
13. GIPF
14. Ohlthaver & List
15. **Agribank of Namibia**

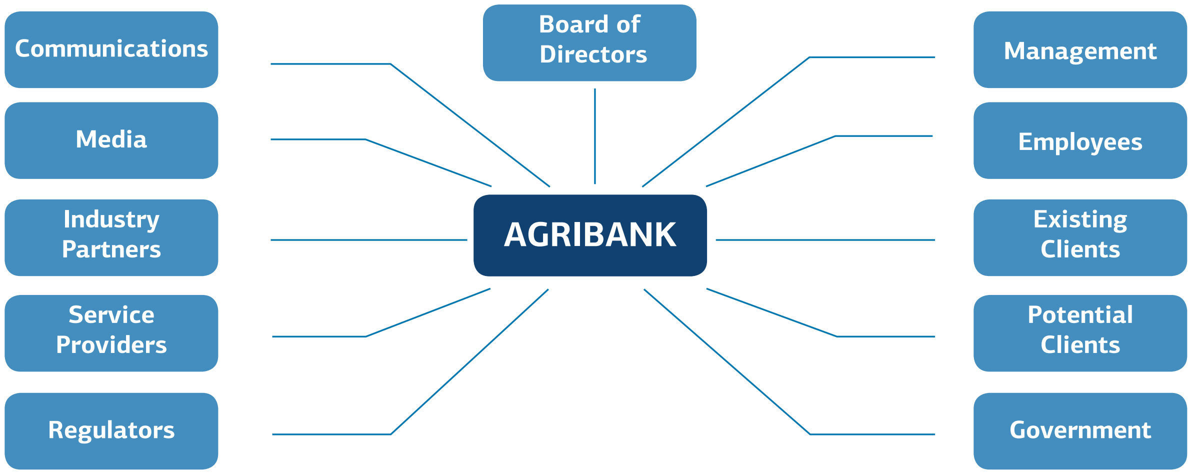
Top Positive Communicating Companies 2018

Source: NaMedia 2019 Media Analysis Report

1. Bank Windhoek
2. MTC
3. FNB Namibia
4. Meatco
5. Standard Bank Namibia
6. Namibia Breweries
7. Development Bank of Namibia
8. **Agribank of Namibia**
9. Namibia Wildlife Resorts
10. Nedbank Namibia
11. NamPort
12. NamPower
13. Ohorongo Cement

The Marketing and Customer Strategy team

Figure 10: Stakeholder Map



7.7.2 Corporate Social Responsibility

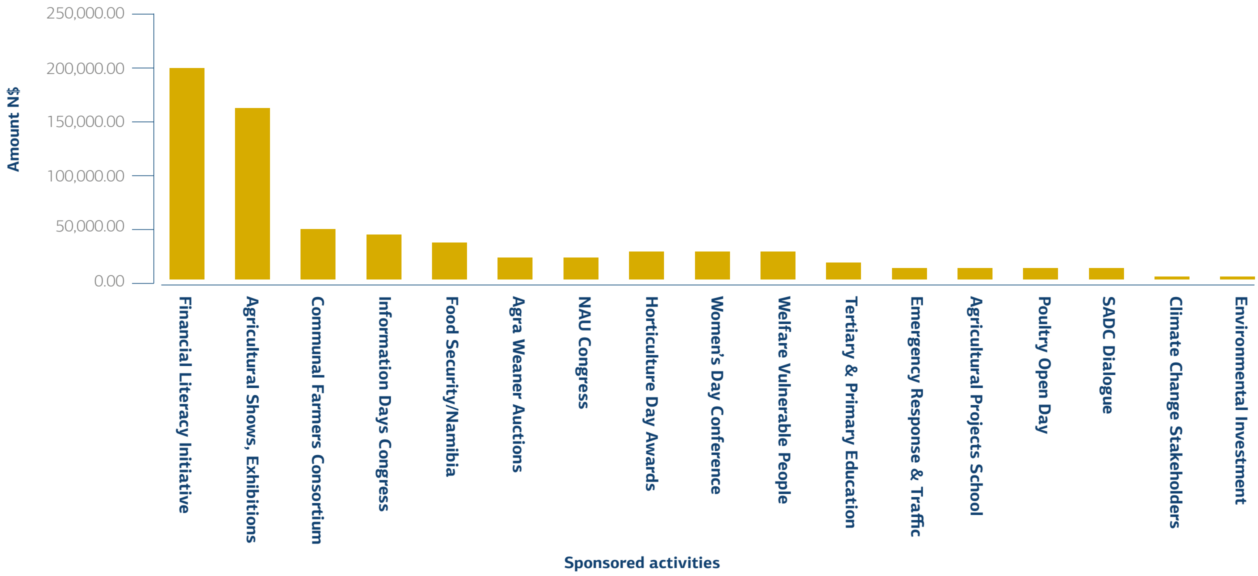
The Corporate Social Investments (CSI) programme is aimed at supporting and promoting initiatives that are sustainable in the long run, supportive of conserving natural resources, advancing communities, and engaging employees, while at the same time building the corporate brand and enhancing relationships with stakeholders.

The Bank's major investments were in national projects that contribute towards the development of agricultural expertise among small-scale farmers and communities in general. In this regard, the Bank spent over N$600,000 on sponsorships during the 2018/19 financial year, as reflected in Table 12. Worthy causes that benefitted from the Bank's sponsorships include agricultural shows, farmers' information days, annual general meetings of farmers' unions and education-related projects as reflected in Figure 11.

Table 12: Regional Distribution of Sponsorships

Region	2018 (N$)	2019 (N$)
Erongo	37,000.00	10,000.00
Hardap	4,000.00	2,000.00
//Kharas	10,000.00	25,000.00
Kavango West	85,000.00	6,800.00
Kavango East	5,000.00	2,000.00
Khomas	32,428.90	42,500.00
Kunene	15,000.00	7,000.00
National	700,000.00	353,000.00
Ohangwena	30,000.00	25,000.00
Omaheke	27,500.00	65,000.00
Omusati	-	10,000.00
Oshana	15,360.00	10,360.00
Oshikoto	-	10,000.00
Otjozondjupa	40,000.00	48,450.79
Zambezi	10,000.00	5,000.00
Total	**1,011,288.90**	**622,110.79**

Figure 11: Breakdown of Sponsorships



7.7.3 The Bursary Scheme

The Bank is committed to providing educational opportunities to aspiring Namibians who wish to further their studies at universities. During the period under review, the Bank supported 3 students enrolled in degree programmes in the following fields at a total cost of N$275,000:

- Bachelor of Science in Agriculture (Crop Science) Honours
- Bachelor of Veterinary Medicine
- Bachelor of Fisheries and Aquatic Sciences Honours

7.8 AGRI ADVISORY SERVICES

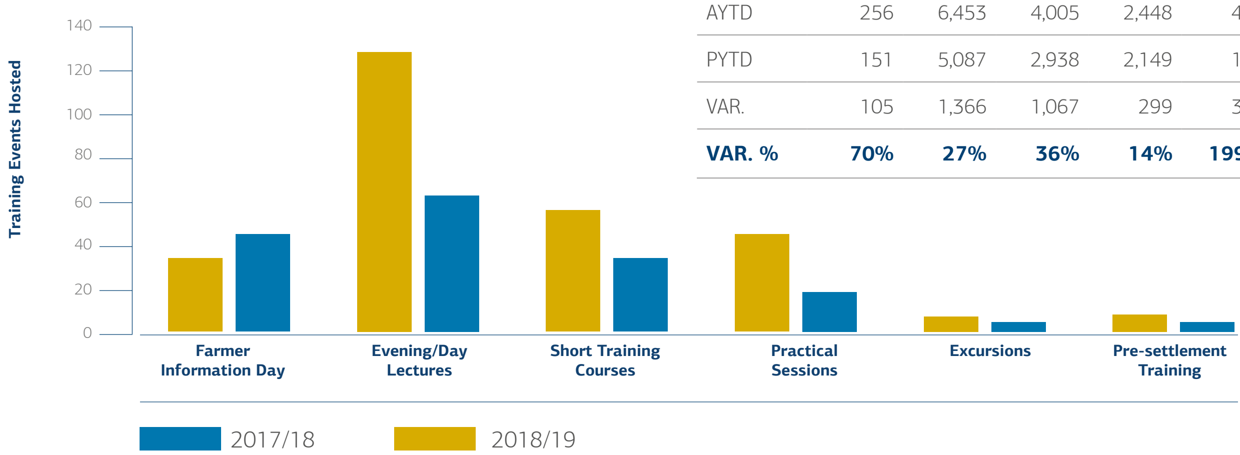
7.8.1 Training-related Interventions

The Agri Advisory Services Division (AASD) conducted a total of 256 training events during the year, benefitting 6,453 farmers, compared to 151 events during the same period in the 2017/18 financial year. This represents an increase of 70% and produced 199% more business leads. Further details are given in Figure 12 and Table 13.

Table 13: AASD Training Events

	Events	Total	Male	Female	Lead
AYTD	256	6,453	4,005	2,448	461
PYTD	151	5,087	2,938	2,149	154
VAR.	105	1,366	1,067	299	307
VAR. %	**70%**	**27%**	**36%**	**14%**	**199%**

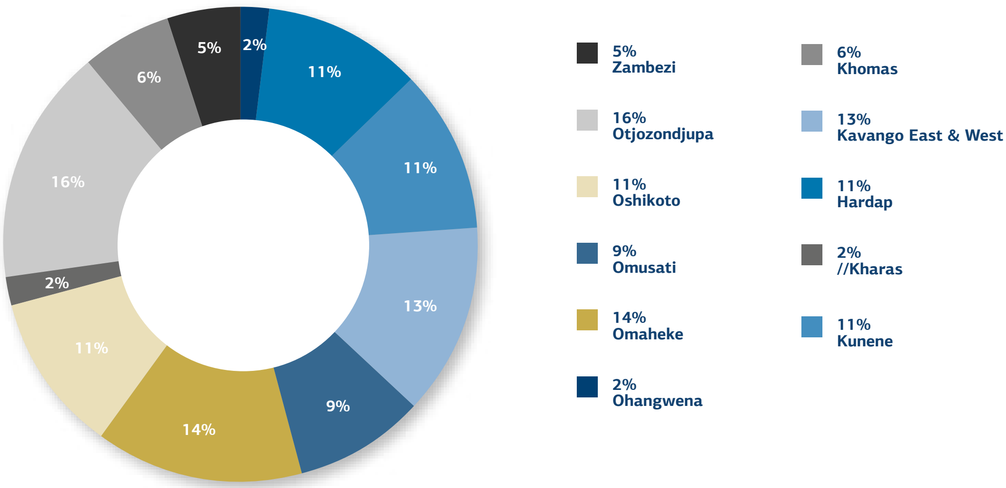
Figure 12: AASD Training Events



7.8.2 Mentorship Services

The Bank's mentorship services are currently provided free of charge to clients who are willing to commit to a process of investing in their farming enterprises in order to convert their farming operations into sustainable businesses. During the mentorship process, clients receive guidance on how to develop production related skills, as well as farm, financial and marketing management skills.

