BANK WINDHOEK HOLDINGS LIMITED
and its subsidiaries
Registration no: 96/300

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for the preparation, integrity and objectivity of the financial statements that fairly present the state of affairs of the Company and of the Group at the end of the financial year and the net income and cash flow for the year, and other information contained in this report.

To enable the directors to meet these responsibilities:

- the Board and management set standards and management implements systems of internal control, accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties;
- the Group’s internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the various group Audit, Risk and Compliance Committees, appraises, evaluates and, when necessary, recommends improvements in the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business; and
- the Board Audit, Risk and Compliance Committees of operating subsidiaries, together with the external and internal auditors, plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of their knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review.

The Group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis.

The financial statements, presented on pages have been prepared in accordance with the provisions of the Namibian Companies Act and comply with International Financial Reporting Standards (IFRS).

The directors have no reason to believe that the Company and the Group as a whole will not be going concerns in the year ahead, based on forecasts and available cash resources. These financial statements have accordingly been prepared on that basis.

The financial statements have been audited by the independent auditing firm, PricewaterhouseCoopers, who was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. PricewaterhouseCoopers' audit report is presented on page 5.

The financial statements, on pages 6 to 54, were authorised and approved for issue by the Board of Directors on 7 September 2011 and are signed on its behalf:

JC Brandt	**CP de Vries**
Chairman	**Managing Director**

CORPORATE GOVERNANCE STATEMENT
for the year ended 30 June 2011

Bank Windhoek Holdings Limited and its subsidiaries (the Group) are committed to the principles of corporate governance which is characterised by discipline, transparency, independence, accountability, responsibility, fairness and social responsibility. By subscribing to the these principles, the Group believes all stakeholders' interests are promoted, including the creation of long-term shareholder value.

1. Board of directors

The Board plays a pivotal role in the Group's corporate governance system. An overriding principle in regard to the Board's deliberations and approach to corporate governance will be that of intellectual honesty.

The Board, as constituted by the Companies Act, is governed by the board charter. The purpose of this board charter is to regulate how business is to be conducted by the Board in accordance with the principles of good corporate governance. The board charter sets out the specific responsibilities to be discharged by the board members collectively and the individual roles expected from them.

Role of the Board
An important role of the Board is to define the purpose of the Group, which is its strategic intent and objectives as a business enterprise, and its values, which is its organisational behaviour and norms to achieve its purpose. Both the purpose and the values should be clear, concise and achievable. The Board should also ensure that procedures and practices are in place that protect the Group's assets and reputation. The Group's strategy is considered and agreed annually, prior to the approval of the annual budget.

Responsibilities of the Board include the establishment, review and monitoring of strategic objectives, approval of major acquisitions, disposals and capital expenditure and overseeing the Group's systems of internal control, governance and risk management. A schedule of matters reserved for the Board's decision details key aspects of the Group's affairs that the Board does not delegate, including, among other things, approval of business plans and budgets, material expenditure and alterations to share capital.

Board leadership and composition
The Board should provide leadership and vision to the Group in a way that will enhance shareowner value and ensure long-term sustainable development and growth of the Group.

There are two key tasks at the head of a company, the running of the Board and the executive responsibility for the running of the company's business. There should be a clear division of responsibilities at the head of the company to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. Based on this principle, the roles of the chairperson and managing director do not vest in the same person.

The Group has a unitary board, consisting of executive, non-executive and independent directors. Representation of independent directors on the Board is required and adhered to.

The size of the Board is dictated by the company's Articles of Association ("Articles") which requires a minimum of five directors. Currently, seven members constitute the Board at group level, with one executive director and three independent non-executive directors.

Board meetings
The meeting programme is approved by the Board annually and should be no less than four meetings per year. During the year, the following board members were excused from the board meetings:

MK Shikongo	August 2010
JC Brandt	August 2010 and June 2011
JM Hill	November 2010
KB Black	June 2011

Board members are required to observe the requirements of Section 234 of the Companies Act dealing with disclosures of interests and, where appropriate, board members should absent themselves from discussion or decisions on matters of potential conflict, unless resolved otherwise by the chairman or by the remaining members of the Board. No conflict of interest were observed during reporting period.

Appointments
Procedures for appointments to the Board is formal and transparent. Members of the Board are recommended by the Group Nomination and Remuneration Committee which receives its mandate from the Board of the Group's ultimate holding company, Capricorn Investment Holdings Limited.

New board members will only hold office until the next annual general meeting at which they will retire and become available for election. Executive directors will be engaged on employment contracts, subject to short-term notice periods, unless approved by the Board. Bank Windhoek and Bank Windhoek Holdings welcomed a new managing director on 1 June 2011 and was subjected to induction training.

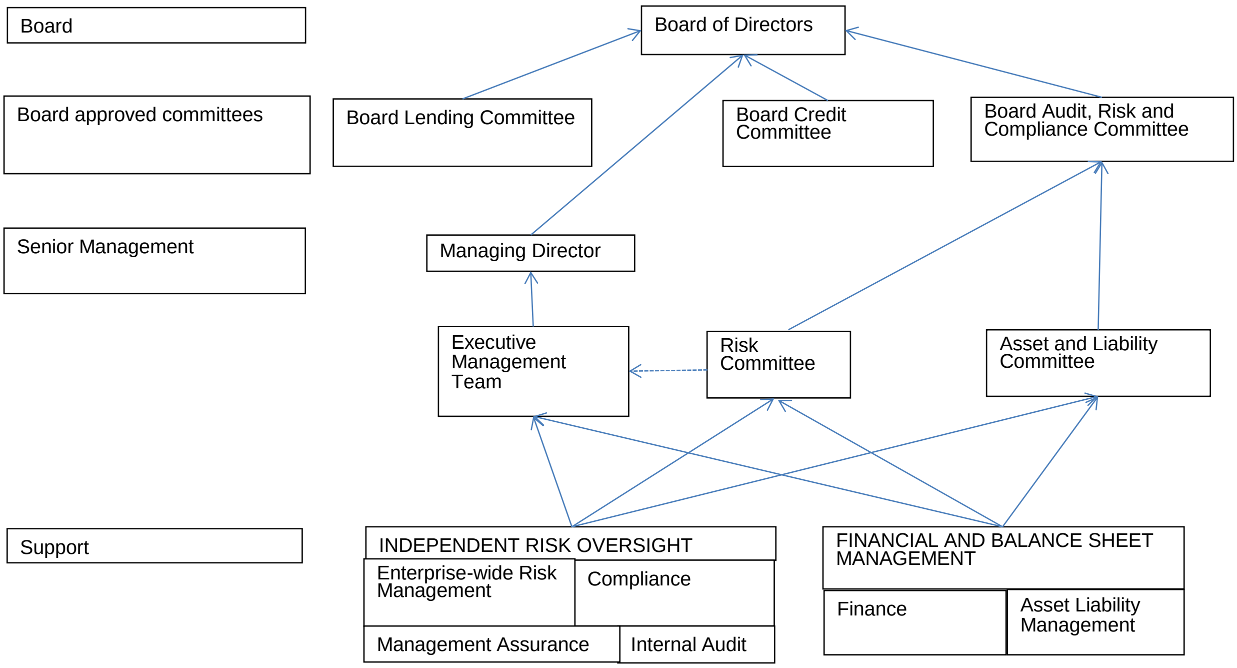
Appointments (continued)
On appointment, non-executive directors will have the benefit of an induction programme aimed at deepening their understanding of the company and the business environment and markets in which the company operates that includes background material, meetings with senior management and visits to the company's facilities. All Board members are expected to keep themselves abreast of changes and trends in the business and in the company's environment and markets, which shall include changes and trends in the economic, political, social and legal climate generally.

Access to independent advice
The company secretary is available to provide assistance and information on governance and corporate administration to the directors as appropriate. The directors may also seek advice on such matters, or on other business related matters, directly from independent professional advisors should they so wish. This is in addition to the advice provided by independent advisors to the board committees. No requests for external professional advice were received during the year.

2. Risk management

Risk management governance
The Board is ultimately accountable for any financial loss or reduction in shareholders value, and therefore has a duty to make the necessary enquiries to ensure that the requisite systems, practices and culture are in place to manage all risks to which the Group is exposed. These risk management / control responsibilities have primarily been delegated to the Board Audit, Risk and Compliance Committee (BARC), a sub-committee established by the Board.

The risk management structure of Bank Windhoek is as follows:



The BARC, whose chairman is an independent non-executive director, was established to ensure the Bank's compliance with the requirements of the Banking Institutions Act, and more specifically to oversee sound risk management, accounting, internal audit, internal control, compliance, forensics and ethics structures, and to liaise with the external auditors within the Group. Both the internal and external auditors have unrestricted access to this Committee, which ensures that their independence is in no way impaired.

During recent years and with the implementation of BASEL II, risk management within the Group has become a focal point. To assist the BARC in monitoring exposures to risks in the day-to-day operations, a Risk Committee comprising of members of the Executive Management Team and senior management, was established at the Bank Windhoek level. The primary responsibility of this team is to evaluate the risk management model employed by the Group and to provide recommendations to manage identified, unidentified and potential risks.

Risk management governance (continued)
The enterprise risk management (ERM) function at bank level, including operational risk analysis, market risk analysis and credit risk analysis, provides independent risk oversight. The Compliance function also reports to this unit and has a primary function of setting bank-wide standards for achieving compliance with the relevant laws, regulations and supervisory requirements, and industry and international best practice. The ERM function is headed by the Head: risk management, who is a member of the executive management team. The Head Risk Manager reports directly to the managing director and has unrestricted access to the chairman of the BARC. ERM is responsible for establishing and driving the implementation of risk management standards, methodology and processes.

Risk management framework
The Group has set in place an enterprise-wide risk management framework to receive information on the effectiveness of internal control procedures including the effectiveness of measures to identify and address significant internal risks arising from the operations of the Group, as well as external risks arising from the external environment in which the Group operates.

The risk management approach of the Group is to ensure that all risks that may have a significant negative impact or potential negative impact on the Group are identified and managed. The enterprise-wide risk management policies, approved by the BARC, defines the major risks that Group is exposed to, as well as how the identified risks should be assessed, monitored, controlled/mitigated and reported. This framework also establishes and quantifies the risk appetites for each category of principal risk the Group is exposed.

In order for the Group to determine the extent to which potential events have an impact on the achievement of objectives, a risk assessment process is followed. Within this process, risks identified are subject to the assessment of the likelihood of occurrence, the magnitude of impact and its threat level. Each risk is required to have a risk response, representing the Group's response to mitigate or accept the risk.

As operational risk events continuously evolve arising from external market changes and other environmental factors, as well as from new products, activities and/or systems, the ongoing review of the operational risk management framework is a crucial link in the enterprise-wide risk management process. Risk management procedures enhanced during the year includes refining the process to identify and quantify operational loss events, the classification of these events in a risk matrix and the monitoring thereof.

Refer to note 3 to the financial statements for further analysis of the principle risks and related quantitative disclosure.

3. Internal control

The Group maintains systems of internal control over financial reporting and over safeguarding of assets against unauthorised acquisition, use or disposition. These are designed to provide reasonable assurance to the Group and each subsidiary's management and Board of Directors regarding the preparation of reliable published financial statements and the safeguarding of the Group's assets.

The systems include a documented organisational structure and division of responsibility, established policies and procedures which are communicated throughout the Group, and the proper training and development of its people.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of an internal control system can change with circumstances.

The Group assesses its internal control systems on a continuous basis in relation to effective internal control over financial reporting. Based on its assessment, the Group believes that, as at 30 June 2011 its systems of internal control over financial reporting and over safeguarding of assets against unauthorised acquisitions, use or disposition, were adequate.

4. External auditors

The external audit policy, as issued by BARC, governs the work performed by the external auditors, both from an audit and non-audit perspective. The BARC approved the external auditors’ terms of engagement, scope of work, the 2011 annual audit and the applicable levels of materiality. Based on written reports submitted, the Committee reviewed, with the external auditors, the findings of their work and confirmed that all significant matters had been satisfactorily resolved. There has been no significant non-audit work performed during the reporting period.

The Committee has also assessed the external auditors’ independence and has concluded that the external auditors’ independence was not impaired during the reporting period.

5. Code of ethics

As part of its corporate governance practise and to encourage an environment where loyalty, integrity and trust prevails, all employees are required to abide to the Group's code of ethics.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BANK WINDHOEK HOLDINGS LIMITED

We have audited the consolidated annual financial statements and annual financial statements of Bank Windhoek Holdings Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2011, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 5 to 54.

Directors' Responsibility for the Financial Statements
The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia, and for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Bank Windhoek Holdings Limited as at 30 June 2011, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and requirements of the Companies Act of Namibia.

PricewaterhouseCoopers

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)

WINDHOEK
7 September 2011

BANK WINDHOEK HOLDINGS LIMITED
and its subsidiaries
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DIRECTORS' REPORT
for the year ended 30 June 2011

The directors herewith submit their report with the annual financial statements of the Company and the Group for the year ended 30 June 2011.

1. General review

The Company acts as an investment holding Company. Its main investments comprise of 100% shareholdings in Bank Windhoek Limited and Namib Bou (Proprietary) Limited and 77.6% in Welwitschia Nammic Insurance Brokers (Proprietary) Limited. The Company has a 49.7% shareholding in VTB Capital (Namibia) (Proprietary) Limited, 29.5% shareholding in Sanlam Namibia Holdings (Proprietary) Limited and 25% in Santam Namibia Limited.

