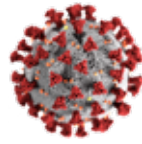






# ABOUT OUR THEME



**“Leading with precision to build resilience amidst the Covid-19 pandemic.”**

In a financial year that has seen the emergence of the Covid-19 pandemic as an economic disruptor, this annual report spotlights Agribank’s efforts which were meant to not only ensure that the Bank remains sustainable, but that it delivers on its core mandate of economic upliftment and contributing towards food security at both the household and national levels.

Central to the Bank’s activities in this reporting period, is how the Bank responded to the implications of Covid-19 by implementing various internal and external measures that strengthened Agribank’s position and resilience towards a changing macro-economic environment.



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# GLOSSARY OF TERMS

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<b>AALS:</b>	Affirmative Action Loan Scheme
<b>AADF-PSGRS:</b>	Association of Africa Development Financial Institutions - Prudential Standards Guidance
	and Rating System
<b>AB-BULLETIN:</b>	Agribank Bulletin
<b>AASD:</b>	Agri Advisory Services Division
<b>BN:</b>	Billion
<b>CAPFIT:</b>	Customer Service, Accountability, Professionalism, Fairness, Integrity, and Transparency
<b>ERFP:</b>	Emerging Retail Financing Product
<b>EXCO:</b>	Executive Committee
<b>FIA:</b>	Financial Intelligence Act
<b>FRACC:</b>	Finance, Risk, Audit and Compliance Committee (of the Board)
<b>FY:</b>	Fiscal Year/Financial Year
<b>HRC:</b>	Human Resources Committee (of the Board)
<b>ICT:</b>	Information and Communication Technology
<b>IFRS:</b>	International Financial Reporting Standards
<b>MANCO</b>	Management Committee
<b>MAWLR:</b>	Ministry of Agriculture, Water and Land Reform
<b>MN:</b>	Million
<b>MOF:</b>	Ministry of Finance
<b>MPE:</b>	Ministry of Public Enterprises
<b>PSSF:</b>	Post Settlement Support Fund
<b>NaMedia:</b>	Namibia Media Monitoring Agency
<b>SAI:</b>	Sales Automation Initiative
<b>SMEs:</b>	Small and Medium Enterprises

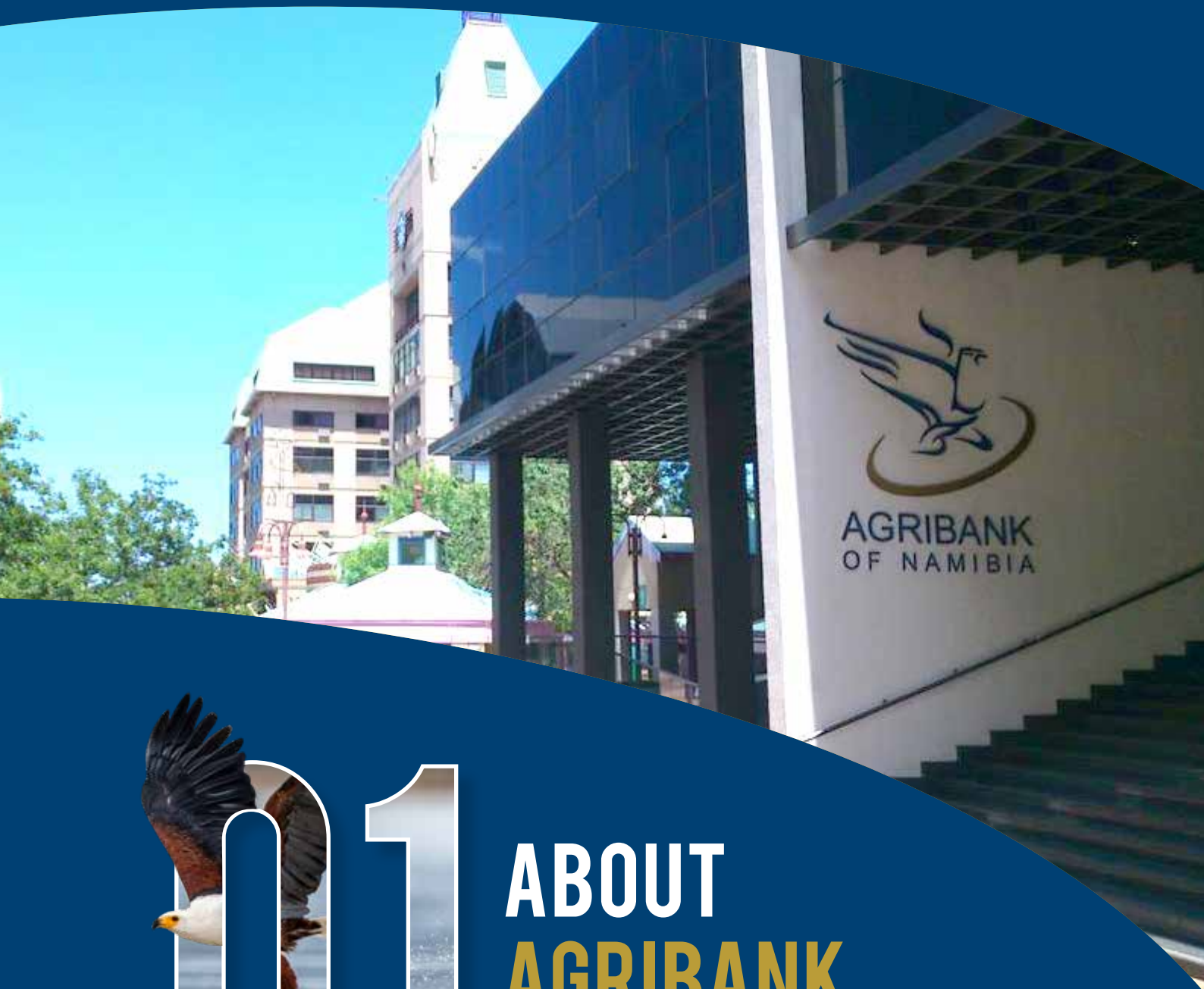
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# ABOUT AGRIBANK

# 1. ABOUT AGRIBANK

## 1.1. Mandate

Agribank is a development finance institution whose mandate is to lend 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.

## 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.

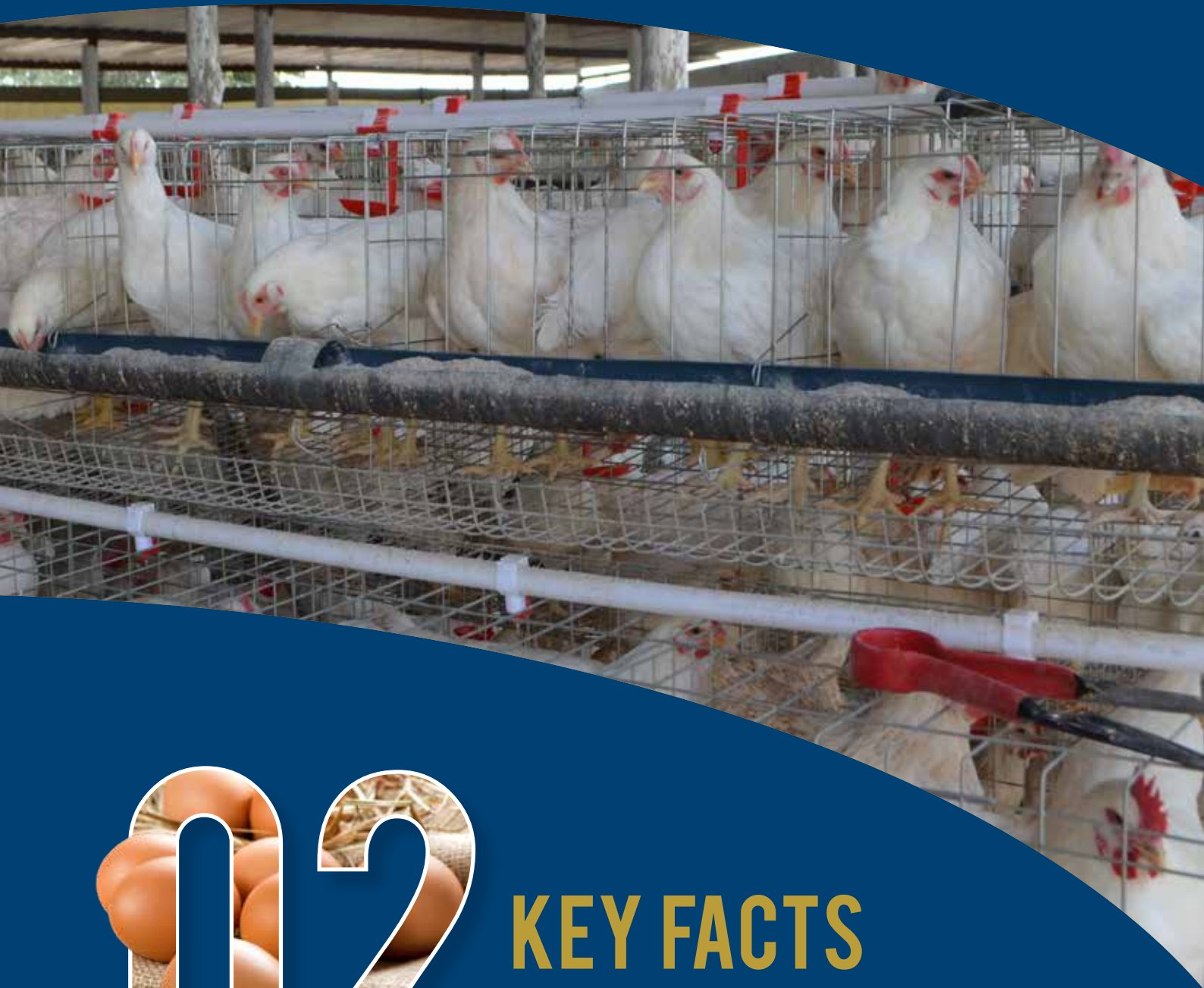


### 1.2.3. Values

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

Customer Service:	Striving for excellence in the way we serve our customers
Accountability:	Accounting for and taking responsibility for the actions we take in pursuit of our mandate
Professionalism:	Striving to apply skills, competence and character, expected of highly trained professionals, in the conduct of our business and the execution of our mandate
Fairness:	Striving towards equitable and fair treatment of all stakeholders
Integrity:	Honesty and truthfulness in the conduct of our business
Transparency:	Openness in all our dealings and to public scrutiny





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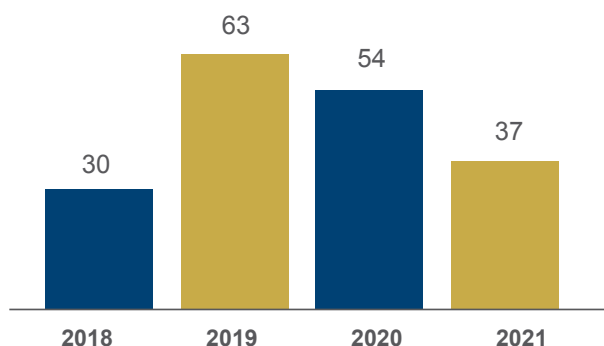
**KEY FACTS**

## 2. KEY FACTS

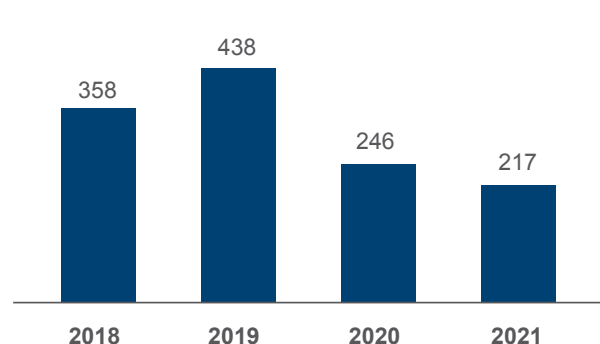
### 2.1 Financial Highlights

The Bank remained resilient and maintained a prudent financial position. Agribank's prudential standard rating stood at 82%, compared to 81.4% the prior year.

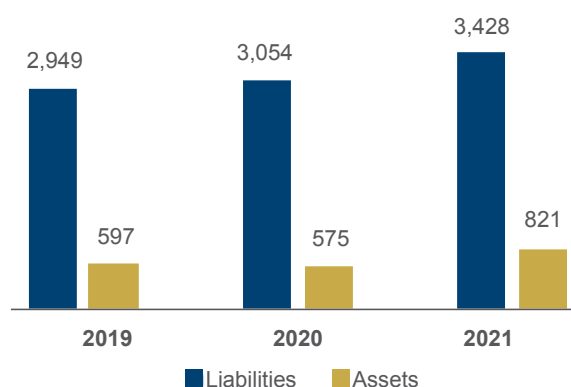
AB's SURPLUS (N\$MN)



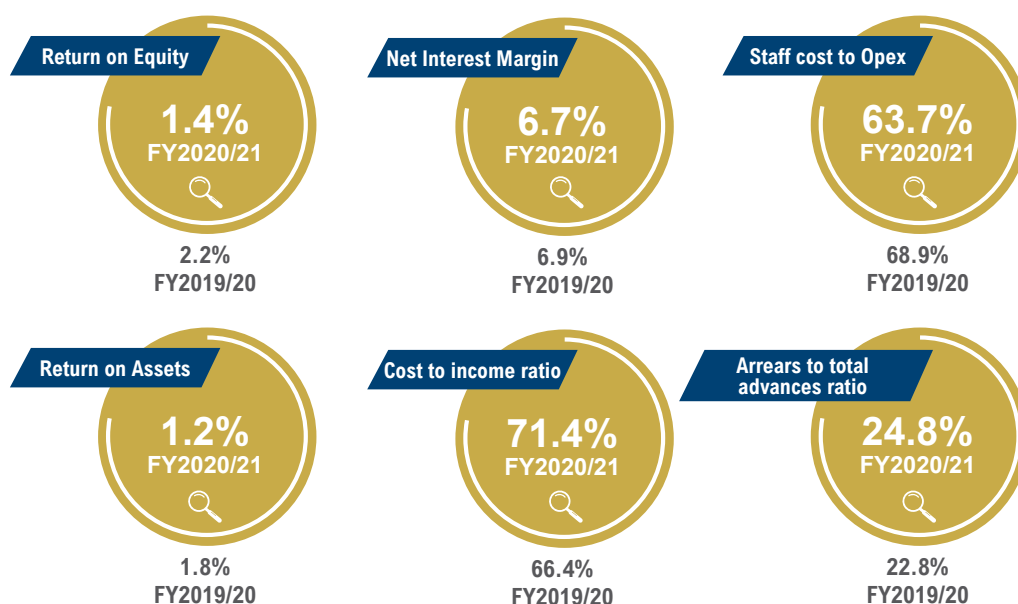
AB's TOTAL LOAN DISBURSEMENTS (N\$MN)



AB's TOTAL ASSETS AND TOTAL LIABILITIES (N\$MN)



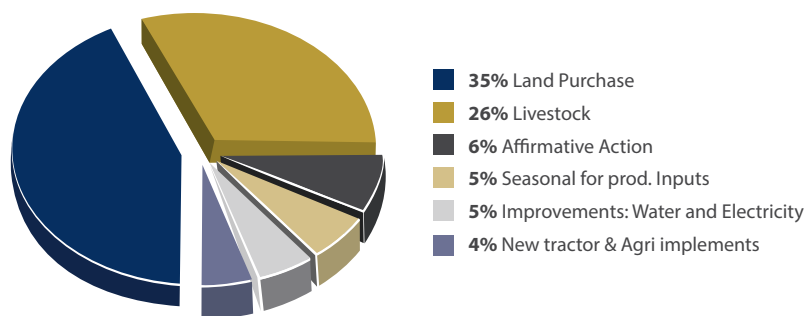
#### FINANCIAL RATIOS



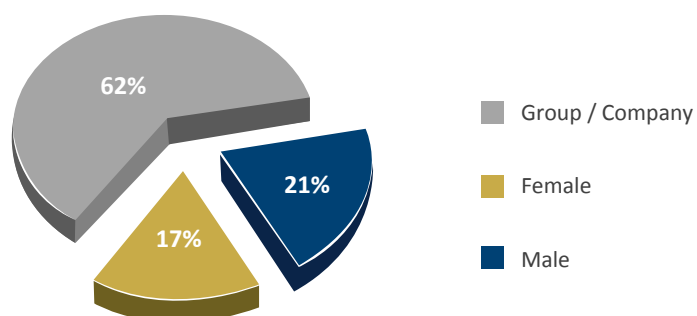
## 2.2 Product Distribution Highlights

Agribank improved its market share to 43% by March 2021 compared to 39% in the prior financial year.