Figure 13: AASD Mentee Regional Distribution



A typical AASD practical demonstration session

Mentorship services have delivered positive results in areas such as livestock management, nutrition and health, and decreasing overall livestock mortality rates for mentees. This can be attributed to improved mentee knowledge and skills in animal health and nutrition because of mentorship. However, further skills development efforts are required to improve livestock reproduction rates. On the other hand, prevailing drought and rangeland conditions are a possible hindrance to the achievement of productivity targets. In spite of this, client mentee satisfaction ratings of mentorship services remain high with an overall rating of 86%. Progress on mentorship productivity indicators is depicted in Table 14.

Table 14: Progress on Mentorship Productivity Indicators

Indicators	Targets 2018/19	Current Status
Offtake rate (%): Cattle	12%	14%
Offtake rate (%): Goats	20%	14%
Offtake rate (%): Sheep	20%	16%
Calving rate (%)	80%	43%
Kidding rate (%)	125%	89%
Lambing rate (%)	80%	79%
Mortality rate (%): Cattle	<10%	4%
Mortality rate (%): Goats	<25%	19%
Mortality rate (%): Sheep	<20%	18%
Client satisfactory rating of mentorship services	85%	86%

The Sales team

ICT and Business Innovation team members

7.9 ICT AND BUSINESS INNOVATION

Information and Communication Technology in the Bank has been extended to the following areas to strengthen systems capabilities and innovation:

- Establishing a sound IT operational environment: The IT foundation was strengthened with sound IT governance, cost effective infrastructure and a secure environment.
- Introducing the Agribank blueprint for innovation: This entailed the introduction of new ways to deliver enablement capabilities to business, setting up a business architecture framework with the necessary execution building blocks as the foundation of innovating faster.
- Owning operational efficiency: The ICT department assumed the leadership role of true process innovation and ensured that the Bank's resources are optimised to deliver more value to its customers.
- Digital Innovation. The Bank's digital strategy was formulated to transform the way it does business with its customers.

Various automation tools were introduced to drive seamless collaboration and quicker in-house solutions for the business. The Sales Automation Initiative (SAI) was launched to replace the old Oracle Business Process Management (BPM) system in order to develop automation capabilities within the Bank. SAI is envisioned to be rolled out and completed during 2019.

7.10 RESEARCH AND PRODUCT DEVELOPMENT

A number of deliverables were recorded, with key ones being the development impact dashboard and the sustainability policy. The latter serves as a guide for responsible lending and strengthens our contribution to social, environment and economic sustainability. The development impact dashboard is designed to track the Bank's contribution to overall economic development.

The focus was also on conducting market and industry analyses, as well as the identification of financing needs. Most notably, the Bank participated in the Second National Land Conference and presented an analytical paper emphasising its important role in the land reform programme. The Bank also highlighted key achievements and proposals for the effective implementation of land reform. These milestones reflect our commitment to innovation and are important tools for enhancing service delivery with a view to effectively deliver on our mandate.

Not withstanding, the Bank continued to face challenges related to climatic conditions and financing gaps in the agriculture and related sectors. Our focus for the future will be the development of special loan schemes for youth, women and vulnerable communities.

The Bank advocates for the establishment of a Climate Resilience Fund to safeguard the agriculture sector from the adverse impacts of harsh climatic events. The creation of such a Fund calls for multi-stakeholder collaboration and support. From a sustainable development perspective, the Bank's approach is to develop and implement a monitoring and reporting system to ensure compliance with national and international environmental and social standards.

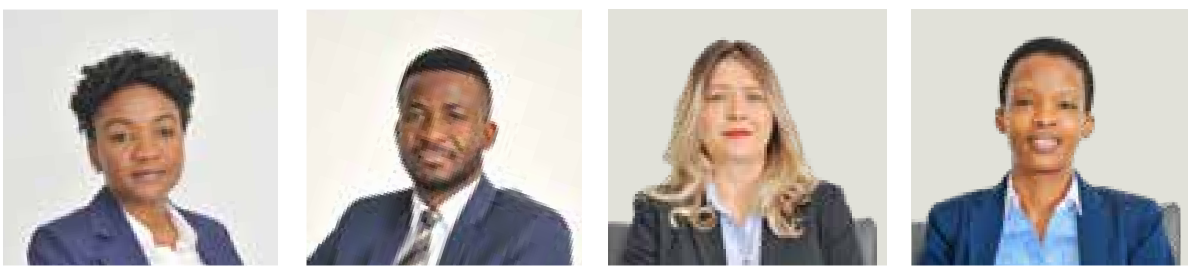
7.11 RISK MANAGEMENT

The Bank is committed to continuous improvement and effective implementation of its risk management practices.

The risk management measures reflect the Bank's strong risk culture, which is built on best-practice enterprise risk management, a clear indication of a strong 'tone at the top'.

Our approach aligns strategy, business planning, policies, people, processes, technology and market intelligence to measure, evaluate, manage and optimise opportunities, threats and uncertainties that the Bank faces every day. In this way, the Bank is able to maximise sustainability within its defined risk appetite. Embracing risk management as a core competency allows the business to optimise risk-taking that is objective and transparent. This ensures that the business prices for risk appropriately, linking risk to returns.

The restrained economic environment, as illustrated by negative economic growth, combined with pressure on cost containment, low prices of agricultural produce and the on-going drought will likely increase the exposure to strategic and operational risks in the 2019/20 financial year. To this end, the Bank will engage in a robust reassessment of its key risks both at strategic and operational levels, as indicated in Table 15.



Research and AASD team members

Table 15: Identified Risks

Risk	Risk Articulation	Mitigation Measures	Risk Status (i.e. Impact x Likelihood)
1. Business Continuity Risk	The risk of failure to continue the core operations/functions of the Bank due to planned/ unplanned events.	The Bank has established key policies that address the implementation of measures to embed a culture of conducting regular back-ups and testing of functional business units.	The likelihood of business disruption is low, but the impact could be major. Thus, the rating: **MODERATE**
2. Reputational Risk	The risk of exposure to events/ people that might have a negative impact on the Bank's reputation.	The Bank recognises the fact that reputational risks cannot be managed in isolation and thus, has implemented media monitoring activities, proactive engagement of stakeholders as well as sharing of both good and bad news with the media.	The likelihood of this risk is possible, and impact could be moderate. Thus, the rating: **MODERATE**
3. Information Technology Risk	The risk that the information communication technology (ICT) structure/platform is not aligned to support the business strategic automation initiatives.	The Bank has crafted an ICT strategy during the business plan review period that has key measures around addressing the misalignment. Secondly, ICT forms part of the Board meeting agenda to ensure appropriate governance oversight of ICT related risks.	The likelihood of misalignment is possible, but the impact could be major. Thus, the rating: **MAJOR**
4. Funding/Liquidity Risk	The risk that the Bank will not have adequate funds to advance as loans.	During the budget review period, the Bank established realistic targets for new business and proactively sourced funds. Overall, the focus drive on instalment & arrears collection was preserved.	The likelihood of shortage of funds was almost certain, and the impact was major. Thus, the rating: **CRITICAL**
5. Sustainability Risk	The risk of exposure to increasing operational costs.	In terms of the management of operational costs, robust cost suppression initiatives were successfully implemented.	The likelihood of this risk is possible, and impact could be major. Thus, the rating: **MAJOR**
6. Recovery Risk	The risk that the Bank might not manage/recover loans in arrears.	An operational initiative was established to reduce arrears to 10% or less. Collections targets form part of all executive and management members. The Bank also concluded the procurement of a debit order management service provider.	The likelihood of this risk is likely, and impact could be major. Thus, the rating: **CRITICAL**
7. Concentration Risk	Concentration risk because of over-lending to individuals, intermediaries and industry/ sector.	The approved credit policy sets out the specific limitation to ensure reduced exposure to a single client/sector. The monitoring of the limits was reported to the EXCO as well as Board Credit & Investment Committee.	The likelihood of concentration risk is possible, and impact could be major. Thus, the rating: **MAJOR**
8. Corporate Governance Risk	The risk that the Bank will fail to comprehensively embed enterprise-wide risk management practice within its people, process & systems.	The Bank has established an Enterprise Risk Policy and Framework that provide guidelines to enhance risk embedding. During the period, risk awareness sessions were conducted. Finally, there are on-going efforts to enhance risk reporting at process level.	The likelihood of this risk is possible, and impact could be major. Thus, the rating: **MAJOR**

Risk	Risk Articulation	Mitigation Measures	Risk Status (i.e. Impact x Likelihood)
9. Revenue Generation Risk	Failure to grow the loan book because of declining sales.	The Bank enhanced the sales team at management level and this resulted in improved sales drive. Vigorous tracking of sales pipeline and ensuring timely disbursements mitigated this uncertainty.	The likelihood of this risk is possible, and impact could be major. Thus, the rating: **MAJOR**
10. Developmental Impact Risk	The risk of failure to deliver on developmental mandate.	Key developmental indicators dashboard developed and approved for roll out in 2019/20 financial year. Secondly, the Bank regularly communicated its developmental mandate to the shareholder and stakeholders.	The likelihood of this risk is possible, and impact could be major. Thus, the rating: **MAJOR**

7.12 INTERNAL AUDIT

The internal audit function provided independent assurance to the Board and management on the effectiveness of the internal control system by conducting periodic reviews of key processes linked to the significant risks of the Bank.

The division achieved an audit completion rate of 100% on various audits during the review period, while 66% of the audit findings were resolved. All legacy audit issues on the credit and recoveries audit were closed.

The whistle-blower policy was approved and implemented during the review period to ensure that staff members are able to report any transgressions in confidence to the relevant structures.