The following business activities are conducted through the Company's subsidiaries and associates:

Subsidiaries:

Bank Windhoek Ltd	- Banking
Welwitschia Nammic Insurance Brokers (Pty) Ltd	- Insurance broking
Namib Bou (Pty) Ltd	- Property development
Capricorn Management Services (Pty) Ltd	- Dormant

Subsidiaries of Bank Windhoek Ltd:

Bank Windhoek Nominees (Pty) Ltd	- Custodian of third party investments
Intellect Investments Namibia (Pty) Ltd	- Proprietor of Bank Windhoek trademark
BW Finance (Pty) Ltd	- Micro lending
Bank Windhoek Properties (Pty) Ltd	- Property investment holding

Subsidiaries of Namib Bou (Pty) Ltd:

Namib Bou Hochland Estate Development (Pty) Ltd	- Property development

Associates:

VTB Capital Namibia (Pty) Ltd	- Financial consulting
Sanlam Namibia Holdings (Pty) Ltd	- Long-term insurance
Santam Namibia Limited	- Short-term Insurance

2. Financial results and dividends

Profit after tax was N$328.5 million (2010: N$281.5 million). Full details of the financial results of the Company and the Group are set out on pages 9 to 54.

Normal dividends of 90 cents per share (2010: 52c) amounting to N$100.8 million (2010: N$58.1 million) were declared during the year under review. The normal dividends declared represent an interim dividend of 52 cents (2010: 19 cents) per share and a final dividend of 38 cents (2010: 33 cents) per share. No special dividends were declared during the year (2010: N$79.4 million representing 71 cents per share).

3. Share capital

During the year 233,000 (2010: 50,000) ordinary shares with a nominal value of 10c per share were issued to the CIH Group Employee Share Benefit Trust at a premium of N$11.63 (2010: N$10.35) per share.

For full details on the issued share capital see note 34.

	Issued ordinary share capital and premium and proportion held		Details of the Company's Interests: Shares at cost		Indebtedness to/ (from) subsidiaries	
			2011	**2010**	**2011**	**2010**
	N$'000	**%**	**N$'000**	**N$'000**	**N$'000**	**N$'000**
4. Subsidiaries						
The following information relates to the Company's financial interests in its unlisted subsidiaries:						
Subsidiaries of of Bank Windhoek Holdings Limited						
Registered in Namibia						
Bank Windhoek Ltd	163,506	100	**198,944**	198,944	**(346)**	(6,762)
Welwitschia Nammic Insurance Brokers (Pty) Ltd	1,300	78	**3,458**	3,458	**(9)**	(16)
Capricorn Management Services (Pty) Ltd	-	80	-	-	-	-
Namib Bou (Pty) Ltd	23,000	100	**23,000**	23,000	-	-
			225,402	225,402	**(355)**	(6,778)
Subsidiaries of of Bank Windhoek Limited						
Registered in Namibia						
Bank Windhoek Nominees (Proprietary) Limited	-	100				
Intellect Investments Namibia (Proprietary) Limited	3,000	100				
BW Finance (Proprietary) Limited	-	100				
Bank Windhoek Properties (Proprietary) Limited	1	100				

The Group's interest in the aggregate income earned of subsidiaries amounted to N$276.9 million (2010: N$281.5 million) from which dividends of N$94.9 million (2010: N$80.5 million) had been declared.

5. Associates

Santam Namibia Ltd	8,307	25	50,772	50,772	-	-
Sanlam Namibia Holdings (Pty) Ltd	160,665	29.5	47,290	47,290	-	-
VTB Capital Namibia (Pty) Ltd	3,600	49.7	1,788	1,788	-	-
			99,850	99,850	-	-

The Group's interests in the aggregate income earned of associates amounted to N$54.8 million (2010: N$34.3 million) for the year. Total dividends of N$48.8 million (2010: N$23.2 million) had been received from these associates.

6. Joint ventures

	Issued ordinary share capital and premium and proportion held		Details of the Company's Interests: Shares at cost		Indebtedness to/ (from) subsidiaries	
			2011	2010	2011	2010
	N$'000	%	N$'000	N$'000	N$'000	N$'000
Indirect holdings in jointly controlled entity and jointly controlled operations						
The following information relates to the Group's financial interest in its jointly controlled entity:						
Namclear (Proprietary) Limited	4,616	25	1,154	1,154	-	-

	Proportion held
The following information relates to the Group's financial interest in its jointly controlled operations:	
The Tourvest Namibia (Pty) Ltd/ Bank Windhoek Ltd Joint Venture	50%

7. Holding company and ultimate holding company

The Company is a subsidiary of Capricorn Investment Holdings Limited, a company registered in Namibia. This is also the Company's ultimate holding company.

8. Directors and Company Secretary

The following persons were directors of the Company during the financial year:

Non-executive

J C Brandt	Chairman
J J Swanepoel	Vice-Chairman
K B Black	
G Nakazibwe-Sekandi	
J M Shaetonhodi	
M K Shikongo	

Executive

C P de Vries	Managing Director (appointed 1 June 2011)
J M Hill	Managing Director (resigned 31 March 2011)

Mr H G von Ludwiger was secretary of the Company during the year under review. The business and postal addresses of the company secretary are:

CIH House	P.O. Box 15
Kasino Street	WINDHOEK
WINDHOEK	NAMIBIA

9. Post balance sheet events

No matter which is material to the financial affairs of the Company and Group has occurred between the balance sheet date and the date of approval of the financial statements.

BANK WINDHOEK HOLDINGS LIMITED
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CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 30 June 2011

	Notes	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Interest and similar income		**1,351,539**	1,300,366	-	-
Interest and similar expenses		**(680,223)**	(732,625)	-	-
Net interest income	**5**	**671,316**	567,741	-	-
Impairment charges on loans and advances	**6**	**(27,129)**	(22,816)	-	-
Net interest income after loan impairment charges		**644,187**	544,925	-	-
Fee and commission income	**7**	**301,215**	262,679	-	-
Net trading income	**8**	**44,444**	50,518	-	-
Other operating income	**9**	**57,255**	60,472	**151,086**	108,564
Operating expenses	**11**	**(643,275)**	(577,965)	**(14,473)**	(15,180)
Operating profit		**403,826**	340,629	**136,613**	93,384
Share of profit in joint ventures	**23**	**3,915**	5,128	-	-
Share of associates' results	**12**	**54,814**	34,309	-	-
Profit before income tax		**462,555**	380,066	**136,613**	93,384
Income tax expense	**13**	**(134,045)**	(98,618)	**(249)**	75
Profit for the year		**328,510**	281,448	**136,364**	93,459
Other comprehensive income					
Net gains on available-for-sale financial assets	**17**	**852**	1,025	-	-
Total comprehensive income for the year		**329,362**	282,473	**136,364**	93,459
Profit is attributable to:					
Equity holders of the Group and Company		**327,374**	279,881	**136,364**	93,459
Non-controlling interests		**1,136**	1,567	-	-
		328,510	281,448	**136,364**	93,459
Total comprehensive income is attributable to:					
Equity holders of the Group and Company		**328,226**	280,906	-	-
Non-controlling interests		**1,136**	1,567	-	-
		329,362	282,473	-	-

BANK WINDHOEK HOLDINGS LIMITED
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CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
as at 30 June 2011

	Notes	Group 2011 N$'000	Group 2010 N$'000 As restated	Group 2009 N$'000 As restated	Company 2011 N$'000	Company 2010 N$'000
ASSETS						
Cash and balances with the Central Bank	**14**	**582,974**	805,761	388,474	**99,436**	60,617
Derivative financial instruments	**15**	**488**	653	626	**-**	-
Financial assets at fair value through profit or loss	**16**	**1,194,761**	1,069,042	1,096,200	**-**	-
Investment securities	**17**	**321,651**	303,351	333,102	**-**	-
Due from other banks	**18**	**362,238**	403,712	465,079	**-**	-
Loans and advances to customers	**19**	**13,004,405**	11,320,292	9,711,337	**-**	-
Other assets	**20**	**210,959**	259,330	240,852	**2,104**	2,419
Investment in subsidiaries	**21**	**-**	-	-	**225,402**	225,402
Investment in associates	**22**	**152,034**	146,098	156,066	**99,850**	99,850
Interest in joint ventures	**23**	**7,093**	4,178	7,050	**-**	-
Intangible assets	**24**	**13,369**	2,877	3,957	**-**	-
Property, plant and equipment	**25**	**131,484**	131,825	135,360	**-**	-
Current tax asset		**1,495**	2,031	23,831	**295**	290
Deferred tax asset	**32**	**1,872**	1,996	13,125	**-**	-
Total assets		**15,984,823**	14,451,146	12,575,059	**427,087**	388,578
LIABILITIES						
Derivative financial instruments	**26**	**1,895**	13,881	-	**-**	-
Due to other banks	**27**	**246,974**	-	-	**-**	-
Other deposits	**28**	**3,188,906**	3,970,799	2,084,583	**-**	-
Debt securities in issue	**29**	**767,311**	352,133	354,160	**153,932**	154,561
Deposits from customers	**30**	**9,852,677**	8,419,847	8,578,965	**-**	-
Other liabilities	**31**	**214,544**	217,541	223,106	**1,808**	937
Current tax liability		**-**	-	-	**-**	-
Deferred tax liability	**32**	**134,375**	130,619	142,086	**-**	-
Post-employment benefits	**33**	**5,288**	4,323	-	**-**	-
Total liabilities		**14,411,970**	13,109,143	11,382,900	**155,740**	155,498
EQUITY						
Share capital and premium	**34**	**86,945**	84,212	83,690	**86,945**	84,212
Non-distributable reserves	**35**	**116,066**	95,530	80,400	**-**	-
Distributable reserves	**36**	**1,362,019**	1,155,159	1,026,898	**184,402**	148,868
		1,565,030	1,334,901	1,190,988	**271,347**	233,080
Non-controlling interests		**7,823**	7,102	1,171	**-**	-
Total equity		**1,572,853**	1,342,003	1,192,159	**271,347**	233,080
Total equity and liabilities		**15,984,823**	14,451,146	12,575,059	**427,087**	388,578

BANK WINDHOEK HOLDINGS LIMITED
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CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2011

		Share capital and premium	Non distributable reserves		Distributable reserves			Non-controlling interests	Total equity
	Notes		Insurance fund reserve	Credit risk reserve	Fair value reserve	General banking reserve	Retained earnings		
		N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
GROUP									
Balance at 1 July 2009, as previously stated		83,690	-	57,351	15,316	815,730	195,852	1,171	1,169,110
Restatement	**45**	-	-	-	-	-	23,049	-	23,049
Transfer between reserves		-	23,049	-	-	-	(23,049)	-	-
Balance at 1 July 2009, as restated		83,690	23,049	57,351	15,316	815,730	195,852	1,171	1,192,159
Issue of shares		522	-	-	-	-		-	522
Total comprehensive income for the year		-	-	-	1,025	-	279,880	1,567	282,472
Transfer between reserves		-	-	15,130	-	157,647	(172,777)	-	-
Business combination		-	-	-	-	-	-	5,710	5,710
Dividends for 2010	**41**	-	-	-	-	-	(137,514)	(1,346)	(138,860)
Balance at 30 June 2010		84,212	23,049	72,481	16,341	973,377	165,441	7,102	1,342,003
Balance at 1 July 2010, as restated		**84,212**	**23,049**	**72,481**	**16,341**	**973,377**	**165,441**	**7,102**	**1,342,003**
Issue of shares		**2,733**	**-**	**-**	**-**	**-**	**-**	**-**	**2,733**
Total comprehensive income for the year		**-**	**-**	**-**	**852**	**-**	**327,374**	**1,136**	**329,362**
Transfer between reserves		**-**	**5,568**	**14,968**	**-**	**158,922**	**(179,458)**	**-**	**-**
Dividends for 2011	**41**	**-**	**-**	**-**	**-**	**-**	**(100,830)**	**(415)**	**(101,245)**
Balance at 30 June 2011		**86,945**	**28,617**	**87,449**	**17,193**	**1,132,299**	**212,527**	**7,823**	**1,572,853**
COMPANY									
Balance at 1 July 2009		83,690	-	-	-	-	192,923	-	276,613
Issue of shares		522	-	-	-	-	-	-	522
Total comprehensive income for the year		-	-	-	-	-	93,459	-	93,459
Dividends for 2010	**41**	-	-	-	-	-	(137,514)	-	(137,514)
Balance at 30 June 2010		84,212	-	-	-	-	148,868	-	233,080
Balance at 1 July 2010		**84,212**	**-**	**-**	**-**	**-**	**148,868**	**-**	**233,080**
Issue of shares		**2,733**	**-**	**-**	**-**	**-**		**-**	**2,733**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**136,364**	**-**	**136,364**
Dividends for 2011	**41**	**-**	**-**	**-**	**-**	**-**	**(100,830)**	**-**	**(100,830)**
Balance at 30 June 2011		**86,945**	**-**	**-**	**-**	**-**	**184,402**	**-**	**271,347**

BANK WINDHOEK HOLDINGS LIMITED
and its subsidiaries
Registration no: 96/300

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
for the year ended 30 June 2011

	Notes	Group		Company	
		2011	**2010**	**2011**	**2010**
		N$'000	**N$'000**	**N$'000**	**N$'000**
Cash flows from operating activities					
Interest receipts		**1,337,673**	1,285,619	**-**	-
Interest payments		**(641,623)**	(702,968)	**-**	-
Commission and fee receipts		**301,215**	262,679	**-**	-
Other income received		**96,764**	123,853	**7,771**	6,227
Cash payments to employees and suppliers		**(609,408)**	(543,455)	**(4,420)**	(2,255)
Cash generated by operations	**39**	**484,621**	425,728	**3,351**	3,972
Dividends received		**51,695**	23,939	**143,315**	102,337
Income taxes paid	**40**	**(129,629)**	(77,156)	**(254)**	864
Cash flows from operating profits before changes in operating assets and liabilities		**406,687**	372,511	**146,412**	107,173
Changes in operating assets and liabilities					
Net increase in financial assets		**(48,431)**	(514,736)	**-**	-
Net decrease in derivative financial instruments		**(13,228)**	(133)	**-**	-
Net increase in loans and advances to customers and banks		**(1,727,338)**	(1,668,585)	**-**	-
Net decrease / (increase) in other assets		**48,371**	(16,543)	**315**	2,815
Net (decrease)/ increase in other deposits		**(781,893)**	1,886,216	**-**	-
Net increase/ (decrease) in deposits from customers		**1,432,830**	(159,118)	**-**	-
Net (decrease) / increase in other liabilities		**(2,998)**	147	**871**	(2)
Net cash utilised in operating activities		**(686,000)**	(100,241)	**147,598**	109,986
Cash flows from investing activities					
Additions to property, plant and equipment		**(29,868)**	(33,321)	**-**	-
Proceeds from sale of property, plant and equipment		**197**	8,197	**-**	-
Additions to intangible assets		**(14,000)**	-	**-**	-
Proceeds from the sale of investment securities		**-**	-	**-**	47,193
Proceeds from the reduction of share capital in an associate		**-**	21,093	**-**	21,093
Proceeds from the reduction of share capital in a joint venture		**-**	3,000	**-**	-
Distribution of profits from jointly controlled operations		**-**	5,000	**-**	-
Net cash (utilised in) / generated from investing activities		**(43,671)**	3,969	**-**	68,286
Cash flows from financing activities					
Proceeds from the issue of ordinary shares		**2,733**	522	**2,733**	522
Repayment of debt securities in issue		**(124,223)**	(31,685)	**(10,682)**	(12,075)
Proceeds from the issue of debt securities		**500,801**			
Dividends paid	**41**	**(101,245)**	(138,860)	**(100,830)**	(137,514)
Net cash generated from / (utilised in) financing activities		**278,066**	(170,023)	**(108,779)**	(149,067)
Net (decrease)/ increase in cash and cash equivalents		**(451,605)**	(266,295)	**38,819**	29,205
Cash and cash equivalents at the beginning of the year		**1,306,953**	1,573,248	**60,617**	31,412
Cash and cash equivalents at the end of the year	**42**	**855,348**	1,306,953	**99,436**	60,617

1 Basis of presentation

Bank Windhoek Holdings Limited Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the IASB effective at the time of preparing these statements. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

1.1 Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current financing. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

1.2 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Namibia Dollar, which is the Group and the Company's functional and presentation currency.