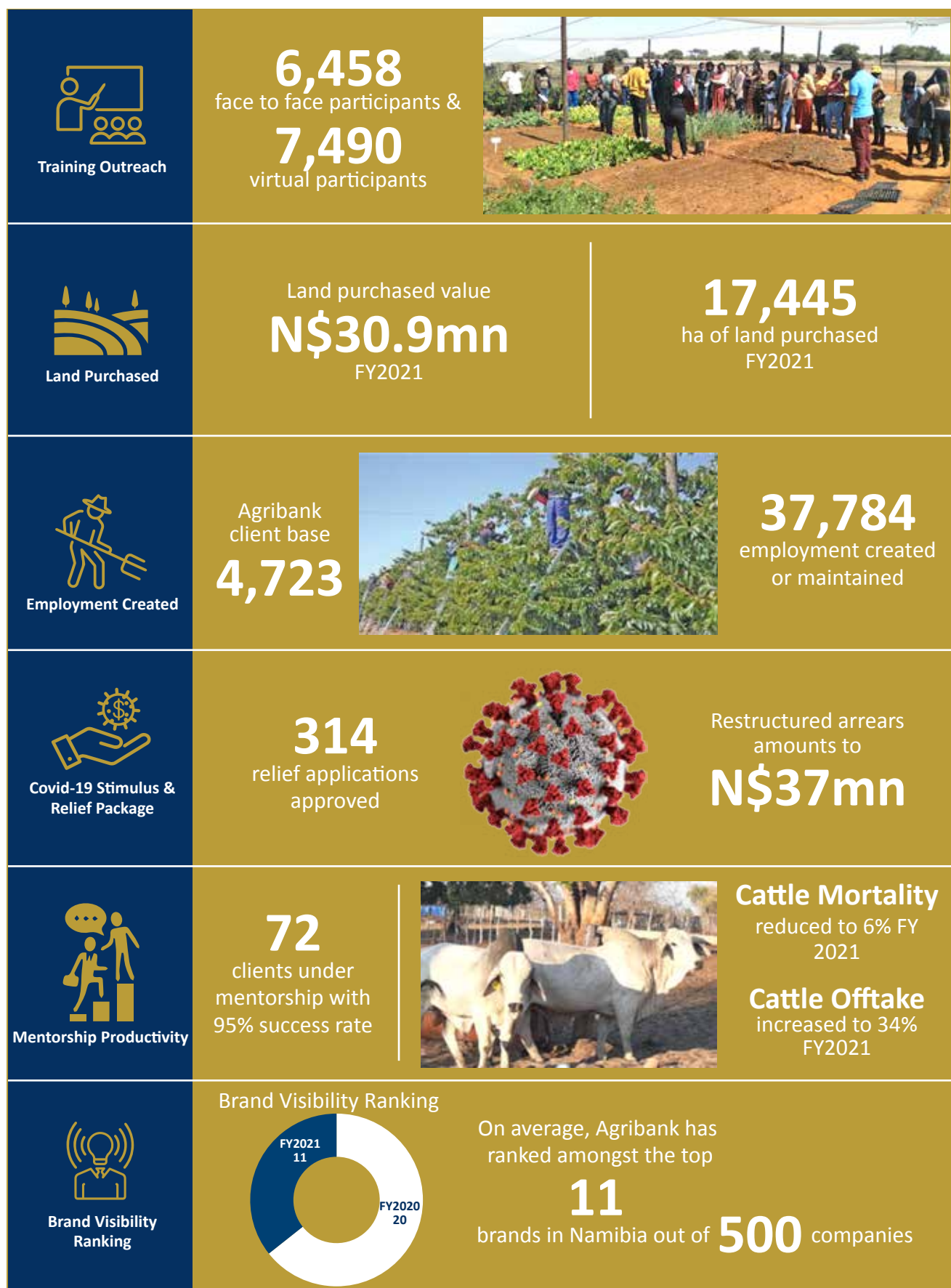
LOAN DISBURSEMENT FOR THE TOP SIX (6) PRODUCTS - FY2020/21



LOAN DISBURSEMENT BY MARKET SEGMENT - FY2020/21



## 2.3 Developmental Impact highlights







# CHAIRMAN'S STATEMENT

*Michael Iyambo*

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# 3. CHAIRMAN'S STATEMENT

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## 3.1 Introduction

I am pleased to present the Agribank annual report for the financial year ended 31 March 2021. The report highlights the milestones achieved in terms of the Bank's financial and non-financial performance against the backdrop of an unprecedented pandemic, namely Covid-19. The adverse impact of this pandemic had far reaching effects on almost every sector of the economy and presented a very challenging business environment. The report also marks the completion of the Bank's 5-year strategic plan which has placed Agribank amongst the most well governed public enterprises in the country.

## 3.2 Global Economic Environment

The Covid-19 pandemic significantly affected the global economy in 2020, producing historical declines in economic activity across countries. Global prospects remain highly uncertain as new virus mutations, and the accumulating human toll, swell despite growing vaccine coverage. Globally, increasing confidence that the Covid-19 vaccine roll-out will translate into recovery of business activities and economic growth is resulting in the selling-out of the bond market. Soaring inflation is however concerning for bond investors as it erodes real interest rates. Central banks across the globe are closely monitoring inflation developments with a view to maintaining financial stability and revitalising economic growth. The World Bank expects the global economy to expand by 5.6% in 2021 and 4.3% in 2022.

The optimistic projections reflect additional fiscal support in a few large economies, the anticipated vaccine-powered recovery and continued adaptation of economic activity to subdued mobility. Despite positive sentiments, uncertainty surrounds the projected outlook, which will hinge on the path of the pandemic, the effectiveness of policy support to provide a bridge to vaccine-powered normalisation, and the evolution of financial conditions.

## 3.3 Domestic Economy

The preliminary national accounts show that the economy contracted by 8.0% in 2020 compared to a 0.6% contraction recorded in the prior year. This

is the deepest and broad-based contraction ever experienced in the Namibian economy. Although the secondary sectors experienced the weakest performance of -14.4%, the primary and tertiary industries also posted respective declines of 6.1% and 5.6%. Capital outflow continues to be worrisome for a country in need of massive private investments.

The agriculture sector was the beacon of hope amidst a harsh economic and trading environment, recording a growth of 5.9% in 2020 compared to -3.2% in the prior year. The crop subsector's performance exceeded expectations, recording a 76.5% growth, owing to better rainfall conditions. The trend is expected to continue in 2021, albeit at a slower pace due to a high base effect in 2020. The livestock subsector continued to suffer the prolonged effect of the drought, declining by 10.2% in 2020 and is expected to remain suppressed in 2021 despite renewed hope for restocking and improved grazing conditions. The economy is optimistically expected to record a growth of 2.6% in 2021, in line with national budget plans of boosting economic recovery.

---

**Based on the Bank of Namibia financial stability report (2021), household indebtedness slowed in 2020, due to subdued demand for short-term credit facilities.**

---

The annual growth rate of household indebtedness slowed from 5.4% at the end of 2019 to 4.5% at the end of 2020. This is in line with weak consumer confidence, reduced or no disposable income coupled with disruption on consumption patterns by Covid-19. Furthermore, banks have been prudent in extending credit to manage potential credit risk. Low disposable income and continued prudent practices by the banks will continue to slow down household debt in 2021.





### 3.4 Business Development

The crippling effect of COVID-19, dwindled global demand, coupled with the protracted drought, had a devastating impact on livestock and Swakara markets in 2020. The number of marketed cattle, sheep and goats decreased significantly by 49.0%, 52.6% and 41.1%, respectively during 2020. This drop translated in to an estimated decline in cattle and sheep production value by 33.0% and 42.8%, to N\$2.1bn and N\$419mn, respectively, while goat production reduced by 13.9% to N\$117mn.

The closure of non-essential businesses and workspaces during the COVID-19 lockdowns inevitably eliminated demand for livestock products by restaurants, bars, street vendors and other institutions. During 2019 already, many livestock farmers have resorted to charcoal production as a means of income diversification while at the same time improving rangeland productivity.

Furthermore, COVID-19 restrictions for Swakara had an adverse impact on the Swakara market, as evident in the drop of pelt sales from

N\$22.9mn in 2019 to N\$3.9mn in 2020. The crop subsector remained robust in 2020, recording a 76.5% growth, owing to better rainfall conditions. The trend is expected to continue in 2021, albeit at a slower pace due to a high base effect in 2020. The grape industry remains lucrative in the agricultural sector and continues to yield impressive volumes due to the good rainy season. Despite, the prevailing challenges in the agriculture sector, COVID-19 presented opportunities that supports improvement in the agricultural sector such as: prompting policies and programmes that support agricultural productivity, as well as improving local procurement of agricultural commodities.

### 3.5 Corporate Governance

In view of the dynamics in the business environment, corporate governance is a key focal area for us as a Board. We are geared towards robust corporate governance that is in tune with best practices, ensuring that it feeds into Agribank's day-to-day operations. The Board remain focused on ensuring compliance with laws applicable to the Bank's business operations and to inspire ethical behaviour in the business, such that good corporate governance has become a defining culture of the Bank.

### 3.6 Looking to the future

The global economic leading indicators are already pointing to an economic recovery. Confidence has filtered through to the financial markets as bond yield curves steepen across advanced economies, indicating high expectation for growth rebound. Similarly, the Namibian economy is expected to record a growth of 2.6% in 2021, in line with national budget plans of boosting economic recovery. However, this remains a very optimistic outcome.

---

**Globally, the fear of inflation is increasing as demand is outstripping supply, contributing to a marked increase in purchasing costs during 1Q2021.**

---

Input price inflation surged to a near-decade high due to a combination of a low base effect and reduced supply, resulting in high food prices and rising commodity prices. In Namibia, inflation remains low, however, the emergence of rising costs in the near term is inevitable. Global oil prices are expected to rise above USD65/barrel, thus translating into higher logistics cost, which could inflate production input costs.

Furthermore, the rise in commodity prices, especially Agri-commodities could spur inflation. As a result of high inflation expectations in the near term, interest rates are likely to remain unchanged in 2021, with an upside risk in late 2022.

On a positive note, improved rainfall performance over the past two consecutive seasons gives hope for a good crop harvest and improved livestock production. The recovery in the agriculture and mining sectors as a result of improved rainfall conditions and higher commodity prices, will drive the economy into growth momentum. A low base-effect observed in most sectors is likely to result in growth in 2021.

We have also developed a new 5-year strategic plan, which will start being implemented from October 2021. This strategic plan focuses on:

- Business preservation in the immediate term
- Business growth in the immediate to long term
- Financial sustainability
- Product and technological innovation.

### 3.7 Final Remarks

On behalf of the Board, I would like to express my appreciation to our shareholder for continued support. The Board's gratitude also goes to the management and employees for their commitment to the Agribank's mandate. Their dedication and resilience have helped the Bank to take greater strides in the fulfilment of its mandate, despite the difficult operating environment. I am proud that we are making progress in the achievement of our strategic goals. Importantly, my accolades go to our esteemed customers who remained loyal and supportive throughout the year. Finally, I would like to express my sincere thanks to my fellow Directors for their extra-ordinary commitment to Agribank.

---

MICHAEL IYAMBO

**CHAIRPERSON**










# BOARD OF DIRECTORS

# 4. BOARD OF DIRECTORS

Table 1: Board of Directors Gender Composition

Board of Directors Gender Composition			
Non-Executive	Position	Date appointed	
M. Iyambo	Chairperson	1 September 2018	
D. Honsbein	Vice Chairperson	1 September 2018	
Dr M. Humavindu	Member	1 September 2018	
P. Hangula	Member	1 September 2018	
P. Kaapama	Member	1 September 2018	

**The Board comprises of 40% females and 60% males as reflected in Table 1 below.**



## MICHAEL IYAMBO: CHAIRPERSON

Appointed: 1 Sept 2018 - 13 Apr 2021



### Profile

- Successful commercial farmer specialising in horticulture with twenty years overall experience in agriculture
- Founding member of Oshikoto Fresh Fruit and Vegetables company
- Member of the presidential high-level panel on the economy in 2019
- Chairperson of the Namibia Agronomic Board
- Received 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).



## DAGMAR HONSBEIN: VICE CHAIRPERSON

Appointed: 1 Sept 2018 - 28 Feb 2022



### Profile

- Development finance expert in the areas of Micro, Small and Medium Enterprise (MSME), Finance, Climate Finance and Accounting Management
- Expertise in applied research and development, risk management and value chains management that plays a significant role in strategic risk management and business development at Agribank
- Lead consultant for various programmes and projects in Namibia and abroad
- MPHIL in Chemical Engineering and Applied Science from Aston University, Birmingham (UK)
- MA in Leadership and Development Finance, Frankfurt School of Finance and Management, Frankfurt (Germany)
- BSC degree in Wood Science, University of Stellenbosch (SA)
- Founder of IDEALX Integrated Scientific Services (2016).



### DR MICHAEL HUMAVINDU: BOARD MEMBER

Appointed: 1 Sept 2018 - 28 Feb 2022



#### Profile

- Renowned economist and certified development banker with practical experience in economic development, development finance, economic research, and modelling.
- Deputy Executive Director in the Ministry of Industrialisation and Trade.
- Leads strategic discussions to test the Bank's policies against the fiscal space, sustainable finance, and the country's economic agenda.
- Spent eight years in development finance at the Development Bank of Namibia specialising in project finance, deal structuring credit assessments and development policies such as the Microfinance Policy and Development Impact framework.
- Holds a PhD in Economics, University of Umeå (Sweden).
- MSc in Finance and Investments, University of Durham, United Kingdom
- MA in Economics, University of Stellenbosch (South Africa)
- Postgraduate diploma Environmental Economics, University of London, United Kingdom

### PEYAVALI HANGULA: BOARD MEMBER

Appointed: 1 Sept 2018 - 28 Feb 2022



#### Profile

- Chartered Accountant registered with the Institute of Chartered Accountants of Namibia (ICAN)
- Has work experience in the financial environment that spans a period of over 10 years
- Possesses a wide range of skills in the areas of accounting, financial reporting, corporate governance, internal controls external and internal audits and regulatory reporting
- Worked for Standard Bank Namibia as a financial reporting and regulatory manager and now works for RMB Namibia as Finance Manager
- Involved in community outreach as the national treasurer and chairperson of the Finance Committee of Scouts Namibia.
- Holds a honours degree in Accounting Science (CTA), University of South Africa (UNISA)
- B degree in Accounting, University of Namibia (UNAM)
- Completed articles with Deloitte & Touche Namibia and was also seconded to work for Deloitte & Touche in Atlanta, USA, for a period of six months to gain international experience in the field of auditing.

### PHANUEL KAAPAMA: BOARD MEMBER

Appointed: 1 Sept 2018 - 28 Feb 2022



#### Profile

- Governance and development specialist with a research focus on development theory and practice
- Possesses extensive farming experience in both communal and commercial areas
- Works as a lecturer in Governance and Development Studies at the University of Namibia, where he serves as Head of Department of the Political and Administrative studies
- Worked at the National Planning Commission Secretariat, National Youth Council where he was the founding secretary general
- Regularly gives media commentaries on Namibian, African and world politics and has published several academic papers
- Was part of the high-level committee for the preparation of the Second Land Conference
- Formed part of the Technical Committee and Negotiating Team in the bilateral negotiations with the Federal Republic of Germany on the 1904-1908 genocide
- Holds a MSc in Development Planning and Administration, University of Bristol (UK) and a National Diploma Public Administration, Namibia University of Science and Technology (NUST).



# CORPORATE GOVERNANCE STATEMENT



# 5. CORPORATE GOVERNANCE STATEMENT

## 5.1 Governance Framework and Board Structure

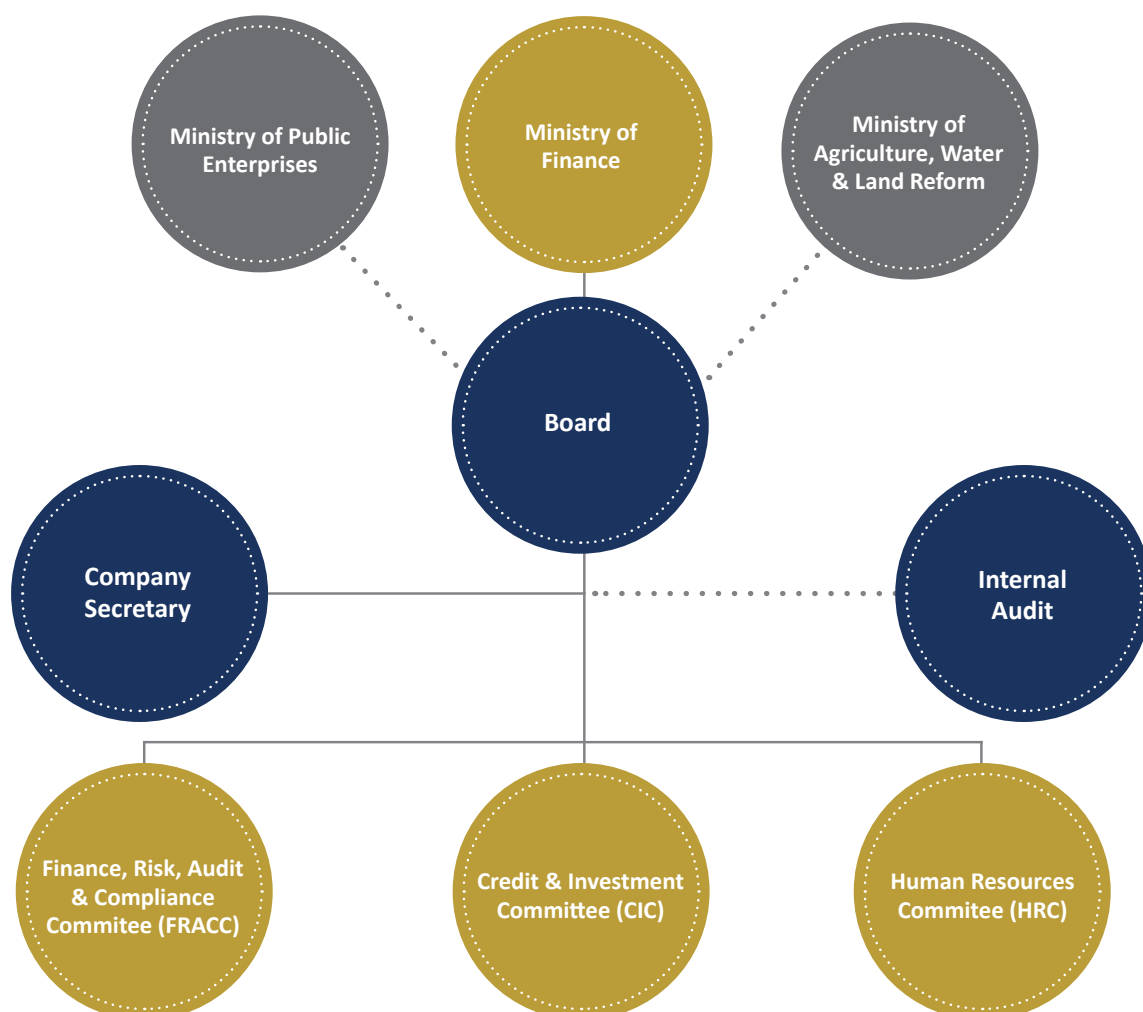
The Board of Directors provides leadership and strategic guidance within a framework of prudent controls designed to assess and manage risk to ensure long-term financial sustainability and growth of the Bank. The Board has ultimate accountability for the performance and affairs of the Bank and for ensuring that the Bank adheres to high standards of business ethics.