Internal Audit team members

Training and mentorship in action

Legal Services team

7.13 LEGAL SERVICES

The legal services division appointed a new legal panel to improve efficiencies and turnaround times of legal processes. The following law firms were appointed:

- Weder, Kauta and Hoveka Inc.: for litigation and conveyancing
- AngulaCo.: for debt collections
- ENSAfrica: for debt collection, litigation, estates and conveyancing
- Sisa Namandje Incorporated: for debt collection, litigation and conveyancing
- Fisher Quarmby and Pfeiffer: for debt collection, estates and conveyancing
- Kopplinger and Boltman: for labour law

The division conducted training on the case management court process to ensure that every matter escalated to the external legal panel is finalised in the shortest possible time.

The division successfully escalated all necessary matters to the legal panel for institution of legal action and/or entered into acceptable payment arrangements with clients.

7.14 CONCLUSION

Despite the difficult operating environment characterised by successive droughts and an economy in recession, the Bank delivered a solid performance and recorded commendable achievements in the implementation of its strategic plans. The Board, management and all employees remain focused on ensuring that the Bank continues to improve its service to customers, to attain financial sustainability, to develop, recognise and appropriately reward its people, to maintain the highest level of corporate governance, and to remain inclusive and transformational in its strategic initiatives. The objective is to serve as the ultimate catalyst for the transformation of agriculture, such that the country can achieve food self-sufficiency.

Given the foundational work done, I firmly believe that the Bank will withstand challenges posed by the current operating environment.

Sakaria Nghikembua
CHIEF EXECUTIVE OFFICER

Executive *Management*

8. Executive Management

The daily operations of the Bank are managed by the Executive Committee (EXCO), which is chaired by the Chief Executive Officer.

Sakaria Nghikembua
Chief Executive Officer

Ben Jacobs
Executive - ICT and Business Innovation

Evast Kalumbu
Corporate Governance Officer

Kenneth Kasata
Risk Officer

Regan Mwazi
Executive: Marketing and Customer Strategy

The Executive Committee ensures that the Bank fulfils its mandate of lending money to individuals, business entities or financial intermediaries for the promotion of agriculture and related activities. The Bank derives its mandate from the provisions of the Agricultural Bank of Namibia Act, No. 5 of 2003.

Benjamin Coetzee
Manager - Internal Audit

Andre Botes
Executive - Sales

Selma Ambunda
Executive - HR

Louis Du Toit
Chief Financial Officer

Emmanuel Masule
Executive - Credit

Annual Financial *Statements*

9. Annual Financial Statements

Contents

9.1 REPORT OF THE AUDITOR GENERAL

9.1.1 UNQUALIFIED AUDIT OPINION

I have audited the financial statements of Agricultural Bank of Namibia for the financial year ended 31 March 2019. These financial statements comprise the statement of comprehensive income and retained earnings, statement of financial position, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies.

In my opinion, the financial statements present fairly the financial position of Agricultural Bank of Namibia as at 31 March 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Agricultural Bank Act, 2003 (Act No. 5 of 2003).

9.1.2 BASIS FOR AUDIT OPINION

I conducted my audit in accordance with International Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

9.1.3 KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have nothing to report in this regard.

9.1.4 OTHER INFORMATION

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

9.1.5 RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Agricultural Bank Act, 2003 (Act No. 5 of 2003), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the entity'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 management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible of overseeing the entity's financial reporting process.

9.1.6 AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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 financial statements.

As part of an audit in accordance with the International Standards on Auditing, I exercise professional scepticism throughout the audit.

- Identify and assess the risks of material misstatement of the 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 my 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 controls.

- 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 Entity's internal control.

- Evaluate the appropriateness of accounting policies uses and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

WINDHOEK, August 2019
JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

CORPORATE INFORMATION

Country of incorporation	Namibia
Reporting currency	N$
Registered office	10 Post Street Mall Windhoek Namibia
Postal address	Private Bag 13208 Windhoek Namibia
Enablement act	Agricultural Bank of Namibia Act 5 of 2003 (formerly the Land Bank Act)
Secretarial services	Provided internally by Corporate Governance Manager
Compiler of the financial statements	Prepared internally by the Chief Financial Officer
Auditor	Auditor-General of the Republic of Namibia

DIRECTORS' REPORT

The Directors of the Agricultural Bank of Namibia present their report together with the annual financial statements of the Bank for the year ended 31 March 2019.

Main Business Activities

The main business activity of the Bank comprises the promotion of agriculture within Namibia through financing agricultural activities or activities related to such. There has been no change in the main business activities of the Bank over the reporting period.

Directors Details

The composition of the Board of Directors it's as follows:

Michael Iyambo (Chairperson)	Re-appointed	1 September 2018
Dagmar Honsbein	Re-appointed	1 September 2018
Dr Michael Humavindu	Re-appointed	1 September 2018
Peyavali Hangula	Appointed	1 September 2018
Phanuel Kaapama	Appointed	1 September 2018
Terttu Uuyuni	Resigned	31 August 2018
Oiva Mahina	Resigned	31 August 2018

The Directors are all Namibian and act in a non-executive capacity.

Dividends

Agribank is by statute not a company and it is not within its powers, under the Agricultural Bank of Namibia Act 5, to pay dividends.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Bank during the financial year or since the end of the financial year.

Events Arising since the End of the Reporting Period

The Directors are not aware of any material fact or circumstance arising between the end of the financial year and the date of this report that would require adjustments, to or disclosure in, the financial statements.

DIRECTORS' REPORT (CONTINUED)

Going Concern

The going concern basis has been adopted in the preparation of the financial statements. Based on forecast and continued support from the Government of the Republic of Namibia, the Directors have no reason to believe that the Bank will not be a going concern in the foreseeable future. The financial statements support the viability of the Bank.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements, set out on pages 72 to 115, have been compiled from the books of the Bank and, to the best of our knowledge and belief, are correct.

Sakaria Nghikembua
Chief Executive Officer

Louis du Toit
Chief Financial Officer

The annual financial statements, set out on pages 72 to 115, have been approved by the Board of Agricultural Bank of Namibia and are signed on its behalf by:

Michael Iyambo
Chairperson of the Board

Dagmar Honsbein
Chairperson of the Board Finance, Risk, Audit and Compliance Committee

AGRIBANK

OF NAMIBIA

Your all Season Bank

AGRICULTURAL BANK OF NAMIBIA

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019	2018
		N$ '000	N$ '000
INCOME			
Interest income on advances	4	216,394	189,046
Interest expense	5	(30,648)	(21,446)
Net interest income before provision for losses on advances		**185,746**	**167,600**
Credit impairment losses	6	(10,096)	(23,851)
Other operating income	7	10,438	14,101
Net operating income		**186,088**	**157,850**
Personnel expenses	8	(94,028)	(82,415)
Depreciation and amortisation expense	9	(3,414)	(4,020)
General and administrative expenses	10	(39,228)	(44,523)
Net operating surplus		**49,418**	**26,892**
OTHER COMPREHENSIVE INCOME (OCI)			
Actuarial gain		6,821	2,894
Surplus for the year		**56,239**	**29,786**

AGRICULTURAL BANK OF NAMIBIA

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019	Restated 2018
		N$ '000	N$ '000
ASSETS			
Cash and cash equivalents	11	53,390	222,758
Other receivables	12	3,303	3,025
Inventories	13	1,024	1,050
Loans and advances to customers	14	2,794,058	2,427,701
Investment properties	15	44,261	45,280
Property, plant & equipment	16	115,481	118,027
Intangible assets	17	125	238
Total assets		**3,011,642**	**2,818,079**
LIABILITIES			
Due to Banks	11	87,685	5,954
Creditors & other payables	18	11,871	12,628
Borrowed funds	19	195,774	205,354
Special purpose funds	20	101,921	94,826
Loan guarantee fund	21	120,321	113,260
Retirement benefit obligations	33.2	9,353	31,875
Provisions	22	4,712	4,913
Deferred income	23	39,343	49,053
Total liabilities		**570,980**	**517,863**
EQUITY			
Capital	24	1,468,031	1,438,031
Reserves	25	890,440	777,030
Funds and grants	26	82,191	85,155
Total equity		**2,440,662**	**2,300,216**
Total equity & liabilities		**3,011,642**	**2,818,079**

AGRICULTURAL BANK OF NAMIBIA

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Capital fund	Funds and grants	Reserves	Total
	N$ '000	N$ '000	N$ '000	N$ '000
At 1 April 2017	**1,408,031**	**85,155**	**747,244**	**2,240,430**
Net operating surplus	0	0	26,892	26,892
Other comprehensive income	0	0	2,894	2,894
Contributions / (applications)	30,000	0	0	30,000
At 31 March 2018	**1,438,031**	**85,155**	**777,030**	**2,300,216**
Net operating surplus	0	0	57,171	57,171
Surplus for the year	0	0	49,418	49,418
Other comprehensive income	30,000	30,000	6,821	6,821
Contributions / (applications)	30,000	(2,963)	0	27,037
At 31 March 2019	**1,468,031**	**82,192**	**890,440**	**2,440,663**

AGRICULTURAL BANK OF NAMIBIA

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019	2018
		N$ '000	N$ '000
Cash flows from operating activities			
Surplus for the year		56,239	29,786
Adjustments for:			
Change in Operating Assets	29.1	(309,438)	(135,789)
Change in Operating Liabilities	29.2	(23,481)	7,763
Net gain/(loss) from Inventory Activities	29.3	4,270	3,780
Net gain/(loss) from Financing Activities	29.4	1,482	(6,974)
Net cash flows from operating activities		**(270,928)**	**(101,434)**
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		164	240
Purchases of property, plant & equipment		(743)	(7,084)
Purchases of intangible assets		(11)	0
Net cash used in investing activities		**(590)**	**(6,844)**
Cash flows from financing activities			
Government contributions received		30,000	30,000
Proceeds from loans		0	100,370
Repayment of loans		(9,581)	(2,849)
Net cash used in financing activities		**20,419**	**127,521**
Net increase / (decrease) in cash and cash equivalents		(251,099)	19,243
Cash and cash equivalents at beginning of year		216,804	197,561
Cash and cash equivalents at end of year	11	**(34,295)**	**216,804**

1. BASIS OF PRESENTATION

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC).

The annual financial statements have been prepared on a historical cost basis, except for investment properties, certain office properties (classified as property, plant and equipment) as well as certain financial assets and measured at fair value through profit or loss. The annual financial statements are presented in Namibia dollars (N$) and all values are rounded to the nearest thousand dollars, except when otherwise indicated. Rounding does result in minor rounding differences which cannot be avoided, certain line items have been adjusted accordingly.

1.1 Presentation of Financial Statements

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 27.

Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting criteria are met.

1.2 Changes in Accounting Policies and Disclosures

In these financial statements, the Bank has applied, for the first time, IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and the consequential amendments to IFRS 7 Financial Instruments: Disclosures, effective for annual periods beginning on or after 1 January 2018. The nature and effect of the changes as a result of the adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the Bank's financial statements. The Bank has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

1.2.1 *IFRS 9 Financial Instruments*

IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018. The Bank has not restated comparative information for 2018 for financial instruments as permitted in the scope of implementation of IFRS 9. Therefore, the comparative information for 2018 is reported under IAS 39 and is not comparable with the information presented for 2019. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 April 2018 and are disclosed in note 2.16.

1.2.1.1 *Changes to Classification and Measurement*

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost.
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition. The Bank does not have financial assets of this nature and consequently does not provide its treatment approach in its accounting policies.
- Equity instruments at FVOCI, with no recycling of gains or losses in profit or loss on derecognition. The Bank does not have financial assets of this nature and consequently does not provide its treatment approach in its accounting policies.
- Financial assets at FVPL.

The accounting for financial liabilities remains largely the same as it was under IAS 39.

In accordance with the requirements of IFRS 9, disclosure of all IFRS 9 impacts are required to be made. The Bank is however primarily impacted by its loans and advances, money market investments and borrowings which are required to be recognised at amortised cost.

1.2.1.2 *Changes to Impairment Calculation*

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

1.2.2 *IFRS 7 Financial Instruments: Disclosures*

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures were updated and the Bank has adopted these, together with IFRS 9, for its financial period beginning 1 April 2018. Changes include:

- Transition disclosures.
- Detailed qualitative and quantitative information about the ECL calculations, such as the assumptions and inputs.

1.2.3 *IFRS 15 Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which replaces all existing revenue requirements and related interpretations and is effective for annual periods beginning on 1 January 2018. IFRS 15 redefined the principles for recognising revenue and is applicable to all contracts with customers other than contracts in the scope of other standards (e.g., interest and fee income integral to financial instruments which would be in the scope of IFRS 9 and lease income). Certain requirements in IFRS 15 are also relevant for the recognition and measurement of gains or losses on disposal of non-financial assets that are not in the ordinary course of business.

The Bank has adopted IFRS 15 using the full retrospective method of adoption which requires it to restate comparative figures. The Bank's main revenue stream being interest income is outside the scope of IFRS 15 and, therefore, accounting for that stream did not change as a result of the adoption of IFRS 15. The Bank's revenue streams that are within the scope of IFRS 15 relate to fee and commission income and due to the nature of these minor streams there were no changes in revenue recognition as the Bank's existing recognition criteria was in accordance with IFRS 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements, which have been consistently applied unless otherwise stated, are set out below.

2.1 Recognition of Interest Income

Interest income is recorded using the Effective Interest Rate (EIR) method for all financial assets measured at amortised cost. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

Under IFRS 9, when a financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

2.2 Fee and Commission Income

Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not typically include multiple performance obligations.

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time.

2.3 Financial Instruments

2.3.1 *Date of Recognition*

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

2.3.2 *Initial Measurement of Financial Instruments*

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price.

2.3.3 *Declassification of Subsequent Measurement*

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either amortised cost or FVPL. Before 1 January 2018, the Bank classified its financial assets as loans and receivables or FVPL.

Relevant financial liabilities to the Bank comprise borrowed funds and balances due to Banks and are measured at amortised cost. Before 1 January 2018, the Bank classified its financial assets as loans payable.

2.3.4 *Derecognition of Financial Assets and Liabilities*

2.3.4.1 *Derecognition due to Substantial Modification of Terms and Conditions*

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

2.3.4.2 *Derecognition other than Substantial Modification*

A financial asset is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

2.3.5 *Impairment of Financial Assets (Policy Applicable from 1 April 2018)*

2.3.5.1 *Overview of ECL Principles*

The adoption of IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 April 2018, the Bank has been recording the allowance for expected credit losses for all loans.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. Loans to customers are assessed on a collective basis, whilst other financial assets on an individual basis.

The Bank performs an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above the Bank has assessed the most appropriate grouping of loan stages as described below:

Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: The Bank recognises an allowance for LTECLs when there has been a significant increase in credit risk since origination. For purposes hereof, 180 days and more is considered an appropriate classification indicator. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Stage 3 loans are considered credit impaired once they reach the stage of being overdue in excess of 1 year. The Bank records an allowance for the LTECLs.

The Bank's main reasons for departure from the rebuttable loan stage classifications as contained in IFRS 9 are set out in note 34.2.4, together with a comparison to the ECL results that would have been achieved under that approach.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

2.3.5.2 *Calculation of ECLs*

The Bank calculates ECLs on the expected cash shortfalls, discounted at an approximation to the EIR. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD The Probability of Default is an estimate of the likelihood of default over a given time horizon.

EAD The Exposure at Default refers to the total value that the Bank is exposed to at the time of default.

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. The Bank calculates LGD on historic loss data.

When estimating ECLs the Bank considers various scenarios and also considers the rebuttable loan classification stages as set out under IFRS 9.

2.3.5.3 *Forward Looking Information*

The Bank considers forward looking information when determining ECLs, where there is sufficient correlation between these factors as supported by loss history and default trends. A correlation coefficient of 75% or higher is deemed to be sufficient correlation, for purposes hereof.

2.3.5.4 *Collateral Valuation*

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39.

2.3.5.5 *Write-offs*

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

2.3.6 *Impairment of Financial Assets (Policy Applicable before 1 April 2018)*

2.3.6.1 *Financial Instruments*

The Bank classifies its financial assets into the following categories: financial assets at fair value through profit and loss, loans and receivables, available-for-sale assets and held-to-maturity investments. Financial liabilities are classified as financial liabilities at fair value through profit and loss and financial liabilities at amortised cost. Classification depends on the purpose for which the financial instruments were obtained and takes place at initial recognition.

(a) *Initial recognition and measurement*

Financial instruments are recognised initially when the Bank becomes a party to the contractual provisions of the instruments.

The Bank classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

(b) *Subsequent measurement*

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale, financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses. Gains and losses arising from changes in fair value are recognised directly in equity until the asset is disposed of or determined to be impaired.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

(c) ***Impairment of financial assets***

At each statement of financial position date the Bank assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.
Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available for sale.

(d) ***Fair value through profit or loss***

Financial instruments are recognised initially when the Bank becomes a party to the contractual provisions of the instruments.

The Bank classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

(d) ***Fair value through profit or loss (continued)***

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

(e) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan advances and loans to employees are classified as loans and receivables.

Loan advances are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Appropriate adjustments are made for securities held by the Bank in respect of identified impaired debtors.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within operating expenses. When a trade receivable and/or advance is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of comprehensive income.

(f) *Trade and other payables*

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

(g) *Cash and cash equivalents*

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and subsequently at amortised cost.

(h) *Bank overdrafts and borrowings*

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Bank's accounting policy for borrowing costs.

2.4 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

2.4.1 *Impairment Losses on Financial Assets (Policy Applicable after 1 April 2018)*

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement. These estimates are driven by several factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's own collection efforts and efforts aimed at securing collateral as well as legal processes to be followed and the consistency of application of these.
- The three stages classification model and whether this best reflects the indications of increases in credit risk.
- Development of ECL models, including the various formulas and the choice of inputs.
- Treatment of the whole loan book as a portfolio in the absence of collection of loss data, which might support modellling enhancements and segmentation improvements.
- The lack of industry comparative data to confirm results given the uniqueness of the agricultural loan book.

2.4.2 *Impairment Losses on Financial Assets (Policy Applicable before 1 April 2018)*

2.4.2.1 *Advances Loans and Receivables*

The Bank assesses its advances, loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

2.4.2.2 *Fair Value Estimation*

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Bank uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date.

The carrying value less impairment provision for financial assets and liabilities with maturities of less than one year, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Bank for similar financial instruments.

2.4.2.3 *Impairment Testing*

The Bank reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, intangible assets are tested on an annual basis for impairment.

2.4.2.4 *Provisions*

Provisions were raised and management determined estimates based on the information available. The provisions for post-retirement medical and severance benefits are based on actuarial valuation by independent actuaries. In determining the provision, assumptions are made regarding discount rates, mortality rates and healthcare inflation rates.

2.4.3 *Provisions and Contingent Liabilities*

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings arising in the ordinary course of business.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosures in its financial statements.

2.4.3 *Provisions and Contingent Liabilities*

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

The provisions for post-retirement medical and severance benefits are based on actuarial valuation by independent actuaries. In determining the provision, assumptions are made regarding discount rates, mortality rates and health care inflation rates.

2.5 *Property, Plant and Equipment*

Property, plant and equipment are initially recorded at cost. Owner-occupied properties are carried at revaluation, determined by valuations by external independent professional valuators, less provision for impairment.

Increases in the carrying amount arising on revaluation are credited to revaluation and other reserves. Decreases that offset previous increases on the same asset are charged against the revaluation reserve, and all other decreases are charged to the statement of comprehensive income.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately in the statement of comprehensive income to its recoverable amount.

All property, plant and equipment, other than land and owner occupied properties, are depreciated on the straight-line basis over their expected economic lives. The rates used to depreciate assets are as follows:

Motor vehicles	5 years
Furniture and fittings	5 years
Computer and office equipment	4 years
Leasehold assets	5 years

Depreciation is not provided for on land as it is deemed to have an indefinite life.

2.5 *Property, Plant and Equipment (continued)*

The residual value and the useful life of each asset are reviewed at each financial period-end.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operational profit. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are taken to OCI.

2.6 *Properties in Possession*

Farms or other properties in possession acquired are stated at the amount of debt outstanding at the date of repossession. Provision is made against amounts considered to be irrecoverable.

Unsold properties in possession are stated at the lower of the net outstanding amount at date of acquisition and net realisable value.

2.7 *Investment Properties*

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

2.8 *Intangible Assets*

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. They are amortised over their estimated useful lives (not exceeding ten years) using the straight-line method. The following rate is used for the amortisation of intangible assets:

Software	33.3%

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised accordingly to reflect the new expectations.

2.9 *Impairment of Assets*

At each reporting date, the Bank assesses whether there is any indication that any asset (property, plant and equipment and intangible assets) may be impaired. If there is an indication of possible impairment, the recoverable amount of the affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.10 *Leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Bank. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the appropriate lease.