1.3.1 Standards and interpretations issued affecting amounts reported and disclosures in the current year

Amendments to IFRS 2: Group cash-settled share-based payment transactions
The amendment clarifies the accounting for group cash-settled share-based payment transactions. The entity receiving the goods or services shall measure the share-based payment transaction as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled. This amendment did not have any effect on the amounts reported as there were no such transactions occurring in the current year.

Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010)
The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The Group has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.

Amendments to IAS 32 – Classification of rights issues
The amendment clarifies the accounting treatment when rights issues are denominated in a currency other than the functional currency of the issuer. The amendment states that if such rights are issued pro rata to an entity's existing shareholders for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. This amendment did not have any effect on the amounts reported as there were no such transactions occurring in the current year.

IFRIC 19 (AC 452) Extinguishing Financial Liabilities with Equity Instruments
This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. This amendment did not have any effect on the amounts reported as there were no such transactions occurring in the current year.

1.3.2 Standards and interpretations issued but not yet effective

These amendments are not expected to have a significant impact on the financial statements.

	Effective date
Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income The main change resulting from these amendments is a requirement for entities to group items presented in Other comprehensive income (OCI)on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendments do not address which items are presented in OCI.	Annual periods commencing on or after 1 July 2012
Amendment to IAS 19, 'Employee benefits' These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.	Annual periods commencing on or after 1 January 2013

1.3.2 Standards and interpretations issued but not yet effective (continued)

	Effective date
Amendment to IAS 24 - Related party disclosures This amendment provides partial relief from the requirement for government related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party.	Annual periods commencing on or after 1 January 2011
IAS 27 (revised 2011) – Separate financial statements This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.	Annual periods commencing on or after 1 January 2013
IAS 28 (revised 2011) – Associates and joint ventures This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.	Annual periods commencing on or after 1 January 2013
Amendments to IFRS 1, 'First time adoption' on hyperinflation and fixed dates The first amendment replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.	Annual periods commencing on or after 1 July 2011
Amendment to IFRS 7 Disclosures – Transfer of financial assets The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that financial statements did not allow users to understand the ongoing risks the entity faced due to derecognised receivables and other financial assets.	Annual periods commencing on or after 1 July 2011
Amendment to IAS 12,'Income taxes' on deferred tax Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.	Annual periods commencing on or after 1 January 2012
IFRS 9 – Financial Instruments (2009) This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.	Annual periods commencing on or after 1 January 2013
IFRS 9 – Financial Instruments (2010) The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or	Annual periods commencing on or after 1 January 2013
IFRS 10 – Consolidated financial statements This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.	Annual periods commencing on or after 1 January 2013
IFRS 11 – Joint arrangements This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.	Annual periods commencing on or after 1 January 2013
IFRS 12 – Disclosures of interests in other entities This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	Annual periods commencing on or after 1 January 2013

1.3.2 Standards and interpretations issued but not yet effective (continued)

	Effective date
IFRS 13 – Fair value measurement This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.	Annual periods commencing on or after 1 January 2013
IFRIC 14 (AC 447) - Pre-payments of a Minimum Funding Requirement (amendments) This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 (AC 447) related to voluntary pension prepayments when there is a minimum funding requirement.	Annual periods commencing on or after 1 January 2011

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated:

2.1 Consolidation

2.1.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree at the non-controlling interest’s proportionate share of the acquiree’s net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group’s share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

2.1.2 Transactions and non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as non-controlling interest. Profits or losses attributable to non-controlling interests are reported in the consolidated comprehensive income as profit or loss attributable to non-controlling interests.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.1.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group’s investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group’s share of its associates’ post-acquisition profits or losses is recognised in profit or loss; its share of post-acquisition movements is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Intragroup gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For preparation of consolidated financial statements, equal accounting polices for similar transactions and other events in similar circumstances are used.

Dilution gains and losses in associates are recognised in other comprehensive income.

For summarised financial information on the Group’s associates accounted for using the equity method, see Note 22.

2.1.4 Joint ventures

Joint ventures are those enterprises over which the Company exercises joint control in terms of a contractual agreement.

A jointly controlled entity is a joint venture that involves the establishment of a company, partnership or legal entity. Jointly controlled operations involve the use of the assets and other resources of venturers. Each venturer uses its own assets and incurs its own liabilities. These joint ventures do not involve the establishment of a legal entity separate from the joint venturers themselves.

In respect of interests in jointly controlled operations and jointly controlled assets, the Group recognises in its financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- the assets that it controls, classified according to the nature of the assets;
- its share of liabilities that it incurs jointly with the other venturers in relation to the joint venture;
- any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses which it has incurred in respect of its interest in the joint venture.

Jointly controlled entities are accounted for by means of the equity method of accounting and are initially recognised at cost. The Group’s investment in jointly controlled entities includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group’s share of its jointly controlled entities’ post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group’s interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Adjustments are made to bring the accounting policies of jointly controlled entities in line with those of the Company, where appropriate.

Investments in subsidiaries, associates and jointly controlled entities are measured at cost in the Company's financial statements.

2.2 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss under trading income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equity investments whose changes in the fair value are presented in other comprehensive income are included in the related reserve in equity.

2.3 Financial instruments

2.3.1 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Financial assets are initially recognised at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs, for all financial assets not carried at fair value through profit or loss.

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers.

i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. The designation cannot be subsequently changed. This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

Treasury bills, government stock and derivatives are designated in this category. Derivatives are designated as held for trading, unless they are designated and effective as hedging instruments.

Financial assets are designated at fair value through profit or loss when:

• doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost for loans and advances to customers or banks and debt securities in issue.

• Financial assets are designated at fair value through profit or loss when they are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis.

• Financial instruments, such as debt securities held, containing one or more embedded derivative that significantly modify the cash flows, are designated at fair value through profit and loss.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included under net gain from financial instruments designated at fair value through profit or loss in the profit or loss and in the period in which they arise. Interest income and expense and dividend income and expense on financial assets held for trading are included in 'Net interest income' or 'Dividend income', respectively.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are carried at amortised cost using the effective interest rate method. Interest calculated using the effective interest rate method is recognised in the profit or loss.

Loans and advances are classified in this category.

iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest rate method. Interest calculated using the effective interest rate method is recognised in the profit or loss.

iv) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in the statement of comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in the statement of comprehensive income should be recognised in the profit or loss.

iv) Available-for-sale (continued)

However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available for sale, as well as impairment losses, are recognised in the profit or loss. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in the profit or loss in 'Dividend income' when the Group's right to receive payment is established.

2.3.2 Financial liabilities

The Group recognises a financial liability when it becomes a party to the contractual terms of the financial instrument. The Group classifies its financial liabilities in the following categories: at amortised cost and financial liabilities at fair value through profit or loss.

i) At amortised cost

The liability is recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Subsequently, it is stated at amortised cost, any difference between proceeds net of transaction costs and the redemption value is recognised in the profit or loss over the period of the liability using the effective interest rate method.

The dividends on preference shares are recognised in the profit or loss as interest expense on an amortised cost basis using the effective interest rate method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Also classified in this category are deposits, the Group's debt in securities and other liabilities.

ii) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller. Those financial instruments are recognised in the consolidated statement of financial position as 'Financial liabilities held for trading'.

Gains and losses arising from changes in fair value of financial liabilities classified held for trading are included in the profit or loss and are reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Interest expense on financial liabilities held for trading are included in 'Net interest income'. The group designated certain debt securities upon initial recognition as at fair value through profit or loss (fair value option); this designation cannot be changed subsequently. According to IAS 39, the fair value option is applied, as the debt securities consists of debt host and embedded derivatives that must otherwise be separated.

Financial liabilities for which the fair value option is applied are recognised in the consolidated statement of financial position as 'Financial liabilities designated at fair value'. Fair value changes relating to financial liabilities designated at fair value through profit or loss are recognised in 'Net gains on financial instruments designated at fair value through profit or loss'.

2.3.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (e.g. FTSE, NYSE).

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the consolidated statement of financial position.

The Group uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

2.3.4 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.3.5 Offsetting financial instruments

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 offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.3.6 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profits on day one.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the profit or loss.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:
(1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or,
(2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).
Hedge accounting is used for derivatives designated in this way provided certain criteria are met. The Group only applies hedge accounting when these criteria are met. Where these criteria are not met, derivatives are fair valued through profit or loss and these adjustments are disclosed separately.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security, at which point it is included in the consolidated statement of comprehensive income.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss.

Amounts accumulated in equity are recycled to the profit or loss in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place). They are recorded in the revenue or expense line item associated with the related hedged item.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss.

(c) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the profit or loss and the derivatives are disclosed separately in the statement of financial position.

No hedge accounted instruments existed at year-end.

2.4 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method. Securities lent to counterparties are also retained in the financial statements.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

2.5 Impairment of financial assets

2.5.1 Assets carried at amortised cost
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(i) significant financial difficulty of the issuer or obligator;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
– adverse changes in the payment status of borrowers in the group; or
– national or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss.

Impairment of loans and advances

Impairment losses are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment losses are calculated on individual loans and on groups of loans assessed collectively. Impairment losses are recorded as charges to the income statement. The carrying amount of impaired loans on the balance sheet is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

i) Individually assessed loans and advances
Each loans and advances are assessed on a case-by-case basis at each reporting date whether there is any objective evidence that a loan is impaired. The criteria used to determine that there is such objective evidence include the loss events described above. For those loans where objective evidence of impairment exists, impairment losses are determined considering the aggregate exposure to the client and the realisable value of security (or other credit mitigants) and likelihood of successful repossession.

2.5.1 Assets carried at amortised cost (continued)

ii) Collectively assessed loans and advances
Individually assessed loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated portfolio impairment. The calculation is based on the incurred but not identified ("IBNR") model, which takes into cognisance that it may take a period of time before management becomes aware of an objective evidence that a loan is impaired. Key inputs into this model are the historical average of probability of default and the historic average loss given default. The emergence period is also factored into the model, which represents management's view of the how long it takes for the objective evidence to become known to management.

To the extent that the unidentified impairments are insufficient to meet the minimum regulatory general provision, such shortfall is accommodated by a transfer of the applicable after-tax amount from distributable to non-distributable reserves.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the profit or loss.

2.5.2 Assets carried at fair value
The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

2.5.3 Renegotiated loans
Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if the new terms are not met.

2.6 Intangible assets

2.6.1 Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

2.6.2 Computer software and development costs
Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:
- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditure that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which ranges between 3 to seven years depending on the project life cycle.

2.6.3 Trademarks
Trademarks and licences are shown at historical cost. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 10 years.

2.7 Property, plant and equipment

Land and buildings comprise mainly branches and offices. All property, plant and equipment is stated at historical cost less accumulated

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Motor vehicles	5 years
Furniture and fittings	8,3 years
Office equipment	6,67 years
Computer equipment	3-5 years
Buildings	30 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the consolidated financial position.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the profit or loss.

Investment properties held by Group companies and which are occupied by other Group companies are recognised as property, plant and equipment in the Group financial statements.

2.8 Repossessed property

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed property is included at the lower of cost or net realisable value, and are derecognised when the assets are sold to third parties.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversals of the impairment at each reporting date.

2.10 Leases

2.10.1 A group company is the lessee
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The leases entered into by the Group are primarily operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.10.2 A group company is the lessor
Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

2.11 Cash and cash equivalents

Cash and cash equivalents are stated at cost which approximates fair value due to the short-term nature of these instruments.

For the purposes of the statement of cash flow, cash and cash equivalents comprise balances with less than three months' maturity from the reporting date, including cash and non-restricted balances with the Central Bank, treasury bills and other eligible bills, placements with other banks, short-term government securities and money market investments, as well as short-term borrowings from other banks.

2.12 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Group recognises no provisions for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognised as interest expense.

2.13 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdraft and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm’s length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group’s liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history or past losses, supplemented by the judgement of management.

Any increase in the liability relating to financial guarantees is taken to the profit or loss under operating expenses.