The Board consists of five non-executive directors who are appointed by the shareholder. The Board is responsible for providing strategic guidance to the Bank in line with the shareholder's mandate; and is accountable to the shareholder for the Bank's financial and operational performance.

The Board ensures that the Agribank actively complies with applicable laws and regulations, as well as with its own policies and procedures. This is achieved through strict oversight by Board Committees, assisted by the Company Secretary. The role, functions and powers of the Board are embodied in the Agribank Act, applicable laws, regulations, the Board Charter, corporate governance best practices as well as the Bank's policies.

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 in respect of the Bank's affairs. 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.

Figure 1: Board Governance Structure



## 5.2 Internal Control Environment

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 and Compliance. 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 provide 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 are reported on a quarterly basis to FRACC and, through this Committee, to the Board. Assurance on the internal control environment is provided during the year by the internal audit function and by the external auditors at financial year-end. For the reporting period, the Bank received an unqualified audit.

## 5.3 Board Committees

The Board of Directors establishes Board Committees to assist it in the execution of its duties and responsibilities, with each Committee comprising suitably skilled directors. Each Committee has written terms of reference that are reviewed annually and mapped to applicable legislation, regulation and governance practices to ensure relevance and compliance.

The Board accepts the principle that whilst certain powers can be delegated to Committees, ultimate accountability for delegated matters remains with it. 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 brief descriptions of the three Committees, their oversight roles and respective members:

### 5.3.1 Finance, Risk, Audit and Compliance Committee (FRACC)

Members of the Committee	Committee role, responsibilities, and functions
<ul style="list-style-type: none"><li>• D. Honsbein (Chairperson)</li><li>• Dr M. Humavindu</li><li>• P. Hangula</li></ul>	<p>The Committee is responsible for the following key matters:</p> <ol style="list-style-type: none"><li>1. Systems of internal control in the areas of finance and accounting</li><li>2. Auditing, accounting and financial reporting processes</li><li>3. Internal and external auditor obligations</li><li>4. Bank-wide risk management, which includes consideration and investigation of strategic, financial and operational risks as identified by management and internal and external auditors</li><li>5. Compliance to applicable laws, regulations, and policies</li><li>6. Technological innovations</li><li>7. Strategy</li></ol>

### 5.3.2 Human Resources Committee (HRC)

Members of the Committee	Committee role, responsibilities, and functions
<ul style="list-style-type: none"><li>• P. Kaapama (Chairperson)</li><li>• D. Honsbein</li><li>• P. Hangula</li></ul>	<p>The Committee is responsible for the following key matters:</p> <ol style="list-style-type: none"><li>1. Establishment and review of an appropriate remuneration framework for the Bank's employees in line with periodic market developments and the directives of the Ministry of Public Enterprises</li><li>2. Review of organisational and staff matters, as well as ensuring employee training, development and welfare</li><li>3. Ensuring that there is a system of organisational succession planning in place</li><li>4. Review of annual salary increases for recommendation to the Board for approval</li><li>5. Trade Union Relations</li></ol>

### 5.3.3 Credit Investment Committee (CIC)

Members of the Committee	Committee role, responsibilities, and functions
<ul style="list-style-type: none"> <li>• M. Humavindu (Chairperson)</li> <li>• P. Kaapama</li> <li>• P. Hangula</li> </ul>	<p>The Committee is responsible for the following key matters:</p> <ol style="list-style-type: none"> <li>1. Oversight over the credit and investment policies</li> <li>2. Oversight over the development impact of the Bank</li> <li>3. Review and approval of loans with a monetary value ranging between N\$2.5 mn and N\$15 mn</li> <li>4. Review and recommendation, to the Board for approval, of loans with a monetary value in excess of N\$15 mn</li> <li>5. Oversight over investment opportunities and decisions of the Bank</li> </ol>

## 5.4 Board and Committee Attendance

The Board discharges its duties and responsibilities through attending meetings, and care is taken in preparing the Board calendar to enable attendance. If a director is unable to attend a meeting, an apology is recorded. The Credit and Investment Committee (CIC) is scheduled to meet at least once a month to expedite loan approval decisions.

The Board or Committees are sanctioned to meet four (4) times a year. Additional meetings were special meetings, which were convened, amongst others, for the following reasons: to evaluate loans above the threshold of N\$ 2, 500, 000.00, for CIC to discuss external audit matters for FRACC, compensation related matters for HRC and various urgent Board matters such as the CEO's term and related conditions.

Table 2: FY 2020/21 Board and Board Committee Attendance

Name of Director	Position	Board meeting	CIC	FRACC Meetings attended	HRC
Total meetings		12 meetings (8 special)	9 meetings (5 special)	6 meetings (2 special)	5 meetings (1 special)
Michael Iyambo	Chairperson	10/12	9/9	-	-
Dagmar Honsbein	Deputy Chairperson	11/12	-	6/6	5/5
Dr Michael Humavindu	Member	12/12	9/9	4/6	-
Peyavali Hangula	Member	12/12	-	6/6	4/5
Phanuel Kaapama	Member	12/12	9/9	-	5/5

## 5.5 Board Fees for 2020 and 2021

Table 3 highlights Board fees which increased by 8% in the Financial Year 2021 compared to the Financial Year 2020 as a result of payment of Board fees of Dr Humavindu, as a government employee, who was initially not remunerated prior to the promulgation of the Public Enterprise Governance Act. Figure 2 highlights sitting and retainer fees per Board member during the year under review.

Table 3: FY 2019/20 and FY2020/21 Board Fees

	2021	2020
Retainer Fees	N\$ 586,829	N\$ 583,082
Sitting Fees	N\$ 239,415	N\$ 181,673
<b>Total</b>	<b>N\$ 826,244</b>	<b>N\$ 764,755</b>

Figure 2: FY2020/21 Board Fees per Director



## 5.6 Company Secretary

The role of the Company Secretary is to ensure that 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 continuing professional development 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.

## 5.7 Communication with the Shareholder

The Bank ensures continuous and constructive communication with the shareholder, primarily through the following fora: The Bank's Annual Report, which is prepared and submitted in a timely manner to the shareholder in line with the statutory reporting requirements; regular briefings with the shareholder on matters affecting the Bank; as well as the Annual General Meeting at which the shareholder is informed about the strategy of the Bank, its performance and any significant matters. The Executive Management of the Bank also holds quarterly technical meetings with the Senior Management of Ministry of Finance, chaired by the Ministry's Executive Director.

## 5.8 Compliance

### 5.8.1 Code of Ethics

The Bank operates based on a sound culture of entrenched values that are reflected in the approved Code of Ethics. To ensure that these standards 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 and 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 ease of reference by employees.

### 5.8.2 Conflict of Interest

For the Bank to guard against conflict of interest, the Company Secretary maintains a register of directors' and executives' interests. In addition, the directors and executive management are required to declare conflict of interests at the respective 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.





# CHIEF EXECUTIVE OFFICER'S REPORT

*Sakaria Nghikembua* \_\_\_\_\_

# 6. CHIEF EXECUTIVE OFFICER'S REPORT

## 6.1 Introduction

Despite the uncertainties wrought by the Covid-19 pandemic, the Bank has delivered solid financial results for a fifth consecutive year. We have delivered on the strategic objectives set in our five-year business strategic plan, which ends in September 2021. At this juncture, it is important to highlight that I will be leaving the Bank at the end of my term, on 31 July 2021. This is therefore my last annual report as the Bank's Chief Executive Officer.

**This is therefore my last annual report as the Bank's Chief Executive Officer.**

## 6.2 Our Achievements

### 6.2.1 Financial Performance

Amidst prevailing economic and business challenges, the Bank achieved credible financial performance as follows:

- (i) Interest income increased by 1.2% from N\$243.1 mn in 2020 to N\$246.0 mn in 2021 owing to the prudent financial management coupled with an increase in the Bank's and money market investments.
- (ii) Interest expense reduced by 11.5% from N\$36.7 mn in 2020 to N\$32.5 mn in 2021 attributed to the Bank's ability to raise affordable capital as a result of the prevailing low interest rates.
- (iii) Credit impairment losses increased by 69.1% from N\$15.1 mn in 2020 compared to N\$25.5 mn in 2021 due to rising arrears during the period under review.
- (iv) Total expenses increased by 10.5% from N\$142.5 mn in 2020 to N\$157.3 mn in 2021 mainly due to provisions for inflationary increases in staff cost.
- (v) Surplus for the year reduced by 30.9% from N\$53.8 mn in 2020 to N\$37.2 mn due to the increase in provision for losses on advances incurred during the FY2020/21. Despite the reduction, the Bank continues to record a surplus year-after-year.



- (vi) Total assets grew by 12.2% from N\$3.1 bn in 2020 to N\$3.4 bn in 2021.

### 6.2.2 Customers

- (i) Loans advanced to customers grew by 1.2% to N\$2.9 bn in 2021 due innovative loan restructuring offered by the Bank as a relief to clients to mitigate the impact of Covid-19.
- (ii) The Bank disbursed loans to the value of N\$ 217 mn, benefiting a total number of 1,301 customers.
- (iii) The Bank's total client base stood at 4,723 at the end the review period, translating into 37,784 employment created and/or maintained.
- (iv) In response to the Covid-19 pandemic a total of 314 customers applications were approved to the value of N\$350 mn under the Bank's Relief Package for those affected by the pandemic.
- (v) The Bank successfully implemented a nationwide stakeholder engagement roadshow to strengthen stakeholder relationships, improve brand visibility and enhance understanding of the Bank's operations and activities.





### 6.2.3 People

- (i) The Bank continued to champion a high-performance culture through various initiatives such as the performance management system and the introduction of an employee recognition programme in May 2019.
- (ii) The Bank developed and implemented a succession planning policy as part of its talent management strategy.

### 6.2.4 Governance and Transformation

- (i) The Bank achieved an overall score of 82.2% on the prudential standards rating based on an audited assessment during the 2020/21 financial year. This reflects effective controls, operational efficiencies, prudent financial management and good corporate governance across the business.
- (ii) The Bank continues to embed FIA compliance.
- (iii) And lastly the Bank extended its training outreach to 6,458 farmers through face-to-

face interventions and 7,490 through virtual training during the review period.

## 6.3 Our Immediate Focus

Our immediate plans for FY2021/22 are to:

- ✓ intensify awareness and roll out of the women and youth financing scheme
- ✓ enhance the online application journey of our customers and eventually reduce the loan turn-around times from application to disbursement
- ✓ continue to drive diversified business growth whilst improving arrears and operational expense management
- ✓ complete branch renovations in Otjiwarongo and Rundu to enhance the experience of our customers
- ✓ enhance the work environment to attain Best-Company-to-Work-For status.

## 6.4 Conclusion

The Bank remains focused on delivering on its mandate through affordable financing, enhancing brand presence, maintaining high corporate governance standards and a high-employee performance culture.

With the new 5-year strategy already finalised and approved by the Board, we remain poised to build on our achievements over the past 5 years and build a strong future for our stakeholders and country.

I remain deeply indebted to the shareholder, Board, management, employees and all our customers for the support I received over the past 5 years. Through this support, I believe I have made a lasting contribution to the Bank and all its stakeholders.



Sakaria Nghikembua

**CHIEF EXECUTIVE OFFICER**





# REVIEW OF OPERATIONS

# 7. REVIEW OF OPERATIONS

The Executive Committee (EXCO) chaired by the Chief Executive Officer, oversees the day-to-day operations of the Bank to ensure that it achieves its strategic objectives and delivers on its developmental mandate.

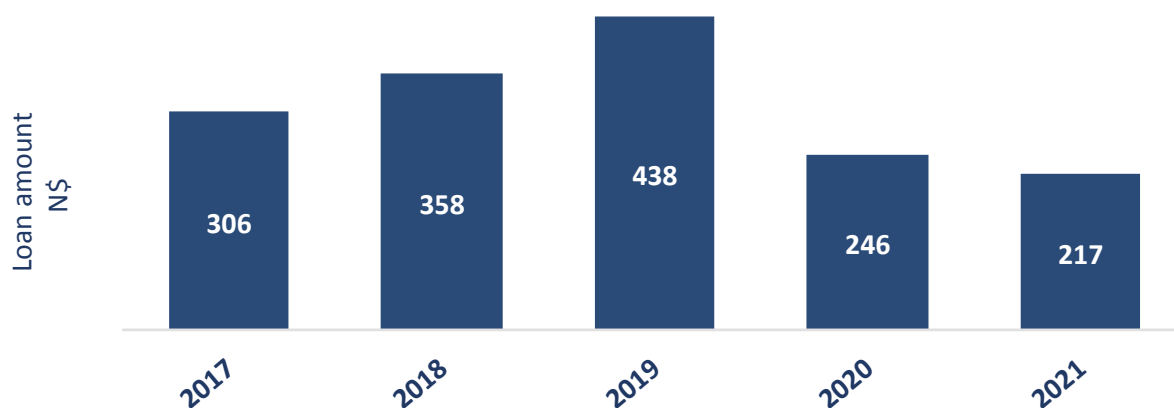
Agribank is a financial services provider that plays a key role in the economic activity of the agricultural sector in creating and growing wealth for sustained economic development.

## 7.1 Product and Service Offerings

Following three years of good growth in loan sales, the Bank witnessed a decrease in the value of loans advanced to the agriculture sector, as customers exercised caution over new loans given the negative effects of prolonged drought in prior years and the accelerated impact of COVID-19 on the economy.

The impact of these events resulted in a slow down in loan disbursements, as reflected in Figure 3 below.

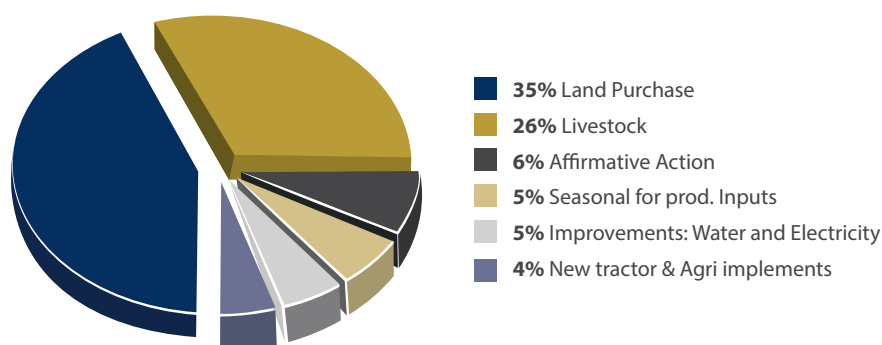
Figure 3: Loan Disbursement Trend



However, it is noteworthy that despite the negative operating environment, the Bank still disbursed over N\$200mn in new loans during the review period - bringing the total disbursement over the past 5 years to nearly N\$1,6bn in loan disbursements.

Livestock and land purchase loans continue to drive the growth of the loan book as farmers are gearing towards restocking, as reflected in figure 4 below.

Figure 4: FY2020/21 Top Loan Product Disbursement by Market Segment



In the year under review, loan disbursements by gender shows that an amount of N\$43mn benefitted women compared to N\$133mn that benefitted men. Furthermore, loans to clients under 40 years of age were N\$38.7mn, compared to N\$52mn in the prior year.

The relative decline is aligned to the decreased disbursements during the year under review.

The Bank implemented various awareness initiatives to improve the participation of women and the youth to access finance for agricultural production. A specific loan scheme targeted at women and youth was launched in October 2020.

This should see an increasing number of women and youth accessing funding from the Bank in future years. The breakdown of loans advanced by gender is captured in Tables 4 and 5 below.

*Table 4: FY2020/21 Loan Product Disbursements by Gender*

2021FYE	Group/Company	Male	Female
No Collateral loans	N\$ 708,564	N\$ 944,8687	N\$ 2,947,062
ERFP	N\$ 593,630	N\$ 1,403,243	N\$ 77,225
Collateral backed loans	N\$ 37,457,673	N\$ 121,492,857	N\$ 38,955,900
PSSF	N\$ 1,744,307	N\$ 1,130,642	N\$ 1,313,811
<b>Total</b>	<b>N\$ 40,504,175</b>	<b>N\$ 133,475,429</b>	<b>N\$ 43,293,998</b>

*Table 5: Age Group Analysis of Loan Disbursements*

2021FYE	18-30	31-40	41-60	61-80	Group/ Company
No Collateral loans	N\$ 389,076	N\$ 3,784,295	N\$ 8,222,379		N\$ 708,564
ERFP		N\$ 77,225	N\$ 698,815	N\$ 704,428	N\$ 593,630
Collateral backed loans	N\$ 4,096,107	N\$ 30,176,765	N\$ 89,239,940	N\$ 36,935,945	N\$ 37,457,673
PSSF		N\$ 200,000	N\$ 1,318,897	N\$ 925,557	N\$ 1,744,307
<b>Total</b>	<b>N\$ 4,485,183</b>	<b>N\$ 34,238,284</b>	<b>N\$ 99,480,030</b>	<b>N\$ 38,565,929</b>	<b>N\$ 40,504,175</b>

Farmers in commercial areas adopt extensive farming for commercial purposes while farmers in communal areas produce mainly for subsistence purposes.