2.11 *Inventories*

Inventories are stated at the lower end of cost and selling price less costs to complete and sell (net realisable value). Cost is calculated using the first-in, first-out (FIFO) method.

2.12 *Other Receivables*

At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

2.13 *Trade and Other Payables*

Trade and other payables are obligations on the basis of normal credit terms and do not bear interest.

2.14 *Provisions and Contingencies*

Provisions are recognised when the Bank has an obligation at the reporting date as a result of a past event; it is probable that the Bank will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably. Provisions are

2.14 Provisions and Contingencies (continued)

not recognised for future operating losses. Contingent assets and contingent liabilities are not recognised.

2.15 Employee Benefits

2.15.1 Short-term Employee Benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

2.15.2 Defined Contribution Plans

The Bank provides defined contribution pension fund plans for employees. Payments to the pension fund are charged as an expense as incurred.

2.15.3 Defined Benefit Plans

The Bank provides post-retirement medical benefits by way of 100% contribution of medical aid. Benefits are not available to some employees. Payments to the post-retirement medical benefit plan are recognised as an expense when employees have rendered service entitling them to the contribution.

The Bank's net obligation in respect of post-retirement medical benefits is determined using the projected unit credit method with actuarial valuation being carried out at the end of each annual reporting period. Remeasurements, comprising actuarial gains and losses, the effect of changes in asset ceiling (if applicable) and return on plan assets (excluding interest), are reflected immediately on the statement of changes in financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit and loss. Past service costs are recognised in the profit or loss in the period of plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs recognised are as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and,
- Remeasurements.

The post-retirement medical benefit obligation recognised in the statement of financial position represents the deficit on the Bank's defined benefit plans. Any surplus resulting from the calculation is limited to the present value of the economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan.

2.15.3 *Defined Benefit Plans (continued)*

A liability for termination benefits is recognised at the earlier stage of when the Bank no longer offers the termination benefit and when the Bank recognises the restructuring costs.

2.16 *Transition Disclosures (IAS 39 to IFRS 9)*

The following summary sets out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 April 2018 is, as follows:

	Change in classification	IAS 39 Amount	Remeasure-ment ECL	IFRS Amount
		N$ '000	N$ '000	N$ '000
Financial assets				
Cash and cash equivalents	L&R to AC	222,758	0	222,758
Loans and advances to customers	L&R to AC	2,427,701	57,171	2,484,872
Other receivables	L&R to AC	3,025	0	3,025
Non-financial assets				
Inventories	NA	1,050	0	1,050
Investment properties	NA	45,280	0	45,280
Property, plant & equipment	NA	118,027	0	118,027
Intangible assets	NA	238	0	238
		2,818,079	**57,171**	**2,875,250**
Financial liabilities				
Due to Banks	L&R to AC	5,954	0	5,954
Borrowed funds	L&R to AC	205,354	0	205,354
Creditors & other payables	L&R to AC	12,628	0	12,628
Non-financial liabilities				
Special purpose funds	NA	94,826	0	94,826
Loan guarantee fund	NA	113,260	0	113,260
Retirement benefit obligations	NA	31,875	0	31,875
Provisions	NA	4,913	0	4,913
Deferred income	NA	49,053	0	49,053
		517,863	**0**	**517,863**

Key to abbreviations used above:
L&R - Loans and receivables (classification as per IAS 39)
AC - Amortised cost (classification as per IFRS 9)
NA - Not applicable

2.17 Reserve Fund

The net surplus, after certain special provisions have been made, is credited to the Reserve Fund and applied to make good any loss or deficit which may occur in any transaction of the Bank. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.18 Government Grants

Government grants are recognised when there is reasonable assurance that:
- The Bank will comply with conditions attaching to them; and,
- The grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate. Government grants related to income are presented as a credit in the profit or loss. Where a loan is received from the Government at below market interest or at no interest rate, the difference between the fair value of the loan and the amount received is recognised as a Government grant.

3. CORRECTION OF PRIOR PERIOD ERROR

During the period under review the Bank identified that it had not been consistent with the application of derecognition criteria under IAS 39. In particular this ought to have been applied to the case of Komsberg as the right to receive contractual cash flows no longer existed when the case went into liquidation and should have resulted in a partial derecognition of the unsecured portion of the Komsberg debt. This issue was identified due to the introduction of IFRS 9 where the provision was applied collectively and individual exceptions not considered. This correction has been applied retrospectively in accordance with IAS 8.

The effect of the restatement of the prior period financial statements reflected on the following page:

3. CORRECTION OF PRIOR PERIOD ERROR (CONTINUED)

	2018 N$ '000
3.1 Impact on Total Comprehensive Income for the Year	
Surplus for the year	**0**

	As previously reported N$ '000	Correction of prior period error N$ '000	Restated balance N$ '000
3.2 Impact on Assets as at 31 March 2018			
Arrears	567,058	(45,869)	521,189
Impairment allowance	(334,155)	45,869	(288,286)
Net assets impacted	**232,903**	**0**	**232,903**

	2019 N$ '000	2018 N$ '000
4. INTEREST INCOME		
Advances granted	208,699	173,932
Bank and money market investments	7,695	15,114
	216,394	**189,046**
5. INTEREST EXPENSE		
Government loan	(9,710)	(9,973)
Fund accounts and borrowings	(20,938)	(11,473)
	(30,648)	**(21,446)**

6. CREDIT IMPAIRMENT LOSSES

The table below shows the ECL charges on financial instruments for the year recorded in the income statement:

	Stage 1 N$ '000	Stage 2 N$ '000	Stage 3 N$ '000	Total N$ '000
Loans and advances to customers	**6,100**	**7,381**	**38,309**	**51,790**

AGRICULTURAL BANK OF NAMIBIA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

		2019 N$ '000	2018 N$ '000
6.	**CREDIT IMPAIRMENT LOSSES (CONTINUED)**		
	Impairment charge for the year	51,790	24,181
	Net gains / (losses) on derecognition of financial assets measured at amortised cost	(61,886)	(48,032)
		(10,096)	**(23,851)**
7.	**OTHER OPERATING INCOME**		
	Government grant released	9,710	9,973
	Rent received	309	324
	Profit on disposal of property, plant and equipment	163	240
	Fair value movement on investment properties	(1,019)	0
	Other income	1,275	3,564
		10,438	**14,101**
8.	**PERSONNEL EXPENSES**		
	Salaries & wages	(82,807)	(72,887)
	Social security costs	(273)	(246)
	Pension costs	(10,109)	(8,592)
	Directors' fees	(839)	(690)
		(94,028)	**(82,415)**
9.	**DEPRECIATION AND AMORTISATION EXPENSE**		
	Amortisation of intangible assets	(124)	(121)
	Depreciation - furniture & fittings	(1,079)	(1,609)
	Depreciation - other equipment	(126)	(147)
	Depreciation - computers	(815)	(925)
	Depreciation - motor vehicles	(1,270)	(1,218)
		(3,414)	**(4,020)**

		2019 N$ '000	2018 N$ '000
10.	**GENERAL AND ADMINISTRATIVE EXPENSES**		
	Auditor's remuneration	(216)	(230)
	Advertising & marketing	(3,019)	(3,595)
	Bank charges	(396)	(488)
	Computer expenses	(5,569)	(6,149)
	Directors' expenses	(301)	(405)
	General expenses	(1,314)	(3,794)
	Insurance	(519)	(369)
	Legal expenses	(1,452)	(2,232)
	Maintenance and security	(1,318)	(1,228)
	Municipal charges	(2,310)	(2,141)
	Printing & stationery	(1,032)	(743)
	Professional fees	(10,090)	(10,885)
	Rent paid	(1,931)	(1,617)
	Subscriptions & memberships	(1,997)	(1,247)
	Telephone	(1,322)	(1,636)
	Training	(652)	(535)
	Travelling & accommodation	(2,302)	(2,216)
	VAT apportionment expenses	(2,558)	(4,265)
	Vehicle expenses	(930)	(748)
		(39,228)	**(44,523)**

In its continued effort to align disclosures to IAS and IFRS requirements, the Bank is disclosing certain expenses on the face of the income statement.

		2019 N$ '000	2018 N$ '000
11.	**CASH AND CASH EQUIVALENTS / (DUE TO OTHER BANKS)**		
	Cash on hand	32	32
	Bank balances	7,160	5,330
	Notice deposits	58,899	230,097
	Provision for impairment	(12,701)	(12,701)
	Cash and cash equivalents	**53,390**	**222,758**
	Due to other Banks	(87,685)	(5,954)
		(34,295)	**216,804**

Included in the cash and cash equivalents is N$25,402,000 invested with SME Bank which was placed into liquidation on 11 July 2017. The estimated irrecoverable portion was provided for.

The amounts due to other Banks represent a Bank overdraft which is secured by a cession over cash balances held on its behalf by the Liquidator of the grape farming operation known as Komsberg and remaining security as disclosed in note 19.2. Interest is payable at a rate of 11.26%.

		2019 N$ '000	2018 N$ '000
12.	**OTHER RECEIVABLES**		
	Other receivables	**3,303**	**3,025**
13.	**INVENTORIES**		
	Office consumables	**1,024**	**1,050**
14.	**LOANS AND ADVANCES TO CUSTOMERS**		
	Loan capital	2,407,454	2,194,798
	Arrears	565,927	521,189
	Impairment allowance	(179,323)	(288,286)
		2,794,058	**2,427,701**
	Restated opening balances for 2018		
	Loan capital		2,194,798
	Arrears		521,189
	Impairment allowance		231,113
			2,947,100
	The impairment allowance reflects ECL for the following loan stages:		
	ECL - stage 1	16,643	22,743
	ECL - stage 2	30,543	37,924
	ECL - stage 3	132,137	170,446
		179,323	**231,113**

	2019	2018
	N$ '000	N$ '000
15. INVESTMENT PROPERTIES		
Comprises the following properties:	(82,807)	(72,887)
Portion 38 of Farm Okatjirute No 155	31,820	34,265
Extension of Farm Okatjirute	6,128	4,900
No 155 Erf Prn 18, Witvlei	873	780
Erf Prn 34, Witvlei	3,507	3,200
Erf Prn 117, Witvlei	264	320
Erf Prn 203, Witvlei	606	835
Erf Prn 204, Witvlei	383	650
Erf Prn 292, Witvlei	344	330
Erf Prn 294, Witvlei	336	0
Investment properties	**44,261**	**45,280**
Fair value movements		
Opening carrying value	45,280	45,280
Additions / (Disposals) on investment properties	0	0
Fair value movement on investment properties	(1,019)	0
Closing carrying value	**44,261**	**45,280**

The investment properties consist of farmland with improvements measuring 11,9335 hectares, situated in the Omaheke Region, more commonly known as the Witvlei abattoir, together with associated properties. The fair value of the abattoir (portion 38) was determined by an independent sworn appraiser during July 2019. The remainder of the properties were valued during June 2019, also by an independent sworn appraiser. It should be highlighted that these properties remain the subject of an on-going legal dispute.