2.14 Post-employment benefits

2.14.1 Pension obligations
The Group operates a defined contribution plan. The plan is generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group provides no other post-retirement benefits to their retirees.

2.14.2 Severance pay provision
In terms of the new Labour Act of 2007, the Group is required to make payments (or provide other benefits) to employees when it terminates their employment. The implications of this requirement is that severance pay has to be paid to all employees when:
i) The employee is dismissed (except if due to misconduct or poor performance); or
ii) Dies while employed.
The Group therefore has an obligation, more specifically a defined benefit, in terms of IAS 19 Employee benefit. The benefit is not funded by any plan assets as defined in IAS 19.

2.14.3 Leave pay
Employee benefits in the form of annual leave entitlements are provided for when they accrue to employees with reference to services rendered up to the reporting date.

2.14.4 Profit-sharing and bonus plans
The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company’s shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.15 Deferred and current income tax

2.15.1 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities including derivative contracts and tax losses carried forward and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are recognised in other comprehensive income, is also recognised in other comprehensive income and is subsequently recognised in the profit or loss together with the deferred gain or loss.

2.15.2 Current income tax

Income tax payable (receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credit to other comprehensive income or to equity (e.g. current tax on available-for-sale investments).

The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group’s activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2.16.1 Net trading income

Net trading income comprises all gains and losses from changes in the fair value of financial assets and liabilities held for trading as well as foreign exchange gains and losses arising from instruments held for trading.

2.16.2 Interest income and expense

Interest income and expense are recognised in the profit or loss for all instruments measured at amortised cost using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income and expense and dividend income and expenses on financial assets at fair value through profit or loss are included in ‘Net interest income’ or ‘Dividend income’, respectively.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.16.3 Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionment basis. Asset management fees related to investment funds are recognised over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Insurance broking commission; consultancy- and administration fee income - comprise commission income and negotiated fees earned in respect of the placement of insurance and servicing of clients under insurance programs. Income is brought to account on the effective commencement or renewal dates of the related insurance program. Commission- and administration fee income is deferred over the policy term.

2.16.4 Other income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements. Dividend income is recognised when the right to receive payment is established.

2.17 Share capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Dividend distribution

Dividend distribution to the Company’s shareholder is recognised as a liability in the Group’s financial statements in the period in which the dividends are declared by the Board of Directors.

Dividends for the year that are declared after the reporting date are dealt with in the post balance sheet events note under the directors' report.

2.19 Fiduciary activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.20 Operating segments

The Group considers its banking operations as one operating segment. This is in a manner consistent with the internal reporting provided to the chief operating decision-maker, identified as the managing director of the Group. The chief operating decision-maker is the person that allocates resources to and assesses the performance of the operating segment(s) of an entity.

In assessing the performance of the banking operation, the managing director reviews the various aggregated revenue streams, the total costs and the assets and liabilities related to banking activity, which have been disclosed in the various notes to the consolidated financial statements.

3. Financial risk management

Assuming financial risks is inherent within any business environment. Managing these risks continues to play a pivotal role within the Group to ensure an appropriate balance is reached between risks and returns.

The Board of Directors is ultimately responsible to ensure that the Group is not exposed to risks which may have a negative impact on its financial performance, and which may ultimately have an adverse effect on the continued operations of the Group. However, it is the responsibility of management to identify risks, whether real or anticipated, within their business units, and take appropriate actions.

Management's approach to risk management is to ensure all risk are identified and managed, and the returns are balanced with the risks taken. Compliance with a set of comprehensive risk management policies are an integral part of the Group's day-to-day activities and systems of internal controls have been implemented to prevent and detect risks.

3. Financial risk management (continued)

The following key principles are the foundations of the Bank's risk management process:
- Adoption of a risk management framework which applies to all business units and risk types;
- Risk assessment, measurement, monitoring and reporting;
- Independent reviews, and
- Risk governance processes.

The following subcommittees have been formed to assist the Board of Directors to manage risks:

Asset and Liability Committee (ALCO)
The Group trades in financial instruments where it takes positions in traded instruments, including derivatives, to take advantage of short-term market movements in bonds and in currency, interest rate and commodity prices. Amongst other responsibilities, ALCO is tasked to monitor the risks associated with these activities. Risk management includes the setting of trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. In addition, with the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

The ALCO also carries the primary responsibility of monitoring the Group's liquidity position, as well as formulating the funding strategy. During the year, a sub-committee of ALCO, the interest-rate sub-committee, was established. The interest-rate committee reviews the economic environment and recommends to ALCO interest rate views. ALCO activities are reported to the Board, Audit, Risk and Compliance Committee.

Board Credit Committee (BCC) and Board Lending Committee
One of the Group’s primary activities is lending to retail and commercial borrowers. The Bank accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The BCC and Board Lending Committee are tasked to ensure this objective is achieved by ensuring credit exposures remain within an acceptable range of credit standing. Such exposures involve not just loans and advances reflected on the statement of financial position; but also guarantees and other commitments such as letters of credit.

Risk Committee
In addition to the above committees, a risk committee, comprising of members of the executive management team and reporting to the Board Audit, Risk and Compliance Committee, was established. Its primary responsibilities are:
• to evaluate the risk management model employed by the Group in terms of effectiveness and efficient deployment of resources (i.e. cost versus benefit),
• to discuss and identify gaps and weaknesses in the management information system (MIS) to enable management to make the correct decisions,
• to discuss the findings and recommendations of the Group’s risk functions and evaluate whether appropriate action has been taken when necessary,
• to enhance general risk awareness within the Group,
• to monitor the management of risks to ensure that the Group complies with the Bank of Namibia’s guidelines for effective risk management, and
• to discuss in detail any identified, unidentified and potential risks that are material to Group.

The Board of Directors, through its Board Audit, Risk and Compliance Committee (BARC), also places reliance on the function of internal audit to detect whether business units comply with the risk management policies and report non-compliance thereof.

Significant risks to which the Group is exposed is discussed below. Quantitative disclosures are based on Group results as the Company results do not vary significantly from the Group results.

3.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group’s portfolio, could result in losses that are different from those provided for at the reporting date. Credit risk , together with large exposures, are monitored by the Board Credit and Board Lending Committees.

In addition to credit risk through a loan, the Group is exposed to counterparty credit risk, which is the risk that the counterparty to a transaction could default before the final settlement of the transaction’s cash flows. Unlike credit exposures to loan, exposures to counterparty credit could result in a positive or negative impact to the financial performance of the Group, depending on the underlying market factors. Such risk is associated primarily with derivative transactions.

3.1.1 Risk limit control and mitigation policies

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks, including exposures to industry segments, are monitored on a monthly basis and are subject to an annual or more frequent review. Limits on the level of credit risk by country are approved by the Board of Directors.

Exposure to credit risk is managed upfront when an application for credit is received. The credit risk management model is utilised by the Group and assess the three components of safety, desirability and profitability. Throughout the lifespan of the credit facility, regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations is assessed and lending limits are changed where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but for a portion of personal lending no such collateral or guarantee can be obtained. The amount the Group is willing to lend unsecured is also capped and approved by the Board.

Placements with banks, including loans and advances to banks,are subject to the normal credit process. Credit limits to these banks takes into consideration ratings performed by external rating agencies.

Some other specific control and mitigation measures are outlined below:
(a) Collateral
The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:
- cash which is deposited with and ceded to the Group
- deposit with any registered financial institution and ceded to the Group
- life assurance policy with a confirmed surrender value
- Any other form of tangible collateral security subject to approval by the credit department.

Valuation methodologies and period of validity on collateral are outlined in established policies, which are approved by the Board.

Long-term finance and lending to corporate entities are generally secured. In addition, in order to minimise the credit loss the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Although revolving individual credit facilities are generally unsecured, these are only granted to clients after stringent credit reviews.

(b) Derivatives
The Group maintains strict control limits on net open derivative positions (i.e. the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

(c) Master netting arrangements
The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities reflected on the statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group’s overall exposure to credit risk on derivative financial instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

(d) Credit-related commitments
The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurance that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

3.1.2 Impairment and provisions

The Group employs various techniques to determine the specific and general impairment of its financial assets.

Loans and advances are individually assessed for impairment when they have been flagged as being past due more than 60 days. Other financial assets are impaired according to the general impairment policy as per note 1.11.

3.1.2 Impairment and provisions (continued)

a) Loans and advances neither past due or impaired
This category comprises of:
- Loans and advances to banks have not been impaired as these placements are made to banks that have high credit standing and, by policy, limits the amounts of credit exposure to any one financial institution.
- Structured finance loans to large corporate clients, which either have no evidence of a deterioration of credit quality or secured by underlying cash deposits.

b) Loans and advances subject to general impairment
The total loans and advances to customers portfolio is subject to collective assessment as described in note 2.5.1.

c) Loans and advances individually impaired
The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is N$193.2 million (2010: N$172.8 million). The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Group as security, is as follows:

	Overdrafts	Term loans	Mortgages	Instalment finance	TOTAL
	N$'000	N$'000	N$'000	N$'000	N$'000
Group					
As at 30 June 2011					
Individually impaired loans	**59,028**	**38,645**	**65,002**	**30,477**	**193,152**
Less fair value of collateral	**31,793**	**22,748**	**54,364**	**10,929**	**119,834**
As at 30 June 2010					
Individually impaired loans	45,238	36,126	67,359	24,114	172,837
Less fair value of collateral	21,380	18,683	55,393	7,926	103,382

Loans and advances are summarised as follows:

	2011		2010	
	Loans and advances to customers N$'000	Due from other banks N$'000	Loans and advances to customers N$'000	Due from other banks N$'000
Neither past due nor impaired	**151,357**	**362,238**	7,915	403,711
Loans and advances not past due but subject to general impairment	**12,770,880**	**-**	11,242,893	-
Individually impaired	**193,152**	**-**	172,837	-
Gross	**13,115,389**	**362,238**	11,423,645	403,711
Less: allowance for impairment	**110,984**	**-**	103,353	-
Net	**13,004,405**	**362,238**	11,320,292	403,711

Further information of the impairment allowance for loans and advances to customers is provided in note 19.

No disclosures are made from a Company perspective, as the disclosures do not significantly vary from a Group perspective.

3.1.3 Repossessed collateral

The Group obtained assets by taking possession of collateral held as security. The value of the assets still on the statement of financial position are as follows:

	Carrying amount	
	2011	2010
Nature of assets	N$'000	N$'000
Residential property	**1,126**	2,220

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified in the statement of financial position as other assets.

3.1.4 Credit risk weighted amounts

The following risk weighted amounts, including related impairments and write-off, have been assigned to the components of credit risk for the Banking Group, as defined in BID 5 - Determination on Capital Adequacy:

	2011			
	Exposure	**Impairment**	**Risk-weighted amounts**	**Written-off**
	N$'000	**N$'000**	**N$'000**	**N$'000**
Counterparties				
Sovereign and Central Bank	1,340,882	-	-	-
Public sector entities	145,394	-	72,382	-
Banks	338,805	-	67,761	-
Corporate	2,568,374	5,318	2,562,452	-
Retail	4,338,264	51,860	3,233,206	17,324
Residential mortgage properties	3,664,800	5,763	1,845,997	2,604
Commercial Real Estate	2,418,621	214	2,425,710	-
Other assets	924,875	-	657,078	-
	15,740,015	**63,155**	**10,864,586**	**19,928**

Only claims on banks are risk-weighted based on external credit assessment. The Group utilises available external rating agencies' ratings on both short-term and long-term exposures.

3.1.5 Credit risk concentration by industry

The following table breaks down the Group's main credit exposure at their gross amounts, as categorised by the industry sectors of our counterparties.

	Cash and balances with the Central Bank	**Derivative financial instruments and investment securities**	**Financial assets at fair value through profit or loss**	**Due from other banks**	**Loans and advances to customers**	**Other assets**	**TOTAL**
	N$'000	**N$'000**	**N$'000**	**N$'000**	**N$'000**	**N$'000**	**N$'000**
As at 30 June 2011							
Agriculture and forestry	-	-	-	-	892,760	-	**892,760**
Fishing	-	-	-	-	277,017	-	**277,017**
Mining	-	-	6,833	-	45,860	-	**52,693**
Manufacturing	-	-	-	-	498,956	-	**498,956**
Building and construction	-	-	-	-	864,292	-	**864,292**
Electricity, gas and water	-	-	-	-	35,866	-	**35,866**
Trade and accommodation	-	-	-	-	4,863,061	-	**4,863,061**
Transport and communication	-	-	-	-	256,223	-	**256,223**
Finance and insurance	262,489	304,946	29,198	362,238	610,799	-	**1,569,670**
Real estate and business services	-	-	-	-	2,861,723	-	**2,861,723**
Government	320,485	-	1,158,730	-	11,781	-	**1,490,996**
Individuals	-	-	-	-	1,883,051	-	**1,883,051**
Other	-	17,193	-	-	13,986	171,602	**202,781**
	582,974	**322,139**	**1,194,761**	**362,238**	**13,115,375**	**171,602**	**15,749,089**

During the year, a review of the sectoral information for loans and advances was performed,resulting in various accounts being reclassified from the category "individual" to "trade and accommodation".

3.1.5 Credit risk concentration by industry (continued)

	Cash and balances with the Central Bank	Derivative financial instruments and investment securities	Financial assets at fair value through profit or loss	Due from other banks	Loans and advances to customers	Other assets	TOTAL
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
As at 30 June 2010							
Agriculture and forestry	-	-	-	-	479,909	-	479,909
Fishing	-	-	-	-	187,807	-	187,807
Mining	-	-	2,068	-	139,136	-	141,204
Manufacturing	-	-	-	-	238,383	-	238,383
Building and construction	-	-	-	-	133,837	-	133,837
Electricity, gas and water	-	-	-	-	31,090	-	31,090
Trade and accommodation	-	-	-	-	396,093	-	396,093
Transport and communication	-	-	-	-	140,669	-	140,669
Finance and insurance	315,920	287,663	112,323	403,712	1,795,345	-	2,914,963
Real estate and business services	-	-	-	-	3,339,811	-	3,339,811
Government	489,841	-	954,651	-	163,782	-	1,608,274
Individuals	-	-	-	-	4,267,510	-	4,267,510
Other	-	16,341	-	-	110,273	231,787	358,401
	805,761	**304,004**	**1,069,042**	**403,712**	**11,423,645**	**231,787**	**14,237,951**

No disclosures are made from a Company perspective, as the disclosures do not significantly vary from a Group perspective.