This is illustrated in Figure 5 with a larger portion of the loans disbursed benefitting farmers in regions with commercial agriculture, with Omaheke region leading with 30% of the loans advanced during the review period.

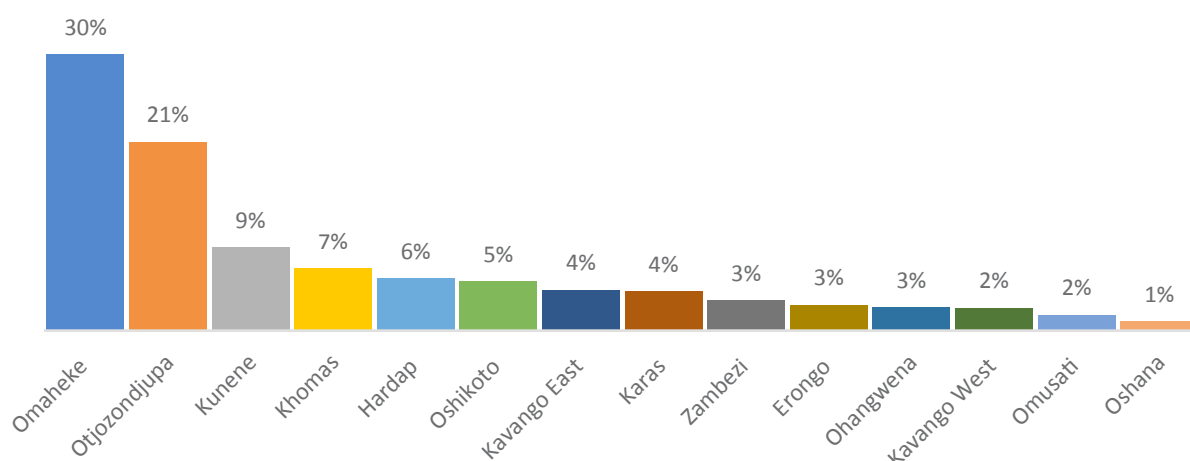
On the other hand, regions with communal farming shared a total of 19% of the loans advanced.

Loans to commercially oriented agricultural regions tend to be higher in value because of the purchasing of land which is not possible to do in communal areas.

Overall, the Bank's loans continue to benefit all Namibians in all regions as shown in Figure 5.



Figure 5: FY2020/21 by regional Loan Disbursements



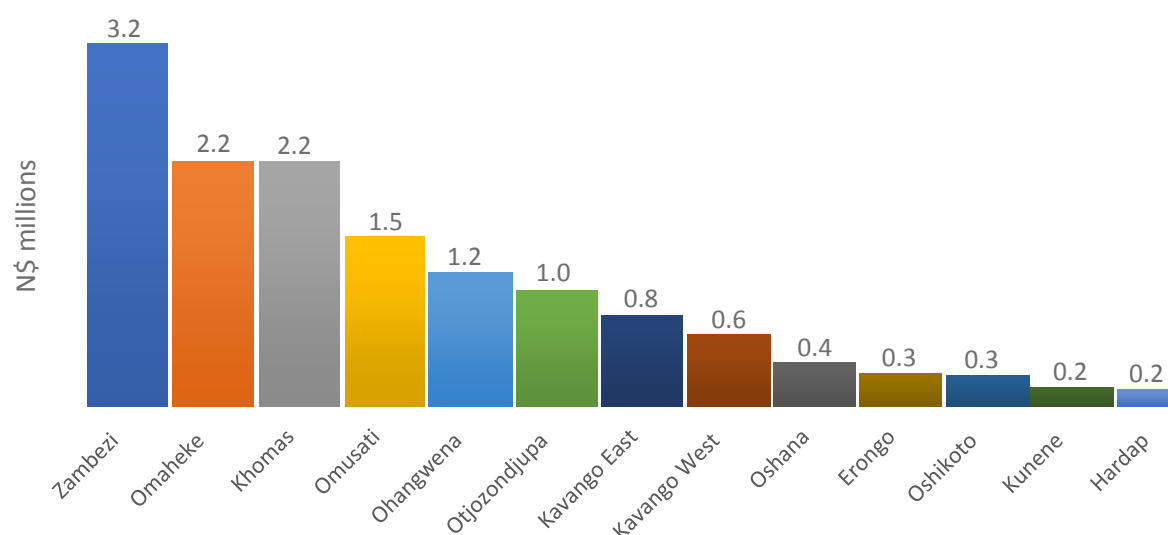
The Bank rolled out the salary-backed no collateral product for part-time communal farmers in 2017 and expanded it to include the Emerging Retail Financing Product (ERFP) for full-time farmers in 2018.

Whilst the recessive economic environment has affected customers' scope to borrow, the demand for

the salary-backed no-collateral loan continued, albeit at a slower rate than in the past.

The uptake of these two products in the different regions during the year under review is reflected in Figure 6.

Figure 6: by regional Loan Disbursements of No Collateral Loan Products



## 7.2 Credit

The COVID-19 pandemic has had a negative direct impact on the economy, agribusiness and households, worsening the unemployment rate, inequality, and the government's fiscal position. The Bank raised a total of N\$350 mn in affordable funding to be able to assist its customers with new loans over the next few years, as restocking and production diversification takes shape across the farming regions.

Loan collections remained a key priority area. The bank collected N\$365 mn during the review period, an increase of 13% on prior year. This is indicative of an efficient but accommodative collection strategy, in a very difficult operating environment aggravated by protracted legal/letigation cases. Although collections increased by 13%, the arrears ratio increased to 26.2% in 2021, from 21% in 2020, as more customers were unable to settle their new installments in full because of the adverse operating environment. The worsening non-performance of the loan book was observed across the banking industry in general.

Figure 7: Arrears Ratio

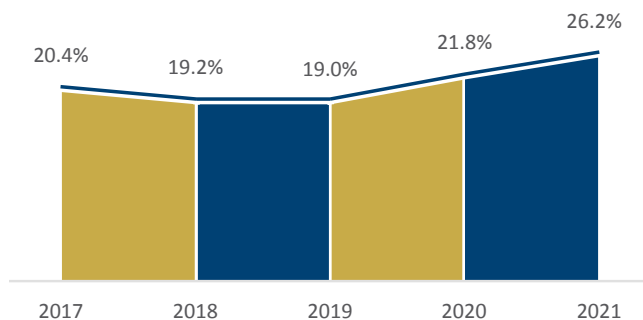
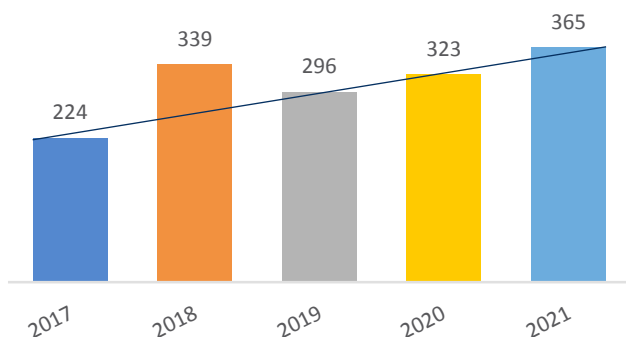


Figure 8: Total Loan Collections (N\$ mns)



The Bank continues to apply Basel II and IFRS 9 standards in its loan classification methods and impairment calculations, and has maintained a sound record regarding lending best practices as evidenced by the ratings (82.2%) in the AADF-PSGRS latest report.

The current subdued economic environment is expected to continue given the COVID-19 challenge that is still to be contained and the economic recovery rate that is yet to return to previous levels. Going forward, asset quality and collection levels require sustained efforts to build on embedded synergies.

Key actions would include:

- (i) Generation of high quality and diverse business deals
- (ii) Proactiveness in client communication for early problem and risk identification
- (iii) Flexible workout and repayment options and platforms
- (iv) Close monitoring of loan performance and client support services.

## 7.3 Sustainability

The sustainability report combines the people, stakeholders, resources and the environmental aspects in fulfilling the Bank's mandate.

### 7.3.1 Human Resources

The Bank promotes a diverse workforce culture that broadens perspectives and enhances resilience and performance. We consider diversity to encompass gender, race, age, disability, experience, religion, values, beliefs and sexual orientation. The Bank continues to attract the best and brightest talent through its open and equal opportunity employment approach, and believes that the key to its success lies

in capable and motivated employees. For this reason, the Bank strives to create a high-performance culture that values diversity and enables employees to reach their full potential.

During the period under review the Bank had 148 full time employees compared to 141 in the prior year. The workforce age ranged from 26 to 59 years with an average age of 42 years.

The staff turnover ratio for the period was 3% as compared to 9% prior year, which is below the market aggregate rate of 10%. This is attributed to a conducive employment environment. Key human resources metrics are reflected in Figures 9 and 10 below.

Figure 9: FY2020/21 Staff Compliment

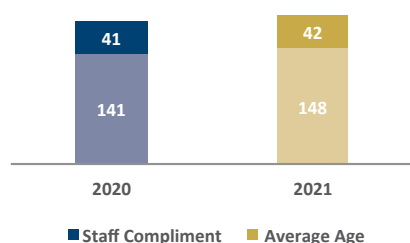
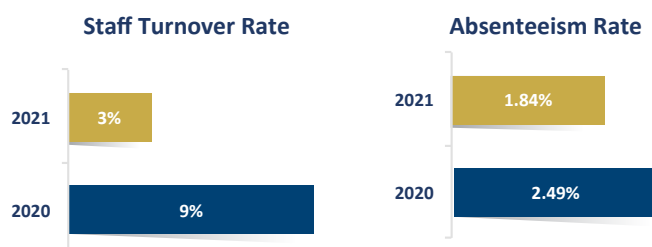


Figure 10: FY2020/21 Staff Turnover and Absenteeism Rates



The Bank is an equal opportunity employer and remains committed to employment equity and, as such, continues to comply to Namibia's Employment Equity and Affirmative Action Acts. Women make

up 53% of the current workforce, accounts for 33% of promotions, comprises 22% of Management and 73% of Non-management. The workforce and gender breakdown are shown in Figure 10 and 11.

Figure 10: FY2020/21 Workforce Breakdown

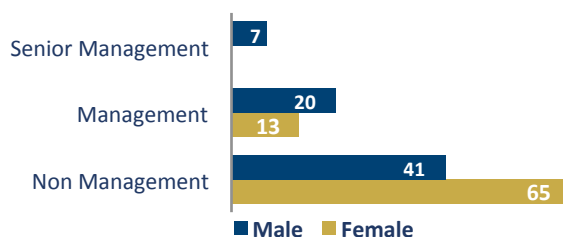
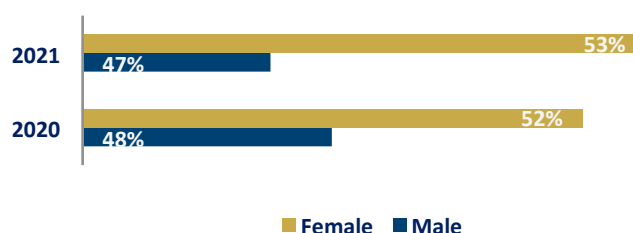


Figure 11: FY2020/21 Gender Breakdown



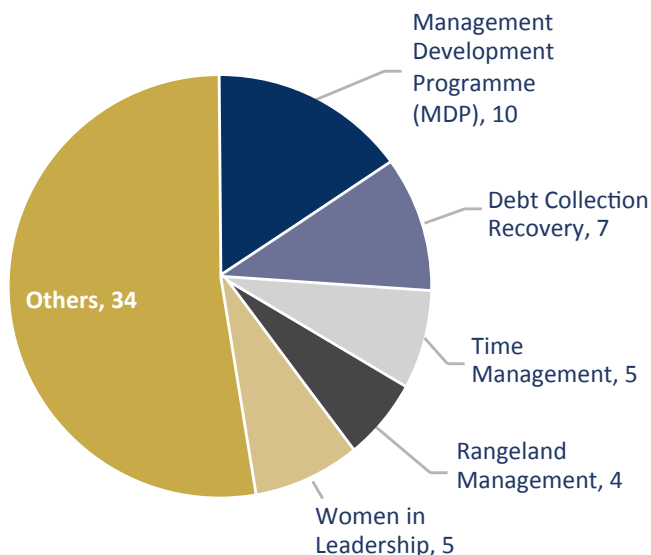


### 7.3.2 Organisational Development

The Bank invested over N\$798,489 in staff development interventions from which 66 employees

benefitted, representing 45% of the total workforce at year end. The top five training interventions (and the number of employees benefitting from each) are reflected in Figure 12 below.

Figure 12: FY2020/21 Staff Training Interventions



### 7.3.3 Employee Relations and Wellness

Given the outbreak of COVID-19, remote working was the most significant change to the working environment in 2020/2021 financial year. This change required various tools and platforms to successfully navigate the new environment.

Employee wellness is high on the Bank's agenda to support better health at work and/or to improve health outcomes.

The Bank's employee wellness offering spanned four dimensions of wellbeing, namely:

- Commemoration of the annual World Health calendar days such as Asthma, Malaria, mental health, diabetes, HIV and Aids, Cancer and TB through education flyers or articles in the AB bulletin
- Presentation by renowned eye specialist, Dr Helena Ndume, on eye care awareness
- Health and safety risk assessment; and
- Virtual walk or run competition.



## 7.4 Marketing and Customer Strategy

Agribank provide services to customers through a multi-channel approach, providing a choice of platforms encompassing digital, online and face-to-face engagements bank-wide which are essential for responding to our customers' needs and enhancing their experience at every point of contact. Through the Marketing and Customer Strategy Department, the Bank continues to create focused customer value propositions, strengthen relationships with customers through market intelligence and a data-driven culture for value addition.

### 7.4.1 Marketing and Communications

The Marketing and Communications division continues to drive a broad range of propositions

to meet the needs of our various customer segments through brand awareness, visibility and promotion. Information about the Bank's products and services is made accessible through multiple media platforms such as Facebook, Twitter, website, email services, SMSes, advertising and thought leadership articles as well as face-to-face stakeholder engagements.

The Bank's social media pages reach increased by 46% to 491,384 compared to 266,207 in 2020, while the number of followers went up by 53% to 83,192 compared to 38,754 in 2020. The Bank recorded an increase of 19% of visitors to its website, reaching 51,657 compared to 41,981 in 2020.

Similarly, the number of page views on the website increased by 28% to 178,432 compared to 128,089 in 2020. Table 6 below reflects key marketing metrics.

Table 6: FY2020/21 Stakeholder Scorecard

Stakeholder Scorecard			
Indicator		2020	2021
 <b>Customers</b>	Brand Ranking	20.7	11.5
	Social media reach	266,207	491,384
	Social media followers	38,754	83,192
	Website Visitors	41,981	51,657
	Training reach	8,035	6,458
	Virtual training reach	-	7,490
	Rangeland monitoring tool	N\$ 600,000	N\$ 300,000
 <b>Society</b>	Sponsorship budget	N\$398,000	N\$ 700,000
	Financial literacy	N\$ 300,000	N\$ 300,000
	Bursaries awarded	3	1
	Stakeholder engagements	469	1,641
 <b>Shareholder</b>	Technical Quarterly meeting	4	4
	AGM	1	1

To improve customer service and experience, the Bank introduced queue management kiosks on a pilot basis at the Windhoek, Mariental and Oshakati offices.

The system enhances efficiency in respect of waiting time for customers, and assigns front-line staff and information dissemination through digital advertising screens. It further contributes to enhancement of Customer Relations Management (CRM) database.

Going forward, the queue management system will be rolled out to all branches of the Bank in the coming years.

#### 7.4.1.1 Stakeholder Relationships

The Bank continued to engage relevant stakeholders such as Farmers' Unions, multi-national institutions, the shareholder and the farmers at various platforms to collaborate and network while building the brand, trust and confidence.



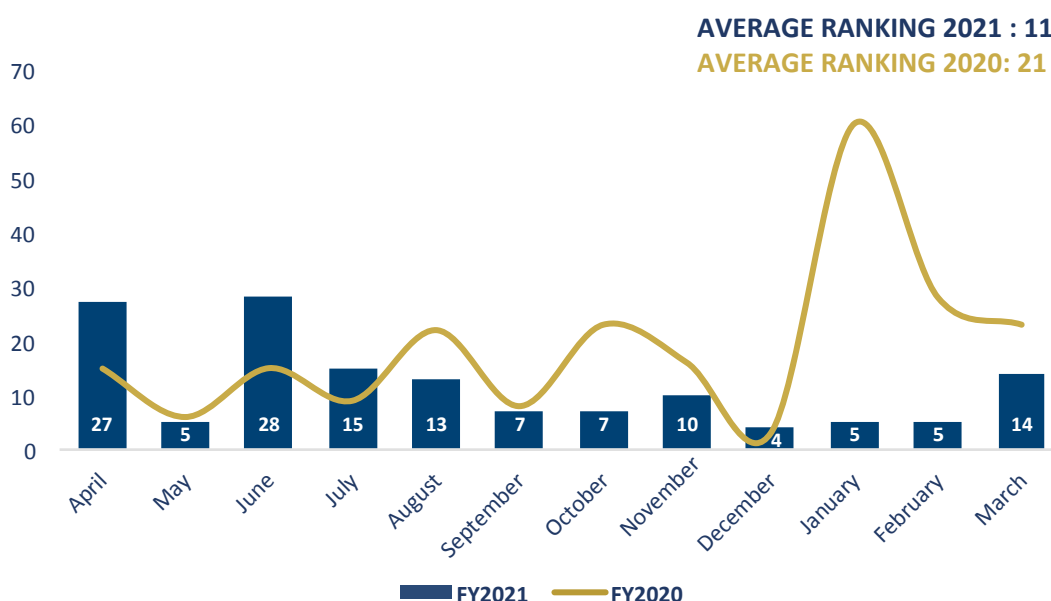
During the review period, the Bank embarked on a nationwide Stakeholder Engagement Road show with the objective of sharing information about the Bank's COVID-19 relief and stimulus package and the women and youth scheme. The roadshow reached more than 1,600 external stakeholders, while 32 small and medium enterprises (SMEs) were financially empowered to provide services.