16. PROPERTY, PLANT & EQUIPMENT

	At 1 April 2018	Additions	Impairment & Disposals	At 31 March 2019
	N$ '000	N$ '000	N$ '000	N$ '000
Current year - Cost				
Freehold land & buildings	108,802	14	0	108,816
Leasehold improvements	384	0	0	384
Furniture & fittings	11,171	53	0	11,224
Other equipment	1,863	154	0	2,017
Computers	5,815	137	0	5,952
Motor vehicles	6,756	385	0	7,141
Total	**134,791**	**743**	**0**	**135,534**

16. PROPERTY, PLANT & EQUIPMENT (*Continued*)

	At 1 April 2018	Depreciation	Impairment & Disposals	At 31 March 2019
Current year - Accumulated depreciation				
Leasehold improvements	384	0	0	384
Furniture & fittings	7,831	1,081	(1)	8,911
Other equipment	1,594	126	0	1,720
Computers	4,393	813	1	5,207
Motor vehicles	2,562	1,268	1	3,831
Total	**16,764**	**3,288**	**1**	**20,053**
Carrying amount	**118 027**			**115,481**

	At 1 April 2017	Additions	Impairment & Disposals	At 31 March 2018
Prior year - Cost				
Freehold land & buildings	102,072	6,730	0	108,802
Leasehold improvements	384	0	0	384
Furniture & fittings	11,297	0	(126)	11,171
Other equipment	1,708	180	(25)	1,863
Computers	5,653	174	(12)	5,815
Motor vehicles	6,091	0	665	6,756
Total	**127,205**	**7,084**	**502**	**134,791**

	At 1 April 2018	Additions	Impairment & Disposals	At 31 March 2018
	N$ '000	N$ '000	N$ '000	N$ '000
Prior year - Accumulated depreciation				
Leasehold improvements	384	0	0	384
Furniture & fittings	6,349	1,355	127	7,831
Other equipment	1,473	95	26	1,594
Computers	3,480	901	12	4,393
Motor vehicles	678	2,551	(667)	2,562
Total	**12,364**	**4,902**	**(502)**	**16,764**

Freehold land and buildings comprise of the following properties, which were independently valued by independent valuators. The surplus and loss on revaluation has been credited and debited respectively to revaluation reserves.

16. PROPERTY, PLANT & EQUIPMENT (*Continued*)

	2019	2018
	N$ '000	N$ '000
Erf 5479, Windhoek	88,565	88,565
Erf 995, Otjiwarongo	4,650	4,650
Erven 870 & 871, Mariental	170	170
Erf 1235, Rundu	5,580	5,580
Erf 1591, Oshakati	1,814	1,814
Unit 4, Romemoer, Otjiwarongo	1,345	1,293
Erf 2195, Otjimuise Extension 4, Section 7, Raili Court	1,434	1,434
Erf 1968, Hochlandpark	1,258	1,258
Erf1588, Oshakati Extension 7	3,986	3,986
Subtotal	108,802	108,750
Additions to Erf 2195, Raili Court	0	52
Additions to Erf 5479, Windhoek	14	0
	108,816	**108,802**

Erf 5479, Windhoek is registered in the name of Land en Landbou Bank of South West Africa (predecessor of Agricultural Bank of Namibia).

Erf 5479 (Windhoek), Erf 995 (Otjiwarongo) and Erf 1235 (Rundu) are encumbered as detailed in note 19.2 of these financial statements.

		2019	2018
		N$ '000	N$ '000
17.	**INTANGIBLE ASSETS**		
	Software Development Costs		
	Opening carrying amount	**238**	**359**
	Cost	28,680	28,680
	Accumulated amortisation	(28,442)	(28,321)
		53,390	222,758
	Amortisation	(124)	(121)
	Additions	11	0
	Impairment & disposals		
	- cost	0	0
	- accumulated amortisation	0	0
	Closing carrying amount	**125**	**238**
	Cost	28,691	28,680
	Accumulated amortisation	(28,566)	(28,442)
18.	**CREDITORS & OTHER PAYABLES**		
	Creditors	11,761	12,518
	Grants and bursaries	110	110
		11,871	**12,628**

		2019	2018
		N$ '000	N$ '000
19.	**BORROWED FUNDS**	101,870	104,984
	Government loan	93,904	100,370
	Bank Windhoek loan	**195,774**	**205,354**

19.1 Government Loan

The Government of the Republic of Namibia settled the Bank's outstanding line of credit balances with the African Development Bank. The total amount settled was N$218,139,076. The loan attracts interest at 2% per annum and is repayable in equal annual instalments of N$12,823,255. The balance disclosed represents the fair value of the loan as at the end of the financial period.

19.2 Bank Windhoek Loan

The loan attracts interest at rates linked to prime (currently 11.26%) and is payable in 19 semi-annual instalments spread over 10 years.

The loan is secured as follows:
First covering mortgage Bond for N$88 million over Erf No. 5478, Windhoek.
First covering mortgage Bond for N$5,58 million over Erf No. 1235, Rundu.
First covering mortgage Bond for N$4,65 million over Erf No. 1235, Otjiwarongo.
Registered cession of fire insurance policy over the above-listed properties.
Registered cession over cash cover of N$100 million held at the Bank.

		2019	2018
		N$ '000	N$ '000
20.	**SPECIAL PURPOSE FUNDS**		
	Ministry of Lands and Resettlement (Post-resettlement)	74,403	72,898
	Staff savings scheme	543	465
	Government ministries, agricultural boards and unions	24,236	18,694
	Drought relief scheme fund	2,739	2,769
		101,921	**94,826**

The Bank acts as an agent for the management of these funds on behalf of third parties.

		2019	2018
		N$ '000	N$ '000
21.	**LOAN GUARANTEE FUND**		
	Loan Guarantee Fund	**120,321**	**113,260**

The Loan Guarantee Fund attracts interest at the rate equivalent to the average rate of inflation of 4.3% (2018: 5.1%).

		2019	2018
		N$ '000	N$ '000
22.	**PROVISIONS**		
	Provision for leave pay		
	Balance at the beginning of the year	4,913	3,298
	(Release from) / charge to the income statement	(201)	1,615
	Balance at the end of the year	**4,712**	**4,913**

23. DEFERRED INCOME

The deferred income arose from the Government loan (referred to in note 19.1) attracting interest at 2% per annum, which is below market rates. Interest-free loans and loans at below market interest rates are recognised as a form of Government assistance. The benefit is the difference between the initial carrying amount of the loan, discounted at similar loan rates, and the actual proceeds received from the Government. The interest rate used is 9.25% per annum.

		2019	2018
		N$ '000	N$ '000
	Deferred income - opening balance	49,053	59,026
	Amortised to the statement of comprehensive income	9,710	9,973
	Deferred income - closing balance	**39,343**	**49,053**
24.	**CAPITAL**		
	Opening balance	1,438,031	1,408,031
	Contribution during the year	30,000	30,000
	Closing balance	**1,468,031**	**1,438,031**

The capital fund comprises the reserves of the Bank at the date it was established under the Agricultural Bank of Namibia Act (No 5 of 2003) as well as any contributions designated as such by the Government of Namibia.

		2019	2018
		N$ '000	N$ '000
25.	**RESERVES**	32,635	32,635
	Revaluation of land and buildings	857,805	744,395
	Retained surplus	**890,440**	**777,030**
25.1	**Movement in Retained Surplus**		
	Balance at the beginning of the year	744,395	714,609
	Restatement of opening balance	57,171	0
	Net operating surplus for the year	49,418	26,892
	Movement in other comprehensive income	6,821	2,894
	Balance at the end the year	**857,805**	**744,395**

	2019 N$ '000	2018 N$ '000
26. FUNDS AND GRANTS		
Balance at the beginning of the year	11,528	11,528
Restatement of opening balance	36,102	36,102
Net operating surplus for the year	34,561	34,561
Movement in other comprehensive income	0	2,964
	82,191	**85,155**

27. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Trading assets and liabilities have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products. With regard to loans and advances to customers, the Bank uses the same basis of expected repayment behaviour that was used for estimating the EIR.

As at 31 March 2019	Within 12 Months N$ '000	After 12 Months N$ '000	Total N$ '000
Assets			
Cash and cash equivalents	53,390	0	53,390
Other receivables	3,303	0	3,303
Inventories	1,024	0	1,024
Loans and advances to customers	1,065,648	1,728,410	2,794,058
Investment properties	0	44,261	44,261
Property, plant & equipment	0	115,481	115,481
Intangible assets	0	125	125
	1,123,365	**1,888,277**	**3,011,642**

As at 31 March 2019	Within 12 Months N$ '000	After 12 Months N$ '000	Total N$ '000
Liabilities			
Due to Banks	87,685	0	87,685
Creditors & other payables	11,871	0	11,871
Borrowed funds	27,634	168,140	195,774
Special purpose funds	101,921	0	101,921
Loan guarantee fund	0	120,321	120,321
Retirement benefit obligations	0	9,353	9,353
Provisions	0	4,712	4,712
Deferred income	0	39,343	39,343
	229,111	**341,869**	**570,980**

27. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

As at 31 March 2018	Within 12 Months	After 12 Months	Total
	N$ '000	N$ '000	N$ '000
Assets			
Cash and cash equivalents	222,758	0	222,758
Other receivables	3,025	0	3,025
Inventories	1,050	0	1,050
Loans and advances to customers	877,230	1,550,471	2,427,701
Investment properties	0	45,280	45,280
Property, plant & equipment	0	118,027	118,027
Intangible assets	0	238	238
	1,104,063	**1,714,016**	**2,818,079**

As at 31 March 2018	Within 12 Months	After 12 Months	Total
	N$ '000	N$ '000	N$ '000
Liabilities			
Due to Banks	5,954	0	5,954
Creditors & other payables	12,628	0	12,628
Borrowed funds	27,634	177,720	205,354
Special purpose funds	94,826	0	94,826
Loan guarantee fund	0	113,260	113,260
Retirement benefit obligations	0	31,875	31,875
Provisions	0	4,913	4,913
Deferred income	0	49,053	49,053
	141,042	**376,821**	**517,863**

28. CAPITAL

The Bank is not regulated by the Bank of Namibia as it is not a deposit taking institution. Consequently, it does not have externally imposed capital requirements. Internally the Bank maintains a three-month buffer for operational cash flows, meeting its borrowing repayment commitments as well as any capital expenditure it may have. The Bank has complied with its internal requirements throughout the period.