3.1.6 Credit risk concentration by country

	Due from other banks N$'000	Loans and advances to customers N$'000	Total exposure on the statement of financial position N$'000
Group			
As at 30 June 2011			
Botswana	-	39,553	**39,553**
South Africa	273,088	-	**273,088**
United Kingdom	1,177	-	**1,177**
United States of America	84,926	-	**84,926**
Other countries	3,047		**3,047**
	362,238	39,553	**401,791**
As at 30 June 2010			
Botswana	194	19,957	20,151
South Africa	225,262	-	225,262
United Kingdom	2,125	-	2,125
United States of America	3,298	-	3,298
Other countries	2,513	-	2,513
	233,392	19,957	253,349

There are no exposures to other countries which are not recorded on the statement of financial position.

3.2 Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. It is the Group's policy not to enter into long-term, unhedged fixed interest rate contracts for loans and advances. Interest rate structures of deposits reflect the interest rate view and strategy of the ALCO and maturity structures of term deposits are in line with the ALCO policy.

3.2.1 Market risk measurement techniques

The Group employs several measurement techniques to assess potential exposures to market change. Sensitivity analysis is applied to measure the impact of changes in interest rates. This measure is of importance in assessing the exposure of the Group's trading portfolio and the effect of such changes on the interest margin.

Other measurement techniques include comprehensive analysis of maturities, both from the advance and funding perspective.

3.2.2 Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group’s exposure to foreign currency exchange rate risk at 30 June. Included in the table are the Group’s financial instruments at the carrying amounts, categorised by currency.

Concentration of foreign denominated currency financial instruments

	US$ N$'000	€ N$'000	£ N$'000	Other N$'000	Total N$'000
Group and Company					
As at 30 June 2011					
ASSETS					
Cash and balances with the Central Bank	**9,513**	**1,759**	**31**	**47**	**11,350**
Derivative financial instruments	**-**	**-**	**-**	**488**	**488**
Financial assets at fair value through profit or loss	**-**	**-**	**6,833**	**-**	**6,833**
Investment securities	**17,193**	**-**	**-**	**-**	**17,193**
Due from other banks	**165,194**	**37,473**	**1,177**	**35,511**	**239,355**
Loans and advances to customers	**2,882**	**1,851**	**47**	**-**	**4,780**
Total financial assets	**194,782**	**41,083**	**8,088**	**36,046**	**279,999**
LIABILITIES					
Due to other banks	**20,705**	**-**	**8,269**	**-**	**28,974**
Deposits from customers	**155,332**	**31,770**	**1,735**	**30**	**188,867**
Total financial liabilities	**176,037**	**31,770**	**10,004**	**30**	**217,841**
Net financial position	**18,745**	**9,313**	**(1,916)**	**36,016**	**62,158**
Credit commitments	**17,164**	**4,727**	**118**	**398**	**22,407**
As at 30 June 2010					
Total financial assets	158,676	21,288	4,684	20,465	205,113
Total financial liabilities	165,797	22,177	1,975	903	190,852
Net financial position	(7,121)	(889)	2,709	19,562	14,261
Credit commitments	11,783	12,434	584	793	25,594

	Effect on net profit 2011 N$'000	2010 N$'000
The following is a sensitivity analysis, monitored on the following major currencies of non-equity instruments, had a 3.5% change arisen on the various currencies:		
US Dollar/ Namibia Dollar	**4,417**	(1,900)
British Pounds/ Namibia Dollar	**3,177**	(290)
Euro/ Namibia Dollar	**(723)**	1,087
The following effect of 3.5% change would arise on equity instruments:		
Effect of British Pound denominated equity instrument on net profit before tax	**239**	72
Effect of US Dollar denominated equity instrument on equity	**601**	572

3.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Interest rate risk analysis
Group

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Non-interest sensitive	Total
As at 30 June 2011	**N$ '000**	**N$ '000**	**N$ '000**	**N$ '000**	**N$ '000**	**N$ '000**
ASSETS						
Cash and balances with the Central Bank	444,639	-	-	-	138,335	582,974
Derivative financial instruments	488	-	-	-	-	488
Financial assets at fair value through profit or loss	223,145	182,222	744,759	37,802	6,833	1,194,761
Investment securities	304,458	-	-	-	17,193	321,651
Due from other banks	273,088	-	-	-	89,150	362,238
Loans and advances to customers	12,997,028	-	-	-	7,377	13,004,405
Other assets	43,360	-	-	-	167,599	210,959
Total assets	14,286,206	182,222	744,759	37,802	426,487	15,677,476
LIABILITIES						
Derivative financial instruments	(1,895)	-	-	-	-	(1,895)
Due to other banks	(246,974)	-	-	-	-	(246,974)
Other deposits	(319,166)	(227,800)	(2,595,250)	-	(46,690)	(3,188,906)
Debt securities in issue	(153,932)	-	-	-	(613,379)	(767,311)
Deposits from customers	(9,663,816)	-	-	-	(188,861)	(9,852,677)
Other liabilities	-	-	-	-	(214,544)	(214,544)
Total liabilities	(10,385,783)	(227,800)	(2,595,250)	-	(1,063,474)	(14,272,307)
As at 30 June 2011						
Interest sensitivity gap	3,900,423	(45,578)	(1,850,491)	37,802	(636,987)	1,405,169
Cumulative interest sensitivity gap	3,900,423	3,854,845	2,004,354	2,042,156	1,405,169	-
As at 30 June 2010						
Interest sensitivity gap	4,908,273	(1,418,646)	(3,389,774)	785,138	240,483	1,125,474
Cumulative interest sensitivity gap	4,908,273	3,489,627	99,853	884,991	1,125,474	-

	2011 N$'000	2010 N$'000
The following interest-rate sensitivity is based on the effect of changes to the interest rate over a six month period on net interest income:		
100 basis points increase	**22,130**	27,127
100 basis points decrease	**(22,817)**	(25,492)
The following interest-rate sensitivity is based on the effect of changes to the interest rate on financial assets classified as available-for-sale on net interest income:		
100 basis points increase	**2,957**	2,529
100 basis points decrease	**(2,957)**	(2,529)

In non-banking group companies, the effect would of 100 basis point increase or decrease on the net profit and equity would have been N$1,225,292.

3.2.4 Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified either as available-for-sale or fair value through profit or loss. These securities are listed on FTSE and NYSE.

The Group generally does not undertake equity exposure. The exposure arose due to specific circumstances and are managed individually.

The following sensitivity analysis indicates the impact of a 10% change in the securities valuation:

	2011 N$'000	2010 N$'000
Effect on equity	**1,719**	1,634
Effect on net profit before taxation	**683**	207

3.2.5 Market risk capital charge

The following capital charges have been assigned to the components of market risk for the Banking Group, as defined in BID 5 - Determination on Capital Adequacy:

	Capital charges	
	2011 N$'000	2010 N$'000
Interest rate risk	**5,613**	2,223
Foreign exchange risk	**9,099**	842

3.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

Asset liquidity risk represents the availability of sufficient assets in liquid form to meet pressing obligations. In situations where liquid assets on hand could be utilized to earn a higher return instead of paying current obligations, the opportunity cost also plays a role (i.e. potential higher return less the cost of obtaining replacement liquidity). Liquidity management must attempt to match the most appropriate available liquidity to the most appropriate maturing liabilities.

Funding liquidity risk relates to an enterprise’s capability to generate funding at short notice at reasonable expense to meet pressing liquidity requirements.

The Group’s liquidity management process is outlined in the liquidity policy which includes inter alia the Group's funding strategy. Procedures, as set out in this policy, includes:
• Daily monitoring of liquid assets
• Proactive identification of liquidity requirements and maturing assets
• Liquid asset minimum limit
• Proactively identify short, medium and long term liquidity requirements
• Relationship management with other financial institutions.

Liquidity risk analysis

The table below presents the cash flows payable by the Group by remaining contractual maturities at the date of the consolidated statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flow, hence it does not reconcile to the values reflected on the statement of financial position:

FINANCIAL LIABILITIES	**Up to 1 month** **N$ '000**	**1 - 3 months** **N$ '000**	**3 - 12 months** **N$ '000**	**1 - 5 years** **N$ '000**	**Over 5 years** **N$ '000**	**Total** **N$ '000**
As at 30 June 2011						
Derivative financial instruments	-	1,895	-	-	-	1,895
Due to other banks	246,974	-	-	-	-	246,974
Other deposits	501,650	550,886	1,368,568	957,669	-	3,378,773
Debt securities in issue	122,041	-	27,742	770,045	-	919,828
Deposits from customers	7,667,058	1,484,049	706,583	27,989	-	9,885,679
Other liabilities	214,544	-	-	-	-	214,544
Total liabilities (contractual maturity dates)	8,752,267	2,036,830	2,102,893	1,755,703	-	14,647,693
Commitments	2,472,734	-	-	-	-	2,472,734

Liquidity risk analysis (continued)

	N$ '000 Up to 1 month	N$ '000 1 - 3 months	N$ '000 3 - 12 months	N$ '000 1 - 5 years	N$ '000 Over 5 years	N$ '000 Total
FINANCIAL LIABILITIES						
As at 30 June 2010						
Derivative financial instruments	13,868	(301)	261	-	53	13,881
Other deposits	571,650	868,237	2,673,304	11,861	-	4,125,052
Debt securities in issue	99,773	-	10,188	299,382	-	409,343
Deposits from customers	5,943,667	1,478,645	958,987	53,774	-	8,435,073
Other liabilities	194,497	-	-	-	-	194,497
Total liabilities (contractual maturity dates)	6,823,455	2,346,581	3,642,740	365,017	53	13,177,846
Commitments	1,937,526	-	-	-	-	1,937,526

3.4 Fair values of financial assets and liabilities

(a) Fair value estimation
The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

i) Cash and balances with the Central Bank
Due to its short-term nature, the carrying amount approximates the fair value of these financial assets.

ii) Derivative financial instruments and financial assets at fair value through profit or loss
Financial instruments are measured at fair value using valuation techniques supported by observable market prices or rates.

iii) Investment securities
For listed investment securities, the fair value is derived by using stock market prices, adjusted for any restrictions on its tradability. Unlisted investments are valued using market prices for similar instruments.

iv) Due from other banks
Due from other banks include inter-bank placements. The fair value of overnight deposits is their carrying amount.

v) Loans and advances to customers
The nominal value less impairment provision approximates the fair value.

vi) Deposits and borrowings
The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

vii) Debt securities in issue
The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

viii) Other deposits
The carrying amount approximates the fair value of these financial liabilities.

ix) Trade receivables and payables
The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair value, due to the short-term nature of these assets and liabilities.

x) Financial instruments not recorded on the statement of financial position
The estimated fair values of the financial instruments not recorded on the statement of financial position are based on market prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

(b) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

• Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

• Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like JIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

• Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Assets and liabilities measured at fair value

	Level 1	Level 2	Total
As at 30 June 2011			
Financial assets at fair value through profit or loss			
Debt securities	**-**	**1,187,928**	**1,187,928**
Equity securities	**6,833**	**-**	**6,833**
Derivative financial instruments	**-**	**488**	**488**
Available-for-sale financial assets			
Debt securities	**-**	**304,458**	**304,458**
Equity securities	**17,193**	**-**	**17,193**
	24,026	**1,492,874**	**1,516,900**
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	**-**	**1,895**	**1,895**
	-	**1,895**	**1,895**
As at 30 June 2010			
Financial assets at fair value through profit or loss			
Debt securities	-	1,066,973	1,066,973
Equity securities	2,068	-	2,068
Derivative financial instruments	-	653	653
Available-for-sale financial assets			
Debt securities	-	287,010	287,010
Equity securities	16,341	-	16,341
	18,409	1,354,636	1,373,045
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	-	13,881	13,881

3.5 Classification of financial instruments

Financial assets and liabilities are classified as follows:

Group	Available-for-sale N$'000	Fair value though profit or loss N$'000	Loans and receivables N$'000	Total N$'000
FINANCIAL ASSETS				
Cash and balances with the Central Bank	-	-	582,974	582,974
Derivative financial instruments	-	488	-	488
Financial assets at fair value through profit or loss	-	1,194,761	-	1,194,761
Investment securities	321,651	-	-	321,651
Due from other banks	-	-	362,238	362,238
Loans and advances to customers	-	-	13,004,405	13,004,405
Other assets	-	-	-	-
	321,651	**1,195,249**	**13,949,617**	**15,466,517**

3.5 Classification of financial instruments (continued)

	Fair value though profit or loss N$'000	Other financial liabilities N$'000	Total N$'000
FINANCIAL LIABILITIES			
Derivative financial instruments	1,895	-	1,895
Due to other banks		246,974	246,974
Other deposits	-	3,188,906	3,188,906
Debt securities in issue	-	767,311	767,311
Deposits from customers	-	9,852,677	9,852,677
Other liabilities	-	214,544	214,544
	1,895	**14,270,412**	**14,272,307**

3.6 Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are to:
- Comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate;
- Safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain a strong capital base to support the development of its business.

Capital management for the banking Group
Bank of Namibia requires each bank or banking group to hold the minimum level of the regulatory capital of N$10 million, as well as to maintain the following capital adequacy ratios:
- Tier 1 capital to total assets, as reported in the statutory return, at a minimum of 6%, referred to as leverage capital ratio;
- Tier 1 capital to the risk-weighted assets at a minimum of 7%, referred to as Tier 1 risk-based capital ratio; and
- The total regulatory capital to risk weighted assets at a minimum of 10%, referred to as total risk-based capital ratio.