#### 7.4.1.2 Brand Visibility Ranking

The Bank's brand visibility involves publication of media articles including client testimonials and product advertorials. During the review period Agribank ranked 11<sup>th</sup> on average compared to 21<sup>st</sup> in the prior year, out of more than 500 companies in Namibia that subscribed to NaMedia.

Figure 13 below shows the rankings of the Bank throughout the year.

Figure 13: FY2020/21 Brand Visibility Ranking





#### 7.4.1.3 Corporate Social Responsibility

The Bank spent over N\$700,000 on worthy corporate social responsibility projects during the financial year. These projects range from the financial literacy initiative, the rangeland monitoring tool, farmers' information days, youth in agriculture conference, northern boerbok trade show, Agra weaners' competition and community gardening projects.

#### 7.4.2 Agri Advisory Services

The mandate of the Agri Advisory Services Division (AASD) is to transfer skills and knowledge as well as change attitudes towards farming as a business and promote business relationships between clients and the Bank. The ultimate objective is to transform agricultural ventures into viable business enterprises.

AASD's capacity development interventions use different methodologies, namely, face-to-face training courses, lectures, practical sessions, excursions, farmers' information days, published articles, radio broadcasts, as well as mobile phone and virtual learning. The division leads in continuously promoting sustainable environmental practices and mitigating current and potential climate

change impacts and assists agri-businesses to adapt. Furthermore, it catalyses economic transformation by the participation of women and youth in agriculture.

##### 7.4.2.1 Training Events

During the Financial Year 2020/21, training interventions benefited 6,458 farmers through face-to-face sessions. Cumulatively, AASD training interventions have benefited 26,005 individuals since 2017, providing farmers with the opportunity to acquire practical knowledge and skills in various farming aspects.

Furthermore, 79% of the short training courses conducted during the period under review, focused on building capacity in diversified farming enterprises such as poultry, crop and hydroponic production.

This has contributed to building farmers' resilience to climatic shocks and diversifying farm income streams. Moreover, high average participant ratings of 95% across lectures, training and practical sessions conducted, show a positive reception of the information delivered. Table 7 reflects training interventions conducted during the review period.

Table 7: FY2020/21 Farmer's Training Interventions

Training Events	2020	2021
<i>Farmers Information Days</i>	38	28
<i>Evening/Day Lectures</i>	138	139
<i>Short Training Courses</i>	64	42
<i>Practical Sessions</i>	29	35
<i>Excursions</i>	2	-

##### 7.4.2.2 Virtual Training on Social Media

With the onset of COVID-19 in 2020, AASD embarked on the provision of capacity development interventions using virtual platforms. To this end eleven (11) short training videos were posted on social media platforms benefiting a total of 7,490 viewers.

##### 7.4.2.3 Print Media Articles and Radio Broadcasts

During the review period, AASD continued to publish informative articles in the print media and shared information through radio broadcasts as reflected in Table 8.

Table 8: FY2020/21 Radio Broadcasts and Media Articles

Platforms	Interviews & Articles	Target group
Kosmos Radio, NBC Omurari, Damara/Nama & Setswana stations	27 radio interviews & 3 articles covered	General Public
Newspapers: The Namibian, New Era, Sun, Economist	24 articles published	

#### 7.4.2.4 Mentorship

Mentorship is offered to identified clients free of charge. The mentee (client) signs a Mentorship Agreement to demonstrate their commitment to undertaking productive farming. A mentee is attached to a mentor based on the location or operational zone of the mentor to maintain regular contact for personalised advice and guidance based on the mentee's needs. Mentoring is based on commitment and a mutual trust relationship between the mentor and the mentee for it to be effective.


Seventy-two (72) mentees were on-boarded with the first roll-out from September 2017 until March 2020, of which fifty-three (53) were male and nineteen (19) female. Thirty-three (33) were successfully weaned off after completion of their 3-year agreement period, at which point thirty-nine (39) mentees remained in the mentorship programme.

Mentorship has had positive effects, with data showing a reduction in livestock mortality rates for mentees. Mortality amongst cattle reduced significantly from 23% in FY2019/20 to 6% in FY2020/21. Furthermore, cattle off-take rates have increased over the mentorship period from 14% in FY2018/19 to 34% in FY2020/21.

This also signifies an increase in the production of marketable animals and the adoption of business principles in farming. Moreover, cattle, goat and sheep reproduction rates have shown improvements compared to the FY2019/20.

It is pleasant to note that the mentee success stories where mentees have attested to having acquired significant farm management skills and witnessed improvements in farm production and incomes because of mentorship. The mentee satisfaction rate remains high, at 91%, as per a survey conducted in 2020. Table 9 reflects mentorship progress including the review period.

Table 9: Mentorship Productivity Indicators

Mentorship Productivity Scorecard:					
Indicator		Targets	2019	2020	2021
	Offtake rate (%): Cattle	12%	14%	32%	34%
	Offtake rate (%): Goats	20%	14%	29%	25%
	Offtake rate (%): Sheep	20%	16%	26%	28%
	Calving rate (%)	80%	43%	45%	57%
	Kidding rate (%)	125%	89%	60%	74%
	Lambing rate (%)	80%	79%	47%	82%
	Mortality rate (%): Cattle	<10%	4%	23%	6%
	Mortality rate (%): Goats	<25%	19%	18%	14%
	Mortality rate (%): Sheep	<20%	18%	19%	16%
	Client Satisfactory rating of mentorship services	85%	86%	85%	91%

#### 7.4.2.5 Pre/Post Settlement Training of Resettlement Beneficiaries

AASD Technical Advisors and mentors provide training upon request from the Ministry of Agriculture, Water and Land Reform (MAWLR) to prepare newly resettled farmers under the Resettlement Scheme of Government. Such training is funded under the auspices of the Land Acquisition and Development Fund (LADF). During the FY2020/21, three (3) pre-settlement training sessions were conducted, reaching seventy-seven (77) participants.

#### 7.4.3 Research and Product Development

The Bank's research agenda sought to strengthen the analytical content of the business and economic environment. During the year under review the division produced publications such as the Monthly Market Monitor, Quarterly Economic Outlook and the National budget review, which featured in the print media to keep the nation informed of the role of Agribank as a development finance institution. These flagship publications have contributed to improvement in brand visibility and ranking over the review period.

The research role is intended to support the Bank's operations and inform decision making. The Financial Year 2020/2021 kicked off with the biggest news cast on the outbreak of the COVID-19 pandemic across the globe.

As part of the policy response, the Government of the Republic of Namibia adopted the First Phase of the Economic Stimulus and Relief Package to the value of N\$8.1 bn to stimulate real business activities and support households. In line with this policy measure, the research division developed a stimulus and relief package to mitigate the impact of Covid-19 on farmers which was launched in April 2020 and successfully implemented.

The division continued to monitor the risks and impact of the pandemic on the agriculture sector to identify financing needs for farmers as well as financing opportunities for the Bank.

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## Pursuant to the economic transformation agenda of the Bank, the division developed the Women and Youth scheme which was launched in October 2020.

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In collaboration with GIZ and UNAM, the division conducted a farming productivity study and continues to promote diversity in farming operations. Focus is placed on continuous improvement of products and services through tracking of customer feedback, review, and development of value chain financing products.

### 7.5 ICT and Business Innovation

While the FY2020/21 presented challenges for our business operations due to the impact of Covid-19 and subsequent lockdowns, it has also presented opportunities for ICT to accelerate the digital transformation of the Bank. The Information Communication Technology (ICT) department delivered on several key initiatives, driving digital

adoption, thereby assisting the Bank in delivering end-to-end self-service capabilities to execute a better service to clients.

The Sales Automation Initiative (SAI) was launched and implemented in March 2021, allowing a transparent, on-line loan application experience, from application, approval to disbursement. This automated process will be continuously enhanced and improved as we learn more about our clients' experience and ultimately lead to reducing the cost-to-serve while increasing digital sales.

The Bank's cybersecurity posture was significantly strengthened during the FY2020/21. IT governance and control process were improved, including additional investments made in threat detection and automatic ringfencing of these threats using artificial intelligent network capabilities.

The ICT department will continue to drive innovation and efficiency through its automation and digital transformation levers.

### 7.6 Risk Management

#### 7.6.1 COVID-19 Impact

As the gravity of the pandemic became apparent, the Bank urgently re-prioritised its business operations and positioned itself to counter any possible eventuality of disruption, and uncertainty that may be looming ahead. The Bank immediately focused efforts on the following priority areas:

- Protecting the safety and health of our employees and customers by instituting new, robust hygiene and related protocols at all our premises and facilities
- Re-organising our business to enable it to continue operating and providing essential services to our customers
- Emphasising focus on cost containment and effective liquidity management
- Prioritising implementation of the Covid-19 relief and stimulus scheme and impairment models, taking into account the rapidly changing market environment.





The emerging risks because of COVID-19 have changed the perspective of business continuity management across all levels. A responsive Business Continuity Plan was applied as the basis for developing a remote/flexible/rotational work arrangement plan to reduce the major impact of not delivering service to our clients for an extended period.

The Bank continues to monitor new COVID-19 developments to act proactively to protect lives and impact on operations. The Bank encourages its staff and customers to comply with the guidelines of the Ministry of Health and Social Services.

#### **7.6.2 Risk Management Activities**

Despite the challenges posed by COVID-19, the risk management division completed 90% of its planned activities for the review period.

A robust review of its strategic risks was performed and risks that were no longer relevant were archived. The Bank maintains risk registers detailing the risks it could be exposed to, which are proactively monitored for appropriate action.

#### **7.6.3 Risk Culture**

The process of creating and maintaining a solid risk culture involves a high level of awareness and sound risk-taking behaviour aligned with the Bank's risk appetite as determined by governance structures from time to time.

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**The risk culture is linked to performance management and thus, performance agreements of all executives, managers and staff include an element of risk performance targets.**

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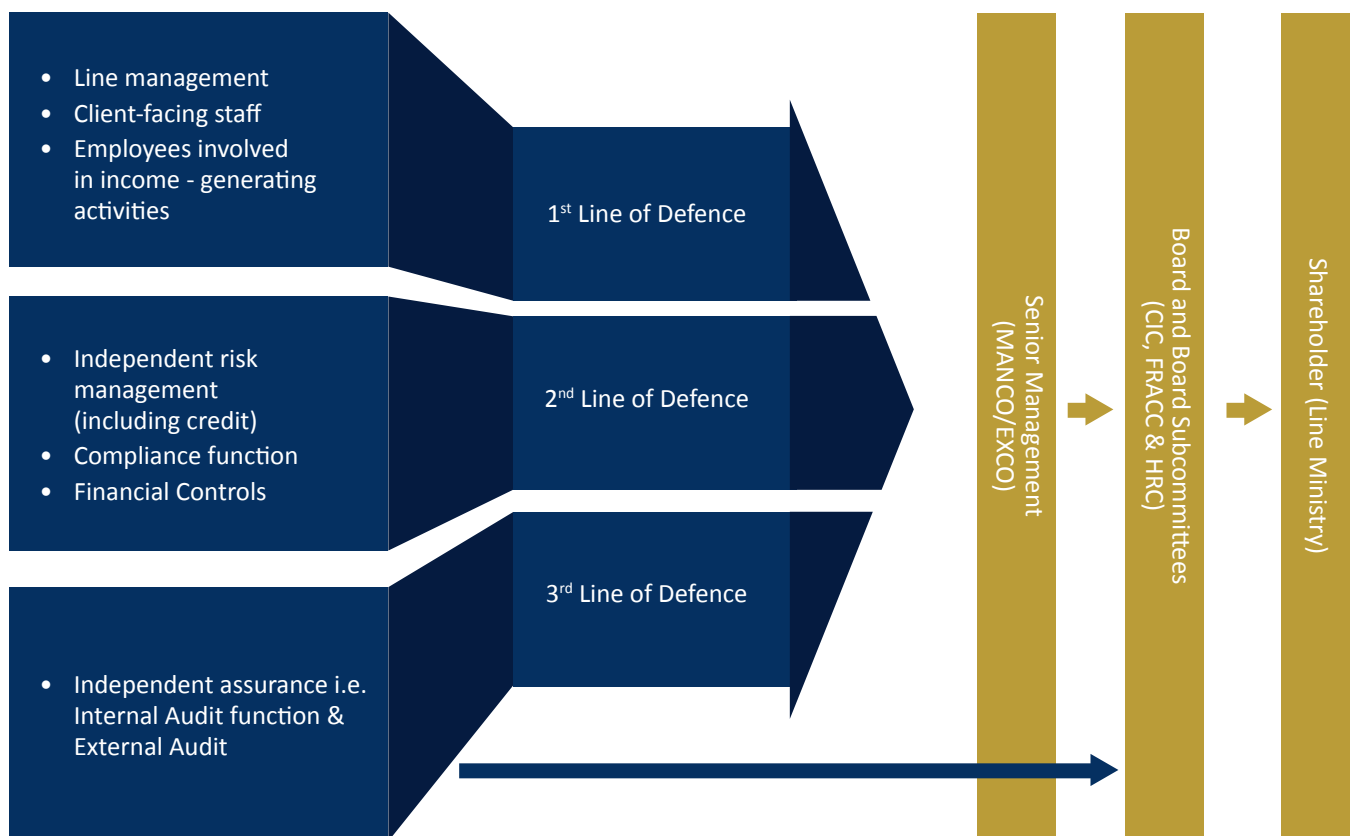


### 7.6.4 Risk Governance

The Board of Directors has the ultimate responsibility for the Bank's business strategy, financial soundness, governance, risk management and compliance and has allocated oversight of risk governance to the

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

The Bank applies the three-lines-of-defence Risk Governance Model, which incorporates the following:



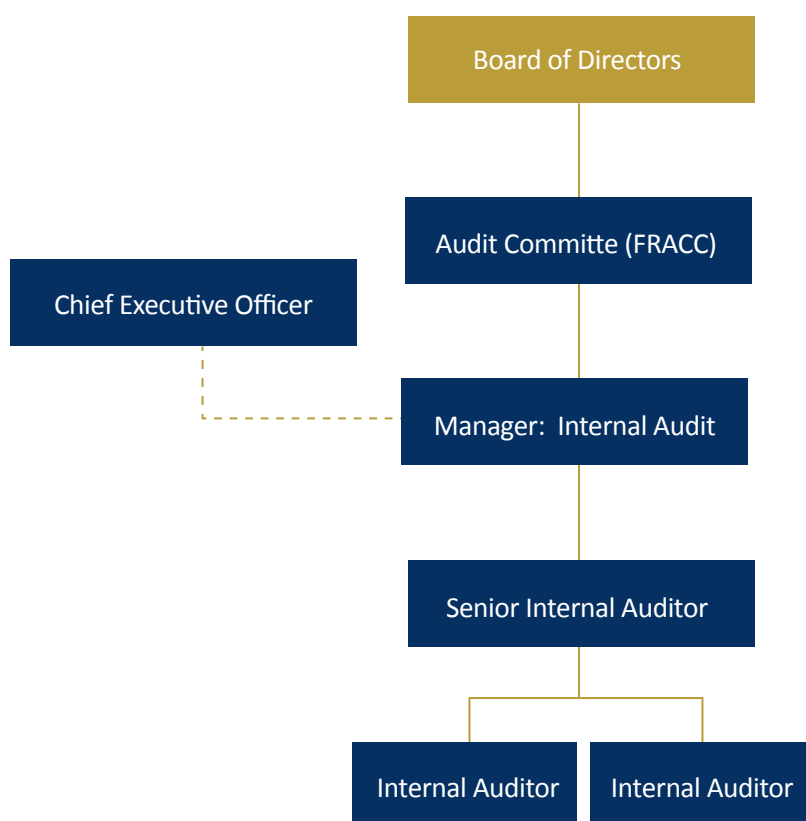
#### Going forward;

- Monitor Bank's risks exposure towards emerging risks to ensure organisational resilience
- Implementation of key initiatives to drive risk maturity that could improve the Bank's risk culture.

### 7.7 Internal Audit

Internal Audit is an independent and objective division within Agribank dealing with quality assurance and consulting. The division provides independent assurance to the Board and management on the effectiveness of the internal control system by conducting periodic reviews of key processes linked to significant risks facing the Bank. Internal Audit is governed by its approved Charter. The division reports to the Board through FRACC.

Figure 14: Internal Audit Governance Structure



In carrying out its duties, Internal Audit aspires to fully adhere to the *International Standards for the Professional Practice of Internal Auditing* and the *Institute of Internal Auditors' Code of Ethics*. All members of the Internal Audit division are members of the Institute of Internal Auditors and we subscribe to the International Internal Audit Standards.

The division executed its risk-based internal audits as per the approved Internal Audit Plan for the review period. It also facilitated and reported on the whistle-blower policy and hotline programme.

A completion rate of 97% of the audits as per the audit plan of the FY2020/21 was obtained, inclusive of five ad-hoc or special assignments.