It is the Bank's longer term strategy to maintain a Capital Adequacy Ratio of up to 10%, however this is dependent on a sufficient level of Government funding to meet the development needs of the agricultural sector.

As reported in note 11 the Bank has a net cash deficit position at the end of its financial year. The reason for this is as a result of the Bank securing an overdraft facility on the strength of monies owing to it once the claim has been settled, the Bank will operate with a net surplus cash position.

		2019 N$ '000	2018 N$ '000
29.	**ADDITIONAL CASH FLOW INFORMATION**		
29.1	**Change in Operating Assets**		
	Net change in other receivables	(278)	1,309
	Net change in inventories	26	(189)
	Net change in loans and advances to customers	(366,357)	(136,909)
	Restated loans and advances opening balance	57,171	0
		(309,438)	**(135,789)**
29.2	**Change in Operating Liabilities**		
	Net change in creditors & other payables	(758)	3,713
	Net change in retirement benefit obligations	(22,522)	2,435
	Net change in provisions	(201)	1,615
		(23,481)	**7,763**
29.3	**Net gain / (loss) from Investing Activities**		
	Depreciation and amortisation expense	3,414	4,020
	Profit on disposal of property, plant and equipment	(163)	(240)
	Revaluation of investment properties	1,019	0
		4,270	**3,780**
29.4	**Net gain / (loss) from Financing Activities**		
	Application of funds and grants	(2,964)	0
	Movement in special purpose funds	7,095	172
	Movement in loan guarantee fund	7,061	2,827
	Net change in deferred income	(9,710)	(9,973)
		1,482	**(6,974)**
30.	**Commitments Under Operating Leases**		
	Operating lease payments recognised as an expense during the year	**1,915**	**1,614**
	Within one year	2,270	1,915
	Later than one year but within five years	15,616	14,126
	Later than five years	27,161	30,620
		45,047	**46,661**
31.	**COMMITMENTS**		
	Authorised capital expenditure	**12,382**	**48,436**

This committed capital expenditure relates to the acquisition of property, plant and equipment and intangible assets (software) and will be funded by both borrowings and own funds.

32. CONTINGENT LIABILITIES

32.1 Litigation

The Bank operates in a legal environment that in, by nature, has a heightened element of litigation risk inherent in its operations. The Bank has formal controls and policies for managing legal claims. At year end, the Bank was involved in two litigation matters in the High Court of the Republic of Namibia.

The only significant legal claim against the Bank is a claim for damages against Agribank by a third-party citing, grounds for loss of income by the third party. The third party is claiming an amount of N$59,641,698 plus interest calculated at 20% per annum from date of breach until date of payment. Agribank has defended this action and has instituted a counter claim against the third party. In its counter claim Agribank claims the eviction of the third party from the property of the Bank and payment by the third party for damages in the amount of N$3 million plus N$250,000 per month from 1 July 2015 to date of judgement, plus interest at 20% per annum from date of breach until date of payment.

Agribank has also instituted eviction proceedings against a third party on the grounds that the third party's possession, use and enjoyment of Bank's immovable property is illegal in the absence of payment of rental or pending transfer of ownership. The Bank is awaiting judgement in respect of this matter.

Accordingly, no provision for any claims has been made in these financial statements. The possible outflow which could result from such litigation, based on the current status of the legal proceedings, is estimated to be no more than two million, while the timing of the outflow is uncertain.

33. EMPLOYEE BENEFITS

33.1 Pension Scheme

The majority of the employees are members of the Agricultural Bank of Namibia Pension Fund, a defined contribution plan, which has been registered in Namibia in accordance with the requirements of the Pension Funds Act. The Fund is governed by the Pension Funds Act of 1956.

The Agricultural Bank of Namibia currently contributes 16% of basic salary to the Fund whilst the members contribute 7%.

	Notes	2019 N$ '000	2018 N$ '000
33.1 Pension Scheme (continued)			
Bank contribution		7,032	5,977
Employee contribution		3,077	2,615
		10,109	**8,592**

	Notes	2019 N$ '000	2018 N$ '000
33.2 Retirement Benefit Obligations			

The Bank made provision for the post-retirement medical benefit obligation as well as the severance benefit obligation, payable in terms of the Namibian Labour Act. The balances of these two provisions made for the year are as follows:

	Notes	2019 N$ '000	2018 N$ '000
Bank contribution	33.2.1	8,785	31,350
Employee contribution	33.2.1	568	525
		9,353	**31,875**

The Bank contributes to the medical aid scheme for retired employees. The liability in respect of future contributions to the scheme in respect of members is valued annually. The latest actuarial valuation for the post-retirement medical benefit was carried out in April 2019. The valuation method used was the projected unit credit method.

	2019 N$ '000	2018 N$ '000
33.2.1 Movement in the medical benefit obligation		
Balance at the beginning of the year	31,350	29,004
Current service costs	2,107	2,050
Interest expense	3,177	3,191
Benefits paid: buy-out process	(21,022)	0
Benefits paid	(632)	(633)
Actuarial gain (remeasurement)	(6,195)	(2,262)
	8,785	**31,350**
The principal assumptions used were:		
Discount rate	9.48%	9.90%
Healthcare cost inflation	7.21%	8.53%
Average retirement age (in years)	60	60
Amounts recognised in the statement of comprehensive income are as follows:		
Current service cost	2,107	2,050
Interest cost	3,177	3,191
Components of the defined benefit costs recognised in profit or loss	**5,284**	**5,241**
Remeasurement of the defined benefit obligation:		
Actuarial gain recognised through OCI	**(6,827)**	**(2,895)**

		2019 N$ '000	2018 N$ '000
33.2.2	***Movement in the severance benefit obligation***		
	Balance at the beginning of the year	525	436
	Current service costs	59	48
	Interest expense	44	40
	Benefits paid	(66)	0
	Actuarial gain recognised through OCI	6	1
		568	**525**

34. RISK MANAGEMENT

The Bank is exposed to credit risk, liquidity risk and market risk through financial instruments. It is also subject to climatic risk, country risk and various operating and business risks.

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has established a Finance, Risk and Compliance Committee (FRACC), that is responsible for the development of the risk strategy and implementing principles, frameworks, policies and limits. The FRACC also monitors the overall risk processes and monitoring the levels of risk within the Bank.

The risk management function is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The function works closely with and reports to the FRACC to ensure that procedures are compliant with the overall framework.

The Bank's treasury function is responsible for managing its assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank. Treasury function reports to an Assets and Liability Committee (ALCO), which has been established by a policy of the Board to manage risk exposures to financial instruments. The internal audit unit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the FRACC.

The Bank has assessed its exposure to risks arising from financial instruments as follows:

Credit risk	High
Liquidity risk	Medium
Market risk	Low

34.1 Excessive Concentrations of Risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentrations of risk, the Bank's strategies, policies and procedures provide guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

34.2 Credit Risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and type of agricultural activity, by monitoring exposures in relation to such limits.

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit and Investment Committee (CIC). A separate credit department, reporting to the Group Credit Committee, is responsible for managing the Bank's credit risk relating to its customers, including the following;

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business units. Larger facilities require approval by the Management Credit Committee (MCC), the CIC or the Board of Directors, as appropriate.
- Managing a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

Counterparty credit risk falls within the responsibility of the ALCO which also reports into the CIC. Counterparty credit risk is minimised through the application of selection and grading criteria at the stage of initial evaluation and thereafter by annual reviews of the financial position of counterparties.

The Bank's credit risk exposure at the end of the year is provided in the table below:

	Notes	2019	2018
		N$ '000	N$ '000
Assets with credit risk exposure			
Cash and cash equivalents	**34.2.1**	53,390	222,758
Other receivables	**34.2.1**	3,303	3,025
Loans and advances to customers	**34.2.1**	2,794,058	2,427,701
		2,850,751	2,653,484
Combined assets with no credit risk exposure		160,891	164,595
Total assets		**3,011,642**	**2,818,079**

34.2.1 *Cash and Cash Equivalents*

Cash and cash equivalents comprise amounts held or invested with reputable and regulated financial institutions within the Republic of Namibia. Counterparty credit risk is therefore assessed as low.

34.2.2 *Other Receivables*

Past trends indicate that payment has been received timeously and that fair values post year end fairly reflect the amounts received and credit risk is assessed as low.

34.2.3 *Loans and Advances to Customers*

Loans and advances are granted mainly on the basis of collateral. The main types and in order of collateral strength being mortgage bonds, surety bonds cession over fixed deposits and investments, cession over insurance policies and personal suretyships.

34.2.4 *Impairment Assessment (Policy Applicable 1 April 2018)*

This section should be read in conjunction with the accounting policies with regard to stages explanations as to the terminology of loan classification and explanations as to the

Principle ECL modelling outputs and assumptions

- Average loan tenure 17.45 Years
- Average remaining loan term 12.65 Years
- Probability of default 40.42 %
- LTECL 10.65 %
- 12mECL 1.16 %

	Increase N$ '000	Decrease N$ '000
34.2.4 *Impairment Assessment (Policy Applicable 1 April 2018)*		
Sensitivity analysis on modelling results:		
• 1% change in PD	21,696	(24,161)
• 1% change in LGD	17,055	(17,055)

Loan book analysed per classification stage:

	Stage 1	Stage 2	Stage 3	Total
Closing balance	48.50%	9.67%	41.83%	100.00%
Opening balance	50.10%	9.08%	40.82%	100.00%
Classification basis	0 to 180 days	up to 365 days	> 365 days	

34.2.4 *Impairment Assessment (Policy Applicable 1 April 2018) (continued)*

The loan classification stages are based on management's assessment of the loan book and what would constitute significant increases in credit risk and also considers the impact of the rebuttable loan stage classifications contained in IFRS 9. The table below contains a comparison to the rebuttable model:

	Adopted Model	Rebuttable Model
	N$ '000	N$ '000
Stage 1	16,643	12,110
Stage 2	30,543	15,265
Stage 3	132,137	151,131
Total ECL as at the end of the year	**179,323**	**178,506**

Both methods yielded similar results, however the it is the Bank's assessment that the rebuttable model does not match internal collection processes, which vary and are applied on a case specific basis. The loan stages categorisation model adopted best reflects the Bank's own collection processes. The following factors are inter alia considered when applying this judgement:

- The developmental focus of the loan book.
- The linking of mainly annual loan repayments to production cycles.
- Exclusive focus on agriculture and the variances caused by climatic anomalies.
- The strength of collateral as well as time and costs of foreclosure.