The Group's regulatory capital is divided into three tiers:
- Tier 1 capital: share capital (net of any book values of the treasury shares, if any), minority interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital;
- Tier 2 capital: qualifying subordinated loan capital and collective impairment allowances; and
- Tier 3 capital: includes short-term subordinated debt that may be used only to cover a portion of banking institution's capital charges for market risk.

Bank of Namibia has adopted a standardised approach to BASEL II, with risk-weighted assets being measured at three different level, operational risk, market risk and credit risk.

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended 30 June. During these two years, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subjected.

	Group	
	2011 N$'000	2010 N$'000
Tier 1 capital		
Share capital and premium	**163,506**	163,506
General banking reserves	**1,132,299**	973,377
Retained earnings	**4,917**	445
Total qualifying Tier 1 capital	**1,300,722**	1,137,328
Tier 2 capital		
Subordinated debt	**312,215**	197,572
Portfolio impairment	**131,244**	114,146
Total qualifying Tier 2 capital	**443,459**	311,718
Tier 3 capital	**-**	-
Total regulatory capital	**1,744,181**	1,449,046

3.6 Capital management (continued)

Risk-weighted assets:		
Operational risk	**1,187,798**	1,039,075
Credit risk	**11,864,020**	10,454,211
Market risk	**147,117**	30,646
Total risk-weighted assets	**13,198,935**	11,523,932
Capital adequacy ratios:		
Leverage capital ratio	**8.3%**	8.0%
Tier 1 risk-based capital ratio	**9.9%**	9.9%
Total risk-based capital ratio	**13.2%**	12.6%

In addition the above minimum capital requirements, Bank of Namibia requires the Group to perform an Internal Capital Adequacy and Assessment Process (ICAAP) in terms of Pillar II of BASEL II, which has been documented and approved by the Board. The process results in the following:
- the identification of all risks exposure to the Group;
- quantification of risk appetites for the major risks identified; and
- control measures to mitigate the major risks.

Based on the ICAAP assessment performed on 30 September 2010, which includes a capital projection for the next five years, it is envisaged the Group's capital will be able to maintain its capital ratios and will not require additional capital above the minimum requirements.

4 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses
Estimates in assessing the general impairment are dependant on the analysis of historical data relating to probability of default, emergence period and loss given default. Specific impairment is triggered for individual non-performing loans. Non-performing loans comprises of loans due and unpaid for longer than 60 days, as well as other loans where events have been identified which would compromise the repayability of the loan.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Impairment of available for-sale equity investments
The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. There were no such evidence requiring impairment for the year ended 30 June 2011.

(c) Fair value of financial instruments
The fair value of financial instruments requires the use of estimates and judgements. Refer to 3.4 above for methodology and assumptions utilised.

(d) Post-employment benefits
The present value of the severance pay liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the liability.

The assumptions used in determining the net cost include the discount rate. The Group determined this discount rate based on the yield of South African government bonds. Other key assumptions is based on generally accepted demographic tables.

	Group		Company	
	2011	**2010**	**2011**	**2010**
	N$'000	**N$'000**	**N$'000**	**N$'000**
5. Net interest income				
Interest and similar income				
Loans and advances	**1,233,752**	1,147,744		
Cash and short-term funds	**41,463**	38,247		
Financial assets designated at fair value through profit or loss	**55,194**	114,375		
Available-for-sale financial assets	**17,448**	18,218		
Other	**3,682**	-		
	1,351,539	1,300,366		
Interest and similar expenses				
Banks and customers	**651,676**	714,092		
Other borrowed funds	**28,547**	18,533		
	680,223	732,625		
6. Impairment charges on loans and advances				
Increase in specific impairment	**25,644**	21,307		
Increase in portfolio impairment	**1,915**	2,172		
Amounts recovered during the year	**(430)**	(663)		
	27,129	22,816		
7. Fee and commission income				
Transaction and related fees	**287,420**	251,193		
Commissions	**9,541**	7,753		
Trust and other fiduciary fees	**4,254**	3,733		
	301,215	262,679		
8. Net trading income				
Net foreign exchange gains and losses from trading assets	**37,153**	49,200		
Net gain from financial instruments at fair value through profit or loss	**7,291**	1,318		
	44,444	50,518		
9. Other operating income				
Brokerage commission	**42,704**	41,700	**-**	-
Dividend income	**1,816**	755	**143,315**	102,337
Foreign exchange loss	**-**	(1,891)	**-**	(1,891)
Interest received	**7,657**	8,256	**4,025**	4,969
Management fees received	**1,674**	1,985	**-**	-
(Loss)/ profit on sale of property, plant and equipment	**(618)**	985	**-**	-
Reversal of provision	**-**	1,400	**-**	-
Support services rendered	**3,030**	4,966	**-**	-
Other	**992**	2,316	**3,746**	3,149
	57,255	60,472	**151,086**	108,564
10. Staff costs				
Wages and salaries	**322,611**	280,701		
Staff training and transfer cost	**3,899**	4,464		
Pension costs - defined contribution plan	**22,501**	20,078		
Severance pay liability	**973**	4,323		
	349,984	309,566		

	Group		Company	
	2011	2010	2011	2010
	N$'000	N$'000	N$'000	N$'000

11. Operating expenses

Expenses by nature				
Advertising and marketing	**19,058**	18,201	**-**	-
Amortization and impairment of intangibles	**3,508**	1,080	**-**	-
Association transaction fees	**25,761**	23,831	**-**	-
Auditors remuneration				
- Audit fees	**2,091**	2,226	**146**	92
- Fees for other services	**147**	344	**-**	-
Directors' emoluments				
- Non-executive directors	**-**	-	**428**	446
Depreciation and impairment of property, plant and equipment	**29,394**	29,107	**-**	-
Finance cost	**10,053**	11,288	**10,053**	11,126
Intragroup consultancy and management fees	**21,204**	10,764	**3,747**	3,119
Operating lease rentals - immovable property	**38,542**	34,921	**-**	-
Professional services	**8,602**	7,326	**-**	-
Repairs and maintenance	**14,023**	14,918	**-**	-
Royalties paid on trade mark	**722**	729	**-**	-
Staff costs (Note 10)	**349,984**	309,566	**-**	-
Sub-agents commission	**1,182**	857	**-**	-
Technology costs	**31,367**	31,544	**-**	-
Other expenses	**87,637**	81,263	**99**	397
	643,275	577,965	**14,473**	15,180

12. Share of associates' results

Profit before taxation	**67,423**	46,446
Taxation	**(12,609)**	(12,137)
	54,814	34,309

13. Income tax expense

Current tax	**130,165**	98,956	**249**	(75)
- Current year	**129,988**	108,243	**72**	(75)
- Prior year	**177**	(9,287)	**177**	-
Deferred tax	**3,880**	(338)	**-**	-
- Current year	**3,880**	(659)	**-**	-
- Prior year	**-**	321	**-**	-
	134,045	98,618	**249**	(75)

The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate as follows:

Profit before tax and results from associates	**407,741**	345,757	**136,613**	93,384
Tax calculated at a tax rate of 34% (2010: 34%)	**138,632**	117,557	**46,448**	31,751
Prior year adjustment	**177**	(75)	**177**	(75)
Income not subject to tax	**(6,514)**	(12,458)	**(50,017)**	(36,310)
Expenses not deductible for tax purposes	**4,518**	4,229	**3,641**	3,783
Tax losses not utilised	**-**	-	-	776
Utilised tax loss previously not recognised	**(442)**	(1,671)	-	-
Special allowance	**(2,326)**	(8,964)	**-**	-
Income tax expense	**134,045**	98,618	**249**	(75)
Effective interest rate	**33%**	29%	**0%**	0%

	Group		Company	
	2011 N$'000	**2010 N$'000**	**2011 N$'000**	**2010 N$'000**

14. Cash and balances with the Central Bank

Cash and bank balances	**262,489**	315,920	**99,436**	60,617
Balances with the Central Bank other than mandatory reserve deposits	**182,150**	364,020	**-**	-
Included in cash and cash equivalents	**444,639**	679,940	**99,436**	60,617
Mandatory reserve deposits with the Central Bank	**138,335**	125,821	**-**	-
	582,974	805,761	**99,436**	60,617

Mandatory reserve deposits are not available for use in the Group's day-to-day operations. Cash and bank balances as well as balances with the Central Bank and mandatory reserve deposits are non-interest-bearing.

15. Derivative financial instruments

Currency swap	**488**	-
Interest rate swaps	**-**	653
	488	653

A currency swap is a contract to exchange cash flows denominated in foreign currency. The notional amounts at the initiation of the contract was N$19 million.

16. Financial assets at fair value through profit or loss

Treasury bills	**1,120,928**	930,248
Government stocks	**37,802**	24,403
Equity securities	**6,833**	2,068
Money market investments	**29,198**	101,453
Other debt securities	**-**	10,870
	1,194,761	1,069,042

The above debt securities are managed and their performance evaluated on a fair value basis in accordance with a documented risk management strategy.

Treasury bills with a nominal value of N$305,000,000 (2010: N$670,000,000) are available at Bank of Namibia for collateral should the need arise. At year-end, there were no treasury bills utilised for security purposes (2010: NIL) at Bank of Namibia, although N$108.9 million of treasury bills have been collateralised under a sale-and-buyback agreement, which matured on 05 July 2011.

17. Investment securities

Securities available-for-sale - Listed	**17,193**	16,341	-	-
Securities available-for-sale - Unlisted	**304,458**	287,010	-	-
	321,651	303,351	-	-

Gains and losses arising from these investments are as follows:

Foreign exchange losses	**-**	(1,800)	**-**	(1,800)

The movement during the year is summarised as follows:

Opening balance	**303,351**	333,102	-	48,993
Disposals	**-**	(47,193)	-	(47,193)
Interest capitalised	**17,448**	18,217	-	-
Fair value gains	**852**	1,025	-	-
Foreign exchange loss	**-**	(1,800)	-	(1,800)
	321,651	303,351	-	-

	Group		Company	
	2011	**2010**	**2011**	**2010**
	N$'000	**N$'000**	**N$'000**	**N$'000**
18. Due from other banks				
Placement with other banks	**362,238**	403,712	-	-

19. Loans and advances to customers

	2011 N$'000	**2010 N$'000**
Overdrafts	**2,157,334**	2,048,605
Term loans	**2,675,288**	2,394,252
Mortgages	**6,063,829**	5,054,614
Installment finance	**2,079,801**	1,787,583
Other	**139,137**	138,591
Gross loans and advances	**13,115,389**	11,423,645
Less impairment		
Specific impairment	**67,719**	62,003
Portfolio impairment	**43,265**	41,350
	13,004,405	11,320,292
Movement in impairment for the Group is as follows:		
Balance at the beginning of the year	**103,353**	113,335
Provision for loan impairment	**27,559**	23,479
Amounts written off during the year as uncollectible	**(19,928)**	(33,461)
Balance at the end of the year	**110,984**	103,353

	2011		2010	
	N$	**%**	**N$**	**%**
Maturity analysis of loans and advances to customers for the				
Repayable within 1 month	**2,325,995**	**17.7**	2,145,709	19.0
Repayable after 1 month but within 3 months	**177,540**	**1.4**	42,583	0.9
Repayable after 3 months but within 6 months	**123,549**	**0.9**	103,147	0.4
Repayable after 6 months	**10,488,291**	**80.0**	9,132,206	79.7
	13,115,375	**100.0**	11,423,645	100.0

	Group	
	2011	**2010**
	N$'000	**N$'000**
The loans and advances to customers include installment finance		
Repayable within 1 year	**141,683**	67,770
Repayable after 1 year but within 5 years	**2,601,277**	1,970,997
Repayable after 5 years	**11,659**	42,370
Gross investment in installment finances	**2,754,619**	2,081,137
Unearned future finance income on installment finances	**(706,212)**	(374,954)
Net investment in installment finances	**2,048,407**	1,706,183

	2011 N$'000	2010 N$'000 As restated	2009 N$'000 As restated
20. Other assets			
Group			
Insurance fund asset (refer to note 45)	**43,360**	34,923	34,923
Accounts receivable and prepayments	**21,327**	22,489	37,954
Clearing, settlement and internal accounts	**106,778**	174,196	164,170
Other taxes	**137**	179	116
Repossessed property	**1,126**	2,220	3,689
Work-in-progress	**38,231**	25,323	-
	210,959	259,330	240,852
Company			
Accounts receivable and prepayments	**2,040**	2,375	5,203
Other taxes	**64**	44	31
	2,104	2,419	5,234

	Group		Company	
	2011 N$'000	2010 N$'000	2011 N$'000	2010 N$'000
21. Investment in subsidiaries				
Shares at cost			**225,402**	225,402
Indebtedness by subsidiaries			**-**	-
Total investment in subsidiaries			**225,402**	225,402
Directors' valuation of investment in shares			**1,259,341**	1,259,341
Non-current			**225,402**	225,402

22. Investment in associates

Santam Namibia Ltd
The Group holds a 25% interest in Santam Namibia Ltd, a short-term insurance company.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Carrying value of investment in associate				
Cost	**50,772**	50,772	**50,772**	50,772
Share of current year's retained income	**19,953**	14,420		
- Profit before tax	**29,509**	22,297		
- Current and deferred tax	**(9,556)**	(7,877)		
Dividends received	**(15,000)**	(9,000)		
Post acquisition retained income at the beginning of the year	**13,433**	8,013		
	69,158	64,205	**50,772**	50,772
Summarised financial information				
Non-current assets	**202,103**	196,354		
Technical assets	**84,136**	93,208		
Current assets	**247,884**	200,326		
Non-current liabilities	**(19,857)**	(13,923)		
Technical liabilities	**(225,764)**	(202,793)		
Current liabilities	**(81,518)**	(86,001)		
Capital and reserves	**206,984**	187,171		

	Group		Company	
	2011	**2010**	**2011**	**2010**
	N$'000	**N$'000**	**N$'000**	**N$'000**

22. Investment in associates (continued)

Sanlam Namibia Holdings Limited

Bank Windhoek Holdings Ltd holds an effective 30% , non-controlling interest in Sanlam Namibia Holdings Ltd, a Namibian company providing a variety of financial services.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Carrying value of investment in associate				
Cost/ Investment	**47,290**	47,290	**47,290**	47,290
Share of current year's retained income	**35,004**	20,493		
- Profit before tax	**38,057**	24,753		
- Current and deferred tax	**(3,053)**	(4,260)		
Dividends paid	**(33,878)**	(11,784)		
Post acquisition retained income at the beginning of the year	**32,828**	24,119		
	81,244	80,118	**47,290**	47,290
Summarised financial information				
Non-current assets	**1,816,860**	1,586,832		
Current assets	**96,958**	111,603		
Non-current liabilities	**(1,566,338)**	(1,362,555)		
Current liabilities	**(134,862)**	(127,083)		
Capital and reserves	**212,618**	208,797		

VTB (Pty) Ltd

The Group holds 49.67% non-controlling interest in VTB Capital Namibia (Pty) Ltd, a financial consulting company.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Carrying value of investment in associate				
Cost/ Investment	**1,788**	22,881	**1,788**	22,881
Reduction in share capital	**-**	(21,093)	**-**	(21,093)
Share of current year's retained income	**(143)**	(604)		
- Profit before tax	**(143)**	(604)		
- Current and deferred tax	**-**	-		
Dividends	**-**	(2,400)		
Post acquisition retained income at the beginning of the year	**(13)**	2,991		
	1,632	1,775	**1,788**	1,788
Summarised financial information				
Non-current assets	**69**	144		
Current assets	**3,262**	3,488		
Current liabilities	**(6)**	(14)		
Capital and reserves	**3,325**	3,618		
Total investment in associate	**152,034**	146,098	**99,850**	99,850
Directors' valuation	**152,034**	146,098	**99,850**	99,850

23. Interest in joint ventures

The value of the Group's share in assets, liabilities, income and expenditure is not significant to the Group as a whole. These components are therefore not disclosed.