Another key activity was to track whether accountability had been assumed in respect of following up on previously raised issues and that the intended action to mitigate risk exposure have been implemented. 95% of audit issues emanating from the Internal Audits conducted were resolved. The division also conducted a benchmark survey with the industry peers regarding the governance, structures, and performance of an Internal Audit function. Fulfilling, it is clear from the benchmark survey that we are a high performing Internal Audit Function that strives to deliver exceptional services to our stakeholders.

## 7.8 Legal Services

The legal division caters for comprehensive legal service and support throughout the Bank. Headed by an admitted Legal Practitioner, the division's primary functions comprise, amongst others: oversight of litigation matters, contract management, ongoing legal advisory services and legal collections.

As at 31 March 2021, legal collections increased by 12% to N\$108,557,091 (see Figure 15 below). No new litigation matters were recorded during the reporting period.

During the review period, the total number of cases at the external attorneys were 165, of which 27% of

the cases obtained judgement.

Furthermore, 51% of the cases obtained warrants of execution, of which most of these matters have payment arrangements in place which are being monitored.

Figure 15: Legal Collection Trends over the past 5 years



### 7.8.1 Pending ligations

Agribank has been involved in protracted court cases with various entities as mentioned below.

#### Witvlei Meat (Pty) Ltd

Since 2003, when Agribank evicted Witvlei Meat (PTY) Ltd from the abattoir, the Bank has been in a court dispute with Witvlei Meat claiming an amount of N\$59,641,698 plus interest calculated at 20% per annum from date of breach until date of payment. The Bank instituted a counter claim for damages in the amount of N\$3 million, plus N\$250 thousand per month, from 1 July 2015 to date of judgement, plus interest at 20% per annum until date of payment.

#### Update on Komsberg (Pty) Ltd (In liquidation)

The High Court of Namibia approved the liquidation of Komsberg (Pty) Ltd and was subsequently sold. The liquidator is Executrust. Agribank's approved claim is N\$ 103, 134, 802.79 of which N\$ 73,

752, 966.95 is secured by three bonds. The secured portion of N\$ 73,752,966.95 will be paid to Agribank upon confirmation of all four L & D Accounts and Management Accounts. The remaining portion of N\$ 29, 381, 835. 84 that Agribank shares in as a concurrent creditor and preferent creditor will be paid as part of the free residue account after the liquidation expenses have been settled.

#### Update on SME Bank (in-liquidation)

Agribank invested N\$23,466,284.78 during October 2015. The maturity value of N\$25,402,253.27 was re-invested during October 2016 for a period of 12 months at a rate of 9.65%. SME Bank was placed under provisional liquidation on 11 July 2017 and under final liquidation on 23 October 2018. Agribank submitted its claimed during June 2019 which claim was approved and Agribank has since received an amount of N\$25,000,000.



# EXECUTIVE MANAGEMENT



# 8. EXECUTIVE MANAGEMENT

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Daily operations of the Bank are managed by the Executive Committee (EXCO), chaired by the Chief Executive Officer.

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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.

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Chief Executive Officer:  
*Sakaria Nghikembua*



Chief Financial Officer:  
*Louis Du Toit*



Executive: Marketing and  
Customer Strategy:  
*Regan Mwazi*



Executive: Sales:  
*Andre Botes*



Executive: Credit:  
*Emmanuel Masule*



Executive: Human Resources:  
*Muhindua Kaura*



Executive: ICT and Business Innovation:  
*Ben Jacobs*



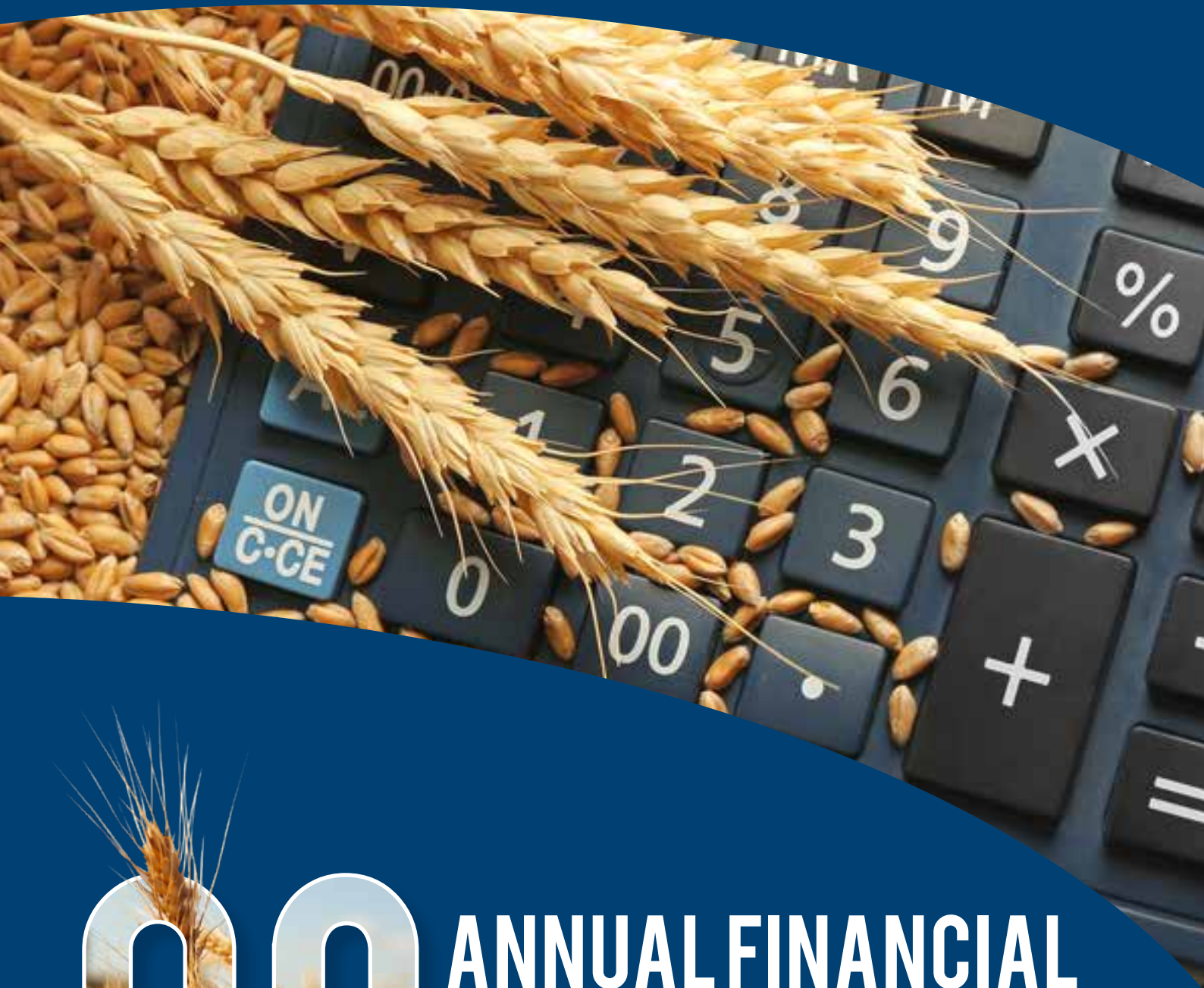
Manager: Internal Audit:  
*Benjamin Coetzee*



Risk Officer:  
*Kenneth Kasata*



Corporate Governance Officer/  
Company Secretary and Legal:  
*Evast Kalumbu*



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# ANNUAL FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 31 MARCH 2021

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# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

General information	
Country of incorporation and domicile	Namibia
Reporting Currency	Namibian Dollar
Registered office	10 Post Street Mall Windhoek Namibia
Business address	10 Post Street Mall Windhoek Namibia
Postal address	Private Bag 13208
	Windhoek Namibia
Establishment 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	PricewaterhouseCoopers
Auditor	Auditor-General of the Republic of Namibia



# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Contents

The reports and statements set out below comprise the annual financial statements presented to the members:

Page	
Directors' report	45 - 46
Statement of Financial Position	47
Statement of Comprehensive Income	48
Statement of Changes in Equity	49
Statement of Cash Flows	50
Accounting policies	51 - 60
Notes to the annual financial statements	61 - 86

### Approval of Annual financial statements

The annual financial statements, set out on pages 45 to 86 have been compiled from the books of the Bank and to the best of our knowledge and belief, are correct.

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**Sakaria Nghikembua**  
Chief Executive Officer

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**Louis du Toit**  
Chief Financial Officer

The annual financial statements, set out on pages 45 to 86 have been approved by the Board of Agricultural Bank of Namibia and are signed on its behalf by:

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**Dagmar Honsbein**  
Vice Chairperson of the Board

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

The directors have pleasure in submitting their report on the annual financial statements of Agricultural Bank of Namibia for the year ended 31 March 2021.

## 1. 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 have been no material changes to the main business activities of the Bank over the reporting period.

## 2. Directorate

The directors in office at the date of this report are as follows:

Directors	Nationality	Changes
M Iyambo (Chairperson)	Namibian	Resigned 13 April 2021
D Honsbein (Vice Chairperson)	Namibian	
Dr M Humavindu	Namibian	
P Hangula	Namibian	
P Kaapama	Namibian	

There have been no changes to the directorate for the year under review.

## 3. Dividends

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

## 4. 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.

## 5. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report that would require adjustments to or disclosure in the annual financial statements.

## 6. Impact of COVID-19 on the annual financial statements

The true impact of Covid-19 on the annual financial statements is not entirely indistinguishable from the preceding three years of drought which reflected the worst consecutive drought in recorded history in Namibia ending 2019. An above average rainfall was recorded for the 2020 year, this respite has allowed farmers to restock to a certain extent, however livestock herds are not yet at levels required of many farmers to sustainably repay Agribank debt. The agricultural sector was not as severely impacted by Covid-19 as other sectors within the Namibian economy and recorded the highest increase in contribution to GDP for the 2020 calendar year. The Agricultural sector also evidenced a slow down in land sales, mainly due to the depression in the Namibian housing market as well as uncertainty regarding measures introduced to curb Covid-19. Agribank in response to the national need and also in response to the Covid-19 relief measures announced by the Minister of Finance implemented the following measures to assist farmers and thereby the Agricultural sector to provide stimulus to the Namibian economy.

- Interest rate reductions to products linked to market interest rates.
- Covid-19 instalment relief measures and debt restructure relief measures.
- Stimulus funding to assist with restocking.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

The impact of Covid-19 on the annual financial statements are as follows:

Area	Financial Impacts
Increase in Stage 3 loans due to farmers struggling to deal with the conditions.	This worsened the stage 3 Expected Credit Loss provision by N\$22.1m. This was partially offset by a reduction in the Loss Given Default ratio.
A once off judgemental increase of 10% in the Stage 3 Expected Credit loss provision to consider the potential future uncertainties of the spread of Covid-19 virus (incl. strains thereof).	This worsened the stage 3 Expected Credit Loss provision by N\$20.8m. This was partially offset by a reduction in the Loss Given Default ratio.
Slow down in disbursements due to farm sale slowdowns as a result of farmers not being able to afford new debt in light of economic uncertainty.	The impact is considered to be in the region of N\$150m to N\$200m. With an estimated impact in top-line revenue of N\$7.5m.
Decrease in interest rates with effect of 1 June 2020.	The impact on revenue is estimated at N\$18m annually and N\$15m for the 10 months the rate reduction was effective for during the financial year.

## 7. Going concern

We draw attention to the annual financial statements, which indicates that the Bank incurred a net profit of N\$37,167,000 during the year ended 31 March 2021 and, as of that date, the Bank's assets exceeded its liabilities by N\$2,606,733,000.

The directors believe that the Bank has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Bank is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Bank. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Bank.

Stakeholders are reminded that the financial statements are based on the actual results for the year ended 31 March 2021, as required in

terms of IFRS. Therefore, these financial statements do not reflect the current market conditions and must be read in that context. The directors, while complying with IFRS, have also chosen to comment on the impact of the developing COVID-19 pandemic. Despite recent market volatility caused by COVID- 19, the Bank remains resilient.

The Bank has evaluated the financial impact of COVID-19 and cannot identify a going concern risk within the medium term. While premature to quantify this impact, the Bank has observed that prices for the Bank's financial services remained stable. By nature, the banking sector is expected to be relatively shielded, being a provider of essential financial services, with early impacts being that demand is still as expected.

The Bank has identified the health of its employees as the most critical risk factor during the pandemic and has implemented sufficient measures to mitigate these risks. With the information at hand, the directors believe that the Bank has adequate cash and access to funding to continue with its operations in order to sustain the Bank.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Statement of Financial Position as at 31 March 2021

	Note(s)	2021 N\$ '000	2020 Restated * N\$ '000	01 April 2019 Restated * N\$ '000
<b>Assets</b>				
Cash and cash equivalents	3	377,678	30,387	53,390
Other receivables	4	571	3,465	3,304
Inventories	5	1,165	1,081	1,024
Loans and advances to customers	6	2,895,803	2,860,792	2,731,728
Retirement benefit asset	7	1,583	1,108	-
Investment property	8	44,502	50,089	44,261
Property, plant and equipment	9	106,438	107,434	115,481
Intangible assets	10	3	10	125
<b>Total Assets</b>		<b>3,427,743</b>	<b>3,054,366</b>	<b>2,949,313</b>
<b>Equity and Liabilities</b>				
<b>Liabilities</b>				
Due to banks	3	4,752	100,175	87,685
Creditors and other payables	11	9,504	7,201	11,872
Finance lease liabilities	12	1,068	1,657	-
Borrowed funds	13	531,396	192,673	202,827
Special purpose funds	14	101,344	98,372	101,921
Loan guarantee fund	15	121,459	118,845	120,321
Retirement benefit obligation	7	-	-	9,353
Provisions	16	5,092	3,592	4,712
Deferred income	17	46,395	52,285	58,318
<b>Total Liabilities</b>		<b>821,010</b>	<b>574,800</b>	<b>597,009</b>
<b>Equity</b>	18	<b>1,631,506</b>	<b>1,541,506</b>	<b>1,468,031</b>
Capital				
Reserves		893,036	855,869	802,082
Funds and grants	19	82,191	82,191	82,191
<b>Total Equity</b>		<b>2,606,733</b>	<b>2,479,566</b>	<b>2,352,304</b>
<b>Total Equity and Liabilities</b>		<b>3,427,743</b>	<b>3,054,366</b>	<b>2,949,313</b>



# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Statement of Comprehensive Income

	Note(s)	2021 N\$ '000	2020 Restated * N\$ '000
Interest income	20	245,964	243,147
Interest expense	21	(32,486)	(36,689)
<b>Net interest income</b>		<b>213,478</b>	<b>206,458</b>
Other operating income	22	7,010	8,025
Other operating gains (losses)	23	(5,566)	150
Credit impairment losses	24	(25,498)	(15,078)
Personnel expenses	24	(100,279)	(98,069)
Depreciation and amortisation expense		(5,635)	(4,814)
General and administrative expenses	24	(45,842)	(39,697)
<b>Net operating surplus for the year</b>		<b>37,668</b>	<b>56,975</b>
<b>Other comprehensive income:</b>			
Actuarial (loss) / gain		(501)	1,017
Revaluation of properties		-	(4,205)
<b>Total items that will not be reclassified to profit or loss</b>		<b>(501)</b>	<b>(3,188)</b>
<b>Other comprehensive income for the year net of taxation</b>		<b>(501)</b>	<b>(3,188)</b>
<b>Total comprehensive income for the year</b>		<b>37,167</b>	<b>53,787</b>

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Statement of Changes in Equity

	Capital	Funds and grants	Reserves	Total equity
	N\$ '000	N\$ '000	N\$ '000	N\$ '000
Opening balance as previously reported	1,468,031	82,191	727,142	2,277,364
Adjustment to the opening balance	-	-	74,940	74,940
<b>Restated* Balance at 01 April 2019 as restated</b>	<b>1,468,031</b>	<b>82,191</b>	<b>802,082</b>	<b>2,352,304</b>
Surplus for the year	-	-	56,975	56,975
Other comprehensive income	-	-	(3,188)	(3,188)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>53,787</b>	<b>53,787</b>
Contributions	73,475	-	-	73,475
<b>Total contributions</b>	<b>73,475</b>	<b>-</b>	<b>-</b>	<b>73,475</b>
<b>Balance at 01 April 2020 as restated</b>	<b>1,541,506</b>	<b>82,191</b>	<b>855,869</b>	<b>2,479,566</b>
Surplus for the year	-	-	37,668	37,668
Other comprehensive income	-	-	(501)	(501)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>37,167</b>	<b>37,167</b>
Contributions	90,000	-	-	90,000
<b>Total contributions</b>	<b>90,000</b>	<b>-</b>	<b>-</b>	<b>90,000</b>
<b>Balance at 31 March 2021</b>	<b>1,631,506</b>	<b>82,191</b>	<b>893,036</b>	<b>2,606,733</b>
Note(s)	18	19		

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Statement of Cash Flows

		2021	2020 Restated *
	Note(s)	N\$ '000	N\$ '000
<b>Cash flows from operating activities</b>			
Surplus for the year		37,167	53,787
	25	(32,201)	(129,283)
<b>Adjustments for:</b>			
Change in operating assets			
Change in operating liabilities	25	3,214	(14,595)
Net gain / (loss) from investing activities	25	11,201	4,187
Net gain / (loss) from financing activities	25	1,462	(8,963)
<b>Net cash to operating activities</b>		<b>20,843</b>	<b>(94,867)</b>
<b>Cash flows to investing activities</b>			
Purchase of property, plant and equipment	9	(4,632)	(2,005)
Proceeds from sale of property, plant and equipment	9	21	153
<b>Net cash to investing activities</b>		<b>(4,611)</b>	<b>(1,852)</b>
<b>Cash flows from financing activities</b>			
Government contributions received	18	90,000	73,475
Funding raised		350,000	-
Repayment of loans	13	(11,277)	(10,154)
Repayment of leasing liabilities		(2,241)	(2,095)
<b>Net cash from financing activities</b>		<b>426,482</b>	<b>61,226</b>
<b>Total cash movement for the year</b>		<b>442,714</b>	<b>(35,493)</b>
Cash at the beginning of the year		(69,788)	(34,295)
<b>Total cash at end of the year</b>	3	<b>372,926</b>	<b>(69,788)</b>

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Accounting policies

### 1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

#### 1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB), and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act of Namibia.