Forward looking assumptions are considered by the Bank only where there is sufficient correlation to economic and/or climatic factors to support the influences of these factors on historic loss and default trends. As set out in the accounting policies, a correlation coefficient of greater than 75% is considered to be sufficient correlation. In support of this the bank has correlated its data to both rainfall trends and Gross Domestic Product and found that there is not sufficient correlation to support the application of forward looking data in this financial period.

For the current year the Bank has assessed that the economy as a whole would likely be showing a marginal improvement however this is offset by the adversity of climatic conditions. The Bank is actively encouraging farmers to diversify and adopt drought resilience strategies and the results of these efforts would only be seen in the long term. The rigour in collection efforts is improving and this is counterbalanced from a loss perspective by the capturing of collateral where the Bank sees significant increases in credit risk. The Bank therefore has taken forward looking factors into account but has elected not to apply these.

34.3 Liquidity

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial assets.

The Bank's Board of Directors sets the Bank's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to ALCO. The treasury function manages the Bank's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due. The Bank it not a deposit taking institution and therefore does not stress test liquidity scenarios. The Bank ensures that it has sufficient liquid assets to meet three months' operational requirements and manages its disbursements of funds to match its collection targets.

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities:

2019	Within 12 Months	Between 1 and 5 years	More than 5 years
	N$ '000	N$ '000	N$ '000
Financial Assets			
Cash and cash equivalents	53,390	0	0
Loans and advances to customers	297,360	1,560,553	936,145
Other receivables	3,303	0	0
Total financial assets	**354,053**	**1,560,553**	**936,145**
Financial liabilities			
Due to Banks	87,685	0	0
Borrowed funds	29,803	149,013	16,958
Creditors & other payables	11,871	0	0
Total financial liabilities	**129,359**	**149,013**	**16,958**
Net undiscounted financial assets	**224,694**	**1,411,540**	**919,187**

34.3 Liquidity (continued)

2018	Within 12 Months	Between 1 and 5 years	More than 5 years
	N$ '000	N$ '000	N$ '000
Financial Assets			
Cash and cash equivalents	222,758	0	0
Loans and advances to customers	268,965	1,418,578	740,158
Other receivables	3,025	0	0
Total financial assets	**494,748**	**1,418,578**	**740,158**
Financial Liabilities			
Due to Banks	5,954	0	0
Borrowed funds	29,803	149,013	26,538
Creditors & other payables	12,628	0	0
Total financial liabilities	48,385	149,013	26,538
Net undiscounted financial assets	**446,363**	**1,269,565**	**713,620**

With the exception of Komsberg as disclosed in note 11, no other financial assets are encumbered. The carrying value of Komsberg reflected in loans and advances, in the between 1 and 5 years category, is N$73,752,967 for both financial periods. As this is the only item no additional disclosure of unencumbered maturities is presented as required IFRS7.

34.4 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The Bank does not have a trading portfolio and consequently only discloses information for its non-trading portfolio, i.e. its Banking book. The Bank's risk management strategy for its Banking book is different for each of the following categories of market risk, where applicable and is set out in the subsequent subsections of these financial statements, as follows:

- Interest rate risk - set out hereunder.
- Prepayment risk - this risk is insignificant to the Banks operating model.
- Currency risk - the Bank has no foreign currency exposures.
- Equity price - the Bank is not exposed to this risk.

34.4.1 *Interest Rate Risk*

The Bank's primary business model is to collect contractual repayments and use these funds to provide loans to its customers. Interest rate risk is the impact that changes in interest rates could have on the Bank's margins, profit or loss, and equity. Interest risk arises from the mismatch of interest payable on the Bank's liabilities and the interest earned on its assets.

34.4.1 *Interest Rate Risk (continued)*

The Bank's asset-liability profile of its Banking book is such that:

- Interest rates on advances are predominantly floating, except for specific schemes, for which money was advanced by the Government or Ministries as appropriate for the Bank to manage.
- Interest payable on its loan with the Government is fixed.
- Interest on all other borrowed funds is variable.

The tables below summarise the Bank's exposure to interest rate risks:

Financial Assets	Interest rate	2019	2018
		N$ '000	N$ '000
Cash and cash equivalents	Floating	53,390	222,758
Loans and advances to customers			
• Specific schemes	Fixed	72,591	69,961
• Other	Floating	2,357,740	2,357,740
Other receivables	Non-interest bearing	3,303	3,025

Financial assets are classified in 2019 as set out in the accounting policies on an amortised cost basis, whilst in 2018 they were classified as loans and receivable. There are no assets that are classifiable as fair value through profit and loss.

Financial Liabilities	Interest rate	2019	2018
		N$ '000	N$ '000
Due to Banks	Floating	87,685	5,954
Borrowed funds			
• Government loan	Fixed	101,870	104,984
• Bank loan	Floating	93,904	100,370
Special purpose funds	Fixed & floating	101,921	94,826
Loan guarantee fund	Floating	120,321	113,260
Creditors & other payables	Non-interest bearing	11,871	12,628

Financial assets are classified consistently on an amortised cost basis. There are no liabilities that are classifiable as fair value through profit and loss.

	2019	2018
	N$ '000	N$ '000
34.4.1 *Interest Rate Risk (continued)*		
Cash flow sensitivity analysis for		
interest-bearing financial instruments:		
• 100 bps increase in rates on net floating financial assets	23,710	22,661
• 100 bps decrease in rates on net floating financial assets	(23,710)	(22,661)

35. STANDARDS AND INTERPRETATIONS NOT EFFECTIVE YET

At the date of authorisation of the financial statements of the Agricultural Bank of Namibia for the year ended 31 March 2019, the following applicable new or revised financial reporting standards, amendments and interpretations of those standards were in issue but not yet effective. On review of these amendments and interpretations, the impact (if any) has not yet been estimated, nor is it expected to have a material impact on the Bank's financial statements.

Standard or interpretation	Summary of change	Effective date
IFRS 9, Financial instruments	Prepayment Features with Negative Compensation: The narrow-scope amendment allows companies to measure particular prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met.	1 January 2019
IFRS 16, Leases	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This is not expected to have a significant impact on the results of the Bank and impacts mainly the statement of financial position by the creation of lease asset with the corresponding lease liability.	1 January 2019
IAS 19, Employee Benefits	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19): The amendments require an entity to use the updated assumptions from a remeasurement net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.	1 January 2019
IAS 23, Borrowing Costs	Annual Improvements 2015 -2017 Cycle: The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	1 January 2019

Standard or interpretation	Summary of change	Effective date
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors	Amending the definition of Material and align the definition used in the Conceptual Framework and the standards. The new definition is as follows: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.	1 January 2020
Amendments to References	Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.	1 January 2020
IAS 28, Associates and Joint Ventures	Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28): Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2020

NOTES

Vehicle & Tractor Loans

Loans are available to purchase new and second-hand vehicles such as light delivery vans, trailers, small trucks and tractors. The repayment period in the case of the purchase of a new tractor is ten years and five years for a second-hand tractor. The repayment period in the case of the purchase of a new Vehicle is five years and three years for a second-hand vehicle.

Requirements

- Provide latest six months' bank statement.
- Provide latest pay slip for part-time farmer/proof of income.
- Provide latest municipal bill if residential property is offered as security.
- Provide last three years' audited financial statements.
- Applicants must have a clean credit record.
- Applicants can either be full or part ti me farmers.
- Applicants should be Namibian citizens.
- Applicants must provide a business plan.
- Agribank offers flexible installment options to suit client's financial needs.
- The available installment options are: monthly, quarterly, biannual or annual.
- Loans are granted against security of fixed property, investment or any other acceptable form of security (fixed deposits, investments and surrendering value of policies).
- Quotations from registered dealers/suppliers must be provided.
- Companies or co-operatives should provide audited financial statements, certificate of registration, association agreement, shareholders or directors of the company and must have a registered Auditing Firm.

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Livestock Loan

A facility for the farming community to purchase livestock to stock/restock the land to full production capacity in order to continue to grow wealth for sustainable farming operations. Large stock loans are repayable over ten years and small stock loans are repayable over eight years. Livestock loans also include raising of pigs, rabbits, horses, donkeys, etc.

Requirements

- Applicants should provide a herd statement and a stock brand number.
- Provide latest six months' bank statement.
- Provide latest pay slip for part-time farmer/proof of income.
- Provide latest municipal bill if residential property is offered as security.
- Provide last three years' audited financial statements.
- Applicants must have a clean credit record.
- Applicants can either be full or part time farmers.
- Applicants should be Namibian citizens.
- Applicants must provide a business plan.
- Agribank offers flexible installment options to suit client's financial needs. The available installment options are: monthly, quarterly, biannual or annual.
- Loans are granted against security of fixed property, investment or any other acceptable form of security (fixed deposits, investments and surrendering value of policies).
- Applicants must provide a quotation from the seller with a registered brand mark.
- Quotations from registered dealers/suppliers must be provided.

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Infrastructure & Implement Loans

Loans are granted to acquire new equipment and implements such as irrigation equipment, boreholes, windmills, dams, water pumps, combine harvesters, generators, ploughing equipment, fencing, hammer mills, mahangu threshers, silos, processing and oil extraction equipment, etc. Loans are repayable over periods which vary between fi ve and ten years. Legally acceptable conventional collateral will be accepted as security.

Requirements

- Provide latest six months' bank statement.
- Provide latest pay slip for part-time farmer/proof of income.
- Provide latest municipal bill if residential property is offered as security.
- Applicants must have a clean credit record.
- Applicants can either be full or part time farmers.
- Applicants should be Namibian citizens.
- Applicants must provide a business plan.
- Agribank offers flexible installment options to suit client's financial needs.
- The available installment options are: monthly, quarterly, biannual or annual.
- Loans are granted against security of fixed property, investment or any other acceptable form of security (fixed deposits, investments and surrendering value of policies).
- Quotations from registered dealers/suppliers must be provided.
- Companies or co-operatives should provide last three years' audited financial statements, certificate of registration, association agreement, shareholders or directors of the company and must have a registered Auditing Firm.

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