	Group		Company	
	2011	**2010**	**2011**	**2010**
	N$'000	**N$'000**	**N$'000**	**N$'000**

23. Interest in joint ventures (continued)

23.1 Jointly controlled operations

The Group has a 50% share in a joint venture with American Express Foreign Exchange. The joint venture was established to carry on the travel related foreign exchange business of buying and selling of foreign notes and travellers cheques and travel related drafts in Namibia.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Opening balance	**1,577**	1,682		
The Group's share of the profit in the joint venture	**3,287**	4,895		
Profit distribution	**-**	(5,000)		
Closing balance	**4,864**	1,577		

23.2 Jointly controlled entity

The Group obtained a 25% interest in Namclear (Pty) Ltd during 2005. According to the joint venture agreement, a unanimous vote from all shareholders is required to effect a resolution.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Opening balance	**2,601**	5,368		
Reduction in share capital	**-**	(3,000)		
The Group's share of the profit in the joint venture	**628**	233		
Dividends	**(1,000)**	-		
Closing balance	**2,229**	2,601		
Total investments	**7,093**	4,178		
Directors' valuation of investment in shares	**7,093**	4,178	-	-
Non-current	**7,093**	4,178		

24. Intangible assets

	Trademarks N$'000	**Software and related development costs N$'000**	**Other intangibles N$'000**	**Total N$'000**
Group				
Year-end - 30 June 2011				
Cost:				
Cost at 1 July 2010	**7,203**	**49,269**	**6,843**	**63,315**
Additions	**-**	**14,000**	**-**	**14,000**
Cost at 30 June 2011	**7,203**	**63,269**	**6,843**	**77,315**
Amortisation and impairment:				
Amortisation and impairment at 1 July 2010	**(4,326)**	**(49,269)**	**(6,843)**	**(60,438)**
Charge for the year	**(959)**	**(1,845)**	**-**	**(2,804)**
Impairment for the year	**-**	**(704)**	**-**	**(704)**
Amortisation and impairment at 30 June 2011	**(5,285)**	**(51,818)**	**(6,843)**	**(63,946)**
Net book value at 30 June 2011	**1,918**	**11,451**	**-**	**13,369**

24. Intangible assets (continued)

	Trademarks N$'000	Software and related development costs N$'000	Other intangibles N$'000	Total N$'000
Year-end - 30 June 2010				
Cost				
Balance at the beginning and end of the year	7,203	49,269	6,843	63,315
Amortisation and impairment				
Amortisation at 1 June 2009	(3,367)	(49,269)	(6,722)	(59,358)
Charge for the year	(959)	-	-	(959)
Impairment for the year	-	-	(121)	(121)
Amortisation and impairment at 30 June 2010	(4,326)	(49,269)	(6,843)	(60,438)
Net book value at 30 June 2010	2,877	-	-	2,877

All intangible assets are held by the Group, none are held by the Company.

Intangible assets consist of computer software, including its related acquisition and development costs, as well as trademark costs associated with the Bank Windhoek trademark. The software and development costs are owned by the Company, whilst the trademark is owned by the subsidiary, Intellect Investment Namibia (Pty) Ltd.

25. Property, plant and equipment

	Freehold land and buildings N$'000	Computer and other equipment N$'000	Vehicles N$'000	Furniture, fittings and other office equipment N$'000	Total N$'000
Group					
Year-end - 30 June 2011					
Cost					
Cost at 1 July 2010	**54,172**	**135,484**	**10,979**	**114,647**	**315,282**
Additions	**-**	**16,620**	**2,055**	**11,193**	**29,868**
Transfers	**(4,590)**	**1,394**	**-**	**3,196**	**-**
Disposals	**(577)**	**(489)**	**(349)**	**(2,062)**	**(3,477)**
Cost and valuation at 30 June 2011	**49,005**	**153,009**	**12,685**	**126,974**	**341,673**
Depreciation and impairment					
Accumulated depreciation at 1 July 2010	**(8,463)**	**(102,217)**	**(8,003)**	**(64,774)**	**(183,457)**
Charge for the year	**(1,687)**	**(12,903)**	**(1,297)**	**(12,102)**	**(27,989)**
Transfers	**-**	**(950)**	**-**	**950**	**-**
Depreciation on disposals	**433**	**388**	**325**	**1,516**	**2,662**
Impairment	**-**	**(1,405)**	**-**	**-**	**(1,405)**
Accumulated depreciation at 30 June 2011	**(9,717)**	**(117,087)**	**(8,975)**	**(74,410)**	**(210,189)**
Net book value at 30 June 2011	**39,288**	**35,922**	**3,710**	**52,564**	**131,484**
Year-end - 30 June 2010					
Cost					
Cost at 1 July 2009	56,770	123,668	10,621	99,334	290,393
Additions	6,075	15,069	548	11,629	33,321
Transfers	(7,173)	2,790	-	4,383	-
Disposals	(1,500)	(6,043)	(190)	(699)	(8,432)
Cost at 30 June 2010	54,172	135,484	10,979	114,647	315,282

25. Property, plant and equipment (continued)

	Freehold land and buildings N$'000	Computer and other equipment N$'000	Vehicles N$'000	Furniture, fittings and other office equipment N$'000	Total N$'000
Group					
Year-end - 30 June 2010					
Depreciation and impairment					
Accumulated depreciation at 1 July 2009	(6,569)	(86,968)	(6,722)	(54,774)	(155,033)
Charge for the year	(1,677)	(14,725)	(1,323)	(11,382)	(29,107)
Transfers	(217)	(713)	-	930	-
Depreciation on disposals	-	189	42	452	683
Accumulated depreciation at 30 June 2010	(8,463)	(102,217)	(8,003)	(64,774)	(183,457)
Net book value at 30 June 2010	45,709	33,267	2,976	49,873	131,825

Details regarding the fixed properties are available to shareholders at the registered office of the Group. The Company does not own any property, plant and equipment.

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
26. Derivative financial instruments				
Foreign exchange currency contracts	**-**	**13,828**		
Currency swap	**-**	**53**		
Interest rate swaps	**1,895**	**-**		
	1,895	**13,881**		

Interest rate swaps are commitments to exchange one set of cash flows for another and result in an economic exchange of a fixed rate for a floating rate or vice versa. No exchange of principal takes place.

The notional principal amount of the outstanding interest rate swap contracts at 30 June 2011 was N$500 million (2010: N$675 million).

27. Due to other banks

	Group 2011 N$'000	Group 2010 N$'000
Current account	**28,974**	-
Borrowings from other banks	**218,000**	-
	246,974	-

28. Other deposits

	Group 2011 N$'000	Group 2010 N$'000
Negotiable certificates of deposit (NCDs)	**3,188,906**	3,970,799

29. Debt securities in issue

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Balance as at 1 July	**352,133**	354,160	**154,561**	155,511
Redemption	**(90,000)**	-	**-**	-
Additions	**500,801**	-	**-**	-
Effective interest rates adjustment	**38,600**	29,658	**10,053**	11,125
Coupon payment	**(34,223)**	(31,685)	**(10,682)**	(12,075)
Balance as at 30 June	**767,311**	352,133	**153,932**	154,561
Current	**-**	93,508	**-**	-
Non-current	**767,311**	258,625	**153,932**	154,561
	767,311	352,133	**153,932**	154,561

29. Debt securities in issue (continued)

The company has an issued 150,000 cumulative, redeemable preference shares at 1c per share. The preference shares are redeemable on 14 December 2012.

Debt securities in issue by the Group comprises of subordinated debts, senior debt and promissory notes with a combined nominal value of N$600 million.

During the year, N$400 million of subordinated and senior debt was issued under the Group's Domestic Medium Term Note Programme, a programme registered with the Namibian Stock Exchange.

30. Deposits from customers

	Group		Company	
	2011 N$'000	2010 N$'000	2011 N$'000	2010 N$'000
Current accounts	**2,948,157**	2,591,466	-	-
Savings accounts	**691,829**	591,125	-	-
Other deposits	**6,212,691**	5,237,256	-	-
	9,852,677	8,419,847	-	-

	2011		2010	
	N$'000	%	N$'000	%
Group				
Maturity analysis within the customer current, savings, deposit account portfolio for the Group were as follows:				
Withdrawable on demand	**7,432,590**	**75.4**	5,834,471	69.3
Maturing within 1 month	**233,449**	**2.4**	238,754	2.8
Maturing after 1 month but within 6 months	**1,972,198**	**20.0**	1,470,847	17.5
Maturing after 6 months	**214,440**	**2.2**	875,775	10.4
	9,852,677	**100.0**	8,419,847	100.0

31. Other liabilities

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Accounts payable and other accruals	**103,213**	86,011	**1,808**	937
Deferred revenue	**3,529**	3,223	**-**	-
Other taxes	**4,873**	9,464	**-**	-
Internal and settlement accounts	**102,929**	118,843	**-**	-
	214,544	217,541	**1,808**	937

	Group		Company	
	2011 N$'000	2010 N$'000	2011 N$'000	2010 N$'000

32. Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 34% (2010: 34%).

	2011 N$'000	2010 N$'000 As restated	2009 N$'000 As restated
Group			
The movement on the deferred income tax account is as follows:			
Balance as at 1 July	**128,623**	117,087	116,044
Prior year adjustment	**-**	-	17
Income statement charge	**3,880**	(338)	1,026
Prior year restatement (refer to note 45)	**-**	11,874	11,874
Balance as at 30 June	**132,503**	128,623	128,961

32. Deferred income tax (continued)

	2011 N$'000	**2010 N$'000 As restated**	**2009 N$'000 As restated**
Deferred income tax assets and liabilities are attributable to the following items:			
Deferred income tax liability			
Accelerated tax depreciation and amortisation	**19,761**	20,329	20,540
Loans and receivables	**11,055**	15,225	12,926
Government stock and other securities	**125,801**	113,799	106,120
Derivative financial instruments	**-**	52	213
Other temporary differences	**2,395**	4	2,287
	159,012	149,409	142,086
Deferred income tax asset			
Accruals	**17,788**	15,444	7,956
Loan loss provisions	**6,758**	3,725	4,179
Assessed loss	**704**	1,096	6
Derivative financial instruments	**478**	-	-
Deferred revenue	**781**	521	984
	26,509	20,786	13,125
Net deferred income tax liability	**132,503**	128,623	128,961

33. Post-employment benefits

	Group		**Company**	
	2011 N$'000	**2010 N$'000**	**2011 N$'000**	**2010 N$'000**
33.1 Severence pay liability				
A valuation was performed on 30 June 2010 by an independent actuary on the Group's liability with respect to severance pay. The benefit is not funded.				
The amount recognised in the consolidated statement of financial position are determined as follows:				
Present value of unfunded obligation	**5,288**	4,323	-	-
The movement in the severance pay obligation over the year is as follows:				
As at 1 July	**4,323**	-	-	-
Recognition of severance pay obligation	**-**	3,735	-	-
Current service costs	**973**	588	-	-
Benefits paid	**(8)**	-	-	-
As at 30 June	**5,288**	4,323	**5,288**	5,288
The amounts recognised in the consolidated statement of comprehensive income as follows:				
Past service costs	**-**	3,735	-	-
Current service costs	**973**	588	-	-
	973	4,323	-	-
The principle actuarial assumptions used were as follows:				
Discount rate	**9.05**	9.05	-	-
Inflation rate	**5.90**	5.90	-	-
Salary increases	**7.40**	7.40	-	-
The following sensitivity of the overall liability to changes in				
Salary increase 1% lower per annum	**4,085**	4,085	-	-
Salary increase 1% higher per annum	**4,587**	4,587	-	-

33. Post-employment benefits (continued)

33.2 Medical aid scheme

The Group has no liability in respect of post-retirement medical aid contributions.