The annual financial statements have been prepared on the historic cost basis, except for investment property, certain office properties (classified as property, plant and equipment) as well as certain financial assets measured at fair value through profit or loss. The annual financial statements are presented in Namibia Dollars, which is the Bank's functional currency, 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.

These accounting policies are consistent with the previous period.

#### **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 28.

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

### 1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### **Critical judgements in applying accounting policies**

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

#### **Impairment losses on financial assets**

The measurement of impairment losses under IFRS 9 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.



# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Accounting policies

### 1.2 Significant judgements and sources of estimation uncertainty (continued)

- 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 modelling enhancements and segmentation improvements.
- The lack of industry comparative data to confirm results given the uniqueness of the agricultural loan book.

#### **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.

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.

### 1.3 Financial instruments

Financial instruments held by the Bank are

classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Bank, as applicable, are as follows:

#### **Financial assets which are equity instruments:**

- Mandatory at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

#### **Financial assets which are debt instruments:**

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatory at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

#### **Derivatives which are not part of a hedging relationship:**

- Mandatory at fair value through profit or loss.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Accounting policies

### 1.3 Financial instruments (continued)

#### Financial liabilities:

- Amortised cost; or
- Mandatory at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 2 Financial instruments and risk management presents the financial instruments held by the Bank based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Bank are presented below:

#### *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.

#### *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.

#### *Classification 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.

Relevant financial liabilities to the Bank comprise borrowed fund and balances due to Banks and are measured at amortised cost.

#### *Derecognition of financial assets and liabilities*

#### *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.

## Accounting policies

### 1.3 Financial instruments (continued)

#### *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.

#### *Impairment of financial assets*

##### *Overview of ECL principles*

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 that 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 has determined that due to the nature of its loan book and exclusive focus on the agricultural lending with exposure to varying production cycles that 180 days in arrears is a good indicator a significant increase in credit risk since origination. The Bank records an allowance for the LTECLs. 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.

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.

#### *Calculation of ECL's*

The Bank calculates ECLs 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.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Accounting policies

### 1.3 Financial instruments (continued)

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

#### *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.

#### *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.

#### *Write offs*

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.

#### *Financial instruments*

##### *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.

#### *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.

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

#### *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.

#### *Fair value through profit or loss*

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

#### *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.



## ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Accounting policies

## 1.3 Financial instruments (continued)

**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.

**Borrowings**

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.

## 1.4 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 valuers, 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 its expected economic lives.

The rates used to depreciate assets are as follows:

Item	Average useful life
Furniture and fittings	5 years
Motor vehicles	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.

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.

## 1.5 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.

## 1.6 Investment property

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.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Accounting policies

### 1.6 Investment property (continued)

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.

### 1.7 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:

Item	Useful life
Software	3 years

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.

### 1.8 Impairment of non-financial 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.

### 1.9 Leases

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement on the inception date.

Assets and liabilities arising from a lease are initially measured on a net present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- payments of penalties for terminating the lease, if the lease term reflects the Bank exercising that option;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if the Bank is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Bank exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Accounting policies

### 1.9 Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Bank:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Right-of-use assets are generally depreciated over the lease term on a straight-line basis.

#### *Finance leases - lessor*

The Bank recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the Bank's net investment in the finance lease.

#### *Finance leases – lessee*

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

#### *Operating leases - lessor*

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

#### *Operating leases – lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Accounting policies

### 1.9 Leases (continued)

#### ***This liability is not discounted.***

Any contingent rents are expensed in the period they are incurred.

### 1.10 Inventories

Inventories are stated at the lower 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.

### 1.11 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.

### 1.12 Trade and other payables

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

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

### 1.14 Employee benefits

#### ***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.

#### ***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.

#### ***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 contributions.

The Bank's net obligation in respect of post-retirement medical benefits obligation 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), is 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.



# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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## Accounting policies

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### 1.14 Employee benefits (continued)

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

### 1.15 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.

### 1.16 Government grants

Government grants are recognised when there is reasonable assurance that:

- the Bank will comply with the 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.

Grants related to income are presented as a credit in the profit or loss (separately).

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.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

### 2. Financial instruments and 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 has responsibility 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 into an Assets and Liability Committee (ALCO), who has been established by 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

#### **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.

#### **Financial risk management**

##### **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 Group'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.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

### 2. Financial instruments and risk management (continued)

- 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 who 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 Banks credit risk exposure at the end of the year is provided in the table below:

	2021 N\$ '000	2020 Restated* N\$ '000
<b>Assets with credit risk exposure</b>		
Cash and cash equivalents (i)	377,678	30,387
Other receivables (ii)	571	3,465
Loans and advances to customers (iii)	2,895,803	2,860,792
	<b>3,274,052</b>	<b>2,894,644</b>
Combined assets with no credit risk exposure	153,691	159,722
	<b>3,427,743</b>	<b>3,054,366</b>

#### (i) 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.

#### (ii) 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.

#### (iii) 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.

#### (iv) Impairment assessment

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

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

### 2. Financial instruments and risk management (continued)

#### Principle ECL modelling outputs and assumptions

	2021	2020 (Restated)
Average remaining loan term	12.98 years	13.17 years
Probability of default (one year)	9.48 %	9.39 %
LTECL	12.35 %	14.00 %
12mECL	0.15 %	0.17 %

#### Sensitivity analysis on modelling results: 2021

1% change in PD	2,103	(2,508)
1% change in LGD	1,463	(1,463)

#### 2020 as restated

1% change in PD	1,755	(2,109)
1% change in LGD	1,645	(1,308)

#### Loan book analysed per classification stage:

##### Classification basis

-Loans subject to annual instalment	0 to 180 days	up to 365 days up	> 365 days
-Loans subject to monthly instalments	0 to 30 days	to 90 days	> 90 days

#### 2021

Closing balance	35.10 %	12.23 %	52.67 %	100.00 %
Opening balance (as restated)	40.95 %	9.77 %	49.28 %	100.00 %

#### 2020 as restated

Closing balance	40.95 %	9.77 %	49.28 %	100.00 %
Opening balance (as restated)	47.13 %	10.01 %	42.86 %	100.00 %

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 model contained in IFRS 9. The table below contains a comparison to the rebuttable model:

	Adopted Model	Rebuttable Model
At the end of the year - 2021	275,174	282,710
At the end of the year - 2020 (Restated)	253,110	260,171



# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

### 2. Financial instruments and risk management (continued)

Both methods yielded similar results, however it is the Bank's assessment that the rebuttable model does not match internal collection processes, which vary and is 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 are 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.

#### *Liquidity risk*

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

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 is not a deposit taking institution and therefore does not stress test liquidity scenarios. The Bank ensure 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:

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

### 2. Financial instruments and risk management (continued)

2021	Within 12 months N\$'000	Between 1 and 5 years N\$'000	More than 5 years N\$'000	Total
<b>Financial assets</b>				
Cash and cash equivalents	377,716	-	-	377,716
Loans and advances to customers	1,159,815	1,265,559	468,406	2,893,780
Other receivables	3,555	-	-	3,555
<b>Total financial assets</b>	<b>1,541,086</b>	<b>1,265,559</b>	<b>468,406</b>	<b>3,275,051</b>
<b>Financial liabilities</b>				
Due to banks	6,657	-	-	6,657
Borrowed funds	12,090	433,865	88,004	533,959
Creditors and other payables	4,196	-	-	4,196
Finance lease liabilities	722	346	-	1,068
<b>Total financial liabilities</b>	<b>23,665</b>	<b>434,211</b>	<b>88,004</b>	<b>545,880</b>
<b>Net undiscounted financial assets</b>	<b>1,517,421</b>	<b>831,348</b>	<b>380,402</b>	<b>2,729,171</b>
<b>2020</b>	<b>Within 12 months N\$'000</b>	<b>Between 1 and 5 years N\$'000</b>	<b>More than 5 years N\$'000</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and cash equivalents	30,387	-	-	30,387
Loans and advances to customers	1,026,503	1,555,613	312,531	2,894,647
Other receivables	3,465	-	-	3,465
<b>Total financial assets</b>	<b>1,060,355</b>	<b>1,555,613</b>	<b>312,531</b>	<b>2,928,499</b>
	100,175	-	-	100,175
<b>Financial liabilities</b>				
Due to banks				
Borrowed funds	28,184	93,350	71,138	192,672
Creditors and other payables	7,200	-	-	7,200
Finance lease liabilities	1,286	371	-	1,657
<b>Total financial liabilities</b>	<b>136,845</b>	<b>93,721</b>	<b>71,138</b>	<b>301,704</b>
<b>Net undiscounted financial assets</b>	<b>923,510</b>	<b>1,461,892</b>	<b>241,393</b>	<b>2,626,795</b>

With the exception of Komsberg as disclosed in note 3, no other financial assets are encumbered. The carrying value of Komsberg reflected in loans and advances, in the between 1 and 5 year category, is N\$73,752,967 for both financial periods. As this is the only item no additional disclosure unencumbered maturities is presented as required under IFRS 7.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

### 2. Financial instruments and risk management (continued)

#### 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 below.
- 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.

#### 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 Banks' liabilities and the interest earned on its assets.

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 table below summarised the Bank's exposure to interest rate risks.

		2021	2020
		N\$ '000	Restated* N\$ '000
<b>Financial assets</b>	<b>Interest rate</b>		
Cash and cash equivalents	Floating	376,924	30,387
Loans and advances to customers			
- Specific schemes	Fixed	65,428	67,286
- Other	Floating	2,828,352	2,827,361
Other receivables	Non-interest bearing	3,555	3,465
<b>Financial liabilities</b>			
Due to banks	Floating	6,657	100,175
Borrowed funds	Fixed	101,311	105,285
- Government loan			
- Bank loan	Floating	80,085	87,388
Special purpose funds	Fixed and floating	101,344	98,372
Loan guarantee fund	Floating	121,459	118,845
Creditors and other payables	Non-interest bearing	4,196	7,200

Financial assets are classified consistently on an amortised cost basis.

There are no liabilities that are classified as fair value through profit and loss.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

	2021 N\$ '000	2020 Restated* N\$ '000
<b>Cash flow sensitivity analysis for interest-bearing instruments:</b>		
100 bps increase in rates on net floating financial assets	28,957	24,530
100 bps decrease in rates on net floating financial assets	(28,957)	(24,530)
<b>3. Cash and cash equivalents / Due to other banks</b>		
Cash and cash equivalents consist of:		
Cash on hand	32	32
Bank balances	37,465	4,026
Notice deposits	359,286	43,909
Provision for impairment	(19,105)	(17,580)
Due to other banks	(4,752)	(100,175)
	372,926	(69,788)

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 provision for impairment reflects the irrecoverable amount on this investment. The amounts due to other banks represents 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 13. Interest is payable at a rate of 9.00% (2020: 9.00%).

### 4. Other receivables

Other receivables	571	3,465
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### 5. Inventories

Office consumables	1,165	1,081
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### 6. Loans and advances to customers

Loan capital	2,383,779	2,436,508
Arrears	787,171	677,394
Impairment allowance	(275,147)	(253,110)
	<b>2,895,803</b>	<b>2,860,792</b>
The impairment allowance reflects ECL for the following loan stages:		
ECL - stage 1	9,157	11,918
ECL - stage 2	37,593	30,008
ECL - stage 3	228,397	211,184
	<b>275,147</b>	<b>253,110</b>



# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

### 7. Retirement benefit obligation

#### *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%.

	2021 N\$ '000	2020 Restated* N\$ '000
Bank contribution	7,843	7,532
Employee contribution	3,361	3,228
	<b>11,204</b>	<b>10,760</b>

#### *Retirement benefit obligation*

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 post-retirement medical aid benefit was funded during December 2019. The net assets/liabilities balances of these two obligations made for the year are as follows:

	2021 N\$ '000	2020 Restated* N\$ '000
Present value of medical benefit obligation	2,248	1,677
Present value of severance benefit obligation	(665)	(569)
	<b>1,583</b>	<b>1,108</b>

#### *Medical benefit obligation*

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 May 2021. The valuation method used was the projected unit credit method.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

### 7. Retirement benefit obligation (continued)

	2021 N\$ '000	2020 Restated* N\$ '000
<b>Movement in the net medical plan asset/(benefit obligation)</b>		
Balance at the beginning of the year	1,677	(8,785)
Return on asset less interest expense	(139)	(1,549)
Benefits paid	(682)	424
Actuarial gain (remeasurement)	450	594
Annuity purchased	-	10,993
Annuity purchase contribution	892	-
	<b>2,198</b>	<b>1,677</b>
The principal assumptions used were:		
Discount rate	10.98 %	12.09 %
Health care cost inflation	9.02 %	9.20 %
Average retirement age (in years)	58	60
<b>Amount recognised in the statement of comprehensive income are as follows:</b>		
Return on asset less interest expense	139	1,549
<b>Remeasurement of the defined benefit obligation:</b>		
Actuarial (loss) / gain recognised through other comprehensive income	(501)	1,017
<b>Severance benefit obligation</b>		
<b>Movement in severance benefit obligation</b>		
Balance at the beginning of the year	(569)	(568)
Current service costs	(60)	(63)
Interest expense	(62)	(50)
Benefits paid	77	70
Actuarial (loss) / gain recognised through other comprehensive income	(51)	42
	<b>(665)</b>	<b>(569)</b>

### 8. Investment property

	2021			2020		
	Valuation	Accumulated depreciation	Carrying value	Valuation	Accumulated depreciation	Carrying value
Investment property	44,502	-	44,502	50,089	-	50,089

#### Reconciliation of investment property - 2021

	Opening balance	Fair value movement	Total
Investment property	50,089	(5,587)	44,502

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

### 8. Investment property (continued)

#### Reconciliation of investment property - 2020

	Opening balance	Transfers	Fair value movement	Total
Investment property	44,261	4,648	1,180	50,089

	2021 N\$ '000	2020 Restated* N\$ '000
<b>Comprises the following properties</b>		
<b>Witvlei properties</b>		
Portion 38 of Farm Okatjirute No 155	30,800	33,000
Extension of Farm Okatjirute No 155	2,500	6,128
Erf Prn 18, Witvlei	4,900	3,507
Erf Prn 34, Witvlei	830	873
Erf Prn 117, Witvlei	125	264
Erf Prn 203, Witvlei	217	606
Erf Prn 204, Witvlei	170	383
Erf Prn 292, Witvlei	172	344
Erf Prn 294, Witvlei	140	336
<b>Owner occupied properties</b>		
Portion of Erf 1235, Rundu	4,648	4,648
	<b>44,502</b>	<b>50,089</b>

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 as well as owner occupied 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 and a subsequent valuation of the contents of the abattoir contained on Extension of Farm Okatjirute No 155 during March 2020, also by an independent sworn appraiser. It should be highlighted that these properties remain the subject of an ongoing legal dispute, however this dispute was settled by the Supreme Court after year end ruling in favour of the Bank.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

### 9. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Freehold land and buildings	99,963	(2,036)	97,927	99,963	-	99,963
Furniture and fittings	12,110	(10,578)	1,532	11,212	(9,758)	1,454
Motor vehicles	6,953	(5,785)	1,168	6,476	(4,461)	2,015
Office equipment	2,004	(1,874)	130	1,988	(1,807)	181
Computers	8,356	(5,925)	2,431	7,931	(5,695)	2,236
Leasehold assets	2,123	(474)	1,649	384	(384)	-
Right of use asset	5,531	(3,930)	1,601	3,503	(1,918)	1,585
<b>Total</b>	<b>137,040</b>	<b>(30,602)</b>	<b>106,438</b>	<b>131,457</b>	<b>(24,023)</b>	<b>107,434</b>

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Total
Freehold land and buildings	99,963	-	(2,036)	97,927
Furniture and fittings	1,454	921	(843)	1,532
Motor vehicles	2,015	476	(1,323)	1,168
Office equipment	181	39	(90)	130
Computers	2,236	436	(241)	2,431
Leasehold assets	-	1,738	(89)	1,649
Right of use asset	1,585	1,022	(1,006)	1,601
	<b>107,434</b>	<b>4,632</b>	<b>(5,628)</b>	<b>106,438</b>

#### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Freehold land and buildings	108,816	-	-	(4,648)	(4,205)	-	99,963
Furniture and fittings	2,313	-	-	-	-	(859)	1,454
Motor vehicles	3,310	-	-	-	-	(1,295)	2,015
Office equipment	297	6	-	-	-	(122)	181
Computers	745	1,999	(3)	-	-	(505)	2,236
Right of use asset	-	3,503	-	-	-	(1,918)	1,585
	<b>115,481</b>	<b>5,508</b>	<b>(3)</b>	<b>(4,648)</b>	<b>(4,205)</b>	<b>(4,699)</b>	<b>107,434</b>



# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Freehold land and buildings	108,816	-	-	(4,648)	(4,205)	-	99,963
Furniture and fittings	2,313	-	-	-	-	(859)	1,454
Motor vehicles	3,310	-	-	-	-	(1,295)	2,015
Office equipment	297	6	-	-	-	(122)	181
Computers	745	1,999	(3)	-	-	(505)	2,236
Right of use asset	-	3,503	-	-	-	(1,918)	1,585
	<b>115,481</b>	<b>5,508</b>	<b>(3)</b>	<b>(4,648)</b>	<b>(4,205)</b>	<b>(4,699)</b>	<b>107,434</b>

### Right of use assets

#### Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Government loan

Bank Windhoek loan

#### Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Office space

Parking space

Office equipment

2021 N\$ '000	2020 Restated* N\$ '000
1,063	1,101
538	484
<b>1,601</b>	<b>1,585</b>
560	1,206
446	436
-	276
<b>1,006</b>	<b>1,918</b>

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

## ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

## 9. Property, plant and equipment (continued)

	2021 N\$ '000	2020 Restated* N\$ '000
Erf 5479, Windhoek	84,374	84,374
Erf 995, Otjiwarongo	4,650	4,650
Erven 870 and 871 Mariental	170	170
Erf 1235, Rundu	932	932
Erf 1591, Oshakati	1,814	1,814
Unit 4, Romemoer, Otjiwarongo	1,345	1,345
Erf 2195, Otjimui Extension 4, Section 7, Raili Court	1,434	1,434
Erf 1968, Hochlandpark	1,258	1,258
Erf 1588, Oshakati Extension 7	3,986	3,986
	<b>99,963</b>	<b>99,963</b>

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 13 of these financial statements.