33.3 Pension schemes

All full-time permanent employees are members of the Capricorn Investment Holdings Retirement 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 1956, which requires an actuarial valuation every three years. The latest actuarial valuation was carried out on 31 March 2010 and in the actuary's opinion the fund was in a sound financial position at that date. The valuation confirmed that the value of the assets in the fund exceeded the value of the actuarially determined liabilities.

The Group currently contributes 12% of basic salary to the fund whilst the members contribute 7.5%.

	Group		Company	
	2011	**2010**	**2011**	**2010**
	N$'000	**N$'000**	**N$'000**	**N$'000**
34. Share capital and premium				
Authorised share capital				
150,000,000 ordinary shares of 10c each	**15,000**	15,000	**15,000**	**15,000**
1,000,000 redeemable preference shares at 1 c each	**10**	10	**10**	10
Issued ordinary share capital				
Balance as at 1 July	**11,180**	11,175	**11,180**	11,175
Shares issued during the year	**23**	5	**23**	5
Balance as at 30 June	**11,203**	11,180	**11,203**	11,180
Share premium				
Balance as at 1 July	**73,032**	72,515	**73,032**	72,515
Shares issued during the year	**2,710**	517	**2,710**	517
Balance at 30 June	**75,742**	73,032	**75,742**	73,032
Total ordinary share capital and premium	**86,945**	84,212	**86,945**	84,212

Issued preference share capital

During 2009, the company issued 150,000 cumulative, redeemable preference shares at 1c per share. Refer to note 29.

Unissued shares

All the unissued shares are under the control of the directors in terms of a general authority to allot and issue them on such terms and conditions and at such time as they deem fit. This authority expires at the forthcoming annual general meeting, when the authority can be renewed.

The total issued number of ordinary shares at year-end was 112,033,000 (2010: 111,800,000)

35. Non-distributable reserves

35.1 Credit risk reserve

	Group 2011 N$'000	Group 2010 N$'000
Balance at 1 July	**72,481**	57,351
Transfer from retained earnings	**14,968**	15,130
Balance as at 30 June	**87,449**	72,481

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
35. Non-distributable reserves (continued)				
35.1 Credit risk reserve (continued)				
The regulatory credit risk reserve was introduced in order to meet the regulatory requirements for the loan loss portfolio impairment of Bank Windhoek Limited.				
35.2 Insurance fund reserve				
Balance as at 1 July, as restated (refer to note 45)	**23,049**	23,049		
Transfer from retained earnings	**5,568**	-		
Balance as at 30 June	**28,617**	23,049		
The insurance reserve was created to fund a portion, net of deferred tax, of the regulatory requirement to hold a certain level of insurance specific for banking risk.				
Total non-distributable reserves	**116,066**	95,530		
36. Distributable reserves				
35.1 Fair value reserve				
Balance as at 1 July	**16,341**	15,316	-	-
Revaluation of available-for-sale equity instruments	**852**	1,025	-	-
Balance as at 30 June	**17,193**	16,341	-	-
35.2 General banking reserve				
Balance as at 1 July	**973,377**	815,730	-	-
Transfer from retained earnings	**158,922**	157,647	-	-
Balance as at 30 June	**1,132,299**	973,377	-	-
The general banking reserve is maintained to fund future expansion.				
35.3 Retained earnings				
Balance as at 1 July, as previously stated	**165,441**	195,852	**148,868**	192,923
Restatement (refer to note 45)	**-**	23,049	**-**	-
Transfers to reserves	**-**	(23,049)	**-**	-
Balance as at 1 July, as restated	**165,441**	195,852	**148,868**	192,923
Net profit for the year	**327,374**	279,880	**136,364**	93,459
Transfers to reserves	**(179,458)**	(172,777)	**-**	-
Dividends declared	**(100,830)**	(137,514)	**(100,830)**	(137,514)
Balance as at 30 June	**212,527**	165,441	**184,402**	148,868
Total distributable reserve	**1,362,019**	1,155,159	**184,402**	148,868

37. Contingent assets, liabilities and commitments

37.1 Unit trust repurchase agreement

Bank Windhoek Limited has entered into an agreement with Capricorn Unit Trust Management Company Limited as follows: In the event of a credit default event the Bank will refund the Selekt Fund for any shortfall that may occur in the realisation of the capital of specified portfolio assets pertaining to investments held in the largest five South African Banks and government stock. A credit default event is defined as any event that destroys or significantly reduces the value of a security or jeopardizes the future return capabilities of the security or non-performance of the investment in terms of complying with the original investment agreement, specifically related to the investment's maturity date and applicable maturity value and interest payments. The guarantee is subject to certain set conditions and is limited to the realised shortfall between the last determined market value of the underlying investments and the realised value of the underlying investment.

	Group		Company	
	2011	**2010**	**2011**	**2010**
	N$'000	**N$'000**	**N$'000**	**N$'000**

37. Contingent assets, liabilities and commitments (continued)

37.1 Unit trust repurchase agreement (continued)

In addition to the monitoring of the guarantee under the risk management framework described in note 3, the interbank limits takes into account the total exposure, being the combined exposure of the Bank and the Fund, to any one counterparty. This combined exposure also complies with limits set by the Bank of Namibia and is appropriately monitored.

As there was no credit default event at year-end, there was no shortfall that needed to be quantified.

	Group 2011 N$'000	Group 2010 N$'000
37.2 Capital commitments		
- Authorised but not contracted for	**66,762**	55,950
37.3 Letters of credit and liabilities under guarantees	**962,340**	738,433
37.4 Loan commitments	**1,510,394**	1,199,093
37.5 Operating lease commitments		
Office premises		
- Not later than 1 year	**22,273**	23,161
- Later than 1 year but not later than 5 years	**36,162**	39,307
	58,435	62,468

Funds to meet these commitments will be provided from own resources.

38. Dividends per share

Normal dividends of 90 cents per share (2010: 52c) amounting to N$100.8 million (2010: N$58.1 million) were declared during the year under review. The normal dividends declared represent an interim dividend of 52 cents (2010: 19 cents) per share and a final dividend of 38 cents (2010: 33 cents) per share. No special dividends were declared during the year (2010: N$79.4 million representing 71 cents per share).

Dividends paid by subsidiaries to minorities amounted to N$0.4 million (2010: N$1.3 million).

39. Cash generated by operations

	Group 2011 N$'000	Group 2010 N$'000	Company 2011 N$'000	Company 2010 N$'000
Profit before income tax	**462,555**	380,065	**136,613**	93,384
Dividends received	**(1,816)**	(755)	**(143,315)**	(102,337)
Adjusted for non-cash items:				
- Accrued interest expense	**38,600**	29,658	**10,053**	11,125
- Accrued interest receivable	**(17,448)**	(18,217)	**-**	-
- Adjustment to fair value of financial instruments	**(155)**	3,845	**-**	-
- Amortisation and impairment of intangible assets	**3,508**	1,080	**-**	-
- Depreciation, amortisation and impairment	**29,394**	29,107	**-**	-
- Unrealised foreign exchange loss	**-**	15,628	**-**	1,800
- Loss / (profit) on disposal of property, plant and equipment	**618**	(985)	**-**	-
- Provision for impairment losses on loans and advances	**27,129**	22,816	**-**	-
- Reversal of provision	**-**	(1,400)	**-**	-
- Provision for post-employment benefits	**965**	4,323		
- Share of associate profits	**(54,814)**	(34,309)	**-**	-
- Share of joint venture profits	**(3,915)**	(5,128)	**-**	-
	484,621	425,728	**3,351**	3,972

	Group		Company	
	2011	**2010**	**2011**	**2010**
	N$'000	**N$'000**	**N$'000**	**N$'000**

40. Income taxes paid (net)

Amounts payable as at 1 July	**2,031**	23,831	**290**	1,079
Current tax charged to profit or loss	**(130,165)**	(98,956)	**(249)**	75
Amounts payable as at 30 June	**(1,495)**	(2,031)	**(295)**	(290)
	(129,629)	(77,156)	**(254)**	864

41. Dividends paid

Amounts unpaid as at 1 July	**-**	-	**-**	-
Amounts charged for the year	**(101,245)**	(138,860)	**(100,830)**	(137,514)
Amounts unpaid as at 30 June	**-**	-	**-**	-
	(101,245)	(138,860)	**(100,830)**	(137,514)

42. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances with less than 90 days maturity:

Cash and balances with the Central Banks (note 14)	**444,639**	679,940	**99,436**	60,617
Treasury bills and Government stocks with a maturity of less than 90 days (note 16)	**266,247**	121,848	**-**	-
Money market investments (note 16)	**29,198**	101,453	**-**	-
Placement with other banks (note 18)	**362,238**	403,712	**-**	-
Borrowings from other banks (note 27)	**(246,974)**	-	**-**	-
	855,348	1,306,953	**99,436**	60,617

43. Related party transactions

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions.

During the year the Group and Company transacted with the following related parties:

Entity	**Relationship**	**Type of transactions**
Capricorn Investment Holdings Ltd	Parent company	Consulting services Support services Banking relationship
Bank Gaborone Ltd	Fellow subsidiary	Support services Banking relationship
Capricorn Asset Management (Pty) Ltd	Fellow subsidiary	Support services Banking relationship
Capricorn Capital (Pty) Ltd	Fellow subsidiary	Support services Banking relationship
Cyan ES (Pty) Ltd	Fellow subsidiary	Technology services
Cavmont Capital Holdings Zambia	Fellow associate	Support services
Nam-mic Financial Services (Pty) Ltd	Fellow associate	Support services Banking relationship
Bank Windhoek Ltd	Subsidiary	Support services Banking relationship
Namib Bou (Pty) Ltd	Subsidiary	Support services Banking relationship
Welwitschia Nam-mic (Pty) Ltd	Subsidiary	Commission Support services Banking relationship

43. Related party transactions (continued)

Entity	Relationship	Type of transactions
CIH Employee Share Trust	SPE of holding company	Banking relationship
CIH Group Employee Share Benefit Trust	SPE of holding company	Banking relationship

	Group		Company	
	2011 N$'000	2010 N$'000	2011 N$'000	2010 N$'000
The volumes of related party transactions and outstanding balances at the year-end are as follows:				
43.1 Receivables from related parties				
Parent company	**1,173**	1,423	**-**	-
Fellow subsidiaries	**974**	1,487	**-**	-
Subsidiaries	**-**	-	**355**	6,883
Other indirect related parties	**166,305**	106,915	**-**	-
Key management personnel	**12,058**	11,061	**-**	-
43.2 Payable to related parties				
Parent company	**13,342**	422	**355**	304
Fellow subsidiaries	**7,108**	1,504	**-**	-
Subsidiaries	**-**	-	**-**	105
Other indirect related parties	**88,893**	61,400	**-**	-
Key management personnel	**-**	-	**-**	-
43.3 Expenses paid to related parties				
Parent company	**6,101**	4,489	**3,746**	3,119
Fellow subsidiaries	**910**	7,207	**10,053**	-
Subsidiaries	**-**	-		5
Other indirect related parties	**7,370**	2,783	**-**	-
Key management personnel	**1,211**	23	**-**	-
43.4 Income received from related parties				
Parent company	**1,155**	554	**-**	-
Fellow subsidiaries	**230**	2,005	**3,796**	-
Subsidiaries	**-**	-	**3,924**	3,119
Other indirect related parties	**5,745**	5,166	**-**	-
Key management personnel	**37**	858	**-**	-
43.5 Compensation paid to key management	**21,649**	25,081	**-**	-

Key management comprise of the executive management team, which includes executive directors.

43.6 Non-Executive Directors emoluments
Refer to note 11.

44. Assets under custody

As at year-end, the Group has N$3,543.9 million (2010: N$1,693.3 million) of assets under custody.

45. Prior period restatement

In terms of BID 14, the Group is required to maintain an insurance coverage specifically for banking risks which includes, inter alia, fraudulent activities and professional indemnity. A review of the cost structure of the required insurance resulted in the risks being spread between re-insurance and self-insurance. A fund, managed and administered by a third party insurer, was created in 2005 to cater for the risk exposures related to the Group's self insurance. The Group, however, incorrectly recorded the combined insurance premiums as operating expense in the year the premiums were paid. On review of the contract related to the self-insurance fund, it has been assessed that the fund meets the definition of a financial asset, although the usage of the fund is restricted due to regulatory requirements.

The effect of the restatement on the Group financial statements is as follows:

	Other assets	Deferred tax	Opening retained earnings	Insurance fund reserve
30 June 2009				
As previous stated	**205,929**	**117,087**	**195,852**	**-**
Restatement				
- Gross	**34,923**	**11,874**	**34,923**	
- Taxation			**(11,874)**	
- Net			**23,049**	
Transfer to non-distributable reserve			**(23,049)**	**23,049**
As restated	**240,852**	**128,961**	**195,852**	**23,049**
30 June 2010				
As previous stated	**224,407**	**116,749**	**165,441**	**-**
Restatement				
- Gross	**34,923**	**11,874**	**34,923**	
- Taxation			**(11,874)**	
- Net			**23,049**	
Transfer to non-distributable reserve			**(23,049)**	**23,049**
As restated	**259,330**	**128,623**	**165,441**	**23,049**

BANK WINDHOEK HOLDINGS LIMITED
and its subsidiaries
Registration no: 96/300

GROUP VALUE ADDED STATEMENT
for the year ended 30 June 2011

	2011 N$'000	2011 %	2010 N$'000	2010 %
Interest earned and other operating income	1,754,453		1,674,035	
Interest paid and direct costs of services	(1,110,770)		(941,910)	
Value added	643,683		732,125	
Distributed as follows:				
To employees				
Remuneration, pension and other benefits	349,011	54%	305,243	42%
To providers of capital				
Dividends to shareholders	100,830	16%	137,514	19%
To government				
Taxes	162,197	25%	131,041	18%
- Direct	130,165		98,956	
- Indirect				
VAT and levies	22,964		22,144	
Stamp duty	9,068		9,941	
Reinvestment within the group				
	31,645	5%	158,327	22%
Depreciation and amortisation	30,793		30,066	
Distributable reserves	852		128,261	
	643,683	100%	732,125	100%