## 10. Intangible assets

	2021			2020		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Software	28,691	(28,688)	3	28,691	(28,681)	10

## Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Software	10	(7)	3

## Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Software	125	(115)	10

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

	2021 N\$ '000	2020 Restated* N\$ '000
<b>11. Creditors and other payables</b>		
Creditors	9,394	7,091
Grants and bursaries	110	110
	<b>9,504</b>	<b>7,201</b>
<b>12. Finance lease liabilities</b>		
<i>Minimum lease payments due</i>		
- within one year	754	1,349
<i>Present value of minimum lease payments due</i>		
- within one year	722	1,286
- in second to fifth year inclusive	346	371
	<b>1,068</b>	<b>1,657</b>
<b>13. Borrowed funds</b>		
Government loan	101,311	105,285
Bank Windhoek loan	80,085	87,388
GIPF - 3 year term instrument	150,000	-
GIPF - 5 year term instrument	50,000	-
SSC - 5 year term instrument	150,000	-
	<b>531,396</b>	<b>192,673</b>

### 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 (2020: N\$218,139,076). The loan attracts interest at 2% (2020: 2%) per annum and is repayable in equal instalments of N\$12,823,255 (2020: N\$12,823,255). The balance disclosed represents the fair value of the loan as at the end of the financial period.

### Bank Windhoek loan

The loan attracts interest at rates linked to prime (currently 9.65% (2020: 9.65%)) 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 mn over Erf No. 5478, Windhoek.
- First covering mortgage Bond for N\$ 5.58 mn over Erf No. 1235, Rundu.
- First covering mortgage Bond for N\$ 4.65 mn over Erf No. 1235, Otjiwarongo.
- Registered cession of fire insurance policy over the above-listed properties.
- Registered cession over cash cover of N\$ 100 mn held at the Bank.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

	2021 N\$ '000	2020 Restated* N\$ '000
<b>14. Special purpose funds</b>		
Ministry of Lands and Resettlement (Post-resettlement)	76,356	75,699
Staff savings scheme	88	623
Government ministries, agricultural boards and unions	18,004	19,311
Government Institutions Pension Fund	4,157	-
Drought relief scheme fund	2,739	2,739
	<b>101,344</b>	<b>98,372</b>
The Bank acts as an agent for the management of these funds on behalf of third parties.		
<b>15. Loan guarantee fund</b>		
Loan guarantee fund	121,459	118,845

The loan guarantee fund attracts interest at the rate equivalent to the average rate of inflation of 2.4% (2020: 2.4%).

The Bank has borrowed N\$89 mn from the loan guarantee fund repayable over 5 years with a 2 year grace period.

## 16. Provisions

### Reconciliation of provisions - 2021

	Opening balance	(Released from) / charged to the income statement	Total
Leave pay	3,592	1,500	5,092

### Reconciliation of provisions - 2020

	Opening balance	(Release from) / charged to the income statement	Total
Leave pay	4,712	(1,120)	3,592



# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

### 17. Deferred income

The deferred income arose from the Government loan (referred to in note 13) attracting interest at 2% (2020: 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% (2020: 9.25%) per annum.

	2021 N\$ '000	2020 Restated* N\$ '000
Opening balance	52,285	58,318
Amortised to the statement of comprehensive income	(5,890)	(6,033)
	<b>46,395</b>	<b>52,285</b>
<b>18. Capital</b>		
Opening balance	1,541,506	1,468,031
Contribution during the year	90,000	73,475
	<b>1,631,506</b>	<b>1,541,506</b>

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.

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 3 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 from a liquidation claim, once the claim has been settled the Bank will operate with a net surplus cash position.

### 19. Funds and grants

European fund account	11,528	11,528
Government scheme	36,102	36,102
Agribank - NACP contribution	34,561	34,561
	<b>82,191</b>	<b>82,191</b>

### 20. Interest income

Advances granted	241,989	242,153
Bank and money market investments	3,975	994
	<b>245,964</b>	<b>243,147</b>

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

		2021 N\$ '000	2020 Restated* N\$ '000
<b>21. Interest expense</b>			
Government loan		8,849	9,186
Fund accounts and borrowings		23,483	27,254
Interest paid lease		154	249
		<b>32,486</b>	<b>36,689</b>
<b>22. Other operating income</b>			
Rental income		431	399
Other income		689	1,593
Government grants		5,890	6,033
		<b>7,010</b>	<b>8,025</b>
<b>23. Other operating gains (losses)</b>			
<i>Gains (losses) on disposals</i>	9	21	150
Property, plant and equipment			
	8	(5,587)	-
<i>Fair value gains (losses)</i>			
Investment property			
<b>Total other operating gains (losses)</b>		<b>(5,566)</b>	<b>150</b>

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

	2021 N\$ '000	2020 Restated* N\$ '000
<b>24. Operating profit (loss)</b>		
Operating profit for the year is stated after charging (crediting) the following, amongst others:		
<b>Auditor's remuneration</b>		
Audit fees	531	274
<b>Remuneration, other than to employees</b>		
Professional fees	11,163	9,402
<b>Personnel expenses</b>		
Salaries and wages	88,797	87,032
Social security costs	277	277
Pension costs	11,205	10,760
<b>Total personnel expenses</b>	<b>100,279</b>	<b>98,069</b>
<b>Depreciation and amortisation expense</b>		
Depreciation of property, plant and equipment	5,628	4,699
Amortisation of intangible assets	7	115
<b>Total depreciation and amortisation</b>	<b>5,635</b>	<b>4,814</b>
<b>Credit impairment losses</b>		
<b>Movement in credit impairment losses</b>		
Impairment charge for the year	22,035	11,456
Net gains / (losses) on derecognition of financial assets measured at amortised cost	3,463	3,622
	<b>25,498</b>	<b>15,078</b>

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

2021 in N\$'000	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers	(2,761)	7,584	17,212	22,035
2020 as restated in N\$'000	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers	969	(2,995)	13,482	11,456

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

	2021 N\$ '000	2020 Restated * N\$ '000
<b>24. Operating profit (loss) (continued)</b>		
<i>General and administrative expenses</i>		
Auditor's remuneration	531	274
Advertising and marketing	3,747	3,138
Bank charges	370	353
Computer expenses	5,610	6,134
Directors expenses	405	196
General expenses	2,153	1,083
Insurance	511	500
Legal expenses	1,224	1,116
Maintenance and security	1,349	1,449
Municipal charges	2,962	2,890
Printing and stationery	1,039	908
Professional fees	11,163	9,402
Rent paid	629	-
Subscriptions and memberships	3,367	2,838
Telephone	1,572	1,381
Training	931	1,309
Travelling and accommodation	3,508	3,519
VAT apportionment expenses	3,985	2,408
Vehicle expenses	786	799
	<b>45,842</b>	<b>39,697</b>
<b>25. Additional cash flow information</b>		
<i>Change in operating assets</i>		
Net change in other receivables	2,894	(161)
Net change in inventories	(84)	(57)
Net change in loans and advances to customers	(35,011)	(129,065)
	<b>(32,201)</b>	<b>(129,283)</b>
<i>Change in operating liabilities</i>		
Net change in creditors & other payables	2,303	(4,671)
Net change in retirement benefit obligations	-	(10,461)
Net change in provisions	1,500	(1,120)
Net change in finance lease obligations	(589)	1,657
	<b>3,214</b>	<b>(14,595)</b>

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

### 25. Additional cash flow information (continued)

	2021 N\$ '000	2020 Restated* N\$ '000
<b>Net gain / (loss) from investing activities</b>		
Depreciation and amortisation expense	5,635	4,814
Profit on disposal of property, plant and equipment	(21)	(150)
Revaluation of property, plant and equipment	-	4,205
Revaluation of investment property	5,587	(1,180)
Reversal of right of use asset	-	(3,502)
	<b>11,201</b>	<b>4,187</b>
<b>Net gain / (loss) from financing activities</b>		
Rentals paid	1,766	2,095
Movement in special purpose funds	2,972	(3,549)
Movement in loan guarantee fund	2,614	(1,476)
Net change in deferred income	(5,890)	(6,033)
	<b>1,462</b>	<b>(8,963)</b>
<b>26. Commitments</b>		
<b>Authorised capital expenditure</b>		
Authorised capital expenditure	61,325	-

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.

### 27. Contingent liabilities

#### Litigation

The Bank operates in a Legal Environment, in that, by nature has heightened elements of litigation risk inherent in its operations. The Bank has formal control and policies for managing legal claims. At year end the Bank was involved in one litigation matter in the High Court of Namibia. Two Labour matters, one in the Labour Court of Namibia and one at the Offices of the Labour Commissioner.

The High Court case is the damages claims against Agribank by Witvlei Meat (PTY) Ltd for loss of income. Witvlei Meat is claiming an amount of Fifty-Nine Mn Six Hundred and Forty One Thousand Six Hundred Ninety Eight Namibian Dollars (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 Witvlei Meat. In its counter claim, Agribank claims the eviction of Witvlei from the property of the Bank and payment by Witvlei Meat for damages in the amount of Three Mn Namibian dollars (N\$3,000,000) plus Two Hundred and Fifty Namibian Dollars (N\$250,000) per month from 1 July 2015 to date of judgement, plus interest at 20% per annum until date of payment.



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FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

## 27. Contingent liabilities (continued)

Agribank has previously instituted eviction proceedings against Witvlei Meat prior to the damages matter. Agribank has since won the eviction matter and Witvlei Meat was successfully evicted from the property. Agribank is now in full possession of the property.

The matter in the Labour Court stems from an unfair retrenchment case instituted by four ex-employees against Agribank. One employee passed away before the case was finalised. The case against one employee succeeded and the employee was duly compensated by the Bank. The case against the other two was dismissed however, one of them filed a notice of appeal and the notice of appeal was opposed by the Bank. The appeal case was dormant for some time and the appellant filed a notice of motion on 7 August 2020 for the appeal case to be reinstated which the Bank is opposing. The court is yet to grant leave to appeal.

The matter at the Labour Commissioner is a complaint against Agribank by an ex-employee based on unfair dismissal. Agribank is being represented by a Legal Practitioner who have appointed an Advocate on the matter due to the complexity of the matter.

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 One Mn Three Hundred Namibian dollars (N\$1,300,000), while the timing of the outflows is uncertain.

## 28. 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 effective interest rate (EIR).

<i>As at 31 March 2021 in N\$ thousand</i>	<i>Within 12 months</i>	<i>After 12 months</i>	<i>Total</i>
<b>Assets</b>			
Cash and cash equivalents	377,678	-	377,678
Other receivables	571	-	571
Inventories	1,165	-	1,165
Loans and advances to customers	2,895,803	-	2,895,803
Retirement benefit asset	-	1,583	1,583
Investment property	-	44,502	44,502
Property, plant and equipment	-	106,438	106,438
Intangible assets	-	3	3
	<b>3,275,217</b>	<b>152,526</b>	<b>3,427,743</b>

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

### 28. Maturity analysis of assets and liabilities (continued)

<i>As at 31 March 2021 in N\$ thousand</i>	<i>Within 12 months</i>	<i>After 12 months</i>	<i>Total</i>
<b>Liabilities</b>			
Due to banks	4,752	-	4,752
Creditors and other payables	9,504	-	9,504
Finance lease liabilities	1,068	-	1,068
Borrowed funds	531,396	-	531,396
Special purpose funds	101,344	-	101,344
Loan guarantee fund	-	121,459	121,459
Provisions	-	5,092	5,092
Deferred income	-	46,395	46,395
	<b>648,064</b>	<b>172,946</b>	<b>821,010</b>

<i>As at 31 March 2020 in N\$ thousand</i>	<i>Within 12 months</i>	<i>After 12 months</i>	<i>Total</i>
<b>Assets</b>			
Cash and cash equivalents	30,387	-	30,387
Other receivables	3,465	-	3,465
Inventories	1,081	-	1,081
Loans and advances to customers	1,026,503	1,868,144	2,894,647
Retirement benefit obligation	-	1,108	1,108
Investment property	-	50,089	50,089
Property, plant and equipment	-	107,434	107,434
Intangible assets	-	10	10
	<b>1,061,436</b>	<b>2,026,785</b>	<b>3,088,221</b>

<i>As at 31 March 2020 in N\$ thousand</i>	<i>Within 12 months</i>	<i>After 12 months</i>	<i>Total</i>
<b>Liabilities</b>			
Due to banks	100,175	-	100,175
Creditors and other payables	7,200	-	7,200
Finance lease liabilities	1,286	371	1,657
Borrowed funds	28,184	164,489	192,673
Special purpose funds	98,372	-	98,372
Loan guarantee fund	-	118,845	118,845
Provisions	-	3,592	3,592
Deferred income	-	52,285	52,285
	<b>235,217</b>	<b>339,582</b>	<b>574,799</b>

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

### 29. Prior period errors

The prior period error arose due to improved modelling techniques applied in the Expected Credit Loss computation. These resulted in changes in both the Probability of Default calculations as well as to the Loss Given Default calculations and due to the material nature thereof, the prior year figures are restated to reflect these balances as well as the opening retained earnings of as at 1 April 2019.

The correction of the error results in adjustments as follows:

#### Statement of Financial Position

Opening retained earnings as previously stated

Impact of the error on opening retained earnings

#### Opening retained earnings as restated

#### Profit or Loss

Movement in ECL as previously stated

Increase in movement due to the modelling improvements

#### Movement in ECL restatement

-	(727,142)
-	(74,940)
-	(802,082)
-	(32,155)
-	20,699
-	(11,456)

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

	2021 N\$ '000	2020 Restated* N\$ '000
<b>30. Fair value information</b>		
<b><i>Fair value hierarchy</i></b>		
The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:		
Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Bank can access at measurement date.		
Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.		
Level 3: Unobservable inputs for the asset or liability.		
<b><i>Levels of fair value measurements</i></b>		
<b><i>Level 2</i></b>		
<b><i>Recurring fair value measurements</i></b>		
<b><i>Liabilities</i></b>		
<b><i>Financial liabilities at fair value through profit (loss)</i></b>		
Bank loan	(80,085)	(87,388)
Government loan	(101,311)	(105,285)
<b>Total financial liabilities at fair value through profit (loss)</b>	<b>(181,396)</b>	<b>(192,673)</b>
<b>Total</b>	<b>(181,396)</b>	<b>(192,673)</b>
<b><i>Non recurring fair value measurements</i></b>		
<b><i>Assets</i></b>		
<b><i>Investment property</i></b>		
Owner occupied properties	4,648	4,468
<b><i>Property, plant and equipment</i></b>		
Land	5,970	5,970
Buildings Leasehold property	91,957	102,846
	-	-
<b>Total property, plant and equipment</b>	<b>97,927</b>	<b>108,816</b>
<b>Total</b>	<b>102,575</b>	<b>113,284</b>

Land and Buildings are measured periodically in line with the valuation policy.

# ANNUAL FINANCIAL STATEMENTS

## Notes to the annual financial statements

The investment properties comprise the Witvlei abattoir and related land in the Witvlei area. There is no mechanism to establish a fair market value due to the specialist nature of the abattoir and the location of the other properties in Witvlei town and area due to the frequency of sales. Refer to note 8 for details regarding investment property.



# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

## Notes to the annual financial statements

### 31. New Standards and Interpretations

#### 31.1 Standards and interpretations effective and adopted in the current year

At the date of authorisation of the financial statements of the Agricultural Bank of Namibia for the year ended 31 March 2021, 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.

<i>Standard/ Interpretation:</i>	<i>Effective date: Years beginning on or after</i>	<i>Expected impact:</i>
• Amendments to IFRS 9, IAS 39, IFRS7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	01 January 2021	Unlikely there will be a material impact
• Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 19	01 January 2021	Unlikely there will be a material impact
• Amendment to IFRS 16 Leases Covid 19- Related Rent Concessions	01 June 2020	Unlikely there will be a material impact

#### 31.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2021 or later periods:

<i>Standard/ Interpretation:</i>	<i>Effective date: Years beginning on or after</i>	<i>Expected impact:</i>
• IFRS 17, 'Insurance contracts' (effective 1 January 2023 or when apply IFRS 15 and IFRS 9)	01 January 2023	Expected impact is insignificant
• Amendments to IAS 1, Presentation of financial statements' on classification of liabilities	01 January 2023	Expected impact is insignificant



## NOTES